



NatWest
Group

NatWest Markets N.V.

2024 Annual Report and Accounts

Financial review

| | Page |
|--|------|
| Financial review | |
| Presentation of information | 1 |
| Description of business | 1 |
| Performance overview | 2 |
| Chief Executive's statement | 3 |
| Summary consolidated income statement | 4 |
| Consolidated balance sheet | 5 |
| Top and emerging risks | 6 |
| Climate-related disclosures | 8 |
| Risk and capital management | 18 |
| Corporate governance | 54 |
| Financial statements | |
| Consolidated income statement | 64 |
| Consolidated statement of comprehensive income | 64 |
| Consolidated balance sheet | 65 |
| Consolidated statement of changes in equity | 66 |
| Consolidated cash flow statement | 67 |
| Accounting policies | 68 |
| Notes to the consolidated accounts | 73 |
| Parent company financial statements | 109 |
| Other information | 126 |
| Independent auditor's report | 127 |
| Risk factors | 136 |
| Additional information | 156 |
| Forward-looking statements | 156 |

Presentation of information

NatWest Markets N.V. (NWM N.V.) is a wholly owned subsidiary of RBS Holdings N.V. (RBSH N.V.). 'NWM N.V. Group' or 'we' refers to NWM N.V. and its subsidiary and associated undertakings. The term 'RBSH N.V. Group' refers to RBSH N.V. and its subsidiaries, NWM N.V. and RBS International Depository Services S.A. RBSH N.V. is a wholly owned subsidiary of NatWest Markets Plc (NWM Plc). The term 'NWM Group' refers to NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' refers to NatWest Group plc and its subsidiaries. NatWest Group plc (the ultimate holding company) is registered at 36 St Andrew Square, Edinburgh, Scotland.

NWM N.V. publishes its financial statements in 'euro', the European single currency. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively. The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling (GBP), respectively, and references to 'pence' where amounts are denominated in pounds sterling. Reference to 'dollars' or '\$' are to United States of America (US) dollars. The abbreviations '\$m' and '\$bn' represent millions and thousands of millions of dollars, respectively. The term 'EEA' refers to European Economic Area.

Description of business

NWM N.V., a licensed bank, operates as an investment banking firm serving corporates and financial institutions in the European Economic Area. NWM N.V. helps corporate and institutional customers manage their financial risks and achieve their short and long-term financial goals while navigating changing markets and regulation. NWM N.V. does this by providing global market access, financing, risk management and trading solutions. NWM N.V. provides access to public and private markets, funding and capital, leveraging market leading structuring and risk distribution capabilities through the following customer-facing businesses: Trading & Customer Sales and Capital Markets. NWM N.V. is committed to acting sustainably and responsibly and actively supports customers in their transition to achieving broader sustainability goals, working with issuers and investors to develop holistic sustainability strategies. NWM N.V. is based in Amsterdam with branches authorised in Frankfurt, Milan, Paris and Stockholm.

NWM N.V. Group is part of the NatWest Group Commercial & Institutional (C&I) segment.

The European Central Bank (ECB) is tasked with the prudential supervision of RBSH N.V. Group. The Netherlands Authority for the Financial Markets, Autoriteit Financiële Markten (AFM), is responsible for market conduct supervision.

Business developments

- 2024 market conditions have been marked by a series of Central Banks monetary loosening, many elections across the world leading to geopolitical concerns and a prolonged period of stagnation in the European economy.
- From 1 January 2024, the ECB assumed direct supervision of RBSH N.V. and its subsidiary NWM N.V. after confirming in November 2023 that both entities were classified as a 'significant supervised group'.
- In March 2024, Robert Begbie was appointed as the single CEO for C&I on a permanent basis. In May 2024 he announced he would be bringing together Corporate Banking & Structured Finance (CBSF) and Financial Institutions (FI) into a single Corporate and Institutional Banking (CIB) business to unlock value for our institutional and large corporate customers.
- Following these developments and in order to simplify the way we serve C&I customers in Europe, it was decided in December 2024 that NWM N.V. will become NatWest Group's primary European corporate and institutional customer-facing entity, subject to regulatory approval. This will be delivered in the coming period by a measured transition of NatWest Bank Europe GmbH (NWBE) assets to NWM N.V. Group.

Performance overview

NWM N.V. Group reported an attributable profit of €159 million for 2024 compared with €108 million in 2023, primarily reflecting an increase in non-interest income of €44 million and the recognition of additional deferred tax assets in 2024 of €40 million.

Income and balance sheet

- Total income was €301 million compared with €269 million in 2023, primarily driven by higher net fees and commissions of €207 million (2023 - €179 million) and higher income from trading activities of €21 million (2023 - €2 million). This was partially offset by lower net interest income of €120 million (2023 - €132 million).
- Total assets increased to €30.2 billion from €28.2 billion in 2023 and total liabilities increased to €28.2 billion compared with €26.2 billion in 2023. The increase in total assets was primarily driven by increases in trading assets and derivative assets, partially offset by a decrease in amounts due from holding companies and fellow subsidiaries. The increase in total liabilities was mainly due to increases in trading liabilities, derivative liabilities and other financial liabilities, partially offset by decreases in customer deposits and amounts due to holding companies and fellow subsidiaries.

Capital, liquidity and funding

- NWM N.V. Group RWAs decreased to €7.9 billion from €8.2 billion at 31 December 2023, largely driven by a decrease in client positions in the trading book, securities held for investment purposes, and equity investments.
- NWM N.V. Group remained well-capitalised, with a NWM N.V. Group CET1 ratio of 20.4%, above guidance of ~14%.
- The liquidity position also remained strong, with a liquidity portfolio of €7.3 billion and LCR of 247%.
- Capital, funding and liquidity remained closely monitored, with increased tracking and scenario analysis to ensure balance sheet strength.
- Throughout 2024, NWM N.V. Group ensured a stable funding base through various sources of funding, including the customer deposit book, issuances of commercial paper and capital instruments. During 2024, NWM N.V. Group issued €0.5 billion senior unsecured debt securities based on its Euro Medium Term Note (EMTN) programme (2023 - nil).
- NWM N.V. Group maintains an active EMTN programme and may need to utilise it to raise funding, based on its current and anticipated business activities. NWM N.V. Group therefore may be reliant on frequent access to the capital markets for funding, at a cost that can be passed through to its customers.

Key capital and liquidity metrics

| | 2024 | 2023 |
|-------------------------------------|------|------|
| Liquidity coverage ratio (LCR) (%) | 247 | 144 |
| Net stable funding ratio (NSFR) (%) | 142 | 133 |
| Liquidity portfolio (€bn) | 7.3 | 6.5 |
| Total wholesale funding (€bn) (1) | 4.3 | 4.0 |
| Total funding including repo (€bn) | 16.7 | 16.4 |
| Common Equity Tier (CET1) ratio (%) | 20.4 | 19.0 |
| CRR leverage ratio (%) | 7.2 | 7.0 |
| Total capital ratio (%) | 25.5 | 23.9 |
| Risk-weighted assets (RWAs) (€bn) | 7.9 | 8.2 |

(1) Wholesale funding comprises bank deposits (excluding repos), debt securities in issue and third-party subordinated liabilities.

Outlook⁽¹⁾

Medium-term outlook

| Metric | Estimate |
|----------------|----------|
| CET1 ratio | ~14% |
| Leverage ratio | >4% |

(1) The targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in the Risk Factors section on pages 136 to 156.

Chief Executive's statement

In 2024, we continued to support our customers with financing, risk solutions and advisory services and stayed focused on what mattered most to our customers, colleagues and key stakeholders, as market conditions were marked by another year of geo-political and macroeconomic volatility.

Delivering on our strategy of sustainable growth

We reported an attributable profit of €159 million for 2024 compared with €108 million in 2023. This primarily reflects an increase in non-interest income of €44 million and the recognition of additional deferred tax assets in 2024 of €40 million.

Total assets increased to €30.2 billion as at 31 December 2024 compared with €28.2 billion as at 31 December 2023.

We continue to be well capitalised. Total equity as at 31 December 2024 was €2.0 billion, an increase of €42 million compared with 31 December 2023. At 31 December 2024, our total capital ratio was 25.5% with a CET1 ratio of 20.4% and Tier 1 ratio of 23.6%.

Corporate governance

Mr Frank Dangeard became Chair of the Supervisory Board of both NWM N.V. and RBSH N.V. in April 2024. A search is underway to identify further Non-Executive Directors to join the Supervisory Boards of both entities in 2025.

2024 was also marked with changes to the Managing Board members of NWM N.V. and RBSH N.V. Mr Mickey van Wieringen was confirmed as the Chief Operating Officer (COO) of both entities on a permanent basis in March 2024. In December 2024, Ms Britta Achmann became Chief Risk Officer (CRO) of both entities.

Building an outstanding franchise in Europe

I'm proud of the way that, as part of the NatWest Group Commercial & Institutional (C&I) segment, we are bringing together the best of our products and services to support customers' needs in a challenging market.

In the European region, commercial performance has been strong throughout the year, especially from our Capital Markets business, including Climate & ESG, focused on Corporates and Financial Institutions.

In May 2024, Mr Robert Begbie announced he would be bringing together Corporate Banking & Structured Finance and Financial Institutions into a single Corporate and Institutional Banking (CIB) business to unlock value for our institutional and large corporate customers.

Following these developments and in order to simplify the way we serve customers in Europe, it was decided in December 2024 that NWM N.V. will become NatWest Group's primary European corporate and institutional customer-facing entity, subject to regulatory approval. This will be delivered in the coming period by a measured transition of NatWest Bank Europe GmbH (NWBE) assets to NWM N.V. Group. As a result, most colleagues supporting customers with Structured Finance in NWBE are expected to transition to NWM N.V. over the course of 2025.

Maintaining our focus on climate and sustainability

We continued to support customers and demonstrate leadership across climate and sustainability solutions with multiple transactions for our European clients.

In 2024, we provided €12.2 billion of climate and sustainable funding and financing, contributing a cumulative €30.0 billion towards the NatWest Group target of £100 billion aimed to be delivered between 1 July 2021 and the end of 2025.

We also continued to share ESG thought leadership with our customers through events for example in Zurich focused on Alternative Investments, in Stockholm on the geopolitical landscape and its implication on the sustainable transition and in Madrid, we explored the intersection between artificial intelligence, defence, and sustainability.

Enhancing our licence to grow and operate

From 1 January 2024, NWM N.V. Group is supervised by the European Central Bank (ECB) through a Joint Supervisory Team which includes representatives from the National Competent Authorities. In November 2024, the ECB granted the same score as 2023 to NWM N.V. Group's overall Supervisory Review and Evaluation Process score. This recognises the robustness of our control environment.

Throughout 2024, the three main ratings agencies – Moody's, S&P and Fitch – have also maintained the same 2023 score for NWM N.V. recognizing the stability of our business.

Empowering our colleagues

We are focused on developing our talent and people proposition to deliver our growth strategy and on encouraging a culture of innovation, and enterprise-wide collaboration to continue to empower and engage our colleagues.

We are also focused on creating a diverse, equitable and inclusive workplace.

I believe that, in 2025, we will be in an even stronger position to support the CIB segment by delivering excellence to our customers in Europe.

Vincent Goedegebuure
Chairman and CEO, NatWest Markets N.V.
20 February 2025

Summary consolidated income statement

| | 2024 | 2023 | Variance | |
|------------------------------------|--------------|--------------|-------------|-------------|
| | €m | €m | €m | |
| Interest receivable | 502 | 453 | 49 | 11% |
| Interest payable | (382) | (321) | (61) | 19% |
| Net interest income | 120 | 132 | (12) | (9%) |
| Fees and commissions receivable | 236 | 202 | 34 | 17% |
| Fees and commissions payable | (29) | (23) | (6) | 26% |
| Income from trading activities | 21 | 2 | 19 | nm |
| Other operating income | (47) | (44) | (3) | 7% |
| Non-interest income | 181 | 137 | 44 | 32% |
| Total income | 301 | 269 | 32 | 12% |
| Staff costs | (84) | (79) | (5) | 6% |
| Premises and equipment | (6) | (6) | - | - |
| Other administrative expenses | (85) | (82) | (3) | 4% |
| Depreciation and amortisation | (2) | (2) | - | - |
| Operating expenses | (177) | (169) | (8) | 5% |
| Profit before impairments | 124 | 100 | 24 | 24% |
| Impairment releases | 1 | - | 1 | nm |
| Operating profit before tax | 125 | 100 | 25 | 25% |
| Tax credit | 34 | 8 | 26 | nm |
| Profit for the year | 159 | 108 | 51 | 47% |
| Attributable to: | | | | |
| Ordinary shareholders | 135 | 84 | 51 | 61% |
| Paid-in equity holders | 24 | 24 | - | - |
| | 159 | 108 | 51 | 47% |

nm = not meaningful

Operating profit before tax was €125 million compared with €100 million in 2023. The increase was primarily due to higher total income which increased by €32 million to €301 million. This was partially offset by an increase in operating expenses to €177 million compared with €169 million in 2023.

Profit for the year was €159 million compared with €108 million in 2023.

Net interest income was €120 million compared with €132 million in 2023, primarily driven by changes in interest rates, as well as shifts in the lending portfolio and funding book in comparison with 2023. Interest receivable increased by €49 million to €502 million (2023 - €453 million). Interest payable increased by €61 million to €382 million (2023 - €321 million). The increase in interest receivable is mainly due to higher interest receivable from other financial assets. The increase in interest payable is mainly due to higher interest payable to other financial liabilities.

Non-interest income increased by €44 million to €181 million compared with €137 million in 2023. Net fees and commissions were an income of €207 million (2023 - €179 million income). The increase in net fees and commission was mainly due to an increase in transfer pricing income from NWM Plc to €153 million (2023 - €128 million) and an increase in underwriting fees to €60 million (2023 - €55 million). Guarantee fees paid to NWM Plc for risk sharing agreements decreased by €2 million to €5 million.

Income from trading activities was €21 million, compared with €2 million in 2023. Other operating income was a loss of €47 million, compared with a loss of €44 million in 2023. This was mainly driven by fair value changes of structured deposits and by legacy items⁽¹⁾.

Operating expenses increased by €8 million to €177 million, compared with €169 million in 2023. This was mainly due to staff costs which were up €5 million to €84 million. Premises and equipment costs were €6 million in 2024 and in 2023. Other administrative expenses increased by €3 million to €85 million, mainly driven by an increase in cost recharges from NatWest Group companies of €4 million. Depreciation and amortisation were €2 million in 2024 and in 2023.

Impairments were a release of €1 million, compared with nil in 2023.

Tax credit for 2024 was €34 million, compared with a tax credit of €8 million in 2023. This was primarily driven by additional recognition of deferred tax assets in 2024. Refer to Note 6 to the consolidated financial statements for further details.

(1) Legacy transactions pertain to NWM N.V.'s tail business from the period before the repurposing of its banking license in 2019.

Consolidated balance sheet as at 31 December 2024

| | 2024 | 2023 | Variance | |
|--|---------------|---------------|--------------|-----------|
| | €m | €m | €m | |
| Assets | | | | |
| Cash and balances at central banks | 6,187 | 5,979 | 208 | 3% |
| Trading assets | 6,688 | 4,693 | 1,995 | 43% |
| Derivatives | 11,860 | 9,890 | 1,970 | 20% |
| Settlement balances | 866 | 565 | 301 | 53% |
| Loans to banks - amortised cost | 225 | 236 | (11) | (5%) |
| Loans to customers - amortised cost | 935 | 951 | (16) | (2%) |
| Amounts due from holding companies and fellow subsidiaries | 1,203 | 3,174 | (1,971) | (62%) |
| Other financial assets | 2,111 | 2,605 | (494) | (19%) |
| Other assets | 119 | 95 | 24 | 25% |
| Total assets | 30,194 | 28,188 | 2,006 | 7% |
| Liabilities | | | | |
| Bank deposits | 597 | 411 | 186 | 45% |
| Customer deposits | 2,999 | 4,531 | (1,532) | (34%) |
| Amounts due to holding companies and fellow subsidiaries | 2,558 | 3,952 | (1,394) | (35%) |
| Settlement balances | 685 | 679 | 6 | 1% |
| Trading liabilities | 7,061 | 4,637 | 2,424 | 52% |
| Derivatives | 10,510 | 8,814 | 1,696 | 19% |
| Other financial liabilities | 3,368 | 2,805 | 563 | 20% |
| Subordinated liabilities | 303 | 293 | 10 | 3% |
| Other liabilities | 70 | 65 | 5 | 8% |
| Total liabilities | 28,151 | 26,187 | 1,964 | 7% |
| Total equity | 2,043 | 2,001 | 42 | 2% |
| Total liabilities and equity | 30,194 | 28,188 | 2,006 | 7% |

Total assets were €30,194 million at 31 December 2024, an increase of €2,006 million, or 7%, compared with €28,188 million at 31 December 2023, mainly driven by increases in trading assets to €6,688 million (31 December 2023 - €4,693 million) and derivatives to €11,860 million (31 December 2023 - €9,890 million). This was partially offset by a decrease in amounts due from holding companies and fellow subsidiaries to €1,203 million (31 December 2023 - €3,174 million).

Cash and balances at central banks increased by €208 million to €6,187 million at 31 December 2024. The full balance is placed with the Dutch Central Bank, and it is the key component of the NWM N.V. liquid asset buffer.

Trading assets increased by €1,995 million, or 43%, to €6,688 million. The 2024 balance mainly pertains to loans subject to reverse repurchase agreements amounting to €4,489 million (2023 - €2,769 million) and cash collateral posted to derivative counterparties amounting to €2,079 million (2023 - €1,900 million).

Loans to customers - amortised cost decreased by €16 million to €935 million. The loan portfolio includes loans to corporates and financial institutions. The majority has a residual maturity of less than twelve months.

Amounts due from holding companies and fellow subsidiaries decreased by €1,971 million to €1,203 million, mainly driven by a decrease in trading assets of €1,629 million to €1,111 million, a decrease in settlement balances of €306 million to €12 million and a decrease in loans to banks of €38 million to €43 million.

Other financial assets decreased by €494 million to €2,111 million, mainly driven by a decrease in debt securities of €493 million to €2,110 million.

Other assets increased by €24 million to €119 million at 31 December 2024. This was primarily driven by additional recognition of deferred tax assets in 2024.

Derivative assets and liabilities were €11,860 million (2023 - €9,890 million) and €10,510 million (2023 - €8,814 million) respectively.

The derivative balances primarily pertain to exchange rate contracts and interest rate contracts. €4,061 million of the derivative assets and €4,004 million of the derivative liabilities are balances with holding companies and fellow subsidiaries.

Settlement balance assets and liabilities were €866 million (31 December 2023 - €565 million) and €685 million (31 December 2023 - €679 million) respectively, reflecting year end trading volumes.

Customer deposits decreased by €1,532 million, or 34%, to €2,999 million. The total size of the customer deposit portfolio reduced for optimisation of the balance sheet.

Amounts due to holding companies and fellow subsidiaries decreased by €1,394 million to €2,558 million, mainly driven by a decrease in trading liabilities of €1,490 million to €1,218 million. This was partially offset by an increase in bank deposits of €93 million to €1,010 million.

Trading liabilities increased by €2,424 million, or 52%, to €7,061 million. The 2024 balance mainly pertains to deposits subject to repurchase agreements amounting to €4,272 million (2023 - €1,617 million) and cash collateral received from derivative counterparties amounting to €2,787 million (2023 - €3,000 million).

Other financial liabilities increased by €563 million to €3,368 million, driven by an increase in debt securities in issue to €2,897 million (2023 - €2,524 million) and an increase in customer deposits measured at fair value through profit or loss to €471 million (2023 - €281 million).

Total equity increased by €42 million, or 2%, to €2,043 million, mainly driven by the profit for the period of €159 million, cash flow hedging movements of €3 million and fair value through other comprehensive income movements of €3 million. This was partially offset by ordinary dividends paid of €72 million, paid-in equity dividends of €24 million and a reduction in own credit adjustments of €27 million.

Top and emerging risks

Top and emerging risks are future scenarios that could have a significantly negative impact on our ability to operate, or deliver, our strategy and are managed through the enterprise-wide risk management framework toolkit. They usually combine elements of several principal risks and require a coordinated management response. Top risks could occur or require management action within two years while emerging risks are evolving and/or could occur over a longer time horizon but have the potential to become a top risk.

| Top risk scenarios in focus in 2024 | Description | Mitigants |
|---------------------------------------|---|--|
| Increased competition | Competitive pressures could intensify, impeding NWM N.V. Group's ability to grow or retain market share, impacting revenues and profitability. Drivers of competition mainly relate to developments in technology, evolving incumbents, challengers, new entrants to the market, shifts in customer behaviour and changes in regulation. For example, increased competition from technology conglomerates, who may have competitive advantages in scale, technology and customer engagement (including brand recognition). | NatWest Group closely monitors the competitive environment and adapts its strategy as appropriate. This includes using scenario analysis and assessing how mega-trends will impact industry competitive dynamics. Strategic responses are focused on investing to deliver innovative and compelling propositions for customers. |
| Cyberattack | There is a constantly evolving threat from cyberattacks which are increasing in terms of frequency, sophistication, impact and severity. This includes hostile attempts to gain access to and exploit potential vulnerabilities of IT systems including via malware. Any failure in NWM N.V. Group's cybersecurity policies, procedures or controls, may result in significant financial losses, major business disruption, inability to deliver customer services, loss of data and associated reputational damage. | NatWest Group continues to invest in additional capability to defend against threats including developing and evolving cybersecurity policies, procedures and controls that are designed to minimise the potential effect of such attacks. The focus is to manage the impact of the attacks and maintain services for NWM N.V. Group's customers. This includes testing and proving cyber resilience capabilities via stress testing of NWM N.V. Group's important business services. |
| Economic and interest rate volatility | Economic conditions could deteriorate, depending on factors including weak economic activity, volatility in interest rates, liquidity pressures, sharp falls in asset prices, escalating geopolitical tensions and concerns regarding sovereign debt or sovereign credit ratings. Any of these may have a materially adverse effect on NWM N.V. Group's future financial prospects. | A range of complementary approaches is used to mitigate the risks, such as targeted scenario analysis, stress tests, targeted customer reviews and reviews of risk appetite. |
| Climate ambitions | NatWest Group's strategy relating to climate change, ambitions, targets and transition planning entail significant financial and non-financial risks and is unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes. | NatWest Group faces potential threats to its climate ambition. Considering climate is cross-cutting risk, these threats could lead to both financial and non-financial risks. Identifying and addressing these risks is essential to protect NatWest Group's climate ambitions. |
| Operational risk scenarios | Operational risks are inherent in NWM N.V. Group's businesses and a broad range of scenarios are considered. NWM N.V. Group could be adversely impacted by scenarios including a failure to access current, complete, and accurate data, or disruption to services if a third party service provider experienced any interruptions. These scenarios could result in business and customer interruption and related reputational damage, significant compensation costs, regulatory sanctions and/or a breach of applicable regulations. | NWM Group devotes significant resources to third party risk management. Focus areas include identifying critical-service suppliers, developing robust exit and contingency plans in the event of supply chain disruption, and ensuring appropriate monitoring and oversight of third party performance. Effective and ethical use of data is critical to NWM N.V. Group's goals, with continued focus on delivering our long-term data strategy alongside enhancing control and policy frameworks governing data usage. |
| Evolving regulation | NWM N.V. Group's businesses are subject to substantial regulation and oversight, both of which are constantly evolving and may have an adverse impact on NWM N.V. Group. | NWM N.V. Group constantly monitors regulatory change and works with the regulators to help shape those developments that materially impact NWM N.V. Group, responding when necessary, either bilaterally or in partnership with one of the affiliated industry bodies. NWM N.V. Group implements new regulatory requirements where applicable and uses frequent engagement meetings with regulators to discuss key regulatory priorities. |

| Emerging risk scenarios in focus in 2024 | Description | Mitigants |
|--|--|---|
| Artificial intelligence | Innovations in artificial intelligence (AI), including generative AI, may rapidly transform and disrupt customer interactions, the industry and the economy. NWM Group's ability to continue to deploy AI solutions and integrate AI in systems and controls will become increasingly important to retaining and growing business. There can be no certainty that NWM Group's innovation strategy will be successful, and competitors may be more successful in implementing AI technologies, in turn, affecting industry competitive dynamics. Developments in AI may also result in increased model risk and rising levels of fraud. | NWM Group, including NWM N.V. Group, closely monitors developments in disruptive technologies, including AI. Strategy is developed as appropriate to leverage AI across NWM Group with a focus on helping improve customer journeys, personalisation, colleague effectiveness and improved risk and capital management. Using AI safely and ethically is a key area of focus, alongside the upcoming compliance with evolving AI regulation. This includes developing a robust set of controls for the use of AI models and tools across NWM Group. |
| Biodiversity and nature loss | The risks arising from the loss and/or decline of the state of biodiversity and nature are uncertain but could negatively impact the global financial system. These risks may include the reduction of any aspect of biological diversity and other forms of environmental degradation such as air, water and land pollution, soil quality degradation and water stress. There is also increasing investor, regulatory and stakeholder scrutiny regarding how businesses address these risks. | Using emerging industry guidance such as the Task Force on Nature-related Financial Disclosures framework and the ECB Guide on climate-related and environmental risks, NWM N.V. Group, is seeking to further its understanding of nature-related risks. This includes how its business activities impact nature, the dependencies NatWest Group (including NWM N.V. Group) and its counterparties (including its suppliers) and customers have on nature, and the risks and opportunities nature can generate. |
| Digital currency | NWM N.V. Group operates in markets which would be exposed to any developments in digital currency. | NatWest Group maintains an Executive Steering Group on digital assets including overseeing developments and engagement on digital currencies, such as CBDCs. NatWest Group engages with regulators on digital currency developments. This includes engagement with policymakers on a bilateral and industry level. |
| Geopolitical risk | NWM N.V. Group is exposed to risks arising from geopolitical events or political developments. Geopolitical tensions remain elevated and a range of potential scenarios and impacts are considered. This includes the potential impact of armed conflict, global trade and supply chain disruption, volatility in commodity prices, protectionist policies or trade barriers and state sponsored cyberattacks. | NWM N.V. Group closely monitors the geopolitical risk outlook and undertakes regular scenario analysis to understand the potential impacts and takes mitigating actions as required. This includes second and third order analysis of impacts, for example, through customers' supply chain disruption or disruption to third party providers. |
| Physical climate risk | Intensifying physical climate-related risks, including climate events, materially increasing in frequency and/or severity, results in direct impacts on property, infrastructure, supply chains, geopolitics and economic activity. This could lead to significant credit, market and/or non-financial risks and, if those risks are not mitigated, losses. | NatWest Group continues to develop a range of climate scenario narratives that include increased focus on physical risks. These seek to explore the potential implications from the global warming already observed as a result of historical emissions and will inform short-term event driven physical risk modelling. The impact of possible climate tipping points, which could lead to large irreversible changes in the climate system, are also being explored. |
| Shadow banking | NatWest Group is exposed to vulnerabilities within shadow banking or market-based finance (MBF), given the interlinkages between banks and MBF. This includes the potential for stress events or shocks to financial markets. | NatWest Group closely monitors exposure to shadow banking or MBF. An internal framework for the identification, management, control and mitigation of the risks associated with exposure to shadow banking or MBF is maintained. This includes effective reporting and governance in respect of such exposure. |

Climate-related disclosures

Basis of reporting

For readers convenience, the structure of the climate-related disclosures in this section is informed by the headings of the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations (although their content is not necessarily consistent with each of the TCFD-recommended disclosures and related guidance). The disclosures are focusing mostly on climate-related matters and are supplemented by limited environmental matters, reflecting the fact that NWM N.V. Group is still in the early stages of embedding environmental matters into its strategy and operations.

NWM N.V. Group continues to monitor sustainability-related disclosure obligations and started to set up activities to perform materiality assessments. This includes exploration of enhancements required to our existing processes to address future applicable materiality assessment expectations. During 2024, we conducted an assessment with support from an external service provider which sought to develop our thinking on sustainability topics and inform future potential approaches to conducting materiality assessments under incoming reporting regulations, such as Corporate Sustainability Reporting Directive (CSRD).

Our first reporting obligation under the CSRD is expected to apply to the financial year 2025. We are in the process of implementing the CSRD as well as the published European Sustainability Reporting Standards (ESRS), which are an integral part of the CSRD.

Governance

NWM N.V., as an indirect subsidiary of NWM Plc (and ultimately of NatWest Group plc), is part of the NatWest Group and NWM Group's integrated governance structure⁽¹⁾. The NWM N.V. Managing Board, NWM N.V. Supervisory Board and senior management oversight of climate and environmental (including nature) risks and opportunities is being integrated into our established governance structure and operating rhythm.

Governance structure

The climate and environmental governance structure is summarised in the table below.

| | Forum | Role/responsibility |
|---|---|---|
| Supervisory Board level governance | NWM N.V. Supervisory Board | <ul style="list-style-type: none"> Oversees the delivery against the agreed strategy and objectives of NWM N.V. Group, including tracking progress against sustainability goals, within the ambitions of the wider NatWest Group. Approves the risk appetite of NWM N.V. Group. |
| | NWM N.V. Board Risk Committee | <ul style="list-style-type: none"> Advises on current and future risk exposures. Oversees NWM N.V. Group's risk management, including its progress towards meeting legal and regulatory expectations over climate and environmental matters. |
| | NWM N.V. Audit Committee | <ul style="list-style-type: none"> Oversees all material external disclosures (financial and non-financial) and legal and regulatory compliance. Reviews and monitors internal controls required to manage risks across functions and business areas. |
| Managing Board level governance | NWM N.V. Managing Board | <p>Reports to Supervisory Board and is the principal decision-making corporate body for the day-to-day activities of NWM N.V. Group. It is responsible for:</p> <ul style="list-style-type: none"> Implementing the NWM N.V. Group's strategy, including sustainability objectives, and receiving reports on progress from business heads. Managing how climate and environmental (including nature) risks are identified, measured, monitored, and mitigated. Setting risk appetite for final approval by Supervisory Board and monitoring the risk management response. Identifying sustainability-related opportunities throughout the business. |
| | NWM N.V. Risk and Control Committee | <ul style="list-style-type: none"> Reviews and challenges all risks, including climate and environmental (including nature) risks. Responsible for implementation of and compliance with risk management framework and reporting to NWM N.V. Managing Board on its performance and issues observed. Provides input on setting the risk appetite, oversees its management, and escalates any excesses to the NWM N.V. Supervisory Board. |
| | NWM N.V. Executive Disclosure Committee | <ul style="list-style-type: none"> Reviews all material financial and non-financial disclosures. Monitors, evaluates and enhances disclosure procedures and controls. |

(1) For definitions of the legal entities refer to the Presentation of information section in this report.

Governance continued

Supervisory Board oversight

The NWM N.V. Supervisory Board considered climate and environmental matters at all of its 5 scheduled meetings. Updates included climate and nature risk which is embedded into the Chief Risk Officer (CRO) report, as well as the business updates including green, social and sustainability-related transactions and market themes, both provided to the Supervisory Board at each scheduled meeting. The progress update of NWM Climate & ESG Programme was presented on a quarterly basis. For more details regarding Climate & ESG Programme refer to Managing Board oversight below. In addition to these updates, in December 2024 the NWM N.V. Supervisory Board discussed the NWM N.V. Group's refreshed approach to sustainability.

Managing Board oversight

NWM N.V. Climate & ESG Programme Board was set up in 2022, under the authority of the NWM N.V. Managing Board, to oversee the embedding of climate and environmental (including nature) risks within NWM N.V. Group. The NWM N.V. Climate & ESG Programme Board previously fed into the NWM Climate and Sustainability Committee (CSC) which was responsible for managing climate risks and opportunities of NWM Group, including NWM N.V. Group. In 2024, the CSC was retired, and the governance of climate risks and opportunities was embedded into existing committees and functions, including those of NWM N.V. Group. As part of the new governance structure, the NWM Group Climate & ESG Steering Committee was established to act as the principal decision-making forum for overseeing the establishment and efficient delivery of the NWM Group Climate & ESG Programme, which includes delivery of Climate & ESG change activities into NWM N.V. Group. The membership of NWM Group Climate & ESG Steering Committee includes NWM N.V. Managing Board members and functional staff. Any matters affecting NWM N.V. Group that require formal escalation are referred to the NWM N.V. Managing Board.

In 2024 the NWM N.V. Managing Board considered climate and environmental matters at all of its 9 regular meetings and received the CRO report as well as the business updates at each regular meeting. Updates on the NWM Climate & ESG Programme were provided on a quarterly basis. In addition, the NWM N.V. Managing Board discussed, amongst others, the following sustainability-related topics during their meetings: assessment of material risks impacting NWM N.V. Group, including climate and environmental (including nature) risks, NWM N.V. Group's refreshed approach to sustainability, the development of NWM N.V. Group's materiality assessment initiated in 2024, as well as the 2023 year-end climate-related disclosures.

To support the development of the appropriate skills for overseeing sustainability matters, training for NWM N.V. Supervisory Board and NWM N.V. Managing Board members continues to be provided and forms part of a mandatory learning programme for board members. In 2024 the NWM N.V. Supervisory Board and Managing Board members were provided with the following training sessions:

- April 2024: Training on the requirements for the upcoming Corporate Sustainability Reporting Directive (CSRD) and other sustainability-related legal and regulatory expectations, as well as on greenwashing risks, provided by external experts.
- May 2024: Session on climate and nature-related business opportunities, led by experts from NatWest Group Climate Centre of Excellence (CoE) team.
- December 2024: Session on carbon market initiatives provided by subject matter experts from NWM Group.

Strategy

Strategic context

Becoming a vital and trusted partner to its customers is at the heart of NatWest Group's strategy. It unites its ambition and purpose and is delivered by three clear strategic priorities: disciplined growth, active balance sheet and risk management as well as bank-wide simplification. These enable NatWest Group to succeed with its customers and deliver sustainable shareholder value. NatWest Group's sustainability related ambitions and targets enable it to focus on actions it can take to succeed with its customers and deliver sustainable shareholder value. NatWest Group's climate transition plan lays out its plans to help its customers on their journey toward net zero. While NatWest Group continues to support its customers' transition to a net-zero economy, and monitor progress on supplier and fund decarbonisation, its climate ambitions are unlikely to be achieved without timely and appropriate government policy and technology developments, as well as the supplier, customer and societal response required to support the transition⁽¹⁾.

As a subsidiary of NatWest Group, NWM N.V. Group aims to support these strategic priorities within the European market. Sustainability remains a key focus in this region, with the European Union (EU) taking a leading role in global climate action. The European Commission, through the European Green Deal launched in 2020, has introduced a range of regulations aimed at transforming the EU into a modern, resource-efficient, and competitive economy. European companies are aligning with these efforts: by January 2025, over 7000 European firms have set net-zero commitments under the Science Based Targets initiative. This shift is also reflected in capital markets, with ESG-labelled bonds accounting for approximately 17% of European primary debt issuance in 2024⁽²⁾.

Sustainability approach

In 2023 NWM N.V. Group formulated its own high level aspirational ambition to become one of the forward-thinking banks in Europe with a focus on sustainability matters. NWM N.V. Group helps to both finance and facilitate the sustainability journeys and activities of our customers. Whether we finance a corporate or financial institution with a green, social, sustainable, or sustainability linked (GSS/S) bond, or lead on a GSS/S bond or securitisation, we facilitate our customers' access to capital through funding sources in the public or private capital markets.

Our sustainability aspiration is underpinned by four pillars that form NWM N.V. Group's approach to sustainability: customers, propositions, market presence and tools and portfolio. This approach has been informed by a business environment assessment refreshed in 2024, identifying climate and environmental (including nature) risks that could impact NWM N.V. Group's political, economic, social, technological, or legal environment.

(1) With regards to NatWest Group's 2030 Scope 3 financed emissions ambitions, while UK Government policies are expected to continue to provide incentives for customer transition and technology development, delays to a range of net-zero related UK Government policies indicate the pace of implementation is slower than required for the net-zero transition as initially outlined in the UK Climate Change Committee's (UK CCC) Sixth Carbon Budget, issued in 2020. NatWest Group plans to review its climate ambitions and targets during 2025 in the context of the UK CCC's Seventh Carbon Budget which is expected to be published on 26 February 2025.

(2) Source: Dealogic.

Strategy continued

NWM N.V. Group continues to develop its sustainability approach. The sustainability priorities for 2025 focus on three key areas, cutting across four pillars of our approach to sustainability described in more detail in the Sustainability pillars section below. These priorities span our core customer groups: Western European Corporates (WEC) and Financial Institutions (FI), including sovereigns, agencies and private finance:

- **Transition:** NWM N.V. Group plans to roll out the Climate Decisioning Framework (CDF) scorecards to understand our customers' transition journeys and how they are managing climate risk, with the aim to promote transition finance solutions and offer benchmarking and evaluation of transition plans in comparison to market standards to our customers.
- **Nature:** NWM N.V. Group plans to introduce the Environmental Decisioning Framework (EDF) to identify physical and transition nature risks within our corporate portfolio, with the aim to incorporate nature and biodiversity considerations into our financing propositions.
- **Social:** NWM N.V. Group aims to address the social components of sustainability as well as the increasing sustainability-focused European legal and regulatory expectations such as CSRD.

The section below outlines the NWM N.V. Group's approach for each of the sustainability pillars and highlights key achievements in 2024. NWM N.V. Group recognises that fully integrating sustainability matters into NWM N.V. Group's strategy and business operations is an ongoing journey and there is still further work to do in this regard.

Sustainability pillars

NWM N.V. Group's approach to sustainability was formulated in 2023 and refreshed in 2024. It is built around four interconnected pillars.

| NWM N.V. Group's Sustainability Pillars | Approach | Description |
|---|--|---|
| Customers | Continually engaging with our customers to understand their evolving aspirations and needs. | Our aim is to support clients' sustainability objectives through our suite of products and services. We strive to respond to those customers' needs by developing innovative products and assist them in understanding their climate and environmental footprint, for example by working with them to establish their sustainable financing frameworks. |
| Propositions | Deepening and growing our propositions across sustainable asset classes and digital solutions. | We develop sustainable products and services across fixed income and risk management asset classes. We aim to develop transition finance product offering and expand environmental products and solutions. |
| Market presence | Building market recognition and contributing to application of sustainability principles in capital markets. | We strive to build out our market presence through our performance in chosen sustainability asset classes and segments and thought leadership in topics such as biodiversity and transition finance. We seek to bring together industry, finance, and academia, through industry groups and white papers. |
| Tools and portfolio | Developing and embedding tools that enable risk management, portfolio transition and decision-making. | We aim to embed climate and environmental decisioning tools into portfolio management. In addition, we intend to leverage tools to identify new customer funding and financing opportunities as well as to inform sustainability decisions. |

Key achievements in 2024

Customers

As part of supporting its customers' transition to a net-zero economy, NatWest Group has a target to provide £100 billion climate and sustainable funding and financing between July 2021 and the end of 2025 which NWM N.V. Group has been contributing to. As of 31 December 2024, NWM N.V. Group contributed €30.0 billion towards NatWest Group's climate and sustainable funding and financing target since 1 July 2021 and €12.2 billion during 2024 (2023: €8.9 billion)⁽¹⁾. Refer to Metrics and targets section for more information concerning climate and sustainable funding and financing, including the inclusion criteria for its reporting.

In 2024, NWM N.V. Group participated in the issuance of €61.5 billion of GSS/S⁽²⁾ bonds (2023: €40.1 billion) for our large corporate and financial institution customers⁽³⁾. GSS/S labelled debt accounted for 25% of the total underwriting in 2024 of €250 billion⁽⁴⁾.

Propositions

NWM N.V. Group, as part of NWM Group, also participates in industry-wide sustainability forums to help develop market standards and legislation. In 2024, NWM Group's (including NWM N.V. Group's) work with the International Capital Markets Association (ICMA) saw us act as joint coordinator of its sustainable commercial paper (CP) taskforce, contributing to the publication of its paper "The role of commercial paper in the sustainable finance market⁽⁵⁾".

- (1) Climate and sustainable funding and financing, as defined in our climate and sustainable funding and financing inclusion (CSFFI) criteria (https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/Climate-and-Sustainable-Finance-Inclusion-Criteria.pdf), represents only a proportion of our overall funding and financing.
- (2) Green and sustainability loans and bonds are included within the climate and sustainable funding and financing.
- (3) Including frequent borrower group.
- (4) Source: Dealogic, 31 December 2024. 2023 figures do not include co-managers.
- (5) [The-role-of-commercial-paper-in-the-sustainable-finance-market-October-2024.pdf \(icmagroup.org\)](#)

Strategy continued

This is the first market guidance for embedding sustainable finance in CP. NWM Group (including NWM N.V. Group) also focused on the EU taxonomy usability by engaging with the Association for Financial Markets in Europe (AFME).

We also partnered with Strathclyde University and Copenhagen Business School on analysis of the pricing dynamics of Sustainability-Linked Bonds (SLBs). Published in the Journal of Financial Economics⁽¹⁾ in December 2024, this work sheds light on the key factors that influence the pricing of SLBs, offering both theoretical and practical insights that can be applied by issuers and investors in the market.

Market presence

NWM Group (including NWM N.V. Group) maintained its position as one of the leading GSS bookrunners in the chosen markets and geographies, ranking ninth by deal value among bookrunners for supporting Western European⁽²⁾ Corporate issuers for GSS labelled debt (excluding Sustainability Linked Bonds) issued in all currencies⁽³⁾.

We also facilitate by convening industry groups to support the necessary industry infrastructure and standard setting, advising our customers – from corporates and financial institutions to sovereigns, multi-development banks and agencies – on evolving products and services, as well as providing guidance on the regulatory and policy landscape to assist delivery of their sustainability strategies.

We continue to share sustainability thought leadership with our customers and the wider public through events and webinars. Throughout 2024, NWM N.V. Group organised 11 events (2023: 10 events), bringing together experts from industry and the investing community, alongside academia, on topics, such as the energy transition, climate adaptation and biodiversity. These sessions and events were designed to generate discussion around these challenging issues and consider solutions. Examples include:

- For the third year in a row, in May 2024 NWM N.V. Group sponsored the AFME European Sustainable Finance Conference where our specialists contributed to panel discussions covering a variety of topics, including sustainable investment strategies, compliance, and the evolving role of data and artificial intelligence to support sustainability strategies and disclosures.
- We also co-hosted the Stockholm “Women Mobilizing Sustainability” roundtable event with the British Embassy in Stockholm in September 2024. It was an opportunity for female specialists from various sustainability-related fields to discuss views on how sustainability can create business opportunities and enhance enterprise value, highlighting the economic benefits of sustainability strategies.

Tools and portfolio

As part of its sustainability integration activities, NWM N.V. Group made progress in rolling-out Customer Decisioning Framework (CDF) tools on a test-and-learn basis. In 2024 90% of NWM N.V. Group's corporate clients and 41% of financial institutions lending exposure underwent CDF assessment. We are also developing an environmental risk scorecard as part of the Environmental Decisioning Framework (EDF). Refer to Risk Management section below for more information on CDF and EDF.

(1) Pricing of sustainability-linked bonds (sciencedirectassets.com)

(2) Europe issuers refer to Europe, UK and Nordics.

(3) Source: Dealogic, 31 December 2024 – excludes money market and short-term debt.

Risk management

Climate and nature risk

Climate and nature risk is defined as the threat of financial loss or adverse non-financial impacts associated with climate change and nature loss respectively and the political, economic, and environmental responses to it.

Climate risk has been included in the NatWest Group's (including NWM N.V. Group's) risk directory since 2021, alongside a multi-year progressive pathway which supports maturing its capability to manage a relatively new prudential risk. In 2024, NatWest Group (including NWM N.V. Group) broadened the definition to climate and nature risk and updated its policy to reflect this. NWM N.V. Group, as part of NatWest Group, is in the early stages of embedding nature into its risk management processes. This section provides more detail on activities undertaken to enhance NWM N.V. Group's understanding of the exposure to climate and nature risks.

The approach of NatWest Group (including NWM N.V. Group) to integrating climate risk continues to focus on embedding climate risk management practices throughout the group, advancing its capability to identify and assess, manage and mitigate, monitor and report on these risks. NatWest Group (including NWM N.V. Group) has made iterative progress, continuing to update its approach as its capabilities mature.

Climate and nature risk is a principal risk in the NatWest Group Enterprise Wide Risk Management Framework (EWRMF) and a cross cutting risk which impacts other principal risks. As NatWest Group's (including NWM N.V. Group's) capabilities mature, it plans for the effective management of climate and nature risk through existing policies captured within the NatWest Group EWRMF.

Further details can be found in the Risk and Capital Management section of this report, including how climate and nature risk is managed through existing policies.

NatWest Group (including NWM N.V. Group) continues to enhance its processes to effectively identify and assess the potential size and scope of climate risks through three key approaches:

- Scenario analysis
- Portfolio level assessment
- Counterparty level assessment

Scenario analysis

Scenario analysis allows NatWest Group (including NWM N.V. Group) to test a range of potential climate pathways and understand the nature and magnitude of the risks they present. The purpose of scenario analysis is not to forecast the future but to understand and prepare to manage risks that could arise. NatWest Group leads the development of credit risk scenario modelling capabilities for NatWest Group as a whole, as well as including other legal entities, such as NWM N.V. Group. This includes both the development of capability and the execution of scenario analysis for NWM N.V. Group.

NatWest Group focused on continuing to develop the capabilities to use scenario analysis to seek to identify the most material climate risks for its customers, aiming to harness insights to inform risk management practices and support decision making.

In 2024 NatWest Group partnered with climate experts from the University of Exeter to create bespoke climate risk scenario narratives that explored the range of physical and transition risks which could impact NatWest Group and its customers over the next five to ten years. These narratives are being used to inform the scenarios used by NatWest Group for a range of processes, as well as to enhance the overall understanding of the scale and complexity of near-term climate risks.

Risk management continued

There are various challenges and limitations with climate scenario analysis, including in relation to the immaturity of modelling techniques (for example, not picking up tipping points such as the slow down/potential collapse of the Atlantic meridional overturning circulation (AMOC)) and limitations surrounding data on climate risks. In addition, there is significant uncertainty as to how climate change will evolve over time, how and when governments, regulators, businesses, investors and customers respond and how those responses impact the economy, asset valuations, economic systems, policy and wider society. These risks and uncertainties, coupled with significantly long timeframes, make the outputs of climate risk modelling with respect to the potential use cases identified inherently more uncertain than outputs modelled for traditional financial planning cycles based on historical financial information.

NatWest Group continued to develop its specialist climate data capabilities, including bringing in new data sets to increase the granularity for which climate risks are assessed. NatWest Group continues to work with industry and customers to develop solutions for challenges and limitations related to climate scenario analysis.

NWM N.V. Group is in the early stages of embedding environmental (including nature) risk into the scenario analysis processes. Activity undertaken to develop an approach to environmental scenario analysis for specific risk types is detailed below, in addition to the information on climate scenario analysis.

Credit risk

In 2024 NatWest Group ran the annual internal climate scenario for the second time. This allowed NatWest Group to enhance its understanding of the climate transition risks facing the sectors and counterparties in the wholesale portfolio, including the NWM N.V. Group's wholesale portfolio. The exercise involved running two transition risk scenarios:

- The Disruptive Policy scenario, where the onset of climate policy from the Network for Greening the Financial System (NGFS) Delayed Transition scenario is accelerated from 2031 to 2025, which could result in an accompanying macro-economic shock.
- The Orderly Transition scenario, which explores a rapid increase in carbon prices, based on the NGFS Net Zero 2050 scenario, but no accompanying macro-economic shock.

The exercise revealed that the NWM N.V. Group client portfolio is more exposed to a Disruptive Policy scenario than an Orderly Transition scenario in the analysed 10-year horizon. The projected worst case of the 10-year cumulative impairment impact can be absorbed by NWM N.V. Group's annual profit and does not materially affect the regulatory capital ratios.

Counterparties with high emissions intensity and lower transition maturity are likely to suffer financial stress due to their inability to compete with more emissions efficient peers that are further developed in the transition of their business. This emphasises the importance of actively engaging with our customers to develop climate transition plans, and the subsequent assessment through the CDF tools.

The key limitations of this climate scenario are (i) the quality and completeness of key data items, such as emissions data and (ii) the ability of climate scenarios to fully capture the range of climate risks, such as the cascading risks from extreme weather events arising from climate change or the impact of possible 'tipping points' that could lead to large, irreversible changes in the climate system. For example, a material slow down in the Atlantic Meridional Overturning Circulation (AMOC).

In 2024, to help understand and establish an approach to environmental stress testing, NWM N.V. Group completed a scenario on its Power and Utility sector customers, evaluating the impact of sizeable copper price increases on underlying credit risk. A shock to copper prices could arise for a range of reasons. In this scenario we focused on copper mining activities being significantly reduced to mitigate for actual or perceived environmental degradation. This scenario was selected due to portfolio exposure to the Power and Utility sector and its reliance on raw materials such as copper for its investment programme. In addition, the scenario highlighted the inherent tension between increased demand for raw materials to support and expedite decarbonisation and the environmental impact associated with mining activities. Findings from the stress test revealed that NWM N.V. Group's Power and Utility sector exposure was resilient to copper price shocks, with immaterial impact on credit quality. The key limitations of this exercise are related to constraints of technical understanding, data availability and model capability. It did not include analysis of factors such as regulatory compliance, pollution liabilities, climate change impacts, and sustainability practices of the companies or projects being evaluated.

Market risk

The NWM Group (including NWM N.V. Group) traded market risk stress test translates "delayed transition" scenarios through the NatWest Group's gross value add modelling framework to shock credit spreads. Consistent macro-economic variables are overlaid, and this captures both the costs and opportunities associated with the climate transition and their impact on the trading book. Stress exposures continue to be calculated and monitored monthly along with other climate-related market risks, for example, holdings of green gilts.

In addition, in 2024 NWM N.V. Group assessed the impact of the environmental stresses generated for the counterparties included in the credit risk stress test, in relation to a sizeable copper price increase, where there is also traded market risk exposure. The impact was analysed against the valuation adjustments (XVA) under the credit spread delta (CR01) market risk scenario, excluding single-name credit protection. The conclusion was that the impact on profit and loss is immaterial.

Capital risk

Climate risk is explicitly considered under the 2024 Internal Capital Adequacy Assessment Process (ICAAP) normative adverse scenarios of NatWest Group (including NWM N.V. Group). ICAAP2 is NatWest Group's primary scenario to test the resilience of the balance sheet to climate driven macroeconomic stress. This scenario falls into the 'constrained progress' transition archetype⁽¹⁾ with 'severe' physical risk. To calibrate and quantify the size of the climate shocks implied by the qualitative narratives, NatWest Group used scenarios developed by United Nations Environment Programme Finance Initiative and National Institute of Economic and Social Research⁽²⁾. Transition risks (driven by carbon prices and greenflation⁽³⁾) and chronic and acute physical risks were incorporated.

(1) Constrained progress transition archetype: Economic volatility and weak public finances act to restrict the effectiveness of ambitious policy action. For example, the limited fiscal resource means that policy is weighted towards tax-based disincentives rather than supply side subsidies. Mediocre and volatile growth hampers green investment and this is compounded by a sharp slowdown in the reduction of green premiums across all areas of the transition. A boom-bust cycle in fossil fuels leads to fossil fuel asset stranding.

(2) UNEP-FI and NIESR2 scenarios.

(3) Greenflation: inflationary pressure as a result of transitioning from fossil fuels to renewable energy and higher demand for transition minerals.

Risk management continued

ICAAP1 is NatWest Group's scenario to test the resilience of its balance sheet to macroeconomic stress under the low rate environment. In 2024 for the first time NatWest Group's ICAAP1 scenario also included climate considerations. Physical climate change and some forms of transition are inevitable in all forward-looking views of the economy. This scenario aligns to the qualitative 'Fragmented decline' archetype⁽¹⁾ where the climate transition is secondary to more urgent macroeconomic shocks. Simultaneously, chronic physical risks act as a drag on growth and slows down the economic recovery.

Liquidity risk

Within NWM N.V. Group climate and environmental (including nature) risk drivers are included in the 2024 Internal Liquidity Adequacy Assessment Process (ILAAP), including an internal liquidity scenario in the form of major environmental disruption in the UK and northern Europe. For 2024, outputs from the scenario were not the most severe within the suite of scenarios, so although included in the framework, did not directly impact the internal stress testing results. Two climate related internal reverse stress testing scenarios are also included in the ILAAP, one covering physical risks arising from flooding in the Netherlands and one covering transition risks arising from the earlier than planned adoption of stricter emission standards. An environmental and climate change Key Reporting Indicator (KRI) was developed to track NWM N.V. Group's liquidity exposure to corporate sectors which are vulnerable to environmental and climate risk factors.

Portfolio level assessment

The Heightened Climate-related Risk Sector (HCRS) assessment seeks to identify customers, assets and sub sectors that are likely to see increased risks for NWM N.V. Group as a result of climate-related factors. The assessment applies three lenses considering transition, physical and liability risk. A detailed view of heightened climate-related risk sectors is provided in the Metrics and targets section of this disclosure.

Counterparty level assessment

In 2023, NWM N.V. Group started developing tools as part of the NatWest Group's Climate Decisioning Framework (CDF). In 2024, CDF tools were rolled out on a test-and-learn basis, replacing the initial suite of climate risk scorecards for the in-scope population. NWM N.V. Group uses these tools to engage with its customers to understand climate risks of their business and conduct climate transition plan assessments. 90% of NWM N.V. Group's corporate clients and 41% of financial institutions lending exposure underwent CDF assessment, which also involved targeted customer engagement. Feedback from clients focused on the robustness of data inputs from their disclosures, as well as mutual understanding of where the data gaps exist. Through this process, NWM N.V. Group continues to build capability to use CDF tools among first- and second-line risk colleagues, and develop a culture where climate risk considerations are embedded within existing processes.

To support improvement in customer engagement, NWM N.V. Group delivered bespoke training to 70 colleagues in the first quarter of 2024. The learning objectives of the "Understanding the Climate Decisioning Framework (CDF)" mandatory programme were to understand the theory behind CDF, as well as how to complete the CDF inputs in the context of climate conversations with our customers.

In 2024, NWM N.V. Group continued to develop its approach to nature, driven by European regulatory expectations. This activity focused on the identification and assessment of environmental factors, including physical and transition risks within our corporate portfolio. An Environmental Decisioning Framework (EDF) was trialled in 2024, which considered 61 factors to produce a customer environmental scorecard. The first-generation assessment focused on a limited number of customers, using internal and external data. Developed on a test-and-learn basis, insight gained from EDF will be used to inform future activity.

NWM N.V. Group adheres to the onboarding process outlined in the NatWest Group Environmental, Social and Ethical (ESE) risk framework. Customers operating in high-risk sectors, as defined by this framework, undergo the ESE risk assessment process conducted by the ESE Risk Advisory team at NatWest Group. Customers outside these high-risk sectors are subject to a separate Climate and Environmental (C&E) risk assessment.

Under the ESE risk framework, the relationship management team submits a questionnaire which triggers an ESE risk rating (Normal, Sensitive, High, Restricted or Prohibited) based on the activity in which the customer or transaction is involved. The rating defines the level of ESE risk NatWest Group (including NWM N.V. Group) is prepared to accept. It also determines the approval requirements and the timing for the next ESE assessment within the customer lifecycle. If the initial risk rating is other than "Normal", a specialist ESE assessment team conducts enhanced due diligence on the customer relationship or transaction and confirms the ESE risk rating. In case of a "Prohibited" rating, new customers or transactions may not be supported and approval to exit existing ones may be triggered.

NWM N.V. Group expanded its client onboarding process with the C&E assessment as of March 2024, to meet the Dutch and European regulatory expectations which are not currently addressed by other risk assessments, such as the CDF, EDF or ESE risk assessment mentioned above. This assessment is performed at the start of a client relationship, to inform the counterparty risk classification. It is then repeated annually, every three years, or every five years, depending on the counterparty risk classification. It is a qualitative evaluation which considers counterparty risk factors, such as sectorial risk, greenhouse gas (GHG) emission reporting, waste management, client strategy on sustainability and net-zero transition, counterparty governance structure, as well as adherence to EU and international standards. At the end of December 2024, more than 40% of NWM N.V. Group's active client population (both new and existing clients) has undergone this evaluation. The assessment methodology is reviewed periodically to ensure that NWM N.V. Group remains compliant with Dutch and European legal and regulatory expectations related to climate and environmental (including nature) risk assessment.

(1) Fragmented decline archetype: Rising nationalism, increasing impacts of extreme weather events and geopolitical conflicts create a weak growth and high inflationary environment characterised by energy and technology trade wars. Transition momentum is weak as green technological progress stalls and governments prioritize domestic energy security via fossil fuels. The renewed enthusiasm for fossil fuels and removal of government support, leads to green assets stranding, increasing financial market volatility and further reducing green investment appetite.

Metrics and targets

Heightened climate-related risk sectors⁽¹⁾

The below table shows all sectors with exposure classified as heightened climate-related risk. Exposure is based on loans, loan commitments and contingent obligations which are in scope for IFRS9. The amounts reported in the table include all NWM N.V. Group lending to customers including climate and sustainable lending.

Total wholesale heightened climate-related risk exposure increased by €0.7 billion during 2024, predominantly as a result of an increase of the heightened exposure to the Land transport and logistics sector by €0.7 billion. This is related to an increase of the exposure to this sector by €0.6 billion during 2024 as well as the fact that the Other Land transport sub-sector exposure of €0.1 billion has not been classified as heightened in 2023.

The exposures in this table are classified as heightened climate-related risk based on inherent risk, which reflects the risk associated with a particular sub-sector in the external market. NWM N.V. Group's Power and Utilities heightened exposure, which accounts for 36.83% of NWM N.V. Group total, consists of the following sub-sectors: Electricity Generation (€1.1 billion) and Power Transmission, Distribution and Supply (€2.1 billion). However, these sub-sectors are not classified as heightened based on residual risk, which reflects the risk within the NWM N.V. Group's portfolio of these sub-sectors, after applying mitigation measures.

| Sector/Portfolio | 31 December 2024 | | | | | 31 December 2023 | | | | |
|--|------------------|-------------------------------|-----------------------|----------------------|---|------------------|-------------------------------|-----------------------|----------------------|---|
| | Loans | Off-balance sheet exposure(2) | Total sector exposure | Of which: heightened | Heightened As a % of NWM N.V. Group Total | Loans | Off-balance sheet exposure(2) | Total sector exposure | Of which: heightened | Heightened As a % of NWM N.V. Group Total |
| | €m | €m | €m | €m | % | €m | €m | €m | €m | % |
| Power utilities | 94 | 3,080 | 3,174 | 3,174 | 36.83% | 130 | 3,028 | 3,158 | 3,158 | 36.20% |
| Land transport and logistics | 95 | 881 | 976 | 977 | 11.33% | 63 | 358 | 421 | 315 | 3.61% |
| Automotive | - | 635 | 635 | 635 | 7.37% | 2 | 635 | 637 | 635 | 7.28% |
| Industrials | 29 | 196 | 225 | 210 | 2.44% | 99 | 271 | 370 | 35 | 0.40% |
| Building materials | 3 | 196 | 199 | 199 | 2.31% | 5 | 196 | 201 | 201 | 2.30% |
| Food & Consumer | 11 | 139 | 150 | 150 | 1.74% | 6 | 243 | 249 | 137 | 1.57% |
| Commercial real estate | 21 | 100 | 121 | 121 | 1.41% | 26 | 114 | 140 | 141 | 1.62% |
| Chemicals | 9 | 74 | 83 | 83 | 0.97% | 13 | 77 | 90 | 90 | 1.03% |
| Water and waste | 4 | 38 | 42 | 42 | 0.48% | 20 | 38 | 58 | 57 | 0.65% |
| Airlines and aerospace | 1 | 37 | 38 | 8 | 0.09% | 3 | 35 | 38 | 8 | 0.09% |
| Leisure | 5 | - | 5 | 3 | 0.04% | 3 | - | 3 | 1 | 0.01% |
| Construction | 2 | - | 2 | 2 | 0.02% | 2 | 69 | 71 | 71 | 0.81% |
| Shipping | 2 | - | 2 | 2 | 0.02% | 2 | - | 2 | 2 | 0.02% |
| Retail | 13 | 280 | 293 | 2 | 0.02% | 16 | 450 | 466 | 2 | 0.02% |
| Housing associations | - | - | - | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | 1 | - | 1 | 1 | 0.01% |
| Oil and gas | - | - | - | - | - | 3 | 3 | 6 | 6 | 0.07% |
| Mining and metals | - | - | - | - | - | - | - | - | - | - |
| Business Services (3) | 50 | - | 50 | - | - | 41 | 1 | 42 | 4 | 0.05% |
| Finance Companies | - | - | - | - | - | - | 240 | 240 | - | - |
| Textiles (4) | - | - | - | - | - | 2 | - | 2 | - | - |
| Telecommunications (4) | 19 | 394 | 413 | - | - | 17 | 396 | 414 | - | - |
| Total wholesale heightened climate-related risk sectors | 358 | 6,050 | 6,408 | 5,608 | 65.07% | 454 | 6,154 | 6,609 | 4,864 | 55.74% |
| NWM N.V. Group Total | 1,148 | 7,470 | 8,618 | | | 1,193 | 7,538 | 8,730 | | |

(1) Heightened climate-related risk sector assessment seeks to identify customers, assets and sub sectors that are likely to see increased credit risks as a result of climate-related factors, over a 10-to-15-year horizon. The assessment applies three lenses which consider transition, physical and liability risk. The heightened climate-related risk sector assessment within this disclosure provides an aggregate view at industry level; within each sector there will be a diverse mix of counterparties, and as such climate-related risk will vary from customer to customer.

(2) Off-balance sheet includes loan commitments and contingent liabilities.

(3) This sector was not identified as a heightened climate-related risk sector under the updated methodology in 2024.

(4) These sectors were identified as heightened climate-related risk sectors under the updated methodology in 2024 for the first time.

Metrics and targets continued

Climate and sustainable funding and financing

As part of supporting its customers' transition to a net zero economy, NatWest Group has a target to provide £100 billion climate and sustainable funding and financing between July 2021 and the end of 2025, which NWM N.V. Group is contributing to. NatWest Group uses its climate and sustainable financing and funding Inclusion (CSFFI) criteria⁽¹⁾ to determine the assets, activities and companies that are eligible to be included within its climate and sustainable funding and financing target.

Since 1 July 2021 NatWest Group had provided £93.4 billion of climate and sustainable funding and financing by 31 December 2024 (£31.5 billion in 2024)⁽²⁾. As at December 2024 NWM N.V. Group contributed €30.0 billion towards this target since 1 July 2021 and €12.2 billion during 2024.

The table below summarises NWM N.V. Group climate and sustainable funding and financing activity.

| | Full year ended 31 December 2024 €m | Full year ended 31 December 2023 €m | Cumulative progress towards the £100bn target (since 1 July 2021) €m |
|--|--|--|---|
| Climate and sustainable funding and financing | | | |
| Underwriting activity | | | |
| Green and sustainability bond public issuances and private placements (3) | 10,896 | 7,619 | 26,283 |
| Sustainability-linked bonds and private placements (4) | 9 | | 380 |
| Other general purpose wholesale underwriting within the CSFFI criteria (5) | 589 | 642 | 1,231 |
| Lending commitment | | | |
| Sustainability-linked loans (1,3) | 693 | 619 | 2,147 |
| Other general purpose wholesale lending within CSFFI criteria (1) | | | |
| Total | 12,187 | 8,880 | 30,041 |

- (1) For the year ended 31 December 2024, the NatWest Group CSFFI criteria published in March 2024 were used to determine eligible assets, activities and companies for inclusion. For the year ended 31 December 2023, the CSFFI criteria published in December 2022 were applied. For the year ended 31 December 2022, the CSFFI criteria published in October 2021 were applied. For the year ended 31 December 2021, the CSFFI criteria published in February 2021 were applied. NatWest Group's own Green, Social and Sustainability (GSS) bond issuances are not included in the table above. Full details of the latest CSFFI criteria can be found at <https://www.natwestgroup.com/content/dam/natwestgroup/pdf/Climate-and-Sustainable-Finance-Inclusion-Criteria.pdf>.
- (2) Lending amounts represent total commitment and include any undrawn portion of committed credit limits.
- (3) Underwriting of specific use of proceeds debt capital market issuance for project expenditures, sovereign and EU green bond auctions, as well as green loan commitments when customers meet the CSFFI criteria. Amounts represent the NWM N.V. Group share (total underwriting amount lead managed or placed by NWM N.V. Group) of the notional deal amount and the allocated auction bond volumes. During the year ended 31 December 2024, NWM N.V. Group lead managed or placed 70 green bonds (including auctions), and private placements totalling a notional amount of €78.2 billion (54 deals, €59.6 billion during full year 2023). The CSFFI criteria allows for the inclusion of eligible sustainability bonds, which contributed 2 deals and €0.4 billion of climate and sustainable funding and financing in the year ended 31 December 2024.
- (4) Sustainability linked loans, bonds and private placements aligned with Loan Market Association (LMA) Sustainability Linked Loan principles and International Capital Market Association (ICMA) Sustainability Linked Bond principles where deal targets include green performance indicators, aligned to CSFFI criteria.
- (5) In addition to transactions that directly meet CSFFI criteria based on use of proceeds for green purposes, the CSFFI criteria also include certain general purpose loans and wider financing (including bonds and private placements) to customers who can evidence (to NatWest Group's satisfaction through review of the customers' profit and loss statement or balance sheet): 90% or more of revenues are in the categories or sectors outlined in the CSFFI criteria, or for real estate and utilities companies 90% of their assets are in categories or sectors outlined by the CSFFI criteria, or for fund clients 90% of assets under management are invested in activities that meet the CSFFI criteria.

Greenhouse gas emissions

Emissions resulting from NWM N.V. Group business activities include:

- Financing activities – financed and facilitated.
- Emissions attributable to the trading book (including fixed income and currencies).
- Emissions from NWM Group's own operations.

Financing activities

Financed emissions – lending and investments

Given the smaller size of the banking book relative to NWM N.V. Group's underwriting activities and trading book, financed emissions currently play a limited role within NWM N.V. Group. Drawn lending exposures, as defined by the Partnership for Carbon Accounting Financials (PCAF) standard, account for approximately 10% of NWM N.V. Group's total assets, as at 31 December 2024. The undrawn loan commitments are currently excluded by the PCAF standard, and therefore could potentially increase the financed emission estimations, for example, if called up by customers during challenging market conditions. Due to a lack of granular availability of customer-level climate data, financial institutions are still developing measurement methodologies and capabilities to assess their Scope 3 emissions. Therefore, estimated financed emission figures linked to lending exposures for financial institutions are expected to increase once Scope 3 emissions data is incorporated.

NatWest Group calculates and discloses estimated financed emissions at a consolidated group level. As a result, NWM N.V. Group's financed emissions estimates are subsumed within the NatWest Group financed emission estimates for the consolidated group.

Facilitated emissions – bond underwriting and syndicated lending

Facilitation activities differ from on-balance sheet lending financed emissions in two respects. They are off-balance sheet (representing services rather than financing) and they can take the form of a flow activity (temporary association with transactions) rather than a stock activity (recorded on the balance sheet). NWM N.V. Group's capital markets underwriting and syndicated lending activities are generally driven by existing NatWest Group lending relationships. Facilitated emissions can fluctuate year-on-year subject to mandates and changes in those lending relationships. Estimating financed and facilitated emissions and assessing climate impact on NWM N.V. Group's business activities involves data limitations and other challenges, particularly as estimation methodologies evolve.

Metrics and targets continued

Estimate of facilitated emissions on bond underwriting and syndicated lending

Banks play a key role as facilitators between issuers and investors, and borrowers and lenders, by offering and conducting financial intermediation activities critical to the functioning of capital markets. Following the issuance of the PCAF Part B Global Greenhouse Gas Accounting and Reporting Standard for Facilitated Emissions in December 2023⁽¹⁾, and further draft addendum received in September 2024, NWM Group (including NWM N.V. Group) updated the estimation of absolute Scope 1 and Scope 2 facilitated emissions for capital market activities to include:

- Capital markets bond underwriting activities, including green bonds as defined by the International Capital Market Association's Green Bond Principles^(2,4) and the role of co-manager⁽⁵⁾
- Capital markets syndicated lending activities^(6,7) including the syndication of green loans as defined by the Loan Markets Association.

NWM N.V. Group absolute Scope 1 and Scope 2 facilitated emissions weighted at 33%, were 0.48 MtCO₂e for 2024.

It is important to note that the absolute amounts presented are estimates and may be subject to change given shifting baselines year-on-year⁽⁸⁾ and evolving PCAF guidance. Facilitated emissions can fluctuate subject to NWM N.V. Group attributable bond underwriting and syndicated lending mandates.

With reference to the table below:

- In 2024 we included NWM N.V. Group syndicated lending of €1.6 billion across various sectors, aligned with the guidance issued by PCAF in December 2023 and incorporated further clarification in November 2024.
- For Power and Utilities, NWM N.V. Group attributable bond underwriting and syndicated lending increased by 25% between 2023 and 2024 resulting in an increase of facilitated emissions by 0.22 MCO₂e; however, 81% of the attributable bond underwriting was green bonds relative to 69% in 2023.
- Airlines & Aerospace represent 3% of the total NWM N.V. Group attributable bond underwriting and syndicated lending, relative to 0% in 2023, and constitutes 10% of the facilitated emissions in 2024.
- Chemicals attributable bond underwriting and syndicated lending decreased by 48% between 2023 and 2024 resulting in a decrease of facilitated emissions by 0.08 MCO₂e.

The table below shows NWM N.V. Group's estimated facilitated emissions from bond underwriting and syndicated lending activities in 2024, as attributed to NWM N.V. Group and split between conventional and green issuance, where applicable^(4,9).

| Sector | 2024 NWM N.V. Group attributable Bond Underwriting & Syndicated Lending ⁽⁹⁾ | | 2024 Facilitated emissions from Bond Underwriting and Syndicated Lending (33% weighting) MtCO ₂ e | | | 2023 Facilitated emissions from Bond Underwriting (33% weighting) | 2024 PCAF data quality score |
|---|--|-----|--|-----------------------------|-----------------------------|---|------------------------------|
| | €m | % | MtCO ₂ e | Sector % of Total Emissions | Green % of Sector Emissions | Sector % of Total Emissions | |
| Power Utilities | 3,010 | 15% | 0.34 | 72% | 81% | 43% | 2.5 |
| Airlines & Aerospace | 580 | 3% | 0.04 | 10% | - | - | 4.0 |
| Land Transport & Logistics | 605 | 3% | 0.01 | 3% | - | 13% | 4.0 |
| Retail | 1,865 | 10% | 0.01 | 3% | - | 1% | 2.1 |
| Chemicals | 422 | 2% | 0.01 | 2% | - | 30% | 4.3 |
| Automotive | 1,093 | 6% | - | 1% | - | 2% | 2.6 |
| Financial Institutions | 9,422 | 48% | - | - | 12% | - | 2.9 |
| Building Materials | - | - | - | - | - | 5% | - |
| Water & Waste | - | - | - | - | - | 2% | - |
| Other | 2,610 | 13% | 0.04 | 9% | 82% | 4% | 4.1 |
| <i>o/w Business & Professional Services</i> | 529 | 3% | 0.03 | 7% | 95% | - | 2.4 |
| <i>o/w TMT</i> | 797 | 4% | - | - | 53% | - | 3.8 |
| Total | 19,607 | | 0.48 | | | | 3.0 |

Metrics and targets continued

NWM N.V. Group uses NWM Group's methodology for estimation:

- In 2024, NWM Group applied a 33% weighting factor for emissions estimations in line with the PCAF Standard⁽¹⁾. In 2023, NWM Group applied a 100% weighting factor⁽⁹⁾.
- NWM Group followed the PCAF published standard⁽¹⁾ guidance to define an issuer as an organisation that issues debt or equity capital markets instruments⁽³⁾. Sovereigns, supranationals and agency issuers, as well as securitised products, are out of scope for the standard published by PCAF⁽¹⁾.
- For syndicated lending, NWM Group included the roles of active and passive underwriting and best efforts, the role of coordination is not in scope by PCAF^(1,6,7).
- For 2024 reporting, NWM Group included financial institutions within estimates for facilitated emissions. Own issuances are included in financed emissions and therefore excluded from facilitated emissions.
- Currently, there is no commonly agreed methodology for measuring the carbon footprint of green bonds and loans⁽²⁾. NWM Group shows the breakdown of conventional versus green bonds and loans to highlight the expected difference of facilitated emissions associated with the conventional versus green activities^(2,4). Sustainability linked and sustainable bond and loan activities are treated as conventional for the purpose of estimating and reporting on facilitated emissions.
- The 2023 PCAF standard⁽¹⁾ allows splitting the responsibility among the transaction facilitators (passive and active) use of either league tables based on fees or the value of the volume. For bond underwriting, NWM Group used league tables based on volumes for active and passive roles and actual allocation for co-manager roles, to align with NatWest Group's sustainable financing and funding inclusion criteria. For loan syndication, NWM Group used both league tables based on volumes and deal information.
- In line with the PCAF published standard⁽¹⁾, to estimate greenhouse gas emissions, NWM Group sourced customer-level emissions data, where possible. If customer-level data was unavailable, emission sector averages (with a PCAF data quality score of five) were used for emission intensities from 2023 and applied against 2024 volumes⁽⁸⁾.
- Scope 3 emissions have not yet been estimated for facilitated emissions. PCAF recommends that Scope 3 emissions for all sectors are disclosed in climate reporting from the beginning of 2025. NWM Group continues to review Scope 3 estimation methodologies and the availability of appropriate data for inclusion in future reporting.
- PCAF scores are categorised between 1-5. PCAF scores of 1 or 2 are typically considered to have a higher degree of confidence in the estimation of facilitated emissions, as these are directly sourced from reports published by the customer. A PCAF score of 5 is typically considered to have a lower degree of confidence, as these are estimated by the reporting entity. The PCAF data quality score is based on the PCAF approach taken to estimate Scope 1 and Scope 2 emissions within a given sector. Where estimation methodologies differ between Scope 1 and Scope 2, NWM Group use the least favourable of a customers' PCAF scores in the weighted average calculation.

(1) <https://carbonaccountingfinancials.com/files/PCAF-PartB-Facilitated-Emissions-Standard-Dec2023.pdf>

(2) Green bonds and loans have been excluded by PCAF from facilitated emissions calculations for 2024. It is expected that green bonds and loans have a reduced emissions intensity, but no calculation or methodology has been developed to quantify the emissions associated with green bonds, loans and other known use of proceeds bonds. Green bond underwriting is included in NWM Group's 2024 facilitated emissions calculation for consistency with prior year disclosures, and syndicated lending for 2024 reporting, but no differentiation is made between conventional and green bond underwriting and syndicated lending emissions to account for this and NWM Group have not attributed a lower emission intensity to green bond underwriting and syndicated lending emissions.

(3) The PCAF standard does not currently outline an estimation approach for short-term assets (such as commercial papers), as such these products are currently excluded from the facilitated emissions estimation.

(4) NatWest Group 2024 climate and sustainable funding and financing inclusion criteria was used to determine the assets, activities and companies eligible for inclusion.

https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/Climate-and-Sustainable-Finance-Inclusion-Criteria.pdf

(5) Co-managers are not captured by the PCAF standard. NWM Group includes transactions where it acts as a co-manager in alignment with the GHG accounting 'follow the money approach' and with NatWest Group's climate and sustainable funding and financing inclusion criteria⁽⁴⁾.

(6) A syndicated loan transaction is defined as a loan made available by two or more providers under a common loan agreement and ranking credit is assigned upon signature of the loan documentation. Where a financial institution provides an underwriting facility that puts the institution's capital at risk, this should be treated separately from the role they provide in arranging and facilitating an issuance⁽¹⁾.

(7) The syndicated loan market is a private market with no requirement for banks to report collectively into third-party league tables. Based upon its own market knowledge, NWM Group identified relevant loan markets volumes based upon an internal scope and methodology with an aim to align to guidance from PCAF issued in December 2024⁽¹⁾. The numbers reported are therefore presented on a best endeavours basis and are subject to change as guidance develops.

(8) NWM Group aims to estimate facilitated emissions using the latest data available, recognising there may be a lag between the availability of emissions data and the date of record for reporting. As a consequence of this lag, more recent changes in a counterparties activities may not be reflected in the estimate of facilitated emissions. NWM Group continues to refine its estimates as NWM Group enhances its understanding, calculation methodologies and data. Also, methodologies to calculate emissions for certain sectors are still under development. Based on these limitations, NWM Group expects its estimates to change as NWM Group improves the granularity and coverage of customer climate data and develop methodologies further.

(9) The table should be read in conjunction with the NWM N.V. Group risk factors included on pages 136 to 156 and the cautionary statements on pages 92 to 97 of the NatWest Group plc 2024 Sustainability Report.

Trading book

At present, the scale of the carbon emissions associated with the trading book is uncertain given that trading book positions typically have shorter holding horizons and are more dynamic than those in the banking book. This continues to be an industry-wide challenge with no agreed approach on quantification of trading book related emissions.

Emissions from own operations

NatWest Group report emissions at a consolidated group level. NWM Group own operations are therefore subsumed into NatWest Group's estimation of own operational footprint for the consolidated group.

Risk and capital management

| | Page |
|--|------|
| Presentation of information | 18 |
| Risk management framework | |
| Introduction | 18 |
| Culture | 19 |
| Governance | 20 |
| Risk appetite | 23 |
| Identification and measurement | 24 |
| Mitigation | 24 |
| Testing and monitoring | 24 |
| Capital, liquidity and funding risk | |
| Definition | 25 |
| Capital management | 26 |
| Liquidity and funding management | 26 |
| Market risk | |
| Traded market risk | 28 |
| Non-traded market risk | 30 |
| Credit risk | |
| Models, impairment provisioning and write-offs | 34 |
| Economic loss drivers | 36 |
| Banking activities | 40 |
| Trading activities | 46 |
| Compliance and conduct risk | 47 |
| Financial crime risk | 48 |
| Climate and nature risk | 49 |
| Operational risk | 50 |
| Model risk | 52 |
| Reputational risk | 53 |

Presentation of information

Where marked as audited in the section header, certain information in the Risk and capital management section (pages 18 to 53) is within the scope of the Independent auditor's report.

Risk management framework

Introduction

NWM N.V. Group operates under NatWest Group's enterprise-wide risk management framework, which is centred on the embedding of a strong risk culture. The framework ensures the governance, capabilities and methods are in place to facilitate risk management and decision-making across the organisation.

The framework ensures that NWM N.V. Group's principal risks – which are detailed in this section – are appropriately controlled and managed. It sets out the standards and objectives for risk management as well as defining the division of roles and responsibilities.

This seeks to ensure a consistent approach to risk management across NWM N.V. Group. It aligns risk management with NWM N.V. Group's overall strategic objectives.

The framework, which is designed and maintained by NatWest Group's independent Risk function, is owned by the NatWest Group Chief Risk Officer. It is reviewed and approved annually by the NatWest Group Board. The framework incorporates risk governance, NatWest Group's three lines of defence operating model and the Risk function's mandate.

Risk appetite, supported by a robust set of principles, policies and practices, defines the levels of tolerance for a variety of risks and provides a structured approach to risk-taking within agreed boundaries.

While all NWM N.V. Group colleagues are responsible for managing risk, the Risk function provides oversight and monitoring of risk management activities, including the implementation of the framework and adherence to its supporting policies, standards and operational procedures. The Chief Risk Officer plays an integral role in providing the Board with advice on NWM N.V. Group's risk profile, the performance of its controls and in providing challenge where a proposed business strategy may exceed risk tolerance.

In addition, there is a centralised process in NWM Group to identify and manage top and emerging risks, which are those that could have a significant negative impact on its ability to meet its strategic objectives. Both top and emerging risks may incorporate aspects of – or correlate to – a number of principal risks.

Risk management framework continued

Culture

The approach to risk culture, under the banner of intelligent risk-taking, ensures a focus on robust risk management behaviours and practices. This underpins the strategy and values across all three lines of defence, enables NWM N.V. Group to support better customer outcomes, develop a stronger and more sustainable business and deliver an improved cost base.

NWM N.V. Group expects leaders to act as role models for strong risk behaviours and practices building clarity, developing capability and motivating employees to reach the required standards set out in the intelligent risk-taking approach. Colleagues are expected to:

- Consistently role-model the values and behaviours in Our Code, based on strong ethical standards.
- Empower others to take risks aligned to NWM N.V. Group's strategy, explore issues from a fresh perspective, and tackle challenges in new and better ways across organisational boundaries.
- Manage risk in line with appropriate risk appetite.
- Ensure each decision made keeps NWM N.V. Group, colleagues, customers, communities and shareholders safe and secure.
- Understand their role in managing risk, remaining clear and capable, grounded in knowledge of regulatory obligations.
- Consider risk in all actions and decisions.
- Escalate risks and issues early; taking action to mitigate risks and learning from mistakes and near-misses, reporting and communicating these transparently.
- Challenge others' attitudes, ideas and actions.

The target intelligent risk-taking behaviours are embedded in NatWest Group's Critical People Capabilities and are clearly aligned to the core values of inclusive, curious, robust, sustainable and ambitious. These aim to act as an effective basis for a strong risk culture because the Critical People Capabilities form the basis of all recruitment and selection processes.

Training

Enabling employees to have the capabilities and confidence to manage risk is core to NatWest Group's learning strategy. NatWest Group offers a wide range of learning, both technical and behavioural, across the risk disciplines. This training may be mandatory, role-specific or for personal development. Mandatory learning for all staff is focused on keeping employees, customers and NatWest Group safe. This is easily accessed online and is assigned to each person according to their role and business area. The system allows monitoring at all levels to ensure completion.

Our Code

NatWest Group's conduct guidance, Our Code, provides direction on expected behaviour and sets out the standards of conduct that support the values. The code explains the effect of decisions that are taken and describes the principles that must be followed.

These principles cover conduct-related issues as well as wider business activities. They focus on desired outcomes, with practical guidelines to align the values with commercial strategy and actions. The embedding of these principles facilitates sound decision-making and a clear focus on good customer outcomes.

Any employee falling short of the expected standards would be subject to internal disciplinary policies and procedures and if appropriate, the relevant authority would be notified. The accountability review process is used to assess how this should be reflected in variable pay outcomes for the individuals concerned. The NatWest Group remuneration policy ensures that the remuneration arrangements for all employees reflect the principles and standards prescribed by the PRA, the FCA, DNB and the AFM.

Risk management framework continued

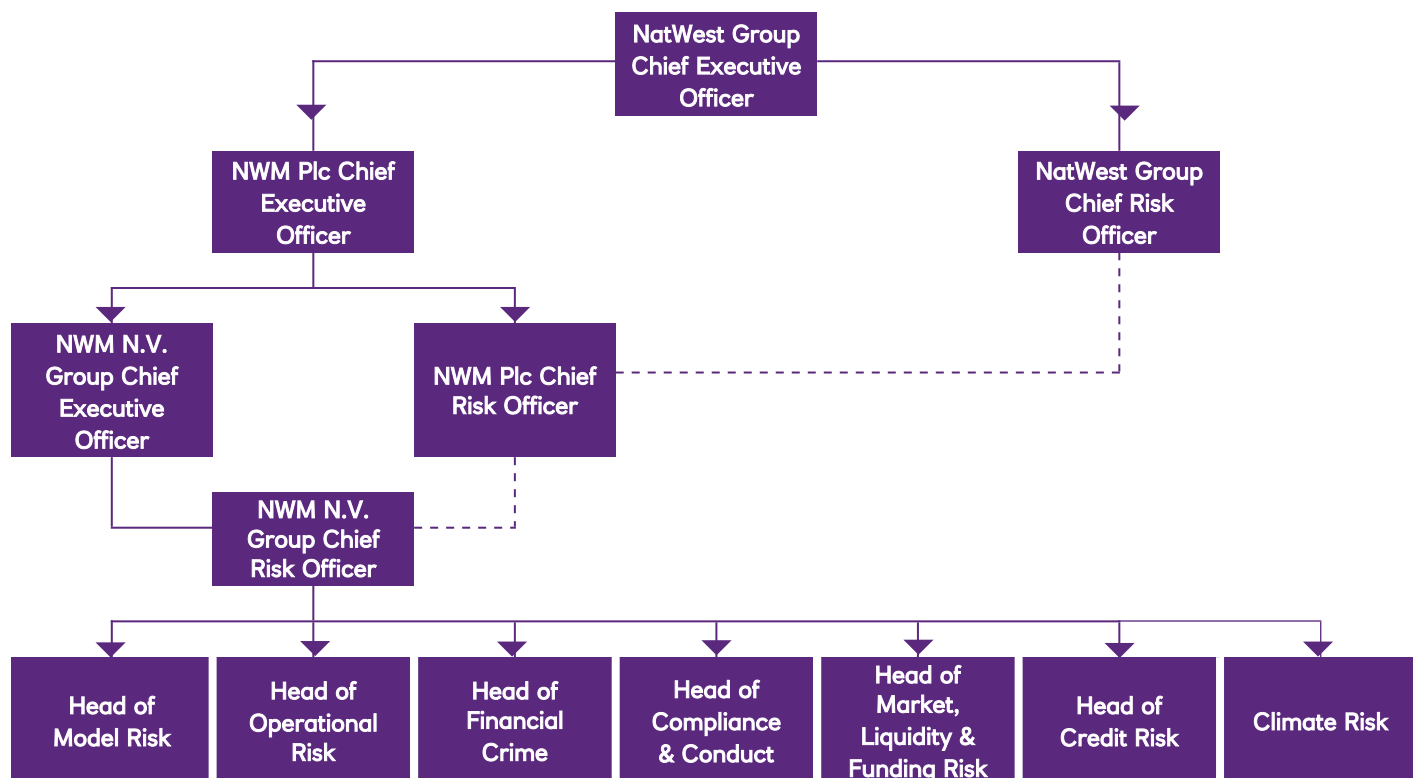
Governance

Risk management structure

While NWM N.V. Group is part of NatWest Group – and operates within NatWest Group’s risk framework – the NWM N.V. Group Supervisory Board is responsible for approving and overseeing the implementation of NWM N.V. Group’s business strategy (within the parameters set by the NatWest Group Board). The NWM N.V. Group Board Risk Committee provides oversight and advice on all risk related matters. Operational policies and compliance activities may be adapted in order to comply with local legal or regulatory requirements.

Service level agreements are in place between NWM N.V. Group and NatWest Group entities (primarily NWM Plc) to accommodate integrated risk management oversight.

The diagram shows NWM N.V. Group’s risk management structure in 2024.



- (1) NWM N.V. Group is a wholly owned (indirect) subsidiary of NatWest Markets Group Plc.
- (2) The NWM N.V. Group Chief Risk Officer has a functional reporting line to the NWM Plc Chief Risk Officer.
- (3) The NWM N.V. Group Risk function is independent and provides oversight of risk management activities to ensure risks are adequately monitored and controlled.
- (4) The NWH Risk function provides risk management services across NatWest Group, including – where agreed – to the NWM N.V. Group Chief Risk Officer. These services are managed, as appropriate, through service level agreements.
- (5) Risk management in NWM N.V. Group focuses on all material risks including credit, market, liquidity, operational, regulatory, financial crime, climate, model and conduct risk and business activities which are managed through the Risk and Control committee. The day-to-day management of capital, liquidity, funding and non-traded market risk is the overall responsibility of the Managing Board and further delegated to the Asset & Liability Management Committee.

Risk management framework continued

The following table details NWM N.V. Group's key boards and committees together with an overview of their responsibilities.

| Board/Committee | Responsibilities |
|---|---|
| Supervisory Board Membership: Consisted of four members as at 31 December 2024. | The Supervisory Board is responsible for supervising NWM N.V. Group's management, its general affairs, and the business connected with it, as well as advising the Managing Board. The Supervisory Board is responsible for the review of all matters relative to accounting policies, internal control, financial reporting functions, internal audit, external audit, risk management, regulatory compliance and the product approval process. There is a separate Risk and a separate Audit Committee. Its membership is composed of members of the Supervisory Board. |
| Board Risk Committee (BRC) Membership: Current membership consists of an independent member as Chairman and an independent member as a formal member. | The Board Risk Committee provides oversight and advice on current and future risk exposures, the effectiveness of the risk management framework, future risk strategy and (with the Audit Committee) internal controls required to manage risk. |
| Board Audit Committee Membership: Current membership consists of an independent member as Chairman and an independent member as formal member. The members must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks as well as thorough knowledge of financial reporting, internal control systems, audits and accounting (relating to financial institutions or other large companies). | The Board Audit Committee: <ul style="list-style-type: none"> – Reviews and monitors all matters relating to accounting policies, internal control, financial reporting functions, Internal Audit, External Auditor risk assessment, regulatory compliance and the product approval process. – Establishes a procedure for the selection of an external auditor. – Assesses the monitoring of the external auditor and the statutory control of the annual accounts. |
| Managing Board Membership: Consists of four members at 31 December 2024: the NWM N.V. Group Chairman and Chief Executive Officer (CEO), the NWM N.V. Group Chief Financial Officer (CFO), the NWM N.V. Group Chief Risk Officer (CRO) and the NWM N.V. Group Chief Operating Officer (COO). | The Managing Board reports to the Supervisory Board. It is the principal decision-making corporate body for NWM N.V. Group and is responsible for the day-to-day activities of NWM N.V. Group. The Managing Board is, among others, responsible for setting policy framework, operating structure and yearly plan (including objectives and budgets). In addition to their overall corporate responsibilities, the members of the Managing Board manage one or more units, for which they have primary responsibility. |

Risk management framework continued

| Board/Committee | Responsibilities |
|--|---|
| <p>Risk & Control Committee (RCC)</p> <p>Membership: Chaired by the NWM N.V. Group CRO. Members include the NWM N.V. Group CEO, the NWM N.V. Group CFO, the NWM N.V. Group COO, the NWM N.V. Group General Counsel, the NWM N.V. Group Treasurer, the NWM N.V. Group Head of Trading, the NWM N.V. Group Head of Capital Markets, NWM N.V. Group Head of Sales and the Heads of the respective NWM N.V. Group risk disciplines.</p> | <p>The responsibilities of the RCC include:</p> <ul style="list-style-type: none"> – Advising the Managing Board on the risk appetite of NWM N.V. Group and receiving direction from the Managing Board on the risk appetite. – Providing input to NWM N.V. Group's risk appetite setting process in the context of NWM N.V. Group's overall risk appetite. – Overseeing the risk framework within NWM N.V. Group and reporting directly to the Managing Board on the performance of the framework and on issues arising from it. – Monitoring the actual risk profile of NWM N.V. Group, ensuring that this remains within the boundaries of the agreed risk appetite and escalating excesses to the Managing Board. Prior to escalation, the RCC can ask the appropriate owner who normally monitors and controls the risk item, to address any excess. – The remit of the Committee also includes monitoring of capital, liquidity, credit, market, conduct, financial crime, climate, operational, model, and regulatory risks within NWM N.V. Group. Changes to the Terms of Reference of the RCC must be approved by the Managing Board. |
| <p>Disclosure Committee (DC)</p> <p>Membership: Chaired by the NWM N.V. Group CFO. Members include the NWM N.V. Group CEO, the NWM N.V. Group CRO, the NWM N.V. Group Treasurer, the NWM N.V. Group General Counsel, Head of NatWest Group Accounting Policy and NWM Financial Controller.</p> | <p>The responsibilities of the DC include:</p> <ul style="list-style-type: none"> – Monitoring, evaluation and enhancing disclosure controls and procedures; and internal controls over financial reporting. – Overseeing, evaluating, and approving all significant disclosures made by NWM N.V. Group including: – The Annual Report and Accounts and corresponding interim disclosures. – Public filings to be made in connection with the announcement of financial results, excluding filings with regulators. <p>Furthermore, the responsibilities of the DC include overseeing, evaluating and reviewing accounting issues and developments and recommendations on key accounting judgments, including risk and capital disclosures, prior to presentation to the NWM N.V. Group Managing and Supervisory Board. The DC will make recommendations to the NWM N.V. Group Managing and Supervisory Board in relation to its review of these items.</p> |

Risk management framework continued

Three lines of defence

NatWest Group uses the industry-standard three lines of defence model to articulate accountabilities and responsibilities for managing risk. This supports the embedding of effective risk management throughout the organisation.

First line of defence

The first line of defence incorporates most roles in NatWest Group, including those in the customer-facing businesses, Technology and Services as well as support functions such as People and Transformation, Legal and Finance.

The first line of defence is empowered to take risks within the constraints of the risk management framework, policies, risk appetite statements set by NatWest Group and measures set by the NWM N.V. Group Managing and Supervisory Boards.

The first line of defence is responsible for managing its direct risks, and with the support of specialist functions, it is also responsible for managing its consequential risks, by identifying, assessing, mitigating, monitoring and reporting risks.

Second line of defence

The second line of defence comprises the Risk function and is independent of the first line.

The second line of defence is empowered to design and maintain the risk management framework and its components. It undertakes proactive risk oversight and continuous monitoring activities to confirm that NWM N.V. Group engages in permissible and sustainable risk-taking activities.

The second line of defence advises on, monitors, challenges, approves and escalates where required and reports on the risk-taking activities of the first line of defence, ensuring that these are within the constraints of the risk management framework, policies, risk appetite statements set by NatWest Group and measures set by the NWM N.V. Group Managing and Supervisory Boards.

Third line of defence

The third line of defence is the Internal Audit function and is independent of the first and second lines.

The third line of defence is responsible for providing independent assurance to the NatWest Group Board, its subsidiary legal entity boards and executive management on the overall design and operating effectiveness of the risk management framework and its components. This includes the adequacy and effectiveness of key internal controls, governance and the risk management in place to monitor, manage and mitigate the principal risks to NatWest Group and its subsidiary companies.

The third line of defence executes its duties freely and objectively in accordance with the Chartered Institute of Internal Auditors' Code of Ethics and International Standards on independence and objectivity.

Risk appetite

Risk appetite defines the type and aggregate level of risk NWM N.V. Group is willing to accept in pursuit of its strategic objectives and business plans. Risk appetite supports sound risk-taking, the promotion of robust risk practices and risk behaviours, and is calibrated annually.

For certain principal risks, risk capacity defines the maximum level of risk NWM N.V. Group can assume before breaching constraints determined by regulatory capital and liquidity requirements, the operational environment, and from a conduct perspective. Establishing risk capacity helps determine where risk appetite should be set, ensuring there is a buffer between internal risk appetite and NWM N.V. Group's ultimate capacity to absorb losses.

Risk appetite framework

The risk appetite framework supports effective risk management by promoting sound risk-taking through a structured approach, within agreed boundaries. It also ensures emerging risks and risk-taking activities that might be out of appetite are identified, assessed, escalated and addressed in a timely manner.

To facilitate this, a detailed review of the framework is carried out annually which is approved by the Board. The review includes:

- Assessing the adequacy of the framework compared to internal and external expectations.
- Ensuring the framework remains effective and acts as a strong control environment for risk appetite.
- Assessing the level of embedding of risk appetite across the organisation.

The NWM N.V. Group Supervisory Board reviews and approves the risk appetite framework.

Establishing risk appetite

In line with the risk appetite framework, risk appetite is maintained across NWM N.V. Group through risk appetite statements. These are in place for all principal risks and describe the extent and type of activities that can be undertaken.

Risk appetite statements consist of qualitative statements of appetite supported by risk limits and triggers that operate as a defence against excessive risk-taking. Risk measures and their associated limits are an integral part of the risk appetite approach and a key part of embedding risk appetite in day-to-day risk management decisions. A clear tolerance for each principal risk is set in alignment with business activities.

NWM N.V. Group operates within risk appetite set at NatWest Group and NWM Plc level unless specific entity level considerations need to prevail, for example, specific capital structure considerations.

In addition to operating within NatWest Group and NWM Plc risk appetite, NWM N.V. Group sets additional risk appetite limits for its own strategic and most material risks where necessary. NWM N.V. Group's risk profile is continually monitored and frequently reviewed and management focus is concentrated on all strategic risks, material risks and emerging risks. Risk profile relative to risk appetite is reported regularly to NWM N.V. Group Board and senior management.

The risk appetite statement and associated measures are reviewed and approved at least annually by the Risk & Control Committee, the Managing Board and the Supervisory Board to ensure they remain appropriate and aligned to strategy.

Risk controls and their associated limits are an integral part of the risk appetite approach and a key part of embedding risk appetite in day-to-day risk management decisions. A clear tolerance for material risk types is set in alignment with business activities.

Risk management framework continued

NatWest Group's key risk policies define at a high level the qualitative expectations, guidance and standards that stipulate the nature and extent of permissible risk taking. They form part of the qualitative expression of risk appetite and are consistently applied across NatWest Group and its subsidiaries. Key risk policies are reviewed and approved by the Board Risk Committee at least annually.

Identification and measurement

Identification and measurement within the risk management process comprises:

- Regular assessment of the overall risk profile, incorporating market developments and trends, as well as external and internal factors.
- Monitoring of the risks associated with lending and credit exposures.
- Assessment of trading and non-trading portfolios.
- Review of potential risks in new business activities and processes.
- Analysis of potential risks in any complex and unusual business transactions.

The financial and non-financial risks that NWM N.V. Group faces are detailed in the NatWest Group risk directory. This provides a common risk language to ensure consistent terminology is used across NWM N.V. Group. The NatWest Group risk directory is subject to annual review to ensure it continues to fully reflect the risks that NWM N.V. Group faces.

Mitigation

Mitigation is a critical aspect of ensuring that risk profile remains within risk appetite. Risk mitigation strategies are discussed and agreed within NWM N.V. Group.

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that arise from risk mitigation actions themselves) are also considered. Monitoring and review processes are in place to evaluate results. Early identification, and effective management of changes in legislation and regulation are critical to the successful mitigation of compliance and conduct risk. The effects of all changes are managed to ensure the timely achievement of compliance. Those changes assessed as having a high or medium-high impact are managed more closely. Emerging risks that could affect future results and performance are also closely monitored. Action is taken to mitigate potential risks as and when required. Further in-depth analysis, including the stress testing of exposures, is also carried out.

Testing and monitoring

Targeted risk processes and controls are subject to independent testing and monitoring.

This activity is carried out to confirm to both internal and external stakeholders – including the Board, senior management, Internal Audit and NWM N.V. Group's regulators – that such processes and controls are being correctly implemented and operate adequately and effectively.

Testing and monitoring activity focuses on processes and controls relating to credit risk, market risk, financial crime risk, operational risk, and compliance and conduct risk. However, a range of controls and processes relating to other risk types is also subject to testing and monitoring activity as deemed appropriate within the context of a robust control environment.

Capital, liquidity and funding risk

Definition

Regulatory capital consists of reserves and instruments issued that are available to NWM N.V. Group that have a degree of permanency and are capable of absorbing losses. A number of strict conditions set by regulators must be satisfied to be eligible to count as capital.

Capital adequacy risk is the risk that there is or will be insufficient capital and other loss absorbing debt instruments to operate effectively including meeting minimum regulatory requirements, operating within Board-approved risk appetite and supporting strategic goals.

Liquidity consists of assets that can be readily converted to cash within a short timeframe at a reliable value. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due.

Funding consists of on-balance sheet liabilities that are used to finance assets. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base.

Liquidity and funding risks arise in a number of ways, including through the maturity transformation role that banks perform. The risks are dependent on factors such as:

- Maturity profile.
- Composition of sources and uses of funding.
- The quality and size of the liquidity portfolio.
- Wholesale market conditions.
- Depositor and investor behaviour.

For a description of sources of capital, liquidity and funding as utilised by NatWest Group, refer to page 234 of the NatWest Group plc 2024 Annual Report and Accounts.

Key developments in 2024

In September 2024, NWM N.V. Group redeemed and replaced the €250 million AT1 Capital instrument that was issued in 2019. NWM N.V. Group will benefit from a lower rate on the replacement instrument. There was no impact on the total level of NWM N.V. Group AT1 Capital.

Regulatory framework

Capital requirements regulation and directive

The European Union (EU) has implemented the Basel III framework through the CRR and the Capital Requirements Directive (CRD). The initial package, known as CRD IV, was implemented on 1 January 2014 on a phased basis with full implementation completed on 1 January 2019.

On 7 June 2019, amendments to the CRR and CRD (known as CRR2 and CRD5 respectively) were published in the Official Journal of the European Union. The majority of these changes were implemented in June 2021.

Further changes relating to the Basel 3.1 standard will be implemented in EU by the new EU Banking Package (CRR III / CRD VI) for which the European Commission issued a proposal in October 2021, with near-final rules published in December 2023. The EU implementation date is 1 January 2025, except for Market Risk rules which will be implemented on 1 January 2026.

The CRR3 changes mainly impact capital requirements for STD and IRB Credit Risk, Market Risk, Credit Valuation Adjustment (CVA) Risk, Counterparty Credit Risk (CCR) and Operational Risk.

An aggregate “output floor” is also being introduced to ensure that total RWAs for firms using advanced or internally modelled methods and subject to the floor cannot fall below 72.5% of RWAs under the standardised approach. The output floor requirement will apply at RBS Holdings N.V. level which is an approved intermediate parent undertaking (IPU), to the extent that internal models are being used within RBS Holdings N.V. Group.

Key elements of the CRR:

Higher and better capital requirements. Banks must have a total amount of capital that corresponds to at least 8% of their assets, measured according to their risks.

- Pillar 1 requirement of: CET1 of 4.5% of RWAs; Tier 1 of 6.0%; and total capital of 8.0%.
- Capital buffers: ‘capital conservation buffer’ of 2.5% of RWAs; ‘countercyclical capital buffer’ of up to 2.5%; an ‘other systemically important institutions buffer’ for domestically or EU important institutions and, if required by a member state, an additional ‘systemic risk buffer’.

Liquidity measures. To ensure banks have sufficient liquidity, the regulation introduces two liquidity requirements:

- The liquidity coverage ratio 100% which aims to ensure that banks have enough liquid assets (e.g. cash or other assets that can be quickly converted into cash with little or no loss of value) in the short term.
- The net stable funding requirement of 100% which aims to ensure that banks do not rely too much on short-term funding to fund their medium- and long-term assets.

Limiting leverage. The regulation sets out a binding leverage ratio, which aims to limit banks from financing too large a portion of their activities with debt.

- Minimum Tier 1 leverage ratio of 3.0%.

NWM N.V. Group manages changes to capital requirements from new regulation (including model changes) and the resulting impact on the Common Equity Tier 1 ratio alongside its strategy of risk reduction and de-leveraging. For further information refer to Capital management on the following page.

Banking Union: Single Supervisory Mechanism

On 15 October 2013, the EU Council formally adopted the Regulation on the Single Supervisory Mechanism (SSM) which became operational on 4 November 2014. The SSM is a new framework for banking supervision in Europe with the aims of ensuring the safety and soundness of the European banking system and increasing financial integration and stability in Europe.

The ECB must ensure that credit institutions not only meet the minimum prudential capital requirements set by the CRD IV but also have an additional buffer reflecting risks or elements of risks not covered by the minimum requirements in CRD IV. This is organised through the framework of the SSM.

The SSM must ensure that credit institutions have sufficient capital to cover unexpected losses or survive severe stressed economic and market conditions. The capital joint decision is the key outcome of the Supervisory Review and Evaluation Process. In this process, the supervisor reviews the governance and internal control arrangements used by each individual bank to manage its risks (i.e., the Internal Capital Adequacy Assessment Process (ICAAP)).

Overall, this framework governs relations between the ECB, national supervisors and banks, and is an important step towards banking union in the EU.

Capital, liquidity and funding risk continued

Capital management

NWM N.V. Group aims to maintain an appropriate level of capital to meet its business needs (which include requirements of its ultimate parent company, NatWest Group plc) and regulatory requirements, whilst operating within an agreed risk appetite. Determination of appropriate capital levels involves regular Asset & Liability Management Committee (ALCo) capital monitoring, planning and forecasts, and ICAAP. Capital plans are subjected to internal governance reviews, eventually put through Managing Board oversight and approval, as well as review of the appropriate supervisory authority.

NWM N.V. Group operates a rigorous capital planning process via ALCo aimed at ensuring the capital position is controlled within the agreed parameters. This incorporates regular re-forecasts of the capital position of NWM N.V. Group. In the event that the projected position deteriorates below acceptable levels, NWM N.V. Group would revise business plans accordingly.

NWM N.V. Group manages changes to capital requirements from new regulation as well as model changes and the resulting impact on the Common Equity Tier 1 ratio, focusing on risk reduction and de-leveraging.

Through the ICAAP, NWM N.V. Group determines its desired capital levels based on three complementary perspectives: the normative baseline, normative adverse and economic internal perspective. The normative baseline perspective ensures NWM N.V.'s capital is managed to comply with current and known future changes in regulatory capital requirements. In the normative adverse perspective, NWM N.V. Group's capital levels are evaluated through the application of internally defined stress tests that quantify changes in capital ratios under a range of scenarios. In the economic internal perspective, NWM N.V. Group calculates the required capital from an economic point of view.

Liquidity and funding management

Liquidity and funding management follows a similar process to that outlined above for capital. Liquidity and funding risk tolerance forms part of NWM N.V. Group's risk appetite statement, which is reviewed and approved by the NWM N.V. Group Managing Board.

The risk appetite statement defines key metrics, risk trigger levels and capacity for liquidity and funding management within NWM N.V. Group. The Board also sets the appetite for funding risk to ensure that stable sources of funding are used to fund NWM N.V. Group's core assets. NWM N.V. Group monitors its liquidity position against this risk tolerance on a daily basis. In setting risk limits the Board considers the nature of NWM N.V. Group's activities, overall risk appetite, market best practice and regulatory compliance.

In implementing NWM N.V. Group's liquidity risk management framework, a suite of tools is used to monitor, limit and stress test the risks within the balance sheet. Limits are established to manage the level of liquidity risk, and these include thresholds for the amount and composition of funding sources, asset and liability mismatches, and funding concentrations.

Liquidity portfolio management

The size of the portfolio is determined by referencing NatWest Group's liquidity risk appetite. NatWest Group retains a prudent approach to setting the composition of the liquidity portfolio, which is subject to internal policies and limits over quality of counterparty, maturity mix and currency mix.

Within the liquidity portfolio, NWM N.V. Group holds cash at central banks of €6.2 billion (2023 – €6.0 billion) and government and other high-quality securities of €1.3 billion (2023 – €0.7 billion).

Funding risk management

Funding is raised through deposits from the money market, the issuance of commercial papers and capital instruments. During 2024, NWM N.V. Group issued €0.5 billion senior unsecured debt securities based on its Euro Medium Term Note (EMTN) programme (2023 – nil).

Governance

The ALCo is responsible for ensuring NWM N.V. Group maintains adequate capital, liquidity and funding at all times. The ALCo manages and plans NWM N.V. Group's adequacy levels taking into account current and projected levels and provides input to and oversees levels established within the framework of the ICAAP and ILAAP.

ALCo also plans and manages capital, liquidity and funding interaction with NatWest Group. Such interaction would need to be capital neutral to NatWest Group and are required to be structured in such a way so as to satisfy the ECB and PRA regulatory requirements. The ALCo is in turn ultimately governed by NWM N.V. Group's Managing Board, which approves ALCo and ICAAP and ILAAP decisions.

Capital, liquidity and funding risk continued

Capital ratios and risk-weighted assets

NWM N.V. Group aims to maintain an appropriate level of capital to meet its business needs and regulatory requirements. NWM N.V. Group's capital ratios and RWAs on a CRR transitional basis are set out below. Refer to Note 21 to the consolidated financial statements for a more detailed breakdown of regulatory capital.

| | 2024 | 2023 |
|-----------------------------|-------|-------|
| | % | % |
| Capital ratios | | |
| Common Equity Tier 1 (CET1) | 20.4 | 19.0 |
| Tier 1 | 23.6 | 22.1 |
| Total | 25.5 | 23.9 |
| | | |
| | €m | €m |
| Risk-weighted assets | | |
| Credit risk | 6,345 | 6,799 |
| Market risk (1) | 1,107 | 1,103 |
| Operational risk | 489 | 332 |
| | 7,941 | 8,234 |

(1) Market Risk risk-weighted assets include Credit Valuation Adjustment (CVA) risk-weighted assets.

- The CET1 ratio increased from 19.0% to 20.4% driven by an increase in CET1 capital and a decrease in RWAs.
- CET1 capital increased by €50 million mainly driven by the addition of the approved distributable profits for 2024 to the regulatory capital.
- RWAs decreased from €8.2 billion to €7.9 billion reflecting a decrease in credit risk, partially offset by higher operational risk due to an increase in the 3-year average operating income, which forms the basis for the operational risk RWA. The decrease of €0.5 billion in credit risk was largely driven by a decrease in client positions in the trading book, securities held for investment purposes, and equity investments.

Funding sources (audited)

The table below shows NWM N.V. Group's primary funding sources.

| | 2024 | | 2023 | |
|--|--------|------|--------|------|
| | €m | % | €m | % |
| Bank deposits | 597 | 3.6 | 411 | 2.5 |
| Customer deposits | 2,999 | 17.9 | 4,531 | 27.5 |
| Trading liabilities (1) | 7,061 | 42.3 | 4,619 | 28.1 |
| Other financial liabilities | 3,368 | 20.2 | 2,805 | 17.1 |
| Subordinated liabilities | 303 | 1.8 | 293 | 1.8 |
| Amounts due to holding companies and fellow subsidiaries (2) | 2,380 | 14.2 | 3,775 | 23.0 |
| Total funding | 16,708 | 100 | 16,434 | 100 |

(1) Trading liabilities excludes short positions of nil (2023 – €18 million).

(2) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of €31 million (2023 – €24 million) and settlement balances of €147 million (2023 – €153 million) have been excluded from the table.

Market risk

NWM N.V. Group is exposed to traded market risk through its trading activities and to non-traded market risk through its banking activities. Traded and non-traded market risk exposures are managed and discussed separately. The traded market risk section begins below. The non-traded market risk section begins on page 30.

Traded market risk

Definition (audited)

Traded market risk is the risk of losses in trading book positions from fluctuations in market variables, such as interest rates, credit spreads, foreign exchange rates, equity prices, implied volatilities and asset correlations.

Sources of risk (audited)

NWM N.V. Group is exposed to traded market risk through trading activities that it enters into where such risk arises from market-making activity and by facilitating customer-facing business that cannot be immediately offset with other customers or market participants. From a market risk perspective, activities are focused on rates, capital markets, currencies and repos.

NWM N.V. Group undertakes transactions in financial instruments including debt securities, as well as securities financing and derivatives. The key categories of traded market risk are interest rate risk, credit spread risk and foreign currency price risk.

Trading activities may also give rise to counterparty credit risk. For further detail, refer to the Credit risk section.

Key developments in 2024

- The year was marked by decreases in key interest rates across key central banks: the European Central Bank (ECB) main refinancing operations rate reached 3.40% in October 2024 (4.50% in September 2023).
- The year was marked by periods of increased market volatility reflecting UK political developments, easing inflationary concerns, the ongoing Russia-Ukraine conflict and geopolitical tensions in the Middle East.
- The eurozone year-on-year inflation rate decreased slightly towards the end of the year, approaching the targeted 2%. It had reached 2.3% in November 2024 (2.9% in December 2023).
- The ECB intends to discontinue reinvestments under the pandemic emergency purchase programme at the end of 2024.
- In November 2024, the ECB highlighted that eurozone financial stability vulnerabilities remain elevated in a volatile environment. Risks to eurozone economic growth have shifted to the downside, as inflation has moved closer to 2%, while financial markets experienced several pronounced but short-lived spikes in volatility in Q4 2024.
- The euro / US dollar foreign exchange spot rate traded over parity level at times during 2024. However, overall the US dollar strengthened against the euro after the US elections.
- The euro / Swiss franc FX spot rate traded at parity in May 2024, subsequently declining in the remainder of the year. This spot rate traded at 0.93 in December 2024.

Governance (audited)

Market risk policy statements set out the governance and risk management framework. The Market Risk function independently identifies, measures, monitors, controls and challenges the risk-taking activities undertaken by the trading business, ensuring these are within the constraints of the market risk framework, policies, and risk appetite statements and measures.

NWM N.V. Group's traded market risk positions are reported monthly to the Risk and Control Committee and subsequently to the Managing and Supervisory Boards.

Risk appetite

NWM N.V. Group's qualitative appetite for traded market risk is set out in the traded market risk appetite statement.

Quantitative appetite is expressed in terms of exposure limits.

The limits at NWM N.V. Group level comprise value-at-risk (VaR) and stressed value-at-risk (SVaR). More details on these are provided on the following pages.

In addition, for each trading business, sub-business or desk, a dealing authority is defined. Dealing authorities comprise qualitative limits related to the product types within the scope of each desk, as well as quantitative metrics specific to the desk's market risk exposures. These additional limits and metrics aim to control various risk dimensions such as VaR, SVaR, exposure size measured via risk sensitivities, currency and tenor.

The limits are reviewed to reflect changes in risk appetite, business plans, portfolio composition and the market and economic environments.

NWM N.V. Group's risk appetite is aligned with that of NWM Group. A comprehensive structure and controls are in place aimed at ensuring that this appetite is not exceeded. NWM N.V. Group mitigates market risk among others by hedging transactions with NWM Group.

To ensure approved limits are not breached and that NWM N.V. Group remains within its risk appetite, triggers have been set such that if exposures exceed a specified level, action plans are developed by the relevant business and the Market Risk function and implemented.

For further information on risk appetite, refer to page 23.

Monitoring and mitigation

Traded market risk is identified and assessed by gathering, analysing, monitoring and reporting market risk information at desk, business and NWM N.V. Group-wide levels. Industry expertise, continued system developments and techniques such as stress testing are also used to enhance the effectiveness of the identification and assessment of all material market risks.

Traded market risk exposures are monitored against limits and analysed and signed off daily by the Market Risk function. A daily report summarising the position of exposures against limits at desk, business and NWM N.V. Group levels is provided to the trading desks.

Limit reporting is supplemented with regulatory capital and stress testing information as well as ad-hoc reporting.

A risk review of trading businesses is undertaken weekly with senior risk and front office staff. This includes a review of profit and loss drivers, notable position concentrations and other positions of concern.

Business profit and loss performance is monitored automatically through loss triggers which, if breached, require a remedial action plan to be agreed between NWM N.V. Group's Market Risk function and the business. The loss triggers are set using both a fall-from-peak approach and an absolute loss level.

Traded market risk continued

Measurement

NWM Group uses a comprehensive set of methodologies and techniques to measure traded market risk. At NWM N.V. Group level, these chiefly comprise VaR and SVaR. In addition, stress testing is used to identify any vulnerabilities and potential losses in excess of VaR and SVaR. The incremental risk charge is not material at NWM N.V. Group level.

Value-at-risk

VaR is a statistical estimate of the potential change in the market value of a portfolio (and, thus, the impact on the income statement) over a specified time horizon at a given confidence level.

For internal risk management purposes, VaR assumes a time horizon of one trading day and a confidence level of 99%.

NWM N.V. Group's internal VaR model is based on a historical simulation, utilising market data from the previous 500 days on an equally weighted basis.

The model also captures the potential impact of interest rate risk, credit spread risk and foreign currency price risk.

The performance and adequacy of the VaR model are tested regularly through the following processes:

- **Back-testing** – Internal and regulatory back-testing is conducted on a daily basis. VaR model back-testing counts the number of days when a loss exceeds the corresponding daily VaR estimate, measured at a 99% confidence level.
- **Ongoing model validation** – VaR model performance is assessed both regularly, and on an ad-hoc basis, if market conditions or portfolio profile change significantly.
- **Model Risk Management review** – As part of the model lifecycle, all risk models (including the VaR model) are independently reviewed to ensure the model is still fit for purpose given current market conditions and portfolio profile. For further detail on the independent model validation carried out by Model Risk Management, refer to page 52. More information relating to pricing and market risk models is presented in the NatWest Group 2024 Pillar 3 Report.

One-day 99% traded internal VaR

The table below analyses the internal VaR for NWM N.V. Group's trading portfolios segregated by type of market risk exposure.

| | 2024 | | | | 2023 | | | |
|---------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|------------------|
| | Average €m | Maximum €m | Minimum €m | Period end €m | Average €m | Maximum €m | Minimum €m | Period end €m |
| Interest rate | 0.8 | 2.2 | 0.3 | 0.6 | 0.8 | 2.3 | 0.2 | 0.6 |
| Credit spread | 0.4 | 0.5 | 0.3 | 0.3 | 0.4 | 0.5 | 0.3 | 0.4 |
| Currency | 0.1 | 0.7 | - | 0.1 | 0.2 | 1.0 | - | 0.1 |
| Diversification (1) | (0.4) | | - | (0.4) | (0.4) | | | (0.3) |
| Total | 0.9 | 2.1 | 0.1 | 0.6 | 1.0 | 2.3 | - | 0.8 |

(1) NWM N.V. Group benefits from diversification, which reflects the risk reduction achieved by allocating investments across various financial instrument types, industry counterparties, currencies and regions. The extent of the diversification benefit depends on the correlation between the assets and risk factors in the portfolio at a particular time.

- NWM N.V. Group maintained open risk at a moderate level and traded VaR remained within set appetite during 2024 despite the market volatility.
- Overall, average one-day VaR remained stable year-on-year. Interest rate risk was the most significant risk driver during the year as the volatility in interest rates was captured by the VaR model.

SVaR

As with VaR, the SVaR methodology produces estimates of the potential change in the market value of a portfolio, over a specified time horizon, at a given confidence level. SVaR is a VaR-based measure using historical data from a one-year period of stressed market conditions.

A simulation of 99% VaR is run on the current portfolio for each 250-day period from 2005 to the current VaR date, moving forward one day at a time. The SVaR is the worst VaR outcome of the simulated results.

The internal traded SVaR model captures all trading book positions.

The following table shows 10-day 99% internal SVaR for the trading portfolios of NWM N.V. Group.

| | 2024 | | | | 2023 | | | |
|----------------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|------------------|
| | Average €m | Maximum €m | Minimum €m | Period end €m | Average €m | Maximum €m | Minimum €m | Period end €m |
| Total internal traded SVaR | 4.6 | 11.3 | 2.7 | 3.9 | 5.6 | 17.2 | 2.8 | 4.5 |

Non-traded market risk

Definition (audited)

Non-traded market risk is the risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.

Sources of risk (audited)

Non-traded market risk exists in all balance-sheet exposure that makes reference to market risk factors, when customer behaviour could impact the size and timing of the repricing or maturity of future cash flows, or when valuation of assets and liabilities is driven by market risk factors such as interest rates or foreign exchange rates.

The key sources of non-traded market risk for NWM N.V. Group are interest rate risk, foreign exchange risk and credit spread risk.

Interest rate risk

Non-traded interest rate risk in NWM N.V. Group mainly arises from gap risk and basis risk. These sensitivities can give rise to volatility in net interest income as interest rates vary.

Foreign exchange risk

Non-traded foreign exchange risk arises from two main sources:

Structural foreign exchange risk – mainly arises from investments in foreign subsidiaries and **Transactional foreign exchange rate risk** – arises from customer transactions and profits and losses that are in a currency other than the functional currency.

Credit spread risk

Non-traded credit spread risk in NWM N.V. Group arises from the bond portfolio maintained as a liquidity buffer in Treasury.

Key developments in 2024

- During the year, NWM N.V. continued to apply the structural hedging programme of its common equity and reserves. At 31 December 2024, the notional amount of the structural hedge in place was €1.4 billion. NWM N.V. policy is to align the notional of the hedge to its business strategy.
- Euro medium term notes (EMTNs) and short and medium term notes (SMTNs) were issued out of Treasury and the Investor Products desk to fund NWM N.V. Group.
- NWM N.V. Group's non-traded VaR remained moderate and decreased year on year given the moderate open positions in interest rate, foreign exchange and credit spread risks.
- In 2024, total one-day 99% non-traded internal VaR for NWM N.V. was €0.4 million on an average basis (2023 - €0.6 million) and €0.5 million on a period-end basis (2023 - €0.5 million).
- NWM N.V. continues to diversify the Treasury funding base.

Governance (audited)

Responsibility for identifying, measuring, monitoring and controlling market risk arising from non-trading activities lies with the Market Risk team.

Policy statements set out the governance and risk management framework for non-traded market risk.

Risk appetite

NWM N.V. Group's qualitative appetite is set out in the non-traded market risk appetite statement.

Its quantitative appetite is expressed in terms of exposure limits. The limits at NWM N.V. Group comprise a VaR measure supplemented with SVaR, sensitivities, earnings-at-risk and economic-value-of-equity. Other limits monitored at executive governance level notably include a stress limit based on the foreign exchange sensitivity of NWM N.V. Group's CET1 ratio.

To ensure limits are not breached and that NWM N.V. Board remains within its risk appetite, triggers at NWM N.V. Board and lower levels have been set such that if exposures exceed a specified level, action plans are developed by the business, the Non-Traded Market Risk function and Finance for implementation.

The limits are reviewed to reflect changes in risk appetite, business plans, portfolio composition and the market and economic environments.

NWM N.V. Group's risk appetite is aligned with that of NWM Group. A comprehensive structure and controls are in place aimed at ensuring that this appetite is not exceeded. NWM N.V. Group aims to mitigate market risk, to the extent possible, by way of hedging transactions with NWM Group.

For further information on risk appetite, refer to page 23.

Monitoring and measurement

Non-traded market risk positions are reported monthly to the NWM N.V. Risk and Control Committee (RCC) and subsequently to the Managing and Supervisory Boards.

Interest rate risk

NWM N.V. Group policy is to manage interest rate sensitivity in banking book portfolios within defined risk limits which are monitored and approved by the NWM N.V. Group Risk & Control Committee. Interest rate swaps are used to hedge some exposures externally.

Key measures used to evaluate non-traded interest rate risk are subject to approval granted by NWM Group model risk governance. Limits on non-traded interest rate risk are set according to the non-trading interest rate and foreign currency risk policy statement and are subject to NWM N.V. Group Risk & Control Committee approval.

Non-traded interest rate risk is measured using a version of the same VaR methodology that is used by NWM Group. VaR metrics are based on interest rate repricing gap reports as at the reporting date.

Non-traded market risk continued

One-day 99% banking book VaR

One-day banking book VaR at a 99% confidence level for NWM N.V. Group was as follows:

| | Average €m | Maximum €m | Minimum €m | Period end €m |
|------|---------------|---------------|---------------|------------------|
| 2024 | 0.4 | 0.6 | 0.2 | 0.5 |
| 2023 | 0.6 | 1.6 | 0.2 | 0.5 |

Foreign exchange risk

Non-traded foreign exchange risk arises from two main sources:

Structural foreign exchange rate risk – mainly arises from investments in foreign subsidiaries and **Transactional foreign exchange rate risk** – arises from customer transactions and profits and losses that are in a currency other than the functional currency. Foreign exchange exposures arising from customer transactions are hedged by businesses on a regular basis in line with NatWest Group policy.

Structural foreign exchange rate risk positions are monitored by NWM NV Treasury, as part of an assessment of the overall sensitivity of NWM N.V.'s CET1 capital ratio to changes in exchange rates.

Gains or losses arising from the retranslation of net investments in overseas operations are recognised in equity reserves.

The table below sets out NWM N.V. Group's structural foreign currency exposures:

| | Net investments in foreign operations €m | Structural foreign currency exposures €m |
|----------------|---|---|
| 2024 | | |
| US dollar | 9 | 9 |
| Other non-euro | (5) | (5) |
| | 4 | 4 |
| 2023 | | |
| US dollar | 8 | 8 |
| Other non-euro | (4) | (4) |
| | 4 | 4 |

Overall, the foreign exchange risk position remained broadly unchanged year on year.

The pre-tax sensitivity of the foreign exchange reserves to changes in exchange rates is proportional to the nominal exposure. At 31 December 2024, a 1% strengthening in all foreign currencies against the euro would result in a €0.04 million increase in foreign exchange reserves before tax, while a 1% weakening in all foreign currencies against the euro would result in a €0.04 million reduction.

Credit risk

Definition (audited)

Credit risk is the risk that customers, counterparties or issuers fail to meet a contractual obligation to settle outstanding amounts.

Sources of risk (audited)

NWM N.V. Group is exposed to credit risk through lending, derivatives and off-balance sheet products such as trade finance and guarantees. NWM N.V. Group is also exposed to credit risk as a result of debt securities held for liquidity management purposes.

Key developments in 2024 (audited)

- Overall, the credit portfolio improved in terms of average probability of default (PD) as a result of improved outlook, upgrades, maturities and disposals of some of the sub investment grade exposures.
- Stage 2 assets were managed actively through disposals and also benefitted from maturities.
- There was a single Stage 3 asset which is expected to return to good book within one year, once the restructuring process is completed.
- Overall, a net release of expected credit loss (ECL) was realised, as some of the post model adjustments were gradually rolling-off and economic outlook continued to improve.

Governance (audited)

The Credit Risk function provides oversight and challenge of frontline credit risk management activities.

Governance activities include:

- Defining and proposing credit risk appetite measures for Board approval.
- Establishing credit risk policy, standards and toolkits which set out the mandatory limits and parameters required to ensure that credit risk is managed within risk appetite and which provide the minimum standards for the identification, assessment, management, monitoring and reporting of credit risk.
- Oversight of the first line of defence to ensure that credit risk remains within the appetite set by the Board and that it is being managed adequately and effectively.
- Assessing the adequacy ECL provisions including approving key IFRS 9 inputs (such as significant increase in credit risk (SICR) thresholds) and any necessary in-model and post model adjustments through provisions and model committees.
- Development and approval of credit grading models.
- Providing regular reporting on credit risk to the Board.

The Risk & Control Committee, which operates under the delegated authority of the Managing Board, ensures that all material credit risks are identified, assessed, monitored, controlled and managed effectively (refer to page 58 for further details). The Risk & Control Committee receives input from various committees including the Credit Risk Committee for the overall credit risk profile and sector/product/asset class concentrations, as well as input from the Risk of Credit Loss Committee, the Internal Model Review Committee and the Stress Testing Committee.

Risk appetite

Credit risk appetite is approved by the Board and is set and monitored through a risk appetite framework.

The framework has been designed to reflect factors that influence the ability to operate within risk appetite. Tools such as stress testing and economic capital are used to measure credit risk volatility and develop links between the framework and risk appetite limits.

Risk appetite statements and associated measures are reviewed and approved at least annually to ensure they remain appropriate and aligned to strategy.

The framework is used to manage concentrations of risk which may arise across four lenses – single name, sector, country and product and asset classes.

The framework is supported by a suite of transactional acceptance standards that set out the risk parameters within which businesses should operate.

Identification and measurement

Credit stewardship (audited)

Risks are identified through relationship management and credit stewardship of customers and portfolios. Credit stewardship takes place throughout the customer relationship, beginning with the initial approval. It includes the application of credit assessment standards, credit risk mitigation and collateral, ensuring that credit documentation is complete and appropriate, carrying out regular portfolio or customer reviews and problem debt identification and management.

Asset quality (audited)

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel PDs. Performing loans are defined as AQ1-AQ9 (where the PD is less than 100%) and defaulted non-performing loans as AQ10 or Stage 3 under IFRS 9 (where the PD is 100%). Loans are defined as defaulted when the payment status becomes 90 days past due, or earlier if there is clear evidence that the borrower is unlikely to repay, for example bankruptcy or insolvency.

Counterparty credit risk

Counterparty credit risk arises from the obligations of customers under derivative and securities financing transactions.

NWM N.V. Group mitigates counterparty credit risk through collateralisation and netting agreements, which allow amounts owed by NWM N.V. Group to a counterparty to be netted against amounts the counterparty owes NWM N.V. Group.

Mitigation

Mitigation techniques, as set out in the appropriate credit risk toolkits and transactional acceptance standards, are used in the management of credit portfolios across NWM N.V. Group. These techniques mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers.

Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset, the use of credit derivatives including credit default swaps, credit-linked debt instruments and securitisation structures, and the use of guarantees and similar instruments (for example, credit insurance) from related and third parties.

Credit risk continued

Assessment and monitoring

Customers, including corporates, banks and other financial institutions are typically managed on an individual basis. Customers are aggregated as a single risk when sufficiently interconnected to the extent that a failure of one could lead to the failure of another.

A credit assessment is carried out before credit facilities are made available to customers. The assessment process is dependent on the complexity of the transaction. Credit approvals are subject to environmental, social and governance risk policies which restrict exposure to certain highly carbon intensive industries as well as those with potentially heightened reputational impacts. Customer specific climate risk commentary is now mandatory.

Credit is only granted to customers following joint approval by an approver from the business and the credit risk function. The joint business and credit approvers act within a delegated approval authority under the Wholesale Credit Authorities policy. The level of delegated authority held by approvers is dependent on their experience and expertise with only a small number of senior executives holding the highest approval authority.

Transactional acceptance standards provide detailed transactional lending and risk acceptance metrics and structuring guidance. As such, these standards provide a mechanism to manage risk appetite at the customer/transaction level and are supplementary to the established credit risk appetite.

Credit quality, and loss given default (LGD) are reviewed annually. The review process assesses borrower performance, the adequacy of security, compliance with terms and conditions, and refinancing risk.

Problem debt management

Early problem identification

Each sector has defined early warning indicators to identify customers experiencing financial difficulty, and to increase monitoring if needed. Early warning indicators may be internal, such as a customer's bank account activity, or external, such as a publicly listed customer's share price. If early warning indicators show a customer is experiencing potential or actual difficulty, or if relationship managers or credit officers identify other signs of financial difficulty, they may decide to classify the customer within the Wholesale Problem Debt Management framework. Broader macro-economic trends including commodity prices, foreign exchange rates and consumer and government spend are also tracked, helping inform decisions on sector risk appetite. Customer level early warning indicators are regularly reviewed to ensure alignment with prevailing economic conditions, ensuring both the volume and focus of alerts is aligned to the point-in-time risk within each sector.

The Wholesale Problem Debt Management framework

This framework focuses on customers to provide early identification of credit deterioration, support intelligent risk-taking, ensure fair and consistent customer outcomes and provide key insights into lending portfolios. Expert judgement is applied by experienced credit risk officers to classify cases into categories that reflect progressively deteriorating credit risk to NWM N.V. Group. There are two classifications in the framework that apply to non-defaulted customers who are in financial stress – Heightened Monitoring and Risk of Credit Loss. For the purposes of provisioning, all exposures categorised as Heightened Monitoring or Risk of Credit Loss are categorised as Stage 2 and subject to a lifetime loss assessment.

The framework also applies to those customers that have met NatWest Group's default criteria (AQ10 exposures). Defaulted exposures are categorised as Stage 3 impaired for provisioning purposes.

Heightened Monitoring customers are performing customers that have met certain characteristics, which have led to significant credit deterioration. Collectively, characteristics reflect circumstances that may affect the customer's ability to meet repayment obligations. Characteristics include trading issues, covenant breaches, material PD downgrades and past due facilities.

Heightened Monitoring customers require pre-emptive actions (outside the customer's normal trading patterns) to return or maintain their facilities within NWM N.V. Group's current risk appetite.

Risk of Credit Loss customers are performing customers that have met the criteria for Heightened Monitoring and also pose a risk of credit loss to NWM N.V. Group in the next 12 months should mitigating action not be taken or not be successful.

Once classified as either Heightened Monitoring or Risk of Credit Loss, a number of mandatory actions are taken in accordance with policies. Actions include a review of the customer's credit grade, facility and security documentation and the valuation of security. Depending on the severity of the financial difficulty and the size of the exposure, the customer relationship strategy is reassessed by credit officers, by specialist credit risk or relationship management units in the relevant business, or by Restructuring.

Restructuring

Where customers are categorised as Risk of Credit Loss, relationships are mainly managed by the Restructuring team in NatWest Bank Plc as a service to NWM N.V. Group, however ultimate credit decisions are taken by the NWM N.V. Group Credit Team. The team protects NWM N.V. Group's capital by working with corporate and commercial customers to support their turnaround and recovery strategies and enable them to return to mainstream banking.

Forbearance (audited)

Forbearance takes place when a concession is made on the contractual terms of a loan/debt in response to a customer's financial difficulties. The aim of forbearance is to support and restore the customer to financial health while minimising risk. The type of forbearance offered is tailored to the customer's individual circumstances and may involve covenant waivers, amendments to margins, payment concessions and loan rescheduling (including extensions in contractual maturity), capitalisation of arrears, and debt forgiveness or debt-for-equity swaps.

Credit risk continued

Provisioning for forbearance

Provisions for forborene loans are assessed in accordance with normal provisioning policies. The customer's financial position and prospects – as well as the likely effect of the forbearance, including any concessions granted, and revised PD or LGD gradings – are considered in order to establish whether an impairment provision increase is required. Loans granted forbearance are individually credit assessed in most cases. Performing loans subject to forbearance treatment are categorised as Stage 2 and subject to a lifetime loss assessment.

In line with regulatory guidance, forbearance may lead to a customer being classified as non-performing.

In the case of non-performing forborene loans, an individual loan impairment provision assessment generally takes place prior to forbearance being granted. The amount of the loan impairment provision may change once the terms of the forbearance are known, resulting in an additional provision charge or a release of the provision in the period the forbearance is granted.

The transfer of loans from impaired to performing status follows assessment by relationship managers and credit. When no further losses are anticipated and the customer is expected to meet the loan's revised terms, any provision is written-off or released and the balance of the loan can be returned to performing status once the exit criteria, as set out by regulatory guidance, are met.

Credit grading models

Credit grading models is the collective term used to describe all models, frameworks and methodologies used to calculate PD, exposure at default (EAD), LGD, maturity and the production of credit grades.

Credit grading models are designed to provide:

- An assessment of customer and transaction characteristics.
- A meaningful differentiation of credit risk.
- Accurate internal default rate, loss and exposure estimates that are used in the capital calculation or wider risk management purposes.

Impairment, provisioning and write-offs (audited)

In the overall assessment of credit risk, impairment provisioning and write-offs are used as key indicators of credit quality.

NWM N.V. Group's IFRS 9 provisioning models, which use existing internal ratings based (IRB) models as a starting point, incorporate term structures and economic forecasts. Regulatory conservatism within the IRB models has been removed as appropriate to comply with the IFRS 9 requirement for unbiased ECL estimates.

Five key areas may materially influence the measurement of credit impairment under IFRS 9 – two of these relate to model build and three relate to model application:

Model build:

- The determination of economic indicators that have most influence on credit loss for each portfolio and the severity of impact (this leverages existing stress testing models which are reviewed annually).
- The build of term structures to extend the determination of the risk of loss beyond 12 months that will influence the impact of lifetime loss for exposures in Stage 2.

Model application:

- The assessment of the SICR and the formation of a framework capable of consistent application.
- The determination of asset lifetimes that reflect behavioural characteristics while also representing management actions and processes (using historical data and experience).
- The choice of forward-looking economic scenarios and their respective probability weights.

For accounting policy information, refer to Accounting policy 4.11.

IFRS 9 ECL model design principles (audited)

Modelling of ECL for IFRS 9 follows the conventional approach to divide the estimation of credit losses into its component parts of PD, LGD and EAD.

To meet IFRS 9 requirements, the PD, LGD and EAD parameters differ from their Pillar 1 IRB counterparts in the following aspects:

- **Unbiased** – conservatism has been removed from IFRS 9 parameters to produce unbiased estimates.
- **Point-in-time** – IFRS 9 parameters reflect actual economic conditions at the reporting date instead of long-run average or downturn conditions.
- **Economic forecasts** – IFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflect forward-looking economic conditions.
- **Lifetime measurement** – IFRS 9 PD, LGD and EAD are provided as multi-period term structures up to exposure lifetimes instead of over a fixed one-year horizon.

IFRS 9 requires that, at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e., the PD over the remaining lifetime at the reporting date) and the equivalent lifetime PD as determined at the date of initial recognition.

For assets originated before IFRS 9 was introduced, comparable lifetime origination PDs did not exist. These have been retrospectively created using the relevant model inputs applicable at initial recognition.

PD estimates

PD models use a point-in-time/through-the-cycle framework to convert one-year regulatory PDs into point-in-time estimates that reflect economic conditions at the reporting date. The framework utilises credit cycle indices (CCIs) for a comprehensive set of region/industry segments. Further detail on CCIs is provided in the Economic loss drivers section.

One-year PDs are extended to lifetime PDs using a conditional transition matrix approach and economic forecasts.

Credit risk continued

LGD estimates

The general approach for the IFRS 9 LGD models is to leverage corresponding IRB LGD models with bespoke adjustments to ensure estimates are unbiased and, where relevant, include economic forecasts.

Economic forecasts are incorporated into LGD estimates using the existing point-in-time/through-the-cycle framework. For low-default portfolios, including sovereigns and banks, loss data is too scarce to substantiate estimates that vary with economic conditions. Consequently, for these portfolios, LGD estimates are assumed to be constant throughout the projection horizon.

EAD estimates

EAD values are projected using product specific credit conversion factors (CCFs), closely following the product segmentation and approach of the respective IRB model. The CCFs are estimated over multi-year time horizons and contain no regulatory conservatism or downturn assumptions.

No explicit economic forecasts are incorporated, on the basis of analysis showing the movement in CCFs is mainly attributable to changes in exposure management practices rather than economic conditions.

Governance and post model adjustments (audited)

The IFRS 9 PD, EAD and LGD models are subject to NatWest Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Various post model adjustments were applied where management judged they were necessary to ensure an adequate level of overall ECL provision. All post model adjustments were subject to review, challenge and approval through model or provisioning committees.

Post model adjustments will remain a key focus area of NWM N.V. Group's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends with a particular focus on segments of the portfolio that are likely to be more susceptible to high inflation, high interest rates and supply chain disruption.

There was €2 million of ECL post model adjustments in the year (2023 – €3 million).

SICR (audited)

Exposures that are considered significantly credit deteriorated since initial recognition are classified in Stage 2 and assessed for lifetime ECL measurement (exposures not considered deteriorated carry a 12-month ECL). NWM N.V. Group has adopted a framework to identify deterioration based primarily on relative movements in lifetime PD supported by additional qualitative backstops. The principles applied are consistent across NWM N.V. Group and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

IFRS 9 lifetime PD assessment (the primary driver) – on modelled portfolios the assessment is based on the relative deterioration in forward-looking lifetime PD and is assessed monthly. To assess whether credit deterioration has occurred, the residual lifetime PD at balance sheet date (which PD is established at date of initial recognition) is compared to the current PD. If the current lifetime PD exceeds the residual origination PD by more than a threshold amount, deterioration is assumed to have occurred and the exposure transferred into Stage 2 for a lifetime loss assessment. In broad terms, a doubling of PD would indicate a SICR. However, the PD uplift must be at least 0.1%.

Qualitative high-risk backstops – the PD assessment is complemented with the use of qualitative high-risk backstops to further inform whether significant deterioration in lifetime risk of default has occurred. The qualitative high-risk backstop assessment includes the use of the mandatory 30+ days past due backstop, as prescribed by IFRS 9 guidance, and other features such as forbearance support and exposures managed within the Wholesale Problem Debt Management framework.

The criteria are based on a significant amount of empirical analysis and seek to meet three key objectives:

- **Criteria effectiveness** – the criteria should be effective in identifying significant credit deterioration and prospective default population.
- **Stage 2 stability** – the criteria should not introduce unnecessary volatility in the Stage 2 population.
- **Portfolio analysis** – the criteria should produce results which are intuitive when reported as part of the wider credit portfolio.

Monitoring the effect on relative PD deterioration when originating new lending at times of weaker economic outlook (therefore, higher PDs at initial recognition) is important to ensure SICR criteria remains effective.

Asset lifetimes (audited)

The choice of initial recognition and asset duration is another critical judgement in determining the quantum of lifetime losses that apply.

- The date of initial recognition reflects the date that a transaction (or account) was first recognised on the balance sheet; the PD recorded at that time provides the baseline used for subsequent determination of SICR as detailed above.
- For asset duration, the approach applied (in line with IFRS 9 requirements) is:
- **Term lending** – the contractual maturity date, reduced for behavioural trends where appropriate (such as, expected prepayment and amortisation).
- **Revolving facilities** – asset duration is based on annual customer review schedules and will be set to the next review date.

Economic loss drivers (audited)

Introduction

The portfolio segmentation and selection of economic loss drivers for IFRS 9 follows the approach used in stress testing. The stress models for each portfolio segment (defined by product or asset class and where relevant, industry sector and region) are based on a selected, small number of economic variables, that best explain the movements in portfolio loss rates. The process to select economic loss drivers involves empirical analysis and expert judgement.

The key economic variables in NWM N.V. Group include national gross domestic product (GDP), unemployment rate and the central bank base rate.

Economic scenarios

At 31 December 2024, the range of anticipated future economic conditions was defined by a set of four internally developed scenarios and their respective probabilities. In addition to the base case, they comprised upside, downside and extreme downside scenarios. The scenarios primarily reflected the current risks faced by the economy. This approach was similar to that used at 31 December 2023.

For 31 December 2024, the four scenarios were deemed appropriate in capturing the uncertainty in economic forecasts and the non-linearity in outcomes under different scenarios. These four scenarios were developed to provide sufficient coverage across potential rises in unemployment, inflation, asset price declines and the degree of permanent damage to the economy, around which there remains pronounced levels of uncertainty.

Since 31 December 2023, the economic outlook has evolved. The economy came out of post-COVID-19 stagnation with an upswing in the first half of 2024 as household income recovered. The growth lost momentum in the second half of 2024 and the outlook remains that of moderate growth. Inflation declined over the year, albeit the progress was slower than expected and inflation is likely to take longer to reach the target of 2%. As a result, rates are expected to remain higher-for-longer than previously expected. The unemployment rate increased modestly but it is underpinned by a still resilient labour market. There was emerging risk to the labour market due to higher tax burdens, but the impact is likely to be moderate. House prices were previously assumed to decline in 2024, but they performed better than expected. However, the higher interest rates environment poses a risk to the recovery.

Economic loss drivers (audited)

Headline macro variables: what are the risks and where are they captured?

Mini narratives – potential developments, vulnerabilities and risks

| | | |
|------------------|---|---------------------------|
| Growth | Outperformance sustained – economy remains close to H1 2024 pace on strong consumer | Upside |
| | Steady growth – staying close to trend pace from H2 2024 and beyond | Base case |
| | Stalling – 2024 strength proves fleeting, lagged effect of higher rates and cautious consumer stalls the rebound | Downside |
| | Extreme stress – extreme fall in GDP, with policy support to facilitate sharp recovery | Extreme downside |
| Inflation | Close to deflation – inflationary pressures diminish amidst pronounced weakness in demand | Extreme downside |
| | Battle won – continued downward drift in services inflation, ensuring 2% target is met on sustained basis | Base case |
| | Sticky – strong growth and/or wage policies and/or interest rate cuts keep services inflation well above target | Upside |
| | Structural factors – sustained bouts of energy, food and goods price inflation on geopolitics/deglobalisation | Downside |
| Labour market | Tighter, still – job growth rebounds strongly, pushing unemployment lower | Upside |
| | Cooling continues – gradual loosening prompts a gentle rise in unemployment (but remains low), job growth recovers | Base case |
| | Job shedding – prolonged weakness in economy prompts redundancies, reduced hours, building slack | Downside |
| | Depression – unemployment hits levels close to previous peaks amid severe stress | Extreme downside |
| Rates short-term | Limited cuts – higher growth and inflation | Upside |
| | Steady – approximately one cut per quarter | Base case |
| | Mid-cycle quickening – sharp declines through 2025 to support recovery | Downside |
| | Sharp drop – drastic easing in policy to support a sharp deterioration in the economy | Extreme downside |
| Rates long-term | Above consensus | Upside |
| | Consensus | Base case |
| | Below consensus | Downside/Extreme downside |

Credit risk continued

Economic loss drivers (audited)

Main macroeconomic variables

The main macroeconomic variables for these scenarios are set out in the table below. The compound annual growth rate (CAGR) for GDP as well as the five-year average for unemployment and the European Central Bank main refinancing rate.

| | 2024 | | | | | 2023 | | | | |
|--|--------|-----------|----------|------------------|------------------|--------|-----------|----------|------------------|------------------|
| | Upside | Base case | Downside | Extreme downside | Weighted average | Upside | Base case | Downside | Extreme downside | Weighted average |
| Five-year summary | % | % | % | % | % | % | % | % | % | % |
| GDP - CAGR | 2.0 | 1.3 | 0.8 | (0.3) | 1.2 | 2.2 | 1.2 | 0.9 | (0.5) | 1.1 |
| Unemployment rate - average | 5.7 | 6.3 | 7.1 | 9.5 | 6.7 | 5.7 | 6.7 | 7.0 | 10.1 | 7.0 |
| European Central Bank - main refinancing rate - average | 3.4 | 2.6 | 2.3 | 0.7 | 2.5 | 2.8 | 2.9 | 4.6 | 2.4 | 3.2 |
| Probability weight | 23.2 | 45.0 | 19.1 | 12.7 | - | 21.2 | 45.0 | 20.4 | 13.4 | - |

(1) The five-year summary runs from 2024-28 for 31 December 2024 and from 2023-27 for 31 December 2023.

Probability weightings of scenarios

NWM N.V. Group's quantitative approach to IFRS 9 multiple economic scenarios (MES) involves selecting a suitable set of discrete scenarios to characterise the distribution of risks in the economic outlook and assigning appropriate probability weights. This quantitative approach is used for 31 December 2024.

The approach involves comparing GDP paths for NWM N.V. Group's scenarios against a set of 1,000 model runs, following which, a percentile in the distribution is established that most closely corresponded to the scenario. The probability weight for the base case is set first based on judgement, while probability weights for the alternate scenarios are assigned based on these percentiles scores.

The assigned probability weights were judged to be aligned with the subjective assessment of balance of the risks in the economy. The weights were marginally less downside skewed compared to those used at 31 December 2023. The downside risks associated with a materially high inflation have reduced, with inflation lower at the end of 2024 compared to a year ago. However, the economic outlook is still subject to considerable uncertainty especially with respect to persistence of inflation, restrictive trade policies and various geopolitical flashpoints. Given that backdrop, NWM N.V. Group judges it appropriate that downside-biased scenarios have higher combined probability weights than the upside-biased scenario. It presents good coverage to the range of outcomes assumed in the scenarios, including the potential for a robust recovery on the upside and exceptionally challenging outcomes on the downside. A 23.2% weighting was applied to the upside scenario, a 45.0% weighting applied to the base case scenario, a 19.1% weighting applied to the downside scenario and a 12.7% weighting applied to the extreme downside scenario.

Credit risk continued

Economic loss drivers (audited)

Annual figures

| | Upside % | Base case % | Downside % | Extreme downside % | Weighted average % |
|-------------------------------------|-------------|----------------|---------------|--------------------------|--------------------------|
| Eurozone GDP - annual growth | | | | | |
| 2024 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| 2025 | 1.9 | 1.2 | (0.1) | (2.8) | 0.6 |
| 2026 | 3.5 | 1.4 | 0.7 | (1.3) | 1.4 |
| 2027 | 2.2 | 1.6 | 1.3 | 1.1 | 1.6 |
| 2028 | 1.8 | 1.4 | 1.4 | 1.0 | 1.4 |
| 2029 | 1.6 | 1.3 | 1.3 | 1.0 | 1.3 |

| | Upside % | Base case % | Downside % | Extreme downside % | Weighted average % |
|--|-------------|----------------|---------------|--------------------------|--------------------------|
| Eurozone - unemployment rate - annual average | | | | | |
| 2024 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 |
| 2025 | 6.3 | 6.4 | 6.9 | 8.3 | 6.7 |
| 2026 | 5.4 | 6.3 | 7.6 | 11.2 | 7.0 |
| 2027 | 5.0 | 6.2 | 7.6 | 11.3 | 6.9 |
| 2028 | 5.1 | 6.2 | 7.2 | 10.0 | 6.6 |
| 2029 | 5.1 | 6.1 | 6.9 | 8.8 | 6.4 |

| | Upside % | Base case % | Downside % | Extreme downside % | Weighted average % |
|---|-------------|----------------|---------------|--------------------------|--------------------------|
| European Central Bank - main refinancing rate - annual average | | | | | |
| 2024 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 |
| 2025 | 3.3 | 2.5 | 2.3 | 0.4 | 2.4 |
| 2026 | 3.2 | 2.2 | 1.7 | (0.8) | 1.9 |
| 2027 | 3.2 | 2.2 | 1.7 | (0.6) | 1.9 |
| 2028 | 3.2 | 2.2 | 1.8 | 0.1 | 2.0 |
| 2029 | 3.2 | 2.3 | 1.9 | 0.9 | 2.2 |

Worst points

| | 2024 | | | | 2023 | | | |
|------------------------------|---------------|---------|--------------------------|---------|---------------|---------|--------------------------|---------|
| | Downside % | Quarter | Extreme downside % | Quarter | Downside % | Quarter | Extreme downside % | Quarter |
| Eurozone | | | | | | | | |
| GDP | - | Q1 2024 | (4.0) | Q4 2025 | (1.0) | Q3 2024 | (5.6) | Q4 2024 |
| Unemployment rate - peak (1) | 7.7 | Q4 2026 | 11.8 | Q4 2026 | 7.3 | Q3 2024 | 12.4 | Q3 2025 |

(1) For the unemployment rate, the figures show the peak levels. For GDP, the figures show falls relative to the starting period. The calculations are performed over five years, with a starting point of Q3 2024 for 31 December 2024 scenarios.

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited)

The recognition and measurement of ECL is complex and involves the use of significant judgement and estimation, particularly in times of economic volatility and uncertainty. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9.

The ECL provision is sensitive to the model inputs and economic assumptions underlying the estimate.

The impact arising from the base case, upside, downside and extreme downside scenarios was simulated. In the simulations, NWM N.V. Group has assumed that the economic macro variables associated with these scenarios replace the existing base case economic assumptions, giving them a 100% probability weighting and therefore serving as a single economic scenario.

These scenarios were applied to all modelled portfolios in the analysis below, with the simulation impacting both PDs and LGDs. Post model adjustments included in the ECL estimates that were modelled were sensitised in line with the modelled ECL movements, but those that were judgemental in nature, primarily those for deferred model calibrations and economic uncertainty, were not (refer to the Governance and post model adjustments section) on the basis these would be re-evaluated

by management through ECL governance for any new economic scenario outlook and not be subject to an automated calculation. As expected, the scenarios create differing impacts on ECL by portfolio and the impacts are deemed reasonable. In this simulation, it is assumed that existing modelled relationships between key economic variables and loss drivers hold, but in practice other factors would also have an impact, for example, potential customer behaviour changes and policy changes by lenders that might impact on the wider availability of credit.

The focus of the simulations is on ECL provisioning requirements on performing exposures in Stage 1 and Stage 2. The simulations are run on a stand-alone basis and are independent of each other; the potential ECL impacts reflect the simulated impact at 31 December 2024. Scenario impacts on SICR should be considered when evaluating the ECL movements of Stage 1 and Stage 2. In all scenarios the total exposure was the same but exposure by stage varied in each scenario.

Stage 3 provisions are not subject to the same level of measurement uncertainty – default is an observed event as at the balance sheet date. Stage 3 provisions therefore were not considered in this analysis.

NWM N.V. Group's core criterion to identify a SICR is founded on PD deterioration. Under the simulations, PDs change and result in exposures moving between Stage 1 and Stage 2 contributing to the ECL impact.

| | Actual | Base scenario | Moderate upside scenario | Moderate downside scenario | Extreme downside scenario |
|---|--------|---------------|--------------------------|----------------------------|---------------------------|
| 2024 | | | | | |
| Stage 1 modelled loans (€m) | 900 | 900 | 902 | 898 | 708 |
| Stage 1 modelled ECL (€m) | 5 | 4 | 3 | 5 | 9 |
| Stage 1 coverage | 0.56% | 0.44% | 0.33% | 0.56% | 1.27% |
| Stage 2 modelled loans (€m) | 112 | 112 | 110 | 114 | 304 |
| Stage 2 modelled ECL (€m) | 2 | 2 | 2 | 2 | 8 |
| Stage 2 coverage | 1.79% | 1.79% | 1.82% | 1.75% | 2.63% |
| Stage 1 and Stage 2 modelled loans (€m) | 1,012 | 1,012 | 1,012 | 1,012 | 1,012 |
| Stage 1 and Stage 2 modelled ECL (€m) | 7 | 6 | 5 | 7 | 17 |
| Stage 1 and Stage 2 coverage | 0.69% | 0.59% | 0.49% | 0.69% | 1.68% |
| Variance to actual total Stage 1 and Stage 2 ECL | | (1) | (2) | - | 10 |
| Reconciliation to Stage 1 and Stage 2 flow exposures (€m) | | | | | |
| Modelled loans | 1,012 | 1,012 | 1,012 | 1,012 | 1,012 |
| Non-modelled loans | - | - | - | - | - |
| Other asset classes | 9,919 | 9,919 | 9,919 | 9,919 | 9,919 |

- (1) Variations in future undrawn exposure values across the scenarios are modelled, however the exposure position reported is that used to calculate modelled ECL as at 31 December 2024 and therefore does not include variation in future undrawn exposure values.
- (2) Reflects ECL for all modelled exposure in scope for IFRS 9. The analysis excludes non-modelled portfolios and exposure relating to bonds and cash.
- (3) All simulations are run on a stand-alone basis and are independent of each other, with the potential ECL impact reflecting the simulated impact as at 31 December 2024. The simulations change the composition of Stage 1 and Stage 2 exposure, but total exposure is unchanged under each scenario as the loan population is static.
- (4) Refer to the Economic loss drivers section for details of economic scenarios.
- (5) Refer to the NWM N.V. Group 2023 Annual Report and Accounts for 2023 comparatives.

Measurement uncertainty and ECL adequacy (audited)

Given the continued economic uncertainty, NWM N.V. Group utilised a framework of quantitative and qualitative measures to support the levels of ECL coverage. This included economic data, credit performance insights and problem debt trends. This was particularly important for consideration of post model adjustments.

As the effects of these economic risks evolve into 2025, there is a risk of further credit deterioration. However, the income statement effect of this should be mitigated by the forward-looking provisions retained on the balance sheet at 31 December 2024.

There are a number of key factors that could drive further downside to impairments, through deteriorating economic and credit metrics and increased stage migration as credit risk increases for more customers. Such factors which could impact the IFRS 9 models, include an adverse deterioration in unemployment, GDP and stock price index in the economies in which NWM N.V. Group operates.

Credit risk – Banking activities

Introduction

This section details the credit risk profile of NWM N.V. Group's banking activities.

Refer to Accounting policy 4.11 and Note 12 to the consolidated financial statements for policies and critical judgements relating to impairment loss determination.

Financial instruments within the scope of the IFRS 9 ECL framework (audited)

Refer to Note 9 to the consolidated financial statements for balance sheet analysis of financial assets that are classified as amortised cost or fair value through other comprehensive income (FVOCI), the starting point for IFRS 9 ECL framework assessment.

| | 31 December 2024 | | | 31 December 2023 | | |
|--|------------------|------------|------------|------------------|------------|------------|
| | Gross €bn | ECL €bn | Net €bn | Gross €bn | ECL €bn | Net €bn |
| Balance sheet total gross amortised cost and FVOCI | 10.3 | | | 10.4 | | |
| In scope of IFRS 9 ECL framework | 9.4 | | | 9.8 | | |
| % in scope | 91% | | | 95% | | |
| Loans to customers - in scope - amortised cost | 0.9 | - | 0.9 | 1.0 | - | 1.0 |
| Loans to customers - in scope - FVOCI | - | - | - | - | - | - |
| Loans to banks - in scope - amortised cost | 0.2 | - | 0.2 | 0.2 | - | 0.2 |
| Total loans - in scope | 1.1 | - | 1.1 | 1.2 | - | 1.2 |
| Stage 1 | 1.0 | - | 1.0 | 1.1 | - | 1.1 |
| Stage 2 | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| Stage 3 | - | - | - | - | - | - |
| Other financial assets - in scope - amortised cost | 7.7 | - | 7.7 | 8.2 | - | 8.2 |
| Other financial assets - in scope - FVOCI | 0.6 | - | 0.6 | 0.4 | - | 0.4 |
| Total other financial assets - in scope | 8.3 | - | 8.3 | 8.6 | - | 8.6 |
| Stage 1 | 8.3 | - | 8.3 | 8.6 | - | 8.6 |
| Stage 2 | - | - | - | - | - | - |
| Stage 3 | - | - | - | - | - | - |
| Out of scope of IFRS 9 ECL framework | 0.9 | na | 0.9 | 0.6 | na | 0.6 |
| Loans to customers - out of scope - amortised cost | - | na | - | - | na | - |
| Loans to banks - out of scope - amortised cost | - | na | - | - | na | - |
| Other financial assets - out of scope - amortised cost | 0.9 | na | 0.9 | 0.6 | na | 0.6 |
| Other financial assets - out of scope - FVOCI | - | na | - | - | na | - |

na = not applicable

The assets outside the scope of IFRS 9 ECL framework were as follows:

- Settlement balances, items in the course of collection, cash balances and other non-credit risk assets of €883 million (2023-€573 million). These were assessed as having no ECL unless there was evidence that they were defaulted.
- Equity shares of nil (2023-€1 million) as not within the IFRS 9 ECL framework by definition.

Contingent liabilities and commitments

Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope were €7,470 million (2023-€7,532 million), comprised Stage 1 €7,397 million (2023-€7,491 million); Stage 2 €73 million (2023-€41 million); and Stage 3 nil (2023-nil).

Credit risk – Banking activities continued

Portfolio summary (audited)

The table below shows gross loans and ECL, by stage, within the scope of the IFRS 9 ECL framework.

| | 2024 €m | 2023 €m |
|--|--------------|--------------|
| Loans - amortised cost and FVOCI | | |
| Stage 1 | 996 | 1,052 |
| Stage 2 | 118 | 141 |
| Stage 3 | 34 | - |
| Inter-Group (1) | 64 | 102 |
| Total | 1,212 | 1,295 |
| ECL provisions | | |
| Stage 1 | 5 | 7 |
| Stage 2 | 2 | 2 |
| Stage 3 | 1 | - |
| Total | 8 | 9 |
| ECL provisions coverage (2) | | |
| Stage 1 (%) | 0.50 | 0.67 |
| Stage 2 (%) | 1.69 | 1.42 |
| Stage 3 (%) | 2.94 | - |
| Total | 0.70 | 0.75 |
| Other financial assets - gross exposure | 8,297 | 8,583 |
| Other financial assets - ECL provisions | 1 | 3 |
| Impairment releases | | |
| ECL release - third party (3) | (1) | - |
| Amounts written-off | - | 1 |

(1) The NWM N.V. intercompany assets were classified in Stage 1. The ECL for these loans was nil (2023 – nil).

(2) ECL provisions coverage is calculated as ECL provisions divided by loans – amortised cost and FVOCI. It is calculated on loans and total ECL provisions, including ECL for other (non-loan) assets and unutilised exposure. Some segments with a high proportion of debt securities or unutilised exposure may result in a not meaningful coverage ratio.

(3) Includes €1.3 million release (2023 – €1.8 million charge) related to other financial assets and €0.1 million release (2023 – nil) relating to contingent liabilities.

(4) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to page 40 for Financial instruments within the scope of the IFRS 9 ECL framework for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling €6.2 billion (2023 – €6.0 billion) and debt securities of €2.1 billion (2023 – €2.6 billion).

(5) NWM N.V. held collateral against third party loans in Stage 3 of €32.4 million (2023 – nil) and against Stage 1 and Stage 2 third party loans of €258 million (2023 – €287 million). Inter-group loans were uncollateralised.

- There was a small decrease in overall assets due to maturities and reduced drawings.
- The change in Stage 2 and Stage 3 assets was driven by a single asset transfer into Stage 3. The asset is expected to return to good book within one year, upon completion of the restructuring process.
- The overall decrease in ECL was driven by MES and the release of post model adjustments.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

The table below shows financial assets and off-balance sheet exposures gross of ECL and related ECL provisions, impairment by sector, asset quality and geographical region based on the country of operation of the customer. The tables below show only third-party exposures and related ECL provisions, charges and write-offs.

| 2024 (1) | Corporate & other €m | Financial institutions €m | Sovereign €m | Total €m |
|--|----------------------------|---------------------------------|-----------------|--------------|
| Loans by geography | 483 | 665 | - | 1,148 |
| - The Netherlands | 36 | 45 | - | 81 |
| - Other Europe | 336 | 372 | - | 708 |
| - RoW | 111 | 248 | - | 359 |
| Loans by asset quality (2) | 483 | 665 | - | 1,148 |
| - AQ1 | - | 38 | - | 38 |
| - AQ2 | - | 184 | - | 184 |
| - AQ3 | 13 | 3 | - | 16 |
| - AQ4 | 192 | 437 | - | 629 |
| - AQ5 | 22 | - | - | 22 |
| - AQ6 | 107 | - | - | 107 |
| - AQ7 | 110 | 3 | - | 113 |
| - AQ8 | 5 | - | - | 5 |
| - AQ9 | - | - | - | - |
| - AQ10 | 34 | - | - | 34 |
| Loans by stage | 483 | 665 | - | 1,148 |
| - Stage 1 | 384 | 612 | - | 996 |
| - Stage 2 | 65 | 53 | - | 118 |
| - Stage 3 | 34 | - | - | 34 |
| Weighted average life (3) - ECL measurement (years) | 4 | 2 | - | 3 |
| Weighted average 12 months PDs (3) | | | | |
| - IFRS 9 (%) | 1.45 | 0.14 | - | 0.68 |
| - Basel (%) | 1.46 | 0.12 | - | 0.65 |
| ECL provisions by geography | 6 | 2 | - | 8 |
| - The Netherlands | - | - | - | - |
| - Other Europe | 5 | 2 | - | 7 |
| - RoW | 1 | - | - | 1 |
| ECL provisions by stage | 6 | 2 | - | 8 |
| - Stage 1 | 3 | 2 | - | 5 |
| - Stage 2 | 2 | - | - | 2 |
| - Stage 3 | 1 | - | - | 1 |
| ECL provisions coverage (%) | 1.24 | 0.30 | - | 0.70 |
| - Stage 1 (%) | 0.78 | 0.33 | - | 0.50 |
| - Stage 2 (%) | 3.08 | - | - | 1.69 |
| - Stage 3 (%) | 2.94 | - | - | 2.94 |
| ECL release - third party | - | (1) | - | (1) |
| Amounts written-off | - | - | - | - |
| Other financial assets by asset quality (2) | 96 | 1,496 | 6,705 | 8,297 |
| - AQ1-AQ4 | 93 | 1,421 | 6,705 | 8,219 |
| - AQ5-AQ8 | 3 | 75 | - | 78 |
| Off-balance sheet | 6,349 | 1,121 | - | 7,470 |
| - Loan commitments | 6,349 | 609 | - | 6,958 |
| - Financial guarantees | - | 512 | - | 512 |
| Off-balance sheet by asset quality (2) | 6,349 | 1,121 | - | 7,470 |
| - AQ1-AQ4 | 6,171 | 1,070 | - | 7,241 |
| - AQ5-AQ8 | 178 | 51 | - | 229 |
| - AQ10 | - | - | - | - |

For the notes to this table refer to the following page.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

| 2023 (1) | Corporate & other €m | Financial institutions €m | Sovereign €m | Total €m |
|---|-------------------------|------------------------------|-----------------|-------------|
| Loans by geography | 596 | 597 | - | 1,193 |
| - The Netherlands | 65 | 101 | - | 166 |
| - Other Europe | 399 | 360 | - | 759 |
| - RoW | 132 | 136 | - | 268 |
| Loans by asset quality (2) | 596 | 597 | - | 1,193 |
| - AQ1 | - | 50 | - | 50 |
| - AQ2 | 17 | 124 | - | 141 |
| - AQ3 | 10 | 38 | - | 48 |
| - AQ4 | 259 | 344 | - | 603 |
| - AQ5 | 53 | - | - | 53 |
| - AQ6 | 96 | 39 | - | 135 |
| - AQ7 | 136 | 2 | - | 138 |
| - AQ8 | 2 | - | - | 2 |
| - AQ9 | 23 | - | - | 23 |
| - AQ10 | - | - | - | - |
| Loans by stage | 596 | 597 | - | 1,193 |
| - Stage 1 | 458 | 594 | - | 1,052 |
| - Stage 2 | 138 | 3 | - | 141 |
| - Stage 3 | - | - | - | - |
| Weighted average life (3) - ECL measurement (years) | 4 | 1 | - | 3 |
| Weighted average 12 months PDs (3) | | | | |
| - IFRS 9 (%) | 2.02 | 0.21 | - | 1.11 |
| - Basel (%) | 1.96 | 0.18 | - | 1.06 |
| ECL provisions by geography | 6 | 3 | - | 9 |
| - The Netherlands | 1 | - | - | 1 |
| - Other Europe | 4 | 3 | - | 7 |
| - RoW | 1 | - | - | 1 |
| ECL provisions by stage | 6 | 3 | - | 9 |
| - Stage 1 | 4 | 3 | - | 7 |
| - Stage 2 | 2 | - | - | 2 |
| - Stage 3 | - | - | - | - |
| ECL provisions coverage (%) | 1.01 | 0.50 | - | 0.75 |
| - Stage 1 (%) | 0.87 | 0.51 | - | 0.67 |
| - Stage 2 (%) | 1.45 | - | - | 1.42 |
| - Stage 3 (%) | - | - | - | - |
| ECL release - third party | (1) | 1 | - | - |
| Amounts written-off | 1 | - | - | 1 |
| Other financial assets by asset quality (2) | 58 | 2,095 | 6,430 | 8,583 |
| - AQ1-AQ4 | 58 | 2,044 | 6,430 | 8,532 |
| - AQ5-AQ8 | - | 51 | - | 51 |
| Off-balance sheet | 6,193 | 1,339 | - | 7,532 |
| - Loan commitments | 6,193 | 812 | - | 7,005 |
| - Financial guarantees | - | 527 | - | 527 |
| Off-balance sheet by asset quality (2) | 6,193 | 1,339 | - | 7,532 |
| - AQ1-AQ4 | 5,899 | 1,312 | - | 7,211 |
| - AQ5-AQ8 | 294 | 27 | - | 321 |
| - AQ10 | - | - | - | - |

(1) Previously published sectors for the Non-personal portfolio have been re-presented to reflect internal sector reporting. Property is now included in corporate and other.

(2) AQ bandings are based on Basel PDs and mapping is as follows:

| Internal asset quality band | Probability of default range | Indicative S&P rating |
|-----------------------------|------------------------------|-----------------------|
| AQ1 | 0% - 0.034% | AAA to AA |
| AQ2 | 0.034% - 0.048% | AA to AA- |
| AQ3 | 0.048% - 0.095% | A+ to A |
| AQ4 | 0.095% - 0.381% | BBB+ to BBB- |
| AQ5 | 0.381% - 1.076% | BB+ to BB |
| AQ6 | 1.076% - 2.153% | BB- to B+ |
| AQ7 | 2.153% - 6.089% | B+ to B |
| AQ8 | 6.089% - 17.222% | B- to CCC+ |
| AQ9 | 17.222% - 100% | CCC to C |
| AQ10 | 100% | D |

(3) Not within the scope of the independent auditors' report.

- There were no major moves in the composition of the portfolio in terms of sector or country.
- The average PD improved due to a combination of upgrades of credit ratings and maturity of some sub-investment grade exposures.
- The portfolio continues to be strongly skewed to investment grade credit.

Credit risk – Banking activities continued

Forbearance

The table below shows forbearance, Heightened Monitoring and Risk of Credit Loss by sector. This table show current exposure but reflects risk transfers where there is a guarantee by another customer.

| | Corporate and other €m | Financial institutions €m | Sovereign €m | Total €m |
|---|---------------------------|------------------------------|-----------------|-------------|
| 2024 | | | | |
| Forbearance (flow) | - | - | - | - |
| Forbearance (stock) | - | - | - | - |
| Heightened Monitoring and Risk of Credit Loss | 19 | - | - | 19 |
| 2023 | | | | |
| Forbearance (flow) | - | - | - | - |
| Forbearance (stock) | - | - | - | - |
| Heightened Monitoring and Risk of Credit Loss | 4 | - | - | 4 |

Flow statement (audited)

The flow statement that follows shows the main ECL and related income statement movements. It also shows the changes in ECL as well as the changes in related financial assets used in determining ECL. Due to differences in scope, exposures may differ from those reported in other tables, principally in relation to exposures in Stage 1 and Stage 2. These differences do not have a material ECL impact as they relate to balances at central banks. Other points to note:

- Financial assets include treasury liquidity portfolios, comprising balances at central banks and debt securities, as well as loans. Both modelled and non-modelled portfolios are included.

- Stage transfers (for example, exposures moving from Stage 1 into Stage 2) are a key feature of the ECL movements, with the net re-measurement cost of transitioning to a worse stage being a primary driver of income statement charges. Similarly, there is an ECL benefit for accounts improving stage.
- Changes in risk parameters shows the reassessment of the ECL within a given stage, including any ECL overlays and residual income statement gains or losses at the point of write-off or accounting write-down.
- Amounts written-off represent the gross asset written-down against accounts with ECL, including the net asset write-down for any debt sale activity.

Credit risk – Banking activities continued

| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|------------------------|-----------|------------------------|-----------|------------------------|-----------|------------------------|-----------|
| | Financial assets €m | ECL €m | Financial assets €m | ECL €m | Financial assets €m | ECL €m | Financial assets €m | ECL €m |
| NWM N.V. Group | | | | | | | | |
| At 1 January 2024 | 13,731 | 8 | 143 | 2 | - | - | 13,874 | 10 |
| Currency translation and other adjustments | 174 | - | - | (1) | - | - | 174 | (1) |
| Transfers from Stage 1 to Stage 2 | (108) | (1) | 108 | 1 | - | - | - | - |
| Transfers from Stage 2 to Stage 1 | 28 | - | (28) | - | - | - | - | - |
| Transfers to Stage 3 | - | - | (34) | (1) | 34 | 1 | - | - |
| Net re-measurement of ECL on stage transfer | - | - | - | 1 | - | - | - | 1 |
| Changes in risk parameters | - | (2) | - | 1 | - | - | - | (1) |
| Other changes in net exposure | (3,008) | - | (75) | (1) | - | - | (3,083) | (1) |
| Other P&L only items | - | - | - | - | - | - | - | - |
| Income statement (releases)/charges | - | (2) | - | 1 | - | - | - | (1) |
| Amounts written-off | - | - | - | - | - | - | - | - |
| At 31 December 2024 | 10,817 | 5 | 114 | 2 | 34 | 1 | 10,965 | 8 |
| Net carrying amount | 10,812 | | 112 | | 33 | | 10,957 | |
| At 1 January 2023 | 7,179 | 6 | 303 | 5 | - | - | 7,482 | 11 |
| 2023 movements | 6,552 | 2 | (160) | (3) | - | - | 6,392 | (1) |
| At 31 December 2023 | 13,731 | 8 | 143 | 2 | - | - | 13,874 | 10 |
| Net carrying amount | 13,723 | | 141 | | - | | 13,864 | |

Stage 2 decomposition by a significant increase in credit risk trigger

The tables below show Stage 2 decomposition for the portfolio.

| | Corporate & other | | Financial institutions | | Total | |
|--|-------------------|-----------|------------------------|-----------|-------------|-----------|
| | Loans €m | ECL €m | Loans €m | ECL €m | Loans €m | ECL €m |
| 2024 | | | | | | |
| Non-personal | | | | | | |
| Currently >30 DPD | - | - | - | - | - | - |
| Currently <=30 DPD | 65 | 2 | 53 | - | 118 | 2 |
| - PD deterioration | 60 | 2 | 53 | - | 113 | 2 |
| - Other driver (adverse credit, forbearance etc) | 5 | - | - | - | 5 | - |
| Total Stage 2 | 65 | 2 | 53 | - | 118 | 2 |
| 2023 | | | | | | |
| Non-personal | | | | | | |
| Currently >30 DPD | 23 | - | - | - | 23 | - |
| Currently up-to-date | 115 | 2 | 3 | - | 118 | 2 |
| - PD deterioration | 93 | - | 3 | - | 96 | - |
| - Other driver (adverse credit, forbearance etc) | 22 | 2 | - | - | 22 | 2 |
| Total Stage 2 | 138 | 2 | 3 | - | 141 | 2 |

- The reduction in Stage 2 assets was driven by the improved outlook resulting in transfer into Stage 1 and maturities.
- Stage 3 assets were related to a single asset where the commitments were reduced as part of the restructuring process. The asset is expected to return to good book within one year and without any expected losses.

Credit risk – Trading activities

This section details the credit risk profile of NWM N.V. Group's trading activities.

Derivatives (audited)

The table below shows third party derivatives by type of contract. The master netting agreements and collateral shown do not result in a net presentation on the balance sheet under IFRS.

| | 2024 | | | | | | | 2023 | | |
|--|------------|------------|------------|--------------|--------------|--------------|--------------|----------|---------|-------------|
| | Notional | | | | Total | Assets | Liabilities | Notional | Assets | Liabilities |
| | GBP €bn | USD €bn | EUR €bn | Other €bn | | | | | | |
| Gross exposure | | | | | | 8,092 | 6,799 | | 7,533 | 6,746 |
| IFRS offset | | | | | | (293) | (293) | | (702) | (702) |
| Carrying value | 33 | 96 | 966 | 32 | 1,127 | 7,799 | 6,506 | 972 | 6,831 | 6,044 |
| Of which: | | | | | | | | | | |
| Interest rate (1) | 11 | 15 | 891 | 2 | 919 | 3,968 | 2,596 | 802 | 4,370 | 3,151 |
| Exchange rate | 22 | 81 | 75 | 30 | 208 | 3,831 | 3,903 | 169 | 2,460 | 2,886 |
| Credit | - | - | - | - | - | - | 7 | 1 | 1 | 7 |
| Equity and commodity | - | - | - | - | - | - | - | - | - | - |
| Carrying value | | | | | 1,127 | 7,799 | 6,506 | 972 | 6,831 | 6,044 |
| Counterparty mark-to-market netting | | | | | | (3,870) | (3,870) | | (3,098) | (3,098) |
| Cash collateral | | | | | | (2,550) | (1,947) | | (2,855) | (1,685) |
| Securities collateral | | | | | | (886) | (117) | | (455) | (601) |
| Net exposure | | | | | | 493 | 572 | | 423 | 660 |
| Banks (2) | | | | | | 87 | 13 | | 19 | 29 |
| Other financial institutions (3) | | | | | | 193 | 263 | | 139 | 242 |
| Corporate (4) | | | | | | 213 | 271 | | 262 | 359 |
| Government (5) | | | | | | - | 25 | | 3 | 30 |
| Net exposure | | | | | | 493 | 572 | | 423 | 660 |
| UK | | | | | | 1 | 2 | | 7 | - |
| Europe | | | | | | 486 | 565 | | 376 | 660 |
| US | | | | | | 1 | 5 | | 33 | - |
| RoW | | | | | | 5 | - | | 7 | - |
| Net exposure | | | | | | 493 | 572 | | 423 | 660 |
| Asset quality of uncollateralised derivative assets | | | | | | | | | | |
| AQ1-AQ4 | | | | | | 409 | | | 358 | |
| AQ5-AQ10 | | | | | | 84 | | | 65 | |
| Net exposure | | | | | | 493 | | | 423 | |

(1) The notional amount of interest rate derivatives includes €795 billion (2023 – €684 billion) in respect of contracts cleared through central clearing counterparties.

(2) Transactions with certain counterparties with which NWM N.V. Group has netting arrangements but collateral is not posted on a daily basis; certain transactions with specific terms that may not fall within netting and collateral arrangements; derivative positions in certain jurisdictions where the collateral agreements are not deemed to be legally enforceable.

(3) Includes transactions with securitisation vehicles and funds where collateral posting is contingent on NWM N.V. Group's external rating.

(4) Mainly large corporates with which NWM N.V. Group may have netting arrangements in place with no collateral posting.

(5) Sovereigns and supranational entities with no collateral arrangements, collateral arrangements that are not considered enforceable, or one-way collateral agreements in their favour.

Compliance and conduct risk

Definition

Compliance risk is the risk that NWM N.V. Group fails to observe the letter and spirit of all relevant laws, codes, rules, regulations and standards of good market practice.

Conduct risk is the risk of inappropriate behaviour towards customers, or in the markets in which NWM N.V. Group operates, which leads to poor or inappropriate customer outcomes.

The consequences of failing to meet compliance and/or conduct responsibilities can be significant and could result, for example, in legal action, regulatory enforcement, material financial loss and/or reputational damage.

Sources of risk

Compliance and conduct risks exist across all stages of NWM N.V. Group's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential inside information.

Key developments in 2024

- NWM N.V. made further enhancements to the compliance and conduct framework, with the risk toolkits, risk standards and regulatory compliance operational policy framework being embedded throughout the year. Business areas also completed self-assessments against the Conduct Risk policy and Regulatory Compliance Risk policy to ensure risks are being measured and managed accurately and effectively.
- In line with a NWM plea agreement with the US Department of Justice (DoJ) regarding historical spoofing conduct by former employees, an independent monitor was appointed in 2022. Now into the second year of the Monitorship, work continues to implement the enhancements recommended by the Monitor for NWM including NWM N.V.

Governance

NatWest Group defines appropriate standards of compliance and conduct and ensures adherence to those standards through its risk management framework. To support ongoing oversight of the management of the compliance and conduct risk profile there are a number of committees in place across both the first and second line of defence. Relevant compliance and conduct matters that have an impact on NWM N.V. Group are escalated to the Risk & Control Committee and to the Managing Board.

Risk appetite

The risk appetite statement and associated measures for compliance and conduct risks are reviewed and approved at least annually by the NWM N.V. Group Board on the relevant board risk committee's recommendation to ensure they remain appropriate and aligned to strategy.

Risk appetite statements articulate the levels of risk that legal entities, businesses and functions work within when pursuing their strategic objectives and business plans.

The compliance and conduct risk appetite statement and associated measures are approved by the Risk & Control Committee, the Managing Board and the Supervisory Board to ensure they remain appropriate and aligned to strategy.

A suite of risk policies, risk standards and regulatory compliance operational policies addressing compliance and conduct risks set appropriate standards across NWM N.V. Group. Examples of these include those relating to product mis-selling, customers in vulnerable situations, complaints management, cross-border activities and market abuse. Continuous monitoring and targeted assurance are carried out as appropriate.

Monitoring and measurement

Compliance and conduct risks are measured and managed through continuous assessment and regular reporting to the NWM N.V. Group Risk & Control Committee and the NWM N.V. Group Managing Board. The compliance and conduct risk framework facilitates the consistent monitoring and measurement of compliance with laws and regulations and the delivery of consistently good customer outcomes. The first line of defence is responsible for effective risk identification, reporting and monitoring, with oversight, challenge and review by the second line. Compliance and conduct risk management is also integrated into NatWest Group's strategic planning cycle.

Mitigation

Activity to mitigate the most material compliance and conduct risks is carried out across NWM N.V. Group with specific areas of focus in the customer-facing businesses and legal entities. Examples of mitigation include consideration of customer needs in business and product planning, targeted training, complaints management, mapping of priority regulatory requirements and independent monitoring activity. Internal policies help support a strong customer focus across NWM N.V. Group.

Financial crime risk

Definition

Financial crime risk is the risk that NWM N.V. Group's products, services, employees and/or third parties are intentionally or unintentionally used to facilitate financial crime in the form of money laundering, terrorist financing, bribery and corruption, sanctions and tax evasion, as well as external or internal fraud.

Sources of risk

Financial crime risk may be present if NWM N.V. Group's customers, employees or third parties undertake or facilitate financial crime, or if NWM N.V. Group's products or services are used intentionally or unintentionally to facilitate such crime. Financial crime risk is an inherent risk across all lines of business.

Key developments in 2024

- Continued significant investment was made to support the delivery of a multi-year transformation plan across financial crime risk management.
- Enhancements were made to technology, data quality, and data analytics to improve the effectiveness of systems used to monitor customers and transactions.
- Financial crime roadshows and events were held throughout the year to further embed financial crime risk management culture and behaviours.
- NWM N.V. AML/CTF Risk Assessment completed and NWM N.V. MLRO Report drafted confirming the within-appetite status of NWM N.V. for Financial Crime.

Governance

NWM N.V. Group is represented on the Financial Crime Risk Committee (FCRC), which is chaired by NWM Group's Head of Financial Crime and is NWM Group's principal financial crime risk management forum. The committee reviews and, where appropriate, escalates material financial crime risks

and issues across NWM Group to the NWM Executive Risk Committee and NWM Board Risk Committee. Additionally, NWM Group – including NWM N.V. Group – is represented on NatWest Group's Financial Crime Executive Steering Group, which oversees financial crime risk management, operational performance, and transformation matters across NatWest Group. Financial Crime Risk is a fixed agenda item for the NWM N.V. Group Risk & Control Committee and is regularly discussed by the NWM N.V. Group Managing Board, Board Risk Committee and Supervisory Board.

Risk appetite

Financial crime risk appetite is approved by the Board. The risk appetite statements and associated measures for financial crime risks are reviewed and approved at least annually by the Board on the Board Risk Committee's recommendation to ensure they remain appropriate and aligned to strategy.

There is no appetite to operate in an environment where systems and controls do not enable the effective identification, assessment, monitoring, management and mitigation of financial crime risk. NWM N.V. Group's systems and controls must be comprehensive and proportionate to the nature, scale and complexity of its businesses.

NWM N.V. Group operates a framework with preventative and detective controls designed to mitigate the risk that it could facilitate financial crime. These controls are supported by a suite of policies, procedures and guidance to ensure they operate effectively.

Monitoring and measurement

Financial crime risks are identified and reported through continuous risk management and regular reporting to the Risk & Control Committee and the Managing Board and to NatWest Group's senior risk committees and at Board level. Quantitative and qualitative data is reviewed and assessed to measure whether financial crime risk is within NWM N.V. Group's risk appetite.

Mitigation

Through the financial crime framework, relevant policies, systems, processes and controls are used to mitigate and manage financial crime risk. This includes the use of dedicated screening and monitoring systems and controls to identify people, organisations, transactions and behaviours that may require further investigation or other actions. Centralised expertise within NatWest Group is available to detect and disrupt threats to NWM N.V. Group and its customers.

Intelligence is shared with law enforcement, regulators and government bodies to strengthen national and international defences against those who would misuse the financial system for criminal motives.

Climate and nature risk

Definition

Climate and nature risk is the threat of financial loss or adverse non-financial impacts associated with climate change and nature loss respectively and the political, economic and environmental responses to it.

Sources of risk

Physical risks may arise from climate events such as heatwaves, droughts, floods, storms and nature-related events such as land or air pollution. They can potentially result in financial losses, impairing asset values and the creditworthiness of borrowers. NWM N.V. Group could be exposed to physical risks directly by the effects on its premises portfolio and, indirectly, by the impacts on the wider economy as well as on the property, business interests and supply chains of its customers.

Transition risks may arise from the process of adjustment towards a low-carbon, nature restored economy. Changes in policy, technology and sentiment could prompt reassessment of customers' financial risk and may lead to falls in the value of a large range of assets. NWM N.V. Group could be exposed to transition risks directly through the costs of adaptation of its own operations as well as supply chain disruption leading to financial impacts. Potential indirect effects include the impact on the wider economy, including on customers, which may erode NWM N.V. Group's competitiveness and profitability, as well as threaten reputational damage.

Liability risks may arise should stakeholders consider NWM N.V. Group's climate and nature risk management practices and disclosures insufficient, and responsible for or attributable to, stakeholders' losses. On the other hand, liability risks may also arise where some jurisdictions believe financial institutions have taken their sustainability-related initiatives too far, with some imposing sanctions in these circumstances.

Key developments in 2024

The effective management of climate and nature risk requires the full integration of climate-related risk factors into strategic planning, transactions and decision-making. The approach has evolved since 2021 alongside NatWest Group's ongoing, multi-year progressive pathway to mature climate risk management capabilities, and in 2024:

- NWM N.V. Group began to roll-out the second-generation of climate risk scorecards across priority segments. The roll-out was completed on a test and learn basis and the scorecard outputs do not drive credit risk decision making as yet.
- An environmental decisioning framework (EDF) was trialled in 2024, which considered 61 factors to produce a counterparty level environmental scorecard. The first-generation assessment focused on a limited number of counterparties, using internal and external data. Developed on a test and learn basis, insight gained from EDF will be used to inform future activity.
- Climate-related scenario analysis was performed on large and mid-large corporates, for more details refer to Risk management on page 11.
- NWM N.V. Group also performed an environmental stress test scenario on its power and utility sector customers, evaluating the impact of sizeable copper price increases on underlying credit risk.

Governance

NWM N.V. Group Supervisory and Managing Board are responsible for overseeing climate-related risk within NWM N.V. Group's overall business strategy and risk appetite. NWM N.V. Group participates in various NWM Group committees to ensure outcomes meet NWM N.V. Group requirements. Climate-related risk topics are also discussed, where appropriate, at NWM N.V. Group's Risk & Control Committee and NWM Group Climate & ESG Steering Committee.

In 2024, the NWM Group Climate & Sustainability Committee was retired, and the governance of climate-related risks and opportunities was embedded into existing committees. As part of the new governance structure, the NWM Group Climate & ESG Steering Committee was established to act as the principal decision-making forum for overseeing the establishment and safe and secure delivery of the NWM Group Climate & ESG Programme in support of the NatWest Group-wide strategy.

Risk appetite

Work continued in 2024 to mature NatWest Group's climate-related risk capabilities.

These risk appetite measures alongside additional segment-specific risk measures were used to inform climate risk reporting to senior risk management forums, linking risk management to NatWest Group's strategic priorities.

To enhance monitoring of the climate-related risk within NWM N.V. Group, in 2024, the climate and nature-related key risk indicators were further developed. This review resulted in a quantitative climate risk appetite measure being approved in line with the risk appetite framework, focused on excess exposures to heightened climate-related risk sectors.

NatWest Group used its EWRMF to identify the principal risks which could impact the organisation. As NatWest Group's climate capabilities mature, climate-related risks are planned to be effectively managed through existing policies and these policies are captured within the EWRMF. The EWRMF sets out the requirements on how risk appetite is implemented through risk policies and standards and translated into operational procedures. The impact of climate-related risk as a causal factor to other principal risks will be reassessed and managed through the annual refresh of the EWRMF and its individual components.

Monitoring and measurement

NatWest Group focused on developing the capabilities to use scenario analysis to identify the most material climate risks for its customers, seeking to harness insights to inform risk management practices and support decision making.

Scenario analysis allows the testing of a range of possible future climate pathways and understand the nature and magnitude of the risks they present. The purpose of scenario analysis is not to forecast the future but to understand and prepare to manage risks that could arise.

NWM N.V. Group regularly considers existing and emerging regulatory requirements related to climate change.

Operational risk

Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. It arises from day-to-day operations and is relevant to every aspect of the business.

Sources of risk

Operational risk may arise from a failure to manage operations, systems, processes, transactions, and assets appropriately. This includes human error, an inability to deliver change adequately or on time, the non-availability of technology services, or the loss of customer data. It also includes systems failure, theft of NatWest Group property, information loss, the impact of natural or man-made disasters and the threat of cyberattacks. Operational risk can also arise from a failure to account for changes in law or regulations or to take appropriate measures to protect assets.

Key developments in 2024

- The continued embedding of the enhanced risk and control self-assessment approach with a focus on material operational risks and controls across key end-to-end processes.
- An enhanced approach to introduce a single risk and control performance assessment has been developed and tested during 2024. This will replace the current Control Environment Certification (CEC) approach from 2025.
- The automation of data-led insights into the operational risk profile to proactively drive management of the risks and oversight thereof.
- The embedding of robust operational risk appetite measures which provide comprehensive coverage of the key operational risks.
- The introduction of an effective and well defined approach to leverage artificial intelligence to enhance controls articulation and manage controls data quality on an ongoing basis.

Governance

The risk governance arrangements in place for operational risk are aligned to the requirements set out in the NatWest Group Board-approved enterprise-wide risk management framework and are consistent with achieving safety, soundness and sustainable risk outcomes. Aligned to this, a strong operational risk management function is vital to support NWM N.V. Group's ambitions to serve its customers better. Improved management of operational risk against defined risk appetite is vital for stability and reputational integrity.

To support ongoing oversight of the management of the operational risk profile, a NatWest Group Executive Steering Committee is in place. This forum ensures all material operational risks are monitored and managed within appetite, across NWM N.V. Group.

Risk appetite

Operational risk appetite supports effective management of all operational risks. It expresses the level and types of operational risk NatWest Group is willing to accept to achieve its strategic objectives and business plans. NWM N.V. Group operational risk appetite quantitative and qualitative statements encompass the full range of operational risks faced by its legal entities, businesses and functions.

The Operational Risk appetite statement and associated measures are reviewed and approved by the Risk & Control Committee, the Managing Board and the Supervisory Board to ensure they remain appropriate and aligned to strategy.

Mitigation

Risks are mitigated by applying key preventative and detective controls. This is an integral step in the risk self-assessment methodology which is used to determine residual risk exposure. Control owners are accountable for the design, execution, performance, and maintenance of key controls. Key controls are regularly assessed for adequacy and tested for effectiveness. The results are monitored and, where a material change in performance is identified, the associated risk is re-evaluated.

All residual risks that exceed the target appetite position are subject to action plans to bring them within appetite.

Supporting our understanding of control is the CEC process. This is a bi-annual process, which requires senior members of the executive and management to assess the adequacy and effectiveness of their internal control frameworks which supports certification that their business or function is compliant with internal control over financial reporting.

CEC covers material risks and the underlying key controls, including financial, operational and compliance controls, as well as supporting risk management frameworks. The CEC outcomes, including forward-looking assessments for the next two half-yearly cycles and progress on control environment improvements are reported to NWM N.V. Group's Risk & Control Committee, Managing Board and Board Risk Committee. They are also shared with external auditors.

Monitoring and measurement

Risk and control self-assessments are used across business areas and support functions to identify and assess material operational risks, financial crime, conduct risks and key controls. All risks and controls are mapped to NatWest Group's risk directory. Risk assessments are refreshed at least every two years or sooner in response to internal and external events to ensure they remain relevant and that they capture any emerging risks.

The process is designed to confirm that risks are effectively managed in line with risk appetite. Key controls are tested at the appropriate frequency to verify that they remain fit-for-purpose and operate effectively to reduce the identified risks.

Operational risk continued

NWM N.V. Group uses the standardised approach to calculate its Pillar 1 operational risk capital requirement. This is based on multiplying three years' average historical gross income by coefficients set by the regulator based on business line.

As part of the wider Internal Capital Adequacy Assessment Process an operational risk economic capital model is used to assess Pillar 2A, which is a risk-sensitive add-on to Pillar 1. The model uses historical loss data (internal and external) and forward-looking scenario analysis to provide a risk-sensitive view of NWM N.V. Group's Pillar 2A capital requirement.

Scenario analysis is used to assess how severe but plausible operational risks will affect NWM N.V. Group. It provides a forward-looking basis for evaluating and managing operational risk exposures.

Refer to page 27 for the operational risk capital figures.

Event and loss data management

The operational risk event and loss data management process ensures NWM N.V. Group captures and records operational risk financial and non-financial impacts that meet defined criteria. Loss data is used for regulatory and industry reporting and is included in capital modelling when calculating economic capital for operational risk. The most serious events are escalated in a simple, standardised process to all senior management, by way of an early event escalation process. NWM N.V. Group has not experienced a cyber security breach or associated material loss in the last three years.

All financial impacts and recoveries associated with an operational risk event are reported against the date they were recorded in NatWest Group's financial accounts. A single event can result in multiple losses (or recoveries) that may take time to crystallise. Losses and recoveries with a financial accounting date in 2024 may relate to events that occurred, or were identified in, prior years. NatWest Group purchases insurance, against specific losses, including cyberattacks, and to comply with statutory or contractual requirements.

Operational resilience and cybersecurity

NatWest Group manages and monitors operational resilience through its enhanced risk and control self-assessment methodology. This is underpinned by setting and monitoring of forward-looking risk indicators and performance metrics for the operational resilience of important business services. Significant progress has been made in meeting regulatory expectations for operational resilience, with involvement in a number of industry-wide operational resilience forums. This enables a cross-sector view of the operational resilience risk profile and the pace of ongoing innovation and change, both internally and externally.

NatWest Group operates layered security controls and its architecture is designed to provide inherent protection against threats. This approach avoids reliance on any one type or method of security control. Minimum security control requirements are set out in key risk policies⁽¹⁾, standards, processes and procedures.

Throughout 2024, NatWest Group continued to monitor and manage the threat landscape focusing on:

- Initial access brokers and nation states – increasingly sophisticated attacks from ransomware gangs and ongoing challenges given the geopolitical tensions that are increasing the likelihood of disruptive cyberattacks.
- Developments in innovation and technology, assessing the inherent risk and developing appropriate response to mitigate associated risks, for example, artificial intelligence and cloud adoption.

As cyberattacks evolve, NatWest Group continues to invest in additional capability designed to defend against emerging risks.

NWM N.V. Group set out its appetite in respect of resilience through the Business Resilience, IT Resilience and Incident Management policy standards and associated controls. These policy standards have now been replaced by a single Operational Resilience Risk Standard, which details the current control requirements. These control requirements support compliance with regulatory policy and support the ongoing provision of the services to our customers during business as usual and at the time of a disruptive event.

(1) Risk policies are in place for each principal risk and define, at a high level, the cascade of qualitative expectations, guidance and standards that stipulate the nature and extent of permissible risk-taking. They are consistently applied across NatWest Group and subsidiary legal entities and form part of the qualitative expression of risk appetite for each principal risk.

DORA (Digital Operational Resilience Act)

NWM N.V. Group made significant progress in 2024 to meet the requirements of DORA. Further improvements will be implemented in 2025 to ensure full compliance, including embedding of updated procedures and processes, enriching legal entity specific metrics to support oversight on outsourced services and uplifting of third party contracts.

Model risk

Definition

Model risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. A model is defined as a quantitative method, system, or approach that applies statistical, economic, financial, accounting, mathematical or data science theories, techniques and assumptions to process input data into estimates.

Sources of risk

NWM N.V. Group uses a variety of models in the course of its business activities. Examples include the use of model outputs to support measuring and assessing risk exposures (including credit and market risk), valuation of positions, calculating regulatory capital and liquidity requirements and automation of operational processes. The models used for stress-testing purposes also play a key role in ensuring NWM N.V. Group holds sufficient capital, even in stressed market scenarios.

Key developments in 2024

- NatWest Group remained within model risk appetite throughout 2024.
- The Model Risk Management Enhancement Programme was set up to support NatWest Group's response to the PRA's Supervisory Statement 1/23 (SS1/23). A self-assessment against SS1/23 was completed, reviewed by the NatWest Group Board and submitted to the PRA. Effort was focused on implementing an enhanced model risk management framework, including an expanded model identification exercise and roll-out of a new model tiering approach.
- Model inventory design changes were carefully delivered to support the implementation of framework enhancements. Focus also continued on improving the completeness and accuracy of model risk data contained within the inventory through enhanced oversight metrics and targeted remediation work.

Governance

A governance framework is in place in NWM Group in which NWM N.V. Group participates, to ensure policies and processes relating to models are appropriate and effective. Two roles are key to this – model risk owners and model validation leads. Model risk owners are responsible for model approval and ongoing performance monitoring. Model validation leads, in the second line of defence, are responsible for oversight, including ensuring that models are independently validated prior to use and on an ongoing basis aligned to the model's tier.

NWM N.V. Group does not own models, therefore the most relevant role is Model User Representative as it ensures the participation in the model life cycle. NWM N.V. Group has assigned Model User Representative role for each used model.

Model risk matters are escalated to senior management through the NWM N.V. Group Model Risk Committee. The NWM N.V. Group Model Risk Committee's goal is to focus more on the model risk challenges in NWM N.V. Group. It is a sub-committee of the Risk & Control Committee.

Additionally, model risk is discussed as required by the Managing Board, the Board Risk Committee and the Supervisory Board. Models used for regulatory reporting may additionally require regulatory approval before implementation. Further escalation can also be made to the NatWest Group Model Risk Oversight Committee.

Risk appetite

Model risk appetite is set in order to limit the level of model risk that NWM N.V. Group is willing to accept in the course of its

business activities. NWM N.V. Group has defined limits and triggers that are specific to NWM N.V. Group and that align with NatWest Group's model risk appetite statement. Model performance is monitored against appetite on a model level by model owners in the first line of defence. Risk appetite, defined at an aggregate level, is monitored by the Risk & Control Committee. Remediation for positions outside appetite is carried out by NWM Group or NWM Plc.

The model risk appetite statement and associated measures are reviewed and approved at least annually by the Risk & Control Committee, the Managing Board and the Supervisory Board to ensure they remain appropriate and aligned to strategy.

Monitoring and measurement

The level of risk relating to an individual model is assessed through a model risk rating that is based on the model's materiality and validation rating. This approach provides the basis for model risk appetite measures and enables model risk to be robustly monitored and managed across NWM N.V. Group.

Policies, toolkits and model standards related to the development, validation, approval, implementation, use and ongoing monitoring of models are in place to ensure adequate control across the lifecycle of an individual model.

All models developed for use are assigned a model tier, based on the model's materiality and complexity. Risk-based model tiering is used to prioritise risk management activities throughout the model lifecycle, and to identify and classify those models which pose the highest risk to NWM N.V. Group's business activities, safety and/or soundness.

Validation of material models is conducted by an independent risk function comprising of skilled, well-informed subject matter experts.

This is completed for new models or material amendments to existing models and as part of an ongoing periodic programme to assess model performance.

The frequency of periodic revalidation is aligned to the tier of the model. The independent validation focuses on a variety of model features, including model inputs, model processing, model outputs, the implementation of the model and the quality of the ongoing performance monitoring. Independent validation also focuses on the quality and accuracy of the development documentation and the model's compliance with regulation.

The model materiality combined with the validation rating provides the basis for model risk appetite measures and enables model risk to be robustly monitored and managed across NWM N.V. Group.

Ongoing performance monitoring is conducted by model owners and overseen by the model validators to ensure parameter estimates and model constructs remain fit for purpose, model assumptions remain valid and that models are being used consistently with their intended purpose. This allows timely action to be taken to remediate poor model performance and/or any control gaps or weaknesses.

Mitigation

Model risk is inherent in the use of models. It is managed by refining or redeveloping models where appropriate – either due to changes in market conditions, business assumptions or processes – and by applying adjustments to model outputs (either quantitative or based on expert opinion). Enhancements may also be made to the process within which the model output is used in order to further limit risk levels.

Reputational risk

Definition

Reputational risk is defined as the risk of damage to stakeholder trust due to negative consequences arising from internal actions or external events.

Sources of risk

The three primary drivers of reputational risk are: failure in internal risk management systems, processes or culture; NWM N.V. Group's actions materially conflicting with stakeholder expectations; and contagion (when NWM N.V. Group's reputation is damaged by failures in key sectors including the NWM N.V. Group's supply chain or other partnerships).

Key developments in 2024

- Reputational risk assessment guidance was updated. Colleagues in relevant roles received updated training on key aspects of the policy and framework.
- Enhancements were made to the environmental, social and ethical (ESE) risk framework, including implementation of the ESE human rights risk acceptance criteria.
- All climate focused ESE risk acceptance criteria (mining and metals, power generation and oil and gas) underwent a review to ensure they reflect the current risk landscape.

Governance

A reputational risk policy supports reputational risk management across NWM N.V. Group. Material reputational risks to NWM N.V. Group are escalated via the NatWest Group reputational risk register which is reported at every meeting of the NatWest Group Reputational Risk Committee. The NatWest Group Reputational Risk Committee also opines on matters that represent material reputational risks. The NatWest Group Executive and Board Risk Committees oversee the identification and reporting of reputational risk.

Risk appetite

NatWest Group manages and articulates its appetite for reputational risk through a qualitative reputational risk appetite statement and associated quantitative measures which are set at NatWest Group level.

NatWest Group seeks to identify, measure and manage risk aligned to stakeholder trust. However, reputational risk is inherent in NatWest Group's operating environment and public trust is a specific factor in setting reputational risk appetite.

Monitoring and measurement

Relevant internal and external factors are monitored through regular reporting. They are escalated, where appropriate, to the relevant NatWest Group Reputational Risk Committee.

Additional key risk indicators for material risks being monitored are also reported to the NatWest Group Reputational Risk Committee and to the Executive and Board Risk Committees.

Mitigation

Standards of conduct are in place across NWM N.V. Group requiring strict adherence to policies, procedures and ways of working to ensure business is transacted in a way that meets – or exceeds – stakeholder expectations.

External events that could cause reputational damage are identified and mitigated through NatWest Group's top and emerging risks process (where sufficiently material) as well as through the NatWest Group and business level reputational risk registers.

Corporate governance

| | Page |
|--|------|
| Introduction | 54 |
| Corporate Governance in the Netherlands | 54 |
| Approval of Annual Report | 54 |
| Boards | 54 |
| The report of the Supervisory Board | 54 |
| The report of the Managing Board | 56 |
| Code of conduct | 57 |
| Relations with shareholders | 58 |
| Employees | 58 |
| The Dutch Banking Code (Code Banken) | 58 |
| Remuneration | 59 |
| Management's report on internal control over financial reporting under the Dutch Corporate Governance Code | 62 |
| Management's report on the Annual Report 2022 for purposes of Section 5:25 sub 2 Financial Supervision Act | 62 |

Introduction

In order to achieve high standards of corporate governance, NWM N.V. Group organises its business in a way that promotes first-class stewardship by the Managing Board and effective supervision by the Supervisory Board. Integrity, transparency and accountability are key elements of NWM N.V. Group's corporate governance, and they are embedded in its business as a whole. These key elements ensure that the controls and oversight necessary for effective risk management, compliance with regulations, and accurate and complete disclosure of information to the market are effective.

RBS Holdings N.V. (RBSH N.V.) is a wholly owned subsidiary of NatWest Markets Plc ('NWM Plc' or 'the intermediate holding company'). RBSH N.V. is the parent company of NatWest Markets N.V. (NWM N.V.). NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' comprises NatWest Group plc and its subsidiary and associated undertakings.

NWM N.V. is a licenced bank regulated by the European Central Bank (ECB), the De Nederlandsche Bank ('Dutch Central Bank') and the Autoriteit Financiële Markten (AFM).

Corporate governance in the Netherlands Code Banken and the Dutch Corporate Governance Code

NWM N.V. Group ensures proper corporate governance by focusing on the Dutch Banking Code (Code Banken) which contains specific corporate governance rules and principles for all banks in the Netherlands. In addition, NWM N.V. Group also adheres, where possible, with the Dutch Corporate Governance Code although this is not a required code for NWM N.V. Group.

The Code Banken requires banks in the Netherlands to either comply with the rules and principles as set out in the Code Banken or explain any deviation from it. The Code Banken is applicable to NWM N.V. Group as it has a banking licence issued under the Dutch Financial Supervision Act.

NWM N.V. Group operates in line with the requirements under the Code Banken. A further explanation on compliance with the updated Code Banken is provided on page 60 of this report.

European Banking Authority (EBA) guidelines on internal governance

The EBA has issued guidelines relating to internal governance arrangements of credit institutions. These consider weaknesses identified in the financial crisis and built upon the Committee of

European Banking Supervisors (CEBS) Guidelines. The EBA guidelines are implemented by the local competent authorities, which is the Dutch Central Bank. NWM N.V. Group adheres to these guidelines. The updated guidelines came into effect on 31 December 2022 and updates are being implemented in the Corporate Governance Framework of the NWM N.V. Group. These requirements are also applicable in view of NWM N.V. being supervised by the ECB from 1 January 2024.

Wet beloningsbeleid financiële ondernemingen

On 7 February 2015, the Wet beloningsbeleid financiële ondernemingen (Wbfo) came into force. With this legislation, the Dutch government ensures that financial services companies carry out a sound remuneration policy and avoid payment of excessive variable remuneration. NWM N.V. Group continues to adhere to these principles.

Further information on the remuneration policy can be found in the 2024 NatWest Group Annual Report and Accounts, available at natwestgroup.com, as well as the Report Code Banken included further in this annual report.

Approval of Annual Report

The Managing Board approved the Annual Report at its meeting on 20 February 2025. The Supervisory Board also approved the Annual Report at its meeting on 20 February 2025. NWM N.V. Group has proposed to its Shareholders that it adopts the 2024 financial statements, as included in this Annual Report, and discharge the Managing Board and Supervisory Board in respect of their management and supervision respectively.

Boards

RBSH N.V. and NWM N.V. are limited liability companies ('naamloze vennootschap') incorporated under the laws of the Netherlands. Both companies have a two-tier system of corporate governance consisting of a Managing Board and a Supervisory Board. The day-to-day management of the companies is vested with the Managing Board, supervised by the Supervisory Board. The members of the Managing Board and Supervisory Board of RBS Holdings N.V. and NWM N.V. are the same.

Changes during 2024

Mr Frank Dangeard joined the NWM N.V. Supervisory Board as Chair on 18 April 2024 with Mr Robert Begbie, the previous Chairman, remaining as a member. Mr Dangeard is furthermore the Chair of NWM Plc and a member of the Board of NatWest Group.⁽¹⁾

In October 2023, Ms Angelique Slach stepped down as Managing Board member and Chief Operating Officer of NatWest Markets N.V. Mr Mickey van Wieringen replaced her in both roles on 1 May 2024, after replacing her on an interim basis as Chief Operating Officer. Ms Marije Elkenbracht stepped down from her Chief Risk Officer role on 1 April 2024 and Mr Spencer Lloyd has led the Risk Management Function on an interim basis since then. On 1 December 2024, Ms Britta Achmann joined the Managing Board as Chief Risk Officer, with Mr Spencer Lloyd stepping down from the interim position.

(1) Frank Dangeard will continue to serve on the NatWest Group Board, NWM Plc Board as well as the NWM N.V. Supervisory Board post May 2025, when his term as Board member for NatWest Group ends, to support an orderly succession planning.

The report of the Supervisory Board

This report provides an overview of the tasks and the activities of the Supervisory Board during 2024.

The Supervisory Board supervised the execution of the strategy by challenging and advising the Managing Board on client focus, timing and speed. These items have been discussed during all the meetings that took place during 2024.

The tasks of the Supervisory Board

The main task of the Supervisory Board is to supervise the Managing Board, as well as the general affairs of NWM N.V. Group and its associated enterprises. It assists and advises the Managing Board and supervises the corporate governance structure of NWM N.V. Group.

In performing their duties, the members of the Supervisory Board are guided by the interests of NWM N.V. Group, and the businesses connected to it, taking into account the relevant interests of NWM N.V. Group's stakeholders. Certain powers are vested in the Supervisory Board, including the approval of certain resolutions of the Managing Board. An overview of the powers of the Supervisory Board can be found in the Corporate Governance manual of NWM N.V. Group.

Members of the Supervisory Board

The Supervisory Board is an independent corporate body. Members of the Supervisory Board are appointed by the General Meeting of Shareholders. For each vacant seat the Supervisory Board nominates one or more candidates based on the criteria included in the membership profile which set out the expectations of a member.

The Chair and Vice-Chair of the Supervisory Board are appointed by the Supervisory Board from among its members.

The Supervisory Board confirms that its current composition has the necessary experience, expertise and independence to execute their duties. They have also sufficient accounting and financial management expertise to understand NWM N.V. Group's business, financial statements and risk profile. A process is underway to recruit additional Supervisory Board members.

All appointments were made in accordance with the Supervisory Board profile resulting in the current composition of the Supervisory Board.

Supervisory Board members are appointed for a term of four years and may be re-appointed after the end of their term, with a maximum term of 12 years from the date of their first appointment.

Newly appointed Supervisory Board members undertake an induction programme which is tailor-made and adjusted to the specific needs of each new Supervisory Board member.

They also undertake a series of meetings with the management of NWM N.V. Group to gain insight and understanding of NWM N.V. Group and its enterprises.

In case of a material (potential) conflict of interest between a member of the Supervisory Board and NWM N.V. Group, the Chair of the Supervisory Board shall be notified. If the Chair of the Supervisory Board has a material (potential) conflict of interest, the Vice-Chair is notified. The respective Supervisory Board member will not take part in the resolution and decision-making process by the Supervisory Board where a conflict of interest exists. During 2024, no conflicts of interest have arisen.

Details of the remuneration of the Supervisory Board can be found in Note 26 to the consolidated financial statements.

Activities of the Supervisory Board

Risk, audit and finance topics are discussed on a regular basis and a report with deliberations and findings is prepared for each regular meeting. This included discussion on progress on the remediation programmes.

Specific nomination and remuneration topics are also discussed on a regular basis. As a result of the transition to ECB supervision 1 January 2024, separate Remuneration and Nomination Committees have been established. The Nomination Committee approved the nomination of the new Managing Board and Supervisory Board members during 2024.

During 2024, together with its Remuneration & Performance Committee, the Supervisory Board worked alongside NatWest Group and NWM Plc Remuneration Committees to ensure the implementation of a restrained and long-term remuneration policy that is aligned with the organisation's strategy and risk appetite for NWM N.V. Group. Through its Remuneration & Performance Committee, the Supervisory Board extensively discussed remuneration at two meetings highlighting the focus that this topic continues to receive in the organisation.

In addition, the Supervisory Board through its Audit Committee had regular interaction with the external auditor EY presented their audit plan, key audit matters, audit progress and the outcome of their audit work of the NWM N.V. Group.

Regular and ad-hoc Supervisory Board meetings were held during 2024. All members of the Supervisory Board have complied with the requirement to attend meetings on a frequent basis.

The Supervisory Board has set a Board diversity policy to promote diversity and inclusion in the composition of the Managing and Supervisory Board of the NWM NV. Group. It is fully aligned to NWG's Board Diversity Policy and the specific EBA requirements. It also includes the diversity ambition levels which the Dutch Diversity Quota and Targets Acts requires larger, non-listed companies to set. The target is to reach a 25% female representation in the Managing Board and 33% in the Supervisory Board. The target for the Managing Board is already met.

Composition of the Supervisory Board

The members of the Supervisory Board as at 20 February 2025 are as follows:

| | | Date of first appointment | Date for re-election |
|-------------------------------|---------------------|---------------------------|----------------------|
| Frank Dangeard (Chair) | (66, French, male) | 18 April 2024 | 18 April 2028 |
| Maarten Klessens (Vice-Chair) | (66, Dutch, male) | 2 September 2015 | 30 August 2025 |
| Annelies van der Pauw | (64, Dutch, female) | 3 March 2019 | 3 March 2027 |
| Robert Begbie | (63, British, male) | 1 April 2020 | 1 April 2028 |

Frank Dangeard

Chair of the Supervisory Board

Mr Dangeard was appointed as Chair on 18 April 2024. He is a former investment banker and technology company CEO with substantial global board expertise. Mr Dangeard's experience also encompasses key areas including customer experience, stakeholder engagement, ESG and risk.

Mr Dangeard's current role as Chair of NWM Plc and member of the NatWest Group Board, enables him to bring a unique perspective to the Board debate. During his executive career, Mr Dangeard held various roles at Thomson S.A., including Chairman and CEO, and he was Deputy CEO of France Telecom. Prior to that he was Chairman of SG Warburg France and Managing Director of SG Warburg. Mr Dangeard has held a number of non-executive roles at Crédit Agricole CIB, EDF, Home Credit, Orange, Sonaecom SGPS and Arqiva Group Limited. He was also Deputy Chairman and acting Chairman of Telenor ASA.

Mr Dangeard is currently Chair of Gen Digital Inc. He is also a Non-Executive director of IHS Holding Limited, and of the Competition and Markets Authority.

Maarten Klessens

Vice-Chair of the Supervisory Board and Chair of the Board Risk and Audit Committees

Mr Klessens was appointed as an independent member of the Supervisory Board on 2 September 2015.

In 2016 he joined the Supervisory Board of Bank of Africa Holding S.A. and in 2017 he joined the Supervisory Board of DHB Bank N.V. in the Netherlands. He was senior advisor Benelux for StormHarbour Securities LLP, London in 2014 and 2015. From 2011 he was acting head of Global Country Risk for NatWest Group and was responsible for country appetite setting and exposure management, with special attention for the financial stress in the Eurozone periphery.

Mr Klessens started his career with ABN AMRO in 1986, in structured aircraft finance. In 1997 he was appointed Corporate Executive Vice President for ABN AMRO and had subsequent responsibilities in wholesale product teams, client management and Group Risk. For 12 years he was a voting member of ABN AMRO's Group Risk Committee. Mr Klessens holds a postgraduate in Financial Economics of Tilburg University and a Master's in Business Economics of Erasmus University Rotterdam and has had executive training at IMD, INSEAD and University of Michigan.

Annelies van der Pauw

Chair of the Board Remuneration & Performance and Nomination Committees

Ms Van der Pauw was appointed as an independent member of the Supervisory Board on 3 March 2019.

Ms Van der Pauw was a partner of the international law firm Allen & Overy LLP (A&O) until 2020 and has chaired the Amsterdam corporate practice group of A&O since 2006. In her practice, Ms Van der Pauw focused on mergers and acquisitions and corporate governance issues.

Ms Van der Pauw also has extensive equity capital markets experience. In addition to a strong understanding of the legal

environment in the Netherlands, Ms Van der Pauw was also the co-chair of the A&O global corporate responsibility programme for many years and a member of the board of the global A&O Foundation.

Ms Van der Pauw has been with A&O and its predecessors since 1987. Presently Ms Van der Pauw continues to hold various non-executive board memberships in the private and public sector.

Robert Begbie

Member of the Supervisory Board

Mr Begbie was appointed CEO, Commercial & Institutional in March 2024. The Commercial & Institutional franchise supports customers ranging from entrepreneurs and start-ups through to multi-nationals and financial institutions. Mr Begbie was appointed as the Chairman of the NWM N.V. Supervisory Board on 1 April 2020 and stepped down as of 18 April 2024 whilst remaining a member.

Mr Begbie has been with NatWest Group for over 40 years and has extensive experience in treasury and capital markets. During his career, he has built successful capital markets businesses across fixed income, derivatives, asset management and cash markets and led teams in the UK, Europe, Asia and the US.

After spending 20 years in our Markets business, Mr Begbie joined NatWest Group Treasury in 2009 where he was instrumental in transforming the NatWest Group balance sheet. In 2017 Mr Begbie was appointed as NatWest Group Treasurer with responsibilities for all aspects of Treasury and the management of the bank's balance sheet.

He holds an MBA from CASS Business School and is a former president of The Chartered Institute of Bankers in Scotland (London Branch).

The report of the Managing Board

The members of the Managing Board of NWM N.V. Group are responsible for the general affairs of NWM N.V. Group and its subsidiaries. The members are appointed by the General Meeting of Shareholders.

The Supervisory Board of NWM N.V., through its Nomination Committee, nominates one or more candidates for each vacant seat in the Managing Board. If the Supervisory Board nominates two or more candidates for a vacant seat in the Managing Board, the nomination list is binding. The members of the Managing Board are accountable both collectively and individually for all decisions taken by the Managing Board. The members of the Managing Board are appointed by the General Meeting of Shareholders of NWM N.V.

The Chairman of the Managing Board leads the members of the Managing Board in its overall management of NWM N.V. Group to achieve its performance goals and ambitions. The Chairman of the Managing Board is the main point of liaison with the Supervisory Board. The Chief Financial Officer is responsible for the financial affairs of NWM N.V. Group. Alongside their overall corporate responsibilities, the members of the Managing Board are responsible for the management of the control and support functions. The Managing Board has delegated certain tasks to several Managing Board committees which are described on page 59 of this report.

Composition of the Managing Board

The members of the Managing Board as at 20 February 2025 are as follows:

| | | Date of first appointment | Date for re-election |
|---------------------------------|----------------------|---------------------------|----------------------|
| Vincent Goedegebuure (Chairman) | (51, Dutch, male) | 9 May 2022 | 9 May 2026 |
| Cornelis Visscher | (59, Dutch, male) | 18 July 2013 | 18 July 2025 |
| Britta Achmann | (53, German, female) | 1 December 2024 | 1 December 2028 |
| Mickey van Wieringen | (55, Dutch, male) | 1 May 2024 | 1 May 2028 |

Vincent Goedegebuure

Chief Executive Officer and Chairman of the Managing Board

Mr Goedegebuure is an experienced senior executive with over 20 years of experience in senior roles in the finance sector who took up his present role in May 2022. In prior roles, he has led international business units and leadership teams across the EU, Americas and Asia-Pacific.

Immediately prior to this role, Mr Goedegebuure was Global Head of Client Coverage for ABN AMRO's Corporate & Institutional Banking business with responsibility for leading a team of bankers and functional teams across multiple geographies. He holds a Master's degree in Economics from the University of Groningen and a Master's degree in Business Administration from IESE Business School.

Cornelis Visscher

Chief Financial Officer

Mr Visscher graduated from the Vrije Universiteit in Amsterdam with a degree in Business Economics, specialised in Financial Accounting and Management Accounting. He started his career at ABN AMRO in 1988, where, after several functions in Divisional and Group Finance, he ultimately became the head of the Group Consolidation Department. Following the acquisition of ABN AMRO by NatWest Group and Consortium members, Mr Visscher joined NatWest Group.

As of 2013 Mr Visscher is the Chief Financial Officer for NWM N.V. Group and a member of the NWM N.V. Managing Board. From September 2021 until May 2022, he took on the role and accountabilities of interim Chief Executive Officer and Chairman of the NWM N.V. Managing Board. He was also a member of NatWest Markets Executive Committee.

Britta Achmann

Chief Risk Officer

Ms. Achmann joined NWM N.V. Group on 1 December 2024 as Chief Risk Officer and Managing Board member.

A seasoned international risk leader having worked across the EU, including jurisdictions that NWM N.V. Group operates in, Ms. Achmann brings more than 20 years' experience in financial services across various blue-chip institutions. She has a strong technical background, developing her career from investment banking front-office sales and trading roles to holding various risk positions since 2010. She is specialised in the areas of market and model risk and has previous experience as Chief Risk Officer. Ms Achmann previously worked for other financial institutions including JPMorgan, RBS Group, Deutsche Bank, Flow Traders and most recently with Bank of America.

Ms. Achmann holds a MBA from Carnegie Mellon University, a Degree in Statistics from Syracuse University and a Degree in Mathematics from the Technische Universität Berlin.

Mickey van Wieringen

Chief Operating Officer

Mr van Wieringen was appointed on 1 May 2024 as Managing Board member and Chief Operating Officer (having performed the Chief Operating Officer role on an interim basis since November 2023).

Mr van Wieringen has more than 25 years' of experience in the banking and financial services, of which 4 years with Price Waterhouse Coopers, 18 years at ING Bank in Bankwide Operations (Head of Global Risk & Control and Global Process Leader for Financial Crime) and in Internal Audit (Chief Auditor Global Asset Management and Chief Auditor Risk & Finance).

Mr van Wieringen joined NWM N.V. Group in July 2019, starting as Head of Audit for NWM N.V. and since 2022 also covering the NWM regions US and APAC.

Mr. van Wieringen is a Chartered Accountant and holds a post graduate degree in Accountancy from the University of Amsterdam.

Managing Board committees

In order to provide effective oversight and leadership, the Managing Board has three sub-committees; the Risk & Control Committee (RCC), the Asset & Liability management Committee (ALCo) and the Disclosure Committee.

Risk & Control Committee (RCC)

The RCC oversees the risk framework within NWM N.V. Group, monitors the actual risk profile and advises the Managing Board on these matters. Its scope is both financial as well as non-financial risk within NWM N.V. Group.

Asset & Liability Committee (ALCo)

The Managing Board has delegated to the ALCo the responsibility for the management of capital, liquidity, interest rate and foreign exchange risk. This includes responsibility for reviewing, approving and allocating balance sheet, capital, liquidity and funding limits.

Disclosure Committee

The Disclosure Committee advises and assists the Managing Board in fulfilling its responsibilities for overseeing the accuracy and timeliness of public disclosures made by NWM N.V. Group. This inter alia includes advising the Managing Board on the disclosure of financial information.

Code of conduct

NatWest Group's Code of Conduct (Our Code) informs everyone what to expect of each other, what to do when unsure of a decision, and where to go for advice when needed. It is available at www.natwestgroup.com/who-we-are/about-natwest-group/our-values.html, or upon request by contacting the Company Secretariat at the telephone number listed on page 128.

In the normal course of business of NWM N.V. Group, situations may arise which lead to a potential or actual conflict of interest collectively referred to as 'Conflicts of Interest'. Conflicts of Interest can arise where decisions or actions are unduly influenced by business or personal motivations which have the potential to damage customer interests, the Group's interests, or those of another NatWest franchise and/or legal entity.

NWM N.V. Group has a conflicts of interest management policy in place which requires identification of personal and institutional level conflict of interest situations relevant to its specific business activities. The policy helps ensure that conflicts are prevented or managed, so they do not adversely impact the Group's customers and/ or stakeholders.

The NWM N.V. Group Directors are under a legal duty to avoid conflicts of interest, a duty which they owe separately to each company they are a director of.

The legal duty on Directors also requires them to avoid any conflict of interest between their duties to NatWest Group and their external interests, such as any directorships they hold with outside companies. To discharge their duties effectively, the corporate governance team supports Directors in identifying and recording conflicts of interest and ensuring that they are managed in accordance with the relevant rules and regulations.

Relations with shareholders

Rights of shareholders

Any resolution to amend the Articles of Association of NWM N.V. Group may only be passed by the General Meeting of Shareholders following a proposal by the Managing Board which has been approved by the Supervisory Board.

Meetings of shareholders and convocation

The General Meetings of Shareholders shall be held in Amsterdam, or in The Hague, Rotterdam, Utrecht or Haarlemmermeer (Schiphol). The Annual General Meeting of Shareholders must be held within six months of the end of each financial year. In addition, General Meetings of Shareholders shall be held as frequently as deemed necessary by the Shareholder, the Managing Board or the Supervisory Board and when required by law or by the Articles of Association.

General Meetings of Shareholders shall be convened by the Shareholder, the Managing Board or the Supervisory Board, without prejudice to the provisions of Sections 110, 111 and 112 of Book 2 of the Netherlands Civil Code. Convocation shall take place not later than on the fifteenth day prior to the day of the meeting. Convocation shall state the items to be discussed or alternatively notice shall be given that such items may be inspected at the company's offices. Proposals to amend the Articles of Association or proposals relating to a reduction of the company's capital shall always be included in the actual convocation.

Employees

Our colleagues

As at 31 December 2024, NWM N.V. Group employed 253 people within continuing operations (2023 – 244). Details of related costs are included in Note 3 to the consolidated financial statements.

Employee consultation

NWM Group recognises employee representatives such as employee bodies and work councils in several businesses and countries, for example the Netherlands, and management regularly discuss developments and updates on the progress of its strategic plans with the European Employee Council (EEC). NWM Group has ongoing engagement and discussion with those bodies given the scale of change taking place across NWM Group.

Inclusion

NatWest Group's inclusion guidelines apply to all NWM N.V. Group colleagues globally and cover being LGBT Innovative, Gender Balanced, Disability Smart, Ethnically Diverse, all leading to an Inclusive Culture. Detailed information can be found on pages 41 to 42 of the 2024 NatWest Group Annual Report and Accounts and on the Sustainable Banking pages at natwestgroup.com.

The Dutch Banking Code (Code Banken)

Introduction

The Code Banken was drawn up by the Netherlands Bankers' Association (NVB) and is mandatory for NWM N.V. Group as stated in Book 2 of the Civil Code.

The Code Banken offers specific provisions, but underlying these provisions, its aim is to instil learning in the banking sector following the financial crisis. Drawing lessons and implementing change with the aim to restore trust among all our stakeholders, clients, staff, investors and society at large. NatWest Group, including NWM N.V. Group, has undergone, and continues to undergo, profound change following the crisis and is committed to high standards of corporate governance, business integrity and professionalism in all its activities.

Corporate Governance codes and the global footprint of NatWest Group

NWM N.V.'s ultimate parent company is NatWest Group plc. When implementing the Code Banken, the Managing Board and Supervisory Board of NWM N.V. consider the effects of similar codes of conduct implemented across NatWest Group with the aim to align all businesses within the wider NatWest Group.

Compliance with the Code Banken

NWM N.V. Group considers the Code Banken as an important yardstick for the way banks draw lessons from the crisis. NWM N.V. Group takes account of all relevant remuneration regulatory regimes, including the Code Banken and the requirements as included in the Dutch Financial Supervision Act, in designing and implementing its remuneration policy as well as NWM N.V. Group's corporate governance structure.

Supervisory Board

The required expertise and experience are well embedded in the Supervisory Board providing for an independent board with a diverse composition. The Supervisory Board consists of an executive of NatWest Group with broad banking experience in addition to three independent members. A defined process for the engagement and recruitment of a Supervisory Board member has been established.

If a vacancy for a new member exists, a new member is sought based on an established supervisory board profile to ensure that the knowledge and expertise obtained when filling the vacancy is fully complementing the composition of the board. This profile is amended to reflect the specific requirements for the role.

If the position of Chair of the Supervisory Board would become vacant, a specific profile would be drawn up to ensure alignment with the specific tasks attributed to the role.

All Supervisory Board members have committed themselves to fulfil their responsibilities as board members to the best of their ability. Their attendance at meetings is recorded. The Board furthermore operates according to a set of rules included in the Corporate Governance manual. These have been agreed by all Board members. The remuneration received by Supervisory Board members is not dependent on NWM N.V. Group's results. In addition, a lifelong learning programme covering aspects as included in the Code Banken now also includes specific training on Climate & Environmental related risks.

Managing Board

The composition of the Managing Board of NWM N.V. Group ensures that all business areas and all control and support functions are well represented on the board. The board currently comprises a Chief Executive Officer (CEO), a Chief Financial Officer (CFO), a Chief Risk Officer (CRO) and a Chief Operating Officer (COO).

To further clarify the specifics of each role on the board and to ensure adherence to agreements made on procedure and governance, a Corporate Governance manual has been prepared.

The Managing Board will continuously ensure a prudent risk appetite, based on the risk appetite framework approved by the Supervisory Board. The risk appetite framework shall be approved by the Supervisory Board at least once a year and is actively monitored during the year. Any material changes in the interim shall also require the Supervisory Board's approval. The Managing Board takes the interests of all stakeholders (e.g. employees, clients, shareholders) into account in their decision making. The Managing Board recognises that duty of care for clients is an important component of doing business.

In line with the requirement of the Code Banken, Managing Board members take the Banker's Oath.

The principles in the Banker's Oath are incorporated into NatWest Group's code of conduct which is issued to all new employees joining NWM N.V. Group.

Risk Policy

The Managing Board has arranged risk management in an adequate manner to ensure the Managing Board is aware in good time of any material risks run by the bank and to enable the Managing Board to manage these risks properly. The Chief Risk Officer reports into the Chief Executive Officer. The Managing Board, through its sub committees, the RCC and the ALCo, takes any decision that is of material significance to the risk profile, the capital position or the liquidity impact.

Through its Board Risk Committee, the Supervisory Board reviews and discusses the risk profile of NWM N.V. Group during each of its meetings. This is based on a risk appetite statement which it reviews on a regular (i.e. a minimum of once a year) basis. More information on the risk organisation of NWM N.V. Group can be found on pages 20 to 24 of this report.

Audit

To ensure the function's independence, the Head of NWM N.V. Internal Audit reports to the Chair of the Audit Committee of NWM N.V. and the Chief Audit Executive, NWM Plc, who in turn reports to the Chair of the Audit Committee of NWM Plc. Internal Audit reports its opinion and findings on the quality of the control framework, the system of governance and the risk management of NWM N.V. Group to the Supervisory Board on a bi-annual basis and provides the Supervisory Board with their audit review in the remaining quarters of the year. Internal Audit furthermore presents its annual audit plan to the Supervisory Board. The Managing Board shall ensure that a systemic audit is conducted of the risks managed in relation to the business activities of NWM N.V. Group.

The external auditor was invited to share his audit plan which summarizes key areas of audit focus, and amongst others audit progress and the outcome of the audit work including the findings and observations on the key audit matters with the Supervisory Board on bi-annual basis. The audit committee discussed amongst others the following topics with the external auditor: 'Transfer pricing arrangements and valuation of deferred tax assets', 'Valuation of financial instruments with higher risk characteristics', 'Expected Credit Losses' and 'IT systems and controls impacting financial reporting'.

Remuneration Policy

Set out below is an overview of the NWM N.V. Remuneration Policy.

Remuneration

This section contains disclosures which are required in accordance with EU regulatory requirements and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. They also take into account the European Banking Authority (EBA) guidelines on sound remuneration policies and the applicable Dutch remuneration rules.

It should be read in conjunction with the remuneration section of the RBS Holdings N.V. Pillar 3 Report which contains a number of quantitative remuneration disclosures and can be found on natwestgroup.com as well as the Directors' remuneration report set out in the NatWest Group 2024 ARA.

Remuneration policy for all colleagues

NWM N.V. is an indirectly owned subsidiary of NatWest Group, its remuneration policy is fully aligned to NatWest Group's remuneration policy principles with amendments only to comply with applicable Dutch remuneration rules.

The remuneration policy supports the business strategy and is designed to promote the long-term success of NatWest Group and NWM N.V. It aims to reward the delivery of good performance provided this is achieved in a manner consistent with NatWest Group values and within acceptable risk parameters.

The remuneration policy applies the same principles to everyone, including Material Risk Takers (MRTs), with some minor adjustments where necessary to comply with local regulatory requirements. The main elements of the policy are set out below.

Base salary

The purpose is to provide a competitive level of fixed cash remuneration.

Operation

We review base salaries annually to ensure they reflect the talents, skills and competencies the individual brings to the business.

Role-based allowance

Certain MRT roles receive role-based allowances. The purpose is to provide fixed pay that reflects the skills and experience required for the role.

Operation

Role-based allowances are fixed allowances which form an element of overall fixed remuneration for regulatory purposes. They are based on the role the individual performs.

They are delivered in cash and/or shares depending on the level of the allowance and the seniority of the recipient. Shares are subject to a minimum three-year retention period.

Benefits and pension

The purpose is to provide a range of flexible and competitive benefits.

Operation

In most jurisdictions, benefits or a cash equivalent are provided from a flexible benefits account.

Pension funding forms part of fixed remuneration and NatWest Group does not provide discretionary pension benefits.

Annual bonus

The purpose is to support a culture where individuals are rewarded for the delivery of superior performance, taking into account NatWest Group's strategic objectives and purpose. All employees are eligible to be considered for an annual bonus, including MRTs, the executive directors and members and attendees of NatWest Group's senior executive committees, as it is appropriate for them to have some pay at risk if performance is not at the required level.

Operation

The annual bonus pool is based on a balanced scorecard of measures including financial performance; customer outcomes; people, culture and diversity; risk management; risk events; and progress against our climate and purpose ambitions. Allocation from the pool depends on the performance of the business area and the individual.

We use a continuous performance management framework to support individual performance assessment. We use a balanced business scorecard to align goal setting with the business strategy and regular check ins to track and assess performance. This approach is designed to assess performance against longer-term business requirements across a range of financial and non-financial metrics. It also evaluates adherence to internal controls and risk management. Performance assessments also include behaviours aligned to the Group's culture which are aligned to each colleague's job.

We also take risk and conduct performance into account. Control functions are assessed independently of the business units that they oversee. Performance goals and remuneration are set according to the priorities of the control area, not the targets of the businesses they support. The NatWest Group Chief Risk Officer and the NatWest Group Chief Audit Executive have the authority to escalate matters to NatWest Group Board level if management do not respond appropriately.

Independent control functions exist for NWM N.V. Multiple reporting lines are in place into the legal entity CEOs and the NWM Plc Control Function Head.

The variable remuneration of colleagues who work the majority of their time in the Netherlands will, as a rule, not exceed 20% of fixed pay. For colleagues who work the majority of their time outside the Netherlands, their variable remuneration will, as a rule, not exceed 100% of fixed pay.

For awards made in respect of the 2024 performance year, immediate cash awards continue to be limited to a maximum of £2,000. In line with regulatory requirements, for MRTs, 40% of awards under £500,000 will be deferred over four, five or seven years. This rises to 60% for awards over £500,000. For MRTs, a minimum of 50% of any variable pay is delivered in shares and a 12-month retention period applies to the shares after vesting. All awards are subject to malus and clawback provisions. Although quantitative criteria are stated in GBP above, the criteria for NWM N.V. are applied based on local currency equivalent.

Guaranteed awards may only be granted for new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to first year of service. NatWest Group does not offer sign-on awards. Retention awards are only used in truly exceptional circumstances such as major restructuring and where the individual is a 'flight risk' and is viewed as critical to the successful operation of the business or delivery of a business-critical project.

Whilst no performance conditions are attached to retention awards, the colleague must continue to deliver to the standard expectations of conduct, behaviour and minimum performance levels prior to the award vesting.

Severance payments and/or arrangements can be made to colleagues who leave NatWest Group in certain situations, including redundancy. Such payments are calculated by a predetermined formula set out within the relevant social plans, policies, agreements or local laws. Where local laws require, there is a cap on the maximum amount that can be paid.

Sharing in Success awards

Our Sharing in Success scheme for all employees (individuals eligible to participate and who remain employed by the NatWest Group on the award date), is intended to drive a performance culture and further align colleagues with our strategic direction.

Operation

For 2024, we measured success based on being brilliant for our customers, underpinned by financial performance, our approach to risk and delivering value for shareholders. All colleagues are eligible to receive a Sharing in Success award, and these awards are delivered entirely in shares.

Criteria for identifying MRTs

The EBA, as well as the PRA Rulebook and FCA Handbook, have issued criteria for identifying MRT roles, which includes those staff whose activities have a material influence over NatWest Group's performance or risk profile. These criteria are both qualitative (based on the nature of the role) and quantitative (based on the amount a colleague is paid).

In 2024, MRTs were identified for 12 legal entities (including at parent, holding company and consolidated levels) within NatWest Group. This included NWM N.V. The MRT criteria are applied for each of these entities, and consequently many MRTs are identified in relation to more than one entity.

The qualitative criteria can be summarised as: staff within the management body; senior management; other staff with key functional or managerial responsibilities including for risk management; and staff who individually, or as part of a Committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels.

The quantitative criteria are: individuals earning £660,000 or more in the previous year; individuals earning less than £660,000 in the previous year, but more than a threshold set at the higher of £440,000 or the average total earnings of the management body and senior management for the relevant legal entity and who can impact the risk profile of a material business unit; and individuals in the top 0.3% of earners of the relevant legal entity for the previous year. Although quantitative criteria are stated in GBP above, the threshold for NWM N.V. is determined based on local currency equivalent. In addition to the qualitative and quantitative criteria, NatWest Group has applied its own minimum standards to identify roles that are considered to have a material influence over its risk profile.

Personal hedging strategies

The conditions attached to discretionary share-based awards prohibit the use of any personal hedging strategies to lessen the impact of a reduction in the value of such awards. Recipients explicitly acknowledge and accept these conditions when any share-based awards are granted.

Risk in the remuneration process

The approach to remuneration within NatWest Group and NWM N.V. promotes effective risk management through having a clear distinction between fixed remuneration (which reflects the role undertaken by an individual) and variable remuneration (which is directly linked to performance and can be risk-adjusted). Fixed pay is set at an appropriate level to discourage excessive risk-taking and which would allow NatWest Group and NWM N.V. to pay zero variable pay.

We achieve focus on risk through clear inclusion of risk in performance goals, performance assessments, the determination of variable pay pools, incentive plan design and the application of malus and clawback. The NatWest Group Performance and Remuneration Committee (RemCo) is supported in this by the NatWest Group Board Risk Committee (BRC) and the Risk function, as well as independent oversight by the Internal Audit function. Legal entity specific independent control functions are also involved in the remuneration process as appropriate.

We use a robust process to assess risk performance, including how risk has been managed against the appetite levels agreed by the NatWest Board. We consider a range of measures, specifically: capital; earnings stability; liquidity and funding risk; credit risk; market risk; pension risk; compliance and conduct risk; financial crime; model risk; climate risk; operational risk and reputational risk. We also consider our overall risk culture.

Remuneration arrangements are in line with regulatory requirements. We fully disclose and discuss with regulators as appropriate.

Variable pay determination

For the 2024 performance year, NatWest Group operated a robust control function-led multi-step process to assess performance and determine the appropriate bonus pool by business area and function.

At multiple points throughout the process, we made reference to NatWest Group-wide business performance (from both affordability and appropriateness perspectives).

The process uses: financial performance; customer outcomes; people, culture and diversity; and progress against our climate and purpose ambitions to consider a balanced scorecard of performance assessments at the level of each business area or function. We then undertake risk and control assessments at the same level to ensure performance achieved without appropriate consideration of risk, risk culture and conduct controls, is not inappropriately rewarded; and also consider the impact of any risk events.

BRC reviews risk performance and conduct events and, if appropriate, a risk modifier may be applied to the individual business and function bonus pools or to the overall bonus pool. BRC may recommend a reduction of a bonus pool if it considers that risk and conduct performance is unacceptable or that the impact of poor risk management has yet to be fully reflected in the respective inputs.

Following further review against overall performance and conduct, taking into account input from the NatWest Group CFO on affordability, shareholder alignment and capital and liquidity adequacy, the NatWest Group CEO will make a final recommendation to the RemCo, informed by all the previous

steps and their strategic view of the business. The RemCo will then make an independent decision on the final bonus pool taking all of these earlier steps into account.

Bonus funding is allocated by the NatWest Group RemCo at a franchise level. The allocation of bonus funding for NWM N.V. starts within the NatWest Markets Plc franchise as determined by the NWM Plc CEO using a range of performance measures similar to those considered at NatWest Group level. The NWM N.V. element is reviewed by the NWM N.V. Performance and Remuneration Committee (NWM N.V. RemCo) and NWM N.V. Supervisory Board alongside control function assessment on performance and risk to ensure it is fit for purpose and meets capital adequacy requirements at the NWM N.V. level. This will then be reviewed by the RBSH N.V. Remuneration Committee (RBSH N.V. RemCo) who will make a recommendation to the RBSH N.V. Supervisory Board who will in turn review and recommend the final bonus pool to the NWM Plc Remuneration Committee.

Remuneration and culture

NatWest Group continues to assess conduct and its impact on remuneration as part of the annual NatWest Group-wide bonus pool process and also via the accountability review framework. Many colleagues receive fixed pay only, which provides them with greater security and allows them to fully focus on the needs of the customer. The RemCo will continue to review workforce remuneration and the alignment of incentives and reward with culture.

The governance of culture is clearly laid out. Senior management function roles have clearly defined accountabilities which are taken into account in their performance and pay decisions. The Board and Sustainable Banking Committee also play essential roles in setting and overseeing the Group's culture.

Accountability review process and malus/clawback

An accountability review process allows NatWest Group to respond where new information would change our variable pay decisions made in previous years and/or the decisions to be made in the current year. The process is used to apply commensurate ex-post risk adjustments to variable pay, where material failure of risk management, material error or employee misbehaviour are identified, and (for malus and in-year reductions only), where there is a material downturn in performance. Potential outcomes under the accountability review process are:

- malus - to reduce (to zero if appropriate) the amount of any unvested variable pay awards prior to payment;
- clawback - to recover awards that have already vested; and
- in-year bonus reductions - to adjust variable pay that would have otherwise been awarded for the current year.

As part of the acceptance of variable pay awards, colleagues must agree to terms that state that malus and clawback may be applied. Any variable pay awarded to MRTs is subject to clawback for seven years from the date of grant. This period can be extended to 10 years for MRTs who perform a 'senior management function' under the Senior Managers Regime where there are outstanding internal or regulatory investigations at the end of the normal seven-year clawback period. Awards to other colleagues (non-MRTs) are subject to clawback for 12 months from each vesting date.

Management's report on internal control over financial reporting under the Dutch Corporate Governance Code

Although NWM N.V. Group is not obliged to adhere to the Corporate Governance Declaration for the purposes of Corporate Governance Degree (Besluit Corporate Governance), NWM N.V.'s Managing Board has decided nevertheless to adhere to the best practice provision 1.4.3 of the Dutch Corporate Governance Code and to systematically review the operation of the internal risk management and control system during the year under review, and to state its adequacy and effectiveness.

NWM N.V. Group's internal risk management and control system is a process, effected by the Managing Board, management, and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations; (2) reliability of financial reporting; and (3) compliance with laws and regulations.

Based on the current situation, the preparation of the 2024 Annual Report and Accounts on a going-concern basis is justified (best practice 1.4.3.iii). For further information, please refer to Note Accounting policies of the Consolidated Annual Financial Statements. The material risks and uncertainties that may affect NWM N.V. Group's continuity for the 12-month period following the preparation of this report are discussed in different sections of this 2024 Annual Report and Accounts including but not being limited to the "Risk and capital management" and "Risk Factors" section (best practice provision 1.4.3.iv). Risk and capital management on pages 18 to 53, elaborate on NWM N.V. Group's identified risks, such as capital, liquidity and funding risk, credit risk, market risk, conduct risk, operational risk, business risk and reputational risk. NWM N.V.'s Managing Board hereby confirms that, to the best of its knowledge the 2024 Annual Report and Accounts provides sufficient insights into any material failings in the effectiveness of the internal risk management and control systems (best practice provision 1.4.3.i).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

NWM N.V.'s Managing Board assessed the effectiveness of the internal control over financial reporting during 2024. Based on its assessment, NWM N.V.'s Managing Board has concluded that, the internal risk management and control systems of NWM N.V. Group provide reasonable assurance that the financial reporting for 2024 does not contain any material inaccuracies (best practice provision 1.4.3.ii).

Managing Board
Amsterdam, 20 February 2025

Management's report on the 2024 Annual Report and Accounts for purposes of Section 5:25 sub 2 Financial Supervision Act

The Managing Board certifies that, to the best of their knowledge:

- the financial statements give a true and fair view, in all material respects, of the assets, liabilities, financial position and profit of NWM N.V. Group and its consolidated entities; and
- the Annual Report gives a true and fair view, in all material respects, of NWM N.V. Group and its consolidated entities as at 31 December 2024 and their state of affairs during 2024; and the 2024 Annual Report and Accounts describes the material risks that NWM N.V. Group is facing.

Managing Board
Amsterdam, 20 February 2025

Financial statements

| | Page |
|---|------|
| Consolidated income statement | 64 |
| Consolidated statement of comprehensive income | 64 |
| Consolidated balance sheet | 65 |
| Consolidated statement of changes in equity | 66 |
| Consolidated cash flow statement | 67 |
| Accounting policies | 68 |
| Notes to the consolidated financial statements | |
| 1 Net interest income | 73 |
| 2 Non-interest income | 73 |
| 3 Operating expenses | 74 |
| 4 Geographical segmental analysis | 74 |
| 5 Auditor's remuneration | 74 |
| 6 Tax | 75 |
| 7 Financial instruments - classification | 77 |
| 8 Financial instruments - valuation | 79 |
| 9 Financial instruments - maturity analysis | 88 |
| 10 Trading assets and liabilities | 90 |
| 11 Derivatives | 91 |
| 12 Loan impairment provisions | 96 |
| 13 Other financial assets | 97 |
| 14 Other assets | 97 |
| 15 Other financial liabilities | 97 |
| 16 Subordinated liabilities | 98 |
| 17 Other liabilities | 98 |
| 18 Share capital and reserves | 99 |
| 19 Structured entities | 100 |
| 20 Asset transfers | 101 |
| 21 Capital resources | 101 |
| 22 Memorandum items | 102 |
| 23 Non-cash and other items | 105 |
| 24 Analysis of changes in financing during the year | 105 |
| 25 Analysis of cash and cash equivalents | 106 |
| 26 Remuneration of the Managing Board and Supervisory Board | 106 |
| 27 Related parties | 107 |
| 28 Post balance sheet events | 108 |
| Parent company financial statements and notes | 109 |
| Other information | 126 |

Consolidated income statement

For the year ended 31 December 2024

| | Note | 2024 €m | 2023 €m |
|------------------------------------|------|--------------|------------|
| Interest receivable | | 502 | 453 |
| Interest payable | | (382) | (321) |
| Net interest income | 1 | 120 | 132 |
| Fees and commissions receivable | | 236 | 202 |
| Fees and commissions payable | | (29) | (23) |
| Income from trading activities | | 21 | 2 |
| Other operating income | | (47) | (44) |
| Non-interest income | 2 | 181 | 137 |
| Total income | | 301 | 269 |
| Staff costs | | (84) | (79) |
| Premises and equipment | | (6) | (6) |
| Other administrative expenses | | (85) | (82) |
| Depreciation and amortisation | | (2) | (2) |
| Operating expenses | 3 | (177) | (169) |
| Profit before impairments | | 124 | 100 |
| Impairment losses | 12 | 1 | - |
| Operating profit before tax | | 125 | 100 |
| Tax credit | 6 | 34 | 8 |
| Profit for the year | | 159 | 108 |
| Attributable to: | | | |
| Ordinary shareholders | | 135 | 84 |
| Paid-in equity holders | | 24 | 24 |
| | | 159 | 108 |

The appropriation of net profits pursuant to articles 37.2 and 37.3 of the Articles of Association includes the release from reserves of all profits/(losses) attributable to controlling interests.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

| | 2024 €m | 2023 €m |
|--|-------------|------------|
| Profit for the year | 159 | 108 |
| Items that do not qualify for reclassification | | |
| Changes in fair value of credit in financial liabilities designated at FVTPL | (27) | (25) |
| FVOCI financial assets | 2 | (1) |
| | (25) | (26) |
| Items that do qualify for reclassification | | |
| FVOCI financial assets | 1 | 6 |
| Cash flow hedges (1) | 3 | 38 |
| | 4 | 44 |
| Other comprehensive (losses)/income after tax | (21) | 18 |
| Total comprehensive income for the year | 138 | 126 |
| Attributable to: | | |
| Ordinary shareholders | 114 | 102 |
| Paid-in equity holders | 24 | 24 |
| | 138 | 126 |

(1) Refer to footnotes 3 and 4 of the Consolidated statement of changes in equity.

Consolidated balance sheet

As at 31 December 2024

| | Note | 2024 €m | 2023 €m |
|--|------|---------------|---------------|
| Assets | | | |
| Cash and balances at central banks | 7 | 6,187 | 5,979 |
| Trading assets | 10 | 6,688 | 4,693 |
| Derivatives | 11 | 11,860 | 9,890 |
| Settlement balances | | 866 | 565 |
| Loans to banks - amortised cost | 7 | 225 | 236 |
| Loans to customers - amortised cost | 7 | 935 | 951 |
| Amounts due from holding companies and fellow subsidiaries | 7 | 1,203 | 3,174 |
| Other financial assets | 13 | 2,111 | 2,605 |
| Other assets | 14 | 119 | 95 |
| Total assets | | 30,194 | 28,188 |
| Liabilities | | | |
| Bank deposits | 7 | 597 | 411 |
| Customer deposits | 7 | 2,999 | 4,531 |
| Amounts due to holding companies and fellow subsidiaries | 7 | 2,558 | 3,952 |
| Settlement balances | | 685 | 679 |
| Trading liabilities | 10 | 7,061 | 4,637 |
| Derivatives | 11 | 10,510 | 8,814 |
| Other financial liabilities | 15 | 3,368 | 2,805 |
| Subordinated liabilities | 16 | 303 | 293 |
| Other liabilities | 17 | 70 | 65 |
| Total liabilities | | 28,151 | 26,187 |
| Total equity | | 2,043 | 2,001 |
| Total liabilities and equity | | 30,194 | 28,188 |

Consolidated statement of changes in equity

For the year ended 31 December 2024

| | 2024 €m | 2023 €m |
|--|--------------|------------|
| Share capital and share premium - at 1 January (1) | 1,550 | 1,700 |
| Capital restructuring (2) | - | (150) |
| At 31 December | 1,550 | 1,550 |
| Paid-in equity - at 1 January | 250 | 250 |
| Redeemed | (250) | - |
| Issued | 250 | - |
| At 31 December | 250 | 250 |
| FVOCI reserve- at 1 January | (3) | (11) |
| Unrealised gains | 2 | 4 |
| Realised losses | 1 | 4 |
| At 31 December | - | (3) |
| Cash flow hedging reserve - at 1 January | 28 | (10) |
| Amount recognised in equity (3) | (12) | 31 |
| Amount transferred from equity to earnings (4) | 15 | 7 |
| At 31 December | 31 | 28 |
| Foreign exchange reserve - at 1 January and 31 December | 6 | 6 |
| Retained earnings - at 1 January | 170 | 356 |
| Profit attributable to ordinary shareholders and other equity owners | 159 | 108 |
| Paid-in equity dividends paid | (24) | (24) |
| Ordinary dividends paid | (72) | (392) |
| Capital restructuring (2) | - | 150 |
| Realised losses in period on FVOCI equity shares | - | (3) |
| - gross | - | (3) |
| Changes in fair value of credit in financial liabilities designated at FVTPL | (27) | (25) |
| At 31 December | 206 | 170 |
| Total equity at 31 December | 2,043 | 2,001 |
| Attributable to: | | |
| Ordinary shareholders | 1,793 | 1,751 |
| Paid-in equity holders | 250 | 250 |
| | 2,043 | 2,001 |

(1) Includes ordinary share capital of €50,004 (2023 - €50,004). Refer to Note 18 for further details.

(2) On 31 March 2023, after obtaining regulatory permission, NWM N.V. executed a capital restructuring, converting €150 million of share premium to retained earnings.

(3) The change in the cash flow hedging reserve is driven by realised accrued interest transferred into the income statement and a decrease in swap rates in the year. The portfolio of hedging instruments are predominantly receive fixed swaps.

(4) As referred to in Note 11, the amount transferred from equity to the income statement is mostly recorded within net interest income within balances at central banks.

Consolidated cash flow statement

For the year ended 31 December 2024

| | Note | 2024 €m | 2023 €m |
|---|------|----------------|---------------|
| Cash flows from operating activities | | | |
| Operating profit before tax | | 125 | 100 |
| Adjustments for: | | | |
| Non-cash and other items | 23 | (167) | (47) |
| Changes in operating assets and liabilities | 23 | (3,139) | 6,441 |
| Income taxes paid | | (2) | (4) |
| Net cash flows from operating activities (1) | | (3,183) | 6,490 |
| Cash flows from investing activities | | | |
| Sale and maturity of other financial assets | | 1,286 | 1,894 |
| Purchase of other financial assets | | (775) | (2,853) |
| Income received on other financial assets | | 116 | 85 |
| Sale of property and equipment | | 10 | - |
| Purchase of property and equipment | | (1) | - |
| Net cash flows from investing activities | | 636 | (874) |
| Cash flow from financing activities | | | |
| Redemption of subordinated liabilities | 24 | - | (92) |
| Interest paid on subordinated liabilities | 24 | (12) | (12) |
| Dividends paid | | (96) | (416) |
| Net cash flows from financing activities | | (108) | (520) |
| Effects of exchange rate changes on cash and cash equivalents | | 63 | (4) |
| Net (decrease)/increase in cash and cash equivalents | | (2,592) | 5,092 |
| Cash and cash equivalents at 1 January | | 11,610 | 6,518 |
| Cash and cash equivalents at 31 December | 25 | 9,018 | 11,610 |

(1) Includes interest received of €517 million (2023 - €406 million) and interest paid of €388 million (2023 - €269 million).

Accounting policies

1. Corporate information

NatWest Markets N.V. (NWM N.V.) is a public limited liability company, incorporated under Dutch law on 30 May 1990 and registered at Claude Debussylaan 94, 1082 MD Amsterdam, the Netherlands. NWM N.V. Group provides financial services principally in Europe.

RBS Holdings N.V., our parent company, is a wholly owned subsidiary of NatWest Markets Plc (NWM Plc), and NWM Plc is owned by NatWest Group plc. NatWest Group plc is incorporated in the UK and registered at 36 St. Andrew Square, Edinburgh, Scotland. NatWest Group plc is our ultimate parent company.

Our consolidated financial statements are included in the consolidated financial statements of NatWest Group plc. Our consolidated financial statements incorporate financial information of NWM N.V. and the entities it controls. Control is assessed by reference to our ability to enforce our will on the other entity, typically through voting rights. The consolidated financial statements are prepared under consistent accounting policies.

Our consolidated financial statements were signed and authorised for issue by the Managing Board on 20 February 2025 and by the Supervisory Board on 20 February 2025. The right to request an amendment of the financial statements is embedded in the Netherlands Civil Code. Interested parties have the right to ask the Enterprise Chamber of the Amsterdam Court of Appeal for an amendment of the financial statements.

2. Basis of preparation

The Managing Board, having made such enquiries as they considered appropriate, including: a review of our activities, forecasts, projections and other relevant evidence regarding the continuing availability of sufficient resources from NatWest Group have prepared the financial statements on a going concern basis based on the directors' assessment that we will continue in operational existence for a period of twelve months from the date the financial statements are approved. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are presented in the functional currency, euro.

The audited financial statements include these accounting policies, the accompanying notes to the financial statements on pages 73 to 108 and the audited sections of the Risk and capital management section on pages 18 to 53 which together form an integral part of the primary financial statements

The critical and material accounting policies and related judgments are set out below.

The financial statements are presented on a historical cost basis except for certain financial instruments which are stated at fair value.

The effect of the amendments to IFRS effective from 1 January 2024 on our financial statements was immaterial.

In 2021, the OECD published the Global Anti-Base Erosion Model Rules (Pillar 2). These rules will impose a top-up tax on the profits of subsidiaries that are taxed at an effective tax rate of less than 15 per cent. In the absence of an enacted Qualifying Domestic Minimum Top Up Tax ("QDMTT"), any top-up tax arising will be borne by NatWest Group plc, in the United Kingdom.

NWM N.V. Group has applied the exception from the accounting requirements for deferred taxes in IAS 12. Accordingly, the NWM N.V. Group has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar 2 income taxes.

How Climate risk affects our accounting judgements and estimates

Business planning

Key financial estimates are based on management's latest five-year revenue and cost forecasts. The outputs from this forecast affect forward-looking accounting estimates. In 2023, our scenario planning was enhanced by the further integration of NatWest Group's climate transition plan, including the assessment of climate-related risks and opportunities. There remains uncertainty regarding a policy response of the Dutch government and the EU, including the effect of wider geopolitical uncertainty on governmental ambitions regarding climate transition and the effect of decarbonisation on wider economic growth, technology development and customer behaviours.

Information used in accounting estimates

We make use of reasonable and supportable information to make accounting judgements and estimates. This includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of borrowers, asset values and market indicators. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgements and estimates for the current period including the deferred tax assets recognised. Some physical and transition risks can manifest in the shorter term. The following items represent the most significant effects:

- classification of financial instruments linked to climate, or other sustainability indicators. Consideration is given to whether the effect of climate-related terms prevent the instrument cashflows being solely payments of principal and interest.
- The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.
- We are monitoring the effect of the physical and transition consequences of climate change on our experience of loan loss. Our assessment of sector-specific risks, and whether additional adjustments are required, includes expectations of the ability of those sectors to meet their financing needs in the market. Changes in credit stewardship and credit risk appetite that stem from climate transition policies may directly affect our positions.

3. Critical accounting policies

The judgments and assumptions involved in our accounting policies that are considered by the Board to be the most important to the portrayal of our financial condition are noted below. The use of estimates, assumptions or models that differ from those adopted by us would affect our reported results. Management's consideration of uncertainty is outlined in the relevant sections.

Information used for significant estimate

| Policy | Judgment | Estimate | Further information |
|----------------------------------|--|--|---------------------|
| Deferred tax | Determination of whether sufficient sustainable taxable profits will be generated in future years to recover the deferred tax asset. | Our estimates are based on the five-year revenue and cost forecasts (which include inherent uncertainties). | Note 6 |
| Fair value-financial instruments | Classification of a fair value instrument as level 3, where the valuation is driven by unobservable inputs. | Estimation of the fair value, where it is reasonably possible to have alternative assumptions in determining the FV. | Note 8 |

Changes in judgments and assumptions could result in a material adjustment to those estimates in future reporting periods.

3.1. Deferred tax

Deferred tax is the estimated tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and the carrying amount for tax purposes in the future. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent their recovery is probable.

Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Deferred tax asset recoverability is based on the level of supporting offsetable deferred tax liabilities we have and of our future taxable profits. These future taxable profits are based on our five-year revenue and cost forecasts. The five-year forecast takes account of management's current expectations on competitiveness and profitability.

3.2. Fair value – financial instruments

We measure financial instruments at fair value when they are classified as mandatory fair value through profit or loss; held-for-trading; designated fair value through profit or loss and fair value through other comprehensive income and they are recognised in the financial statements at fair value. All derivatives are measured at fair value.

We manage some portfolios of financial assets and financial liabilities based on our net exposure to either market or credit risk. In these cases, the fair value is derived from the net risk exposure of that portfolio with portfolio level adjustments applied to incorporate bid-offer spreads, counterparty credit risk, and funding costs (see 'Valuation Adjustments').

Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. The complexity and uncertainty in the financial instrument's fair value is categorised using the fair value hierarchy.

The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.

4. Material accounting policies

4.1. Revenue recognition

Interest receivable and payable are recognised in the income statement using the effective interest rate method: for all financial instruments measured at amortised cost; debt instruments measured as fair value through other comprehensive income; and the effective part of any related accounting hedging instruments.

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value and is reported in income from trading activities or other operating income as relevant. Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

4.2. Staff costs

Employee costs, such as salaries, paid absences, and other benefits are recognised over the period in which the employees provide the related services to us. Employees may receive variable compensation in cash, in deferred cash or debt instruments of NWM Group or in ordinary shares of NatWest Group plc subject to deferral, clawback and forfeiture criteria. We operate a number of share-based compensation schemes under which we grant awards of NatWest Group plc shares and share options to our employees. Such awards are subject to vesting conditions.

Contributions to defined contribution pension schemes are recognised in the income statement when payable.

4.3. Foreign currencies

Foreign exchange differences arising on the settlement of foreign currency transactions and from the translation of monetary assets and liabilities are reported in income from trading activities except for differences arising on cash flow hedges.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates ruling at the dates the values are determined. Translation differences are recognised in the income statement except for differences arising on non-monetary financial assets classified as fair value through other comprehensive income.

4. Material accounting policies continued

Income and expenses of foreign subsidiaries and branches are translated into euro at average exchange rates unless these do not approximate the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on the translation of a foreign operation are recognised in other comprehensive income. The amount accumulated in equity is reclassified from equity to the income statement on disposal of a foreign operation.

4.4. Provisions

We recognise a provision for a present obligation resulting from a past event when it is more likely than not that we will be required to pay to settle the obligation and the amount of the obligation can be estimated reliably.

Provision is made for restructuring costs, including the costs of redundancy, when we have a constructive obligation. An obligation exists when we have a detailed formal plan for the restructuring and have raised a valid expectation in those affected.

We recognise any onerous cost of the present obligation under a contract as a provision. An onerous cost is the unavoidable cost of meeting our contractual obligations that exceed the expected economic benefits. When we intend to vacate a leasehold property or right of use asset, the asset would be tested for impairment and a provision may be recognised for the ancillary contractual occupancy costs.

4.5. Tax

Tax encompassing current tax and deferred tax is recognised in the income statement except when taxable items are recognised in other comprehensive income or equity. Tax consequences arising from servicing financial instruments classified as equity are recognised in the income statement.

Accounting for taxes is judgmental and carries a degree of uncertainty because tax law is subject to interpretation, which might be questioned by the relevant tax authority. We recognise the most likely current and deferred tax liability or asset, assessed for uncertainty using consistent judgments and estimates. Current and deferred tax assets are only recognised where their recovery is deemed probable, and current and deferred tax liabilities are recognised at the amount that represents the best estimate of the probable outcome having regard to their acceptance by the tax authorities.

4.6. Financial instruments

Financial instruments are measured at fair value on initial recognition on the balance sheet.

Monetary financial assets are classified into one of the following subsequent measurement categories (subject to business model assessment and review of contractual cash flow for the purposes of sole payments of principal and interest where applicable):

- **amortised cost** measured at cost using the effective interest rate method, less any impairment allowance;
- **fair value through other comprehensive income (FVOCI)** measured at fair value, using the effective interest rate method and changes in fair value through other comprehensive income;
- **mandatory fair value through profit or loss (MFVTPL)** measured at fair value and changes in fair value reported in the income statement; or
- **designated at fair value through profit or loss (DFV)** measured at fair value and changes in fair value reported in the income statement.

Classification by business model reflects how we manage our financial assets to generate cash flows. A business model assessment helps to ascertain the measurement approach depending on whether cash flows result from holding financial assets to collect the contractual cash flows, from selling those financial assets, or both.

Business model assessment of assets is made at portfolio level, being the level at which they are managed to achieve a predefined business objective. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives for the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio. When a significant change to our business is communicated to external parties, we reassess our business model for managing those financial assets. We reclassify financial assets if we have a significant change to the business model. A reclassification is applied prospectively from the reclassification date.

The contractual terms of a financial asset; any leverage features; prepayment and extension terms; and discounts or penalties to interest rates that are part of meeting environmental, social and governance targets as well as other contingent and leverage features, non-recourse arrangements and features that could modify the timing and/or amount of the contractual cash flows that might reset the effective rate of interest; are considered in determining whether cash flows are solely payments of principal and interest.

Certain financial assets may be designated at fair value through profit or loss (DFV) upon initial recognition if such designation eliminates, or significantly reduces, accounting mismatch.

Equity shares are measured at fair value through profit or loss unless specifically elected as at fair value through other comprehensive income (FVOCI).

Upon disposal, the cumulative gains or losses in fair value through other comprehensive income reserve are recycled to the income statement for monetary assets and for non-monetary assets (equity shares) the cumulative gains or losses are transferred directly to retained earnings.

Regular way purchases and sales of financial assets classified as amortised cost are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

Financial liabilities are classified into one of following measurement categories:

- **amortised cost** measured at cost using the effective interest rate method;
- **held for trading** measured at fair value and changes in fair value reported in income statement; or
- **designated at fair value through profit or loss** measured at fair value and changes in fair value reported in the income statement except changes in fair value attributable to the credit risk component recognised in other comprehensive income when no accounting mismatch occurs.

4.7. Financial guarantee contracts

Under a financial guarantee contract, we, in return for a fee, undertake to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. A financial guarantee not designated as fair value through profit or loss is recognised as a liability; initially at fair value and subsequently at the higher of its initial value less cumulative amortisation and any provision under the contract measured in accordance with our ECL accounting policy.

4. Material accounting policies continued

Amortisation is calculated to recognise fees receivable in the income statement over the period of the guarantee. A separate asset is recognised in respect of fees receivable for provision of the financial guarantee.

4.8. Netting

Financial assets and financial liabilities are offset, and the net amount presented on the balance sheet when, and only when, we currently have a legally enforceable right to set off the recognised amounts and we intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. We are party to a number of arrangements, including master netting agreements, that give us the right to offset financial assets and financial liabilities, but where we do not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented separately on the balance sheet.

4.9. Capital instruments

We classify a financial instrument that we issue as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms and as equity if we evidence a residual interest in our assets after the deduction of liabilities. Incremental costs and related tax that are directly attributable to an equity transaction are deducted from equity.

4.10. Derivatives and hedging

Derivatives are reported on the balance sheet at fair value. We use derivatives as part of our trading activities, or to manage our own risk such as interest rate, foreign exchange, or credit risk or in certain customer transactions. Not all derivatives used to manage risk are in hedge accounting relationships (an IFRS method to reduce accounting mismatch from changes in the fair value of derivatives reported in the income statement).

Gains and losses arising from changes in the fair value of derivatives that are not in hedge relationships are recognised in Income from trading activities unless those derivatives are managed together with financial instruments designated at fair value; these gains and losses are included in Other operating income.

Hedge accounting

Hedge accounting relationships are designated and documented at inception in line with the requirements of IAS 39 Financial Instruments – Recognition and Measurement. The documentation identifies the hedged item, the hedging instrument and details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. When designating a hedging relationship, we consider: the economic relationship between the hedged item (including the risk being hedged) and the hedging instrument; the nature of the risk; the risk management objective and strategy for undertaking the hedge; and the appropriateness of the method that will be used to assess hedge effectiveness.

Designated hedging relationships must be expected to be highly effective both on a prospective and retrospective basis. This is assessed using regression techniques which model the degree of offsetting between the changes in fair value or cash flows attributable to the hedged risk and the changes in fair value of the designated hedging derivatives. Ineffectiveness is measured based on actual levels of offsetting and recognised in the income statement.

Cash flow hedge

The effective portion of the designated hedge relationship is recognised in other comprehensive income and the ineffective portion in the income statement. When the hedged item (forecasted cash flows) results in the recognition of a financial asset or financial liability, the cumulative gain or loss is reclassified from equity to the income statement in the same periods in which the hedged forecasted cash flows affect the income statement.

Discontinuation of hedge accounting

Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting i.e., the hedge is not highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the documented risk management strategy; the hedging instrument expires or is sold, terminated or exercised; or if hedge designation is revoked.

For cash flow hedging the cumulative unrealised gain or loss is reclassified from equity to the income statement when the hedged cash flows occur or, if the forecast transaction results in the recognition of a financial asset or financial liability, when the hedged forecast cash flows affect the income statement. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is reclassified from equity to the income statement immediately.

4.11. Loan impairment provisions: expected credit losses (ECL)

At each balance sheet date each financial asset or portfolio of financial assets measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment (other than those classified as held for trading) is assessed for impairment. Any change in impairment is reported in the income statement.

Loss allowances are forward-looking, based on 12-month ECL where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

ECL is a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is a reduction in the net present value of expected cash flows. Following a significant increase in credit risk, ECL is adjusted from 12 months to lifetime. This will lead to a higher impairment charge.

The measurement of expected credit loss considers the ability of borrowers to make payments as they fall due. Future cashflows are discounted, so long dated cashflows are less likely to affect current expectations on credit loss. Our assessment of sector-specific risks, and whether additional adjustments are required, include expectations of the ability of those sectors to meet their financing needs in the market. Changes in credit stewardship and credit risk appetite that stem from climate transition policies may directly affect our positions.

4. Material accounting policies continued

Judgment is exercised as follows:

Non-modelled portfolios – use a standardised capital requirement under Basel II. Under IFRS 9, they have bespoke treatments for the identification of significant increase in credit risk. Benchmark PDs, EADs and LGDs are reviewed annually for appropriateness. The ECL calculation is based on expected future cash flows, which is typically applied at a portfolio level.

Multiple economic scenarios (MES) – the central, or base, scenario is most critical to the ECL calculation, independent of the method used to generate a range of alternative outcomes and their probabilities.

Significant increase in credit risk - IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e., the current probability of default over the remaining lifetime) with the equivalent lifetime PD as determined at the date of initial recognition.

On restructuring where a financial asset is not derecognised, the revised cash flows are used in re-estimating the credit loss. Where restructuring causes derecognition of the original financial asset, the fair value of the replacement asset is used as the closing cash flow of the original asset.

Where, in the course of the orderly realisation of a loan, it is exchanged for equity shares or property, the exchange is accounted for as the sale of the loan and the acquisition of equity securities or investment property. Where our acquired interest is in equity shares relevant policies for control, associates and joint ventures apply.

Impaired financial assets are written off and therefore derecognised from the balance sheet when we conclude that there is no longer any realistic prospect of recovery of part, or all, of the loan. For financial assets that are individually assessed for impairment, the timing of the write-off is determined on a case-by-case basis. Such financial assets are reviewed regularly, and write-off will be prompted by bankruptcy, insolvency, re-negotiation, and similar events.

Uncollateralised impaired business loans are generally written off within five years

5. Future accounting developments

International Financial Reporting Standards

Effective 1 January 2026

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7 – Issued May 2024)

Effective 1 January 2027

Presentation and Disclosures in Financial Statements (IFRS 18 – Issued April 2024)

Subsidiaries without Public Accountability (IFRS 19 – Issued May 2024)

We are assessing the effect of adopting these accounting developments on our financial statements.

Notes to the consolidated financial statements

1 Net interest income

| | 2024 €m | 2023 €m |
|--|------------|------------|
| Balances at central banks and loans to banks | 309 | 299 |
| Loans and advances to customers | 58 | 63 |
| Amounts due from holding companies and fellow subsidiaries | 3 | 8 |
| Other financial assets | 132 | 83 |
| Interest receivable | 502 | 453 |
| Bank deposits | 19 | 4 |
| Customer deposits | 187 | 175 |
| Amounts due to holding companies and fellow subsidiaries | 50 | 61 |
| Subordinated liabilities | 1 | 5 |
| Other financial liabilities | 125 | 76 |
| Interest payable | 382 | 321 |
| Net interest income | 120 | 132 |

Interest income on financial instruments measured at amortised cost and debt instruments classified as FVOCI is measured using the effective interest rate method, which allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

For accounting policy information refer to Accounting policy 4.1.

2 Non-interest income

| | 2024 €m | 2023 €m |
|---|------------|------------|
| Fees and commissions receivable | | |
| - Lending and financing | 25 | 19 |
| - Underwriting fees | 60 | 55 |
| - Other ⁽¹⁾ | 151 | 128 |
| Total | 236 | 202 |
| Fees and commissions payable | (29) | (23) |
| Net fees and commissions | 207 | 179 |
| Interest rate | 21 | 2 |
| Income from trading activities | 21 | 2 |
| Changes in the fair value of financial assets and liabilities designated at fair value through profit or loss | (40) | (41) |
| Loss on sale of securities | (1) | (1) |
| Other income | (6) | (2) |
| Other operating income | (47) | (44) |
| Non-interest income | 181 | 137 |

(1) Net fees and commissions - other includes transfer pricing income from NWM Plc (in the UK) of €153 million (2023 – €128 million), refer to Note 27 for further details.

For accounting policy information refer to Accounting policies 4.1 and 4.3.

3 Operating expenses

| | 2024 €m | 2023 €m |
|-------------------------------------|------------|------------|
| Staff costs | 82 | 77 |
| Temporary and contract costs | 2 | 2 |
| Premises and equipment | 6 | 6 |
| Other administrative expenses (1,2) | 87 | 84 |
| Operating expenses | 177 | 169 |

(1) Other administrative expenses include €53 million of cost recharges from NatWest Group companies (2023 – €49 million).

(2) Includes depreciation and amortisation.

For accounting policy information refer to Accounting policy 4.2.

There were 253 people employed at 31 December 2024 (2023 – 244). The average number of persons employed during the year was 249 (2023 – 237).

There were 121 people employed in the Netherlands at 31 December 2024 (2023 – 120).

4 Geographical segmental analysis

NWM N.V. Group is managed as a single reportable segment.

The geographical analyses in the tables below have been compiled on the basis of location of office where the transactions are recorded.

| | Netherlands €m | RoW €m | Total €m |
|--|-------------------|-----------|-------------|
| 2024 | | | |
| Interest receivable | 500 | 2 | 502 |
| Interest payable | (382) | - | (382) |
| Net fees and commissions | 117 | 90 | 207 |
| Income from trading activities (dealing profits) | 16 | 5 | 21 |
| Other operating income | (41) | (6) | (47) |
| Total income | 210 | 91 | 301 |
| Operating profit before tax | 108 | 17 | 125 |
| | | | |
| Total assets | 29,897 | 297 | 30,194 |
| Total liabilities | 27,970 | 181 | 28,151 |
| Contingent liabilities and commitments (1) | 7,470 | - | 7,470 |
| | | | |
| 2023 | | | |
| Interest receivable | 452 | 1 | 453 |
| Interest payable | (321) | - | (321) |
| Net fees and commissions | 109 | 70 | 179 |
| Income from trading activities (dealing profits) | (3) | 5 | 2 |
| Other operating income | (42) | (2) | (44) |
| Total income | 195 | 74 | 269 |
| Operating profit before tax | 97 | 3 | 100 |
| | | | |
| Total assets | 27,856 | 332 | 28,188 |
| Total liabilities | 25,998 | 189 | 26,187 |
| Contingent liabilities and commitments (1) | 7,526 | 1 | 7,527 |

(1) Refer to Note 22 Memorandum items – Contingent liabilities and commitments.

5 Auditor's remuneration

Amounts payable to NWM N.V. Group's auditors for statutory audit and audit related services are set out below.

| | 2024 €m | 2023 €m |
|--|------------|------------|
| Fees for the audit of NWM N.V. Group's annual accounts | 1.5 | 1.5 |
| Audit related services (1) | 1.0 | 0.9 |
| Total audit and audit related services | 2.5 | 2.4 |

(1) Fees incurred in relation to regulatory audits and statutory audits of subsidiaries and branches.

Total fees of EY Accountants B.V. in the Netherlands, charged to NWM N.V. and its consolidated group entities amounted to €1.3 million (2023 – €1.1 million). There are no non-audit related services rendered to NWM N.V. Group.

6 Tax

| | 2024 €m | 2023 €m |
|--|------------|------------|
| Current tax | | |
| Charge for the year | (6) | (3) |
| (Under)/over provision in respect of prior years | 1 | (1) |
| | (5) | (4) |
| Deferred tax | | |
| Charge for the year | (17) | (6) |
| Increase in the carrying value of deferred tax assets in respect of tax losses and tax credits | 53 | 17 |
| Other provision in respect of prior years | 3 | 1 |
| Tax credit for the year | 34 | 8 |

The actual tax charge differs from the expected tax charge computed by applying the statutory tax rate of the Netherlands of 25.8% as follows:

| | 2024 €m | 2023 €m |
|--|-------------|-------------|
| Expected tax charge | (32) | (26) |
| Non-taxable items | (1) | 2 |
| Foreign profits taxed at other rates | (1) | (1) |
| Losses in year not recognised | (1) | - |
| Tax on paid-in equity dividends | 6 | 6 |
| Losses brought forward and utilised | 6 | 10 |
| Increase in the carrying value of deferred tax assets in respect of tax losses and tax credits | 53 | 17 |
| Adjustments in respect of prior years ⁽¹⁾ | 4 | - |
| Actual tax credit | 34 | 8 |

(1) Prior period tax adjustments include, tax provision movements, adjustments to reflect submitted tax computations in the Netherlands and overseas, and recovery of previously written-off current tax assets.

For accounting policy information refer to Accounting policies 3.1 and 4.5.

| | 2024 €m | 2023 €m |
|------------------------|------------|------------|
| Deferred tax asset | (103) | (63) |
| Deferred tax liability | 3 | 2 |
| Net deferred tax asset | (100) | (61) |

| | Tax losses carried forward €m | Other €m | Total €m |
|----------------------------|----------------------------------|-------------|--------------|
| At 1 January 2023 | (52) | 3 | (49) |
| Charge to income statement | (11) | (1) | (12) |
| At 1 January 2024 | (63) | 2 | (61) |
| Charge to income statement | (37) | (2) | (39) |
| At 31 December 2024 | (100) | - | (100) |

Deferred tax assets in respect of unused tax losses and tax credits are recognised if they can be used to offset probable future taxable profits after taking into account the expected reversal of other temporary differences.

Critical accounting policy: Deferred tax

The deferred tax asset of €103 million as at 31 December 2024 (2023 - €63 million) comprises tax losses which arose in the Netherlands, Dutch tax credits and temporary differences. These deferred tax assets are recognised to the extent that it is probable that there will be future taxable profits to recover them.

The €37 million increase in recognised deferred tax assets in respect of unused tax losses and tax credits, compared to 2023, is mainly driven by higher forecasted transfer pricing income and lower forecasted funding costs and paid-in equity dividends.

Judgment – NWM N.V. Group has considered the carrying value of deferred tax assets and management considers that sufficient sustainable taxable profits will be generated in future years to recover the recognised deferred tax asset.

Estimate - These estimates are partly based on forecast performance. They have regard to inherent uncertainties. NWM N.V. Group considers it to be probable, based on its 5 year budget forecast, that future taxable profit will be available against which the tax losses and tax credits can be partially utilised. The potential effects of the strategic decision made in 2024 to transfer assets from NWBE to NWM N.V. on the future taxable profit have not been taken into account given the uncertainties at this stage.

6 Tax continued

The carrying amount of the deferred tax assets is sensitive to certain significant assumptions made in management's assessment. Significant assumptions relate to:

- The 5 year forecast period;
- The future macro-economic environment of NWM N.V.;
- Transfer pricing model parameters;
- The impact of the strategic decision made in 2024 to transfer assets from NWBE to NWM N.V.;
- Decisions to be made within the strategy of NWM N.V.;
- Dutch tax law.

NWM N.V. Group's evaluation of alternative assumptions revealed that the recognition of the deferred tax asset is highly sensitive to the significant assumptions used in the assessment and therefore subject to high estimation uncertainty. Due to the uncertainty associated with the underlying forecast of probable taxable income, the final outcome of the utilisation of the deferred tax asset may vary significantly. This can lead to material increase or decrease of the deferred tax assets.

Dutch tax law

The corporate income tax rate is 25.8% in 2024 (2023 - 25.8%). On 19 December 2023 the government of the Netherlands enacted the Pillar Two income taxes legislation effective from 31 December 2023. Pillar Two aims to ensure that large multinational groups pay at least at a minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. No impact is expected for the jurisdictions where NWM N.V. Group is located.

Dutch tax losses

Tax losses can be carried forward indefinitely pursuant to Dutch tax law. However, the utilisation of losses in a year is limited. The taxable profit up to €1 million can be fully offset against prior

year tax losses, the taxable profit in excess thereof can only be reduced by tax losses up to 50 percent.

NWM N.V. Group's tax losses arose principally as a result of running down its legacy business between 2013 and 2017.

Dutch tax credits

Under Dutch tax law, taxable profit can be fully offset against available tax credits.

NWM N.V. Group's Dutch tax credits relate to foreign profits. In taxable years before 2012, Dutch resident corporate taxpayers were fully liable to Dutch corporate income tax on their worldwide income, including any income derived from a foreign permanent establishment. Double taxation was avoided by way of a tax reduction for income attributable to the foreign permanent establishment. Foreign profits which could not be exempted because no attributable Dutch corporate income tax was due against which the foreign profit could be offset, were carried forward to be used in a later year. As from 2012, income (gains and losses) arising from a foreign permanent establishment are in principle exempt from the Dutch corporate income tax base (object exemption). Pre-2012 carried forward foreign profits can still be used for the elimination of double taxation in 2012 and subsequent years.

Deferred tax assets – A deferred tax asset of €100 million (2023 - €63 million) has been recognised in respect of tax losses and tax credits to be carried forward of €387 million (2023 - €244 million).

Unrecognised deferred tax – Deferred tax assets of €705 million (2023 - €766 million) have not been recognised in respect of tax losses and unused tax credits of €2,731 million (2023 - €2,967 million). The tax losses and the tax credits have no expiry date.

7 Financial instruments - classification

Judgment: classification of financial assets

Classification of financial assets between amortised cost and fair value through other comprehensive income requires a degree of judgment in respect of business models and contractual cashflows.

- The business model criteria is assessed at a portfolio level to determine whether assets are classified as held to collect or held to collect and sell. Information that is considered in determining the applicable business model includes: the portfolio's policies and objectives; how the performance and risks of the portfolio are managed, evaluated and reported to management; and the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for sales.
- The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent solely payments of principal and interest (SPPI). A level of judgment is made in assessing terms that could change the contractual cash flows so that it would not meet the condition for SPPI, including contingent and leverage features, non-recourse arrangements and features that could modify the time value of money.

For accounting policy information refer to Accounting policies 4.6, 4.8 and 4.10.

The following tables analyse NWM N.V. Group's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

| | MFVTPL €m | FVOCI €m | Amortised cost €m | Other assets €m | Total €m |
|--|--------------|-------------|-------------------------|-----------------------|-------------|
| Assets | | | | | |
| Cash and balances at central banks | | | 6,187 | | 6,187 |
| Trading assets | 6,688 | | | | 6,688 |
| Derivatives | 11,860 | | | | 11,860 |
| Settlement balances | | | 866 | | 866 |
| Loans to banks - amortised cost (1) | | | 225 | | 225 |
| Loans to customers - amortised cost | | | 935 | | 935 |
| Amounts due from holding companies and fellow subsidiaries | 1,111 | - | 76 | 16 | 1,203 |
| Other financial assets | 1 | 595 | 1,515 | | 2,111 |
| Other assets | | | | 119 | 119 |
| 31 December 2024 | 19,660 | 595 | 9,804 | 135 | 30,194 |

| | | | | | |
|--|--------|-----|--------|-----|--------|
| Cash and balances at central banks | | | 5,979 | | 5,979 |
| Trading assets | 4,693 | | | | 4,693 |
| Derivatives | 9,890 | | | | 9,890 |
| Settlement balances | | | 565 | | 565 |
| Loans to banks - amortised cost (1) | | | 236 | | 236 |
| Loans to customers - amortised cost | | | 951 | | 951 |
| Amounts due from holding companies and fellow subsidiaries | 2,740 | - | 419 | 15 | 3,174 |
| Other financial assets | 1 | 402 | 2,202 | | 2,605 |
| Other assets | | | | 95 | 95 |
| 31 December 2023 | 17,324 | 402 | 10,352 | 110 | 28,188 |

| | Held-for- trading €m | DFV €m | Amortised cost €m | Other liabilities €m | Total €m |
|--|----------------------------|-----------|-------------------------|----------------------------|-------------|
| Liabilities | | | | | |
| Bank deposits (2) | | | 597 | | 597 |
| Customer deposits | | | 2,999 | | 2,999 |
| Amounts due to holding company and fellow subsidiaries | 1,218 | - | 1,310 | 30 | 2,558 |
| Settlement balances | | | 685 | | 685 |
| Trading liabilities | 7,061 | | | | 7,061 |
| Derivatives | 10,510 | | | | 10,510 |
| Other financial liabilities | - | 840 | 2,528 | | 3,368 |
| Subordinated liabilities (3) | | 281 | 22 | | 303 |
| Other liabilities (4) | | | 9 | 61 | 70 |
| 31 December 2024 | 18,789 | 1,121 | 8,150 | 91 | 28,151 |

| | | | | | |
|--|--------|-----|-------|----|--------|
| Bank deposits (2) | | | 411 | | 411 |
| Customer deposits | | | 4,531 | | 4,531 |
| Amounts due to holding company and fellow subsidiaries | 2,708 | - | 1,221 | 23 | 3,952 |
| Settlement balances | | | 679 | | 679 |
| Trading liabilities | 4,637 | | | | 4,637 |
| Derivatives | 8,814 | | | | 8,814 |
| Other financial liabilities | - | 535 | 2,270 | | 2,805 |
| Subordinated liabilities (3) | | 273 | 20 | | 293 |
| Other liabilities (4) | | | 9 | 56 | 65 |
| 31 December 2023 | 16,159 | 808 | 9,141 | 79 | 26,187 |

(1) Includes items in the course of collection from other banks of €19 million (2023 - €2 million).

(2) Includes items in the course of transmission to other banks of €5 million (2023 - €14 million).

(3) The cumulative own credit adjustment, representing a reduction of the subordinated liability value, was €16 million (2023 - €16 million).

(4) Includes lease liabilities of €8 million (2023 - €8 million).

7 Financial instruments – classification continued

Financial instruments – financial assets and liabilities that can be offset

The tables below present information on financial assets and liabilities that are offset in the balance sheet under IFRS or subject to enforceable master netting agreements together with financial collateral received or given.

| | Instruments which can be offset | | | Potential for offset not recognised by IFRS | | | | | |
|------------------------|---------------------------------|-------------------|---------------------|--|-----------------------|--------------------------------|---|--|------------------------------|
| | Gross €m | IFRS offset €m | Balance sheet €m | Effect of master netting and similar agreements €m | Cash collateral €m | Securities collateral €m | Net amount after effect of netting agreements and related collateral €m | Instruments outside netting agreements €m | Balance sheet total €m |
| 2024 | | | | | | | | | |
| Derivative assets | 20,822 | (9,006) | 11,816 | (7,875) | (2,550) | (886) | 505 | 44 | 11,860 |
| Derivative liabilities | 20,731 | (10,312) | 10,419 | (7,875) | (1,947) | (117) | 480 | 91 | 10,510 |
| Net position (1) | 91 | 1,306 | 1,397 | - | (603) | (769) | 25 | (47) | 1,350 |
| Trading reverse repos | 4,582 | (122) | 4,460 | (217) | - | (4,243) | - | 29 | 4,489 |
| Trading repos | 4,394 | (122) | 4,272 | (217) | - | (4,055) | - | - | 4,272 |
| Net position | 188 | - | 188 | - | - | (188) | - | 29 | 217 |
| 2023 | | | | | | | | | |
| Derivative assets | 20,753 | (10,956) | 9,797 | (5,868) | (3,143) | (456) | 330 | 93 | 9,890 |
| Derivative liabilities | 20,550 | (11,855) | 8,695 | (5,868) | (1,685) | (601) | 541 | 119 | 8,814 |
| Net position (1) | 203 | 899 | 1,102 | - | (1,458) | 145 | (211) | (26) | 1,076 |
| Trading reverse repos | 3,443 | (702) | 2,741 | (479) | - | (2,262) | - | 28 | 2,769 |
| Trading repos | 2,319 | (702) | 1,617 | (479) | - | (1,138) | - | - | 1,617 |
| Net position | 1,124 | - | 1,124 | - | - | (1,124) | - | 28 | 1,152 |

(1) The net IFRS offset balance of €1,306 million (2023 – €899 million) relates to variation margin netting reflected on other balance sheet lines.

8 Financial instruments – valuation

| | Page |
|---|------|
| Financial instruments | |
| Critical accounting policy: Fair value | 79 |
| Valuation | |
| Fair value hierarchy (D) | 79 |
| Valuation techniques (D) | 80 |
| Inputs to valuation models (D) | 80 |
| Valuation control (D) | 80 |
| Key areas of judgment (D) | 81 |
| Assets and liabilities split by fair value hierarchy level (T) | 82 |
| Valuation adjustments | |
| Fair value adjustments made (T) | 83 |
| Funding valuation adjustments (FVA) (D) | 83 |
| Credit valuation adjustments (CVA) (D) | 83 |
| Bid-offer (D) | 83 |
| Product and deal specific (D) | 83 |
| Own credit (D) | 83 |
| Level 3 additional information | |
| Level 3 ranges of unobservable inputs (D) | 84 |
| Level 3 instruments, valuation techniques and inputs (T) | 84 |
| Level 3 sensitivities (D) | 85 |
| Alternative assumptions (D) | 85 |
| Other considerations (D) | 85 |
| High and low range of fair value of level 3 assets and liabilities (T) | 85 |
| Movement in level 3 assets and liabilities over the reporting period (D) | 86 |
| Movement in level 3 assets and liabilities (T) | 86 |
| Fair value of financial instruments measured at amortised cost | |
| Fair value of financial instruments measured at amortised cost on the balance sheet (T) | 87 |

(D) = Descriptive; (T) = Table

Critical accounting policy: Fair value - financial instruments

Financial instruments classified as mandatory fair value through profit or loss; held-for-trading; designated fair value through profit or loss and fair value through other comprehensive income are recognised in the financial statements at fair value. All derivatives are measured at fair value.

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 measurement date. A fair value measurement considers the characteristics of the asset or liability and the assumptions that a market participant would consider when pricing the asset or liability.

NWM N.V. Group manages some portfolios of financial assets and financial liabilities based on its net exposure to either market or credit risk. In these cases, the fair value is derived from the net risk exposure of that portfolio with portfolio level adjustments applied to incorporate bid-offer spreads, counterparty credit risk, and funding costs (see Valuation Adjustments).

Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. The complexity and uncertainty in the financial instrument's fair value is categorised using the fair value hierarchy.

For accounting policy information refer to Accounting policies 3.2, 4.6 and 4.10.

Valuation

Fair value hierarchy

Financial instruments carried at fair value have been classified under the fair value hierarchy. The classification ranges from level 1 to level 3, with more expert judgment and price uncertainty for those classified at level 3.

The determination of an instrument's level cannot be made at a global product level as a single product type can be in more than one level. For example, a single name corporate credit default swap could be in level 2 or level 3 depending on the level of market activity for the referenced entity.

Level 1 – instruments valued using unadjusted quoted prices in active and liquid markets, for identical financial instruments. Examples include government bonds, listed equity shares and certain exchange-traded derivatives.

Level 2 – instruments valued using valuation techniques that have observable inputs. Observable inputs are those that are readily available with limited adjustments required. Examples include most government agency securities, investment-grade corporate bonds, certain mortgage products – including collateralised loan obligations (CLOs), most bank loans, repos and reverse repos, state and municipal obligations, most notes issued, certain money market securities, loan commitments and most over the counter (OTC) derivatives.

Level 3 – instruments valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Examples include non-derivative instruments which trade infrequently, certain syndicated and commercial mortgage loans, private equity, and derivatives with unobservable model inputs.

8 Financial instruments – valuation continued

Valuation techniques

NWM N.V. Group derives the fair value of its instruments differently depending on whether the instrument is a non-modelled or a modelled product.

Non-modelled products are valued directly from a price input, typically on a position-by-position basis. Examples include equities and most debt securities.

Non-modelled products can fall into any fair value levelling hierarchy depending on the observable market activity, liquidity, and assessment of valuation uncertainty of the instruments. The assessment of fair value and the classification of the instrument to a fair value level is subject to the valuation controls discussed in the Valuation control section.

Modelled products valued using a pricing model range in complexity from comparatively vanilla products such as interest rate swaps and options (e.g., interest rate caps and floors) through to more complex derivatives (e.g., balance guaranteed swaps).

For modelled products the fair value is derived using the model and the appropriate model inputs or parameters, as opposed to a cash price equivalent. Model inputs are taken either directly or indirectly from available data, where some inputs are also modelled.

Fair value classification of modelled instruments is either level 2 or level 3, depending on the product/model combination, the observability and quality of input parameters and other factors. All these must be assessed to classify a position. The modelled product is assigned to the lowest fair value hierarchy level of any significant input used in that valuation.

Most derivative instruments, for example vanilla interest rate swaps, foreign exchange swaps and liquid single name credit derivatives, are classified as level 2. This is because they are vanilla products valued using standard market models and with observable inputs. Level 2 products range from vanilla to more complex products, where the more complex products remain classified as level 2 due to the low materiality of any unobservable inputs.

Inputs to valuation models

When using valuation techniques, the fair value can be significantly affected by the choice of valuation model and underlying assumptions. Factors considered include the cashflow amounts and timing of those cash flows, and application of appropriate discount rates, incorporating both funding and credit risk. Values between and beyond available data points are obtained by interpolation and extrapolation. The principal inputs to these valuation techniques are as follows:

Bond prices – quoted prices are generally available for government bonds, certain corporate securities, and some mortgage-related products.

Credit spreads/margins – these reflect credit default swap levels or the return required over a benchmark rate or index to compensate for the referenced credit risk. Where available, these are derived from the price of credit default swaps or other credit-based instruments, such as debt securities. When direct prices are not available; credit spreads/margins are determined with reference to available prices of entities with similar characteristics.

Interest rates – these are principally based on interest rate swap prices referencing Interbank Offered Rates (IBOR) and overnight interest rates, including SONIA (Sterling Overnight Interbank Average Rate). Other quoted interest rates may also be used from both the bond, and futures markets.

Foreign currency exchange rates – there are observable prices both for spot and forward contracts and futures in the world's major currencies.

Equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares.

Price volatilities and correlations – volatility is a measure of the tendency of a price to change with time. Correlation measures the degree which two or more prices or variables are observed to move together. Variables that move in the same direction show positive correlation; those that move in opposite directions are negatively correlated.

Prepayment rates – rates used to reflect how fast a pool of assets prepay. The fair value of a financial instrument that can be prepaid by the issuer or borrower differs from that of an instrument that cannot be prepaid. When valuing prepayable instruments, the value of this prepayment option is considered.

Recovery rates/loss given default – these are used as an input to valuation models and reserves for asset-backed securities and other credit products as an indicator of severity of losses on default. Recovery rates are primarily sourced from market data providers or the value of the underlying collateral.

Valuation control

NWM N.V. Group's control environment for the determination of the fair value of financial instruments includes formalised procedures for the review and validation of fair values. The review of market prices and inputs is performed by an independent price verification (IPV) team.

IPV is a key element of the control environment. Valuations are first performed by the business which entered into the transaction. These valuations are then reviewed by the IPV team, independent of those trading the financial instruments, in light of available pricing evidence.

Independent pricing data is collated from a range of sources. Each source is reviewed for quality and the independent data applied in the IPV processes using a formalised input quality hierarchy. Consensus services are one source of independent data and encompass interest rate, currency, credit, and bond markets, providing comprehensive coverage of vanilla products and a wide selection of exotic products.

Where measurement differences are identified through the IPV process these are grouped by the quality hierarchy of the independent data. If the size of the difference exceeds defined thresholds, an adjustment is made to bring the valuation to within the independently calculated fair value range.

8 Financial instruments – valuation continued

IPV takes place at least monthly, for all fair value financial instruments. The IPV control includes formalised reporting and escalation of any valuation differences in breach of established thresholds.

The quality and completeness of the information gathered in the IPV process gives an indication as to the liquidity and valuation uncertainty of an instrument and forms part of the information considered when determining fair value hierarchy classifications.

Initial fair value level classification of a financial instrument is carried out by the IPV team. These initial classifications are subject to senior management review. Particular attention is paid to instruments transferring from one level to another, new instrument classes or products, instruments where the transaction price is significantly different from the fair value and instruments where valuation uncertainty is high.

Valuation Committees are made up of valuation specialists and senior business representatives from various functions and oversees pricing, reserving and valuations issues. These committees meet monthly to review and ratify any methodology changes. The Executive Valuation Committee, a NatWest Group Committee, meets quarterly to address key material and subjective valuation issues, to review items escalated by Valuation Committees and to discuss other relevant industry matters.

The Group model risk policy sets the policy for model documentation, testing and review. Governance of the model risk policy is carried out by the Group model risk oversight committee, which comprises model risk owners and independent model experts. All models are required to be independently validated in accordance with the Model Risk Policy.

Key areas of judgment

Over the years the business has simplified, with most products classified as level 1 or 2 of the fair value hierarchy. However, the diverse range of products historically traded by NWM N.V. Group means some products remain classified as level 3. Level 3 indicates a significant level of pricing uncertainty, where expert judgment is used. As such, extra disclosures are required in respect of level 3 instruments.

In general, the degree of expert judgment used and hence valuation uncertainty depends on the degree of liquidity of an instrument or input.

Where markets are liquid, little judgment is required. However, when the information regarding the liquidity in a particular market is not clear, a judgment may need to be made. For example, for an equity traded on an exchange, daily volumes of trading can be seen, but for an OTC derivative, assessing the liquidity of the market with no central exchange is more challenging.

A key related matter is where a market moves from liquid to illiquid or vice versa. Where this movement is considered temporary, the fair value level is not changed. For example, if there is little market trading in a product on a reporting date but at the previous reporting date and during the intervening period the market has been liquid. In this case, the instrument will continue to be classified at the same level in the hierarchy. This is to provide consistency so that transfers between levels are driven by genuine changes in market liquidity and do not reflect short term or seasonal effects. Material movements between levels are reviewed quarterly by the business and IPV.

The breadth and depth of the IPV data allows for a rules-based quality assessment to be made of market activity, liquidity, and pricing uncertainty, which assists with the process of allocation to an appropriate level. Where suitable independent pricing information is not readily available, the quality assessment will result in the instrument being assessed as level 3.

8 Financial instruments – valuation continued

The table below shows the assets and liabilities held by NWM N.V. Group split by fair value hierarchy level. Level 1 are considered the most liquid instruments, and level 3 most illiquid, valued using expert judgment and so carry the most significant price uncertainty.

| | 2024 | | | | 2023 | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Level 1 €m | Level 2 €m | Level 3 €m | Total €m | Level 1 €m | Level 2 €m | Level 3 €m | Total €m |
| Assets | | | | | | | | |
| Trading assets | | | | | | | | |
| Loans | - | 6,580 | 108 | 6,688 | - | 4,689 | 4 | 4,693 |
| Derivatives | | | | | | | | |
| Interest rate | - | 3,925 | 49 | 3,974 | - | 4,343 | 35 | 4,378 |
| Foreign exchange | - | 7,874 | 12 | 7,886 | - | 5,507 | 4 | 5,511 |
| Other | - | - | - | - | - | 1 | - | 1 |
| Amounts due from holding companies and fellow subsidiaries | - | 1,111 | - | 1,111 | - | 2,740 | - | 2,740 |
| Other financial assets | | | | | | | | |
| Loans | - | - | - | - | - | - | - | - |
| Securities | 488 | 108 | - | 596 | 339 | 62 | 2 | 403 |
| Total financial assets held at fair value | 488 | 19,598 | 169 | 20,255 | 339 | 17,342 | 45 | 17,726 |
| As % of total fair value assets | 2% | 97% | 1% | | 2% | 98% | - | |
| Liabilities | | | | | | | | |
| Amounts due to holding companies and fellow subsidiaries | - | 1,218 | - | 1,218 | - | 2,708 | - | 2,708 |
| Trading liabilities | | | | | | | | |
| Deposits | - | 7,061 | - | 7,061 | - | 4,619 | - | 4,619 |
| Short positions | - | - | - | - | - | 18 | - | 18 |
| Derivatives | | | | | | | | |
| Interest rate | - | 2,556 | 82 | 2,638 | - | 3,102 | 121 | 3,223 |
| Foreign exchange | - | 7,853 | 12 | 7,865 | - | 5,580 | 4 | 5,584 |
| Other | - | 7 | - | 7 | - | 7 | - | 7 |
| Other financial liabilities | | | | | | | | |
| Debt securities in issue | - | 369 | - | 369 | - | 255 | - | 255 |
| Deposits | - | 471 | - | 471 | - | 280 | - | 280 |
| Subordinated liabilities | - | 281 | - | 281 | - | 273 | - | 273 |
| Total financial liabilities held at fair value | - | 19,816 | 94 | 19,910 | - | 16,842 | 125 | 16,967 |
| As % of total fair value liabilities | - | 100% | 0% | | - | 99% | 1% | |

(1) Transfers between levels are deemed to have occurred at the beginning of the quarter in which the instrument was transferred.

8 Financial instruments – valuation continued

Valuation adjustments

When valuing financial instruments in the trading book, adjustments are made to mid-market valuations to cover bid-offer spread, funding and credit risk. These adjustments are presented in the table below:

| Adjustment | 2024 €m | 2023 €m |
|-------------------------------|------------|------------|
| Funding valuation adjustments | (10) | (11) |
| Credit valuation adjustments | 123 | 125 |
| Bid-offer | 1 | 2 |
| Product and deal specific | 33 | (1) |
| Total | 147 | 115 |

The negative FVA reserves related to uncollateralised exposures with funding benefits to NWM N.V. Group. The increase in product and deal specific was driven by new trading activity.

Funding valuation adjustments (FVA)

FVA represents an estimate of the adjustment that a market participant would make to incorporate funding costs and benefits that arise in relation to derivative exposures. FVA is calculated as a portfolio level adjustment and can result in either a funding charge (positive) or funding benefit (negative).

Funding levels are applied to estimated potential future exposures. For uncollateralised derivatives, the exposure reflects the future valuation of the derivative. For collateralised derivatives, the exposure reflects the difference between the future valuation of the derivative and the level of collateral posted.

Credit valuation adjustments (CVA)

CVA represents an estimate of the adjustment to fair value that is made to incorporate the counterparty credit risk inherent in derivative exposures. CVA is calculated on a portfolio basis reflecting an estimate of the amount a third party would charge to assume the credit risk.

Collateral held under a credit support agreement is factored into the CVA calculation. In such cases where NWM N.V. Group holds collateral against counterparty exposures, CVA is held to the extent that residual risk remains.

FVA and CVA are actively managed by a credit and market risk hedging process, and therefore movements in CVA and FVA are partially offset by trading revenue on the hedges.

Bid-offer

Fair value positions are required to be marked to exit levels, represented by bid (long positions) or offer (short positions) levels. Non-derivative positions are typically marked directly to bid or offer prices. However derivative exposures are adjusted to exit levels by taking bid-offer reserves calculated on a portfolio basis. The reserving approach is based on current market bid-offer spreads and standard market bucketing of risk.

Bid-offer spreads vary by maturity and risk type to reflect different spreads in the market. For positions where there is no observable quote, the bid-offer spreads are widened in comparison to proxies to reflect reduced liquidity or observability.

Netting is applied on a portfolio basis to reflect the value at which NWM N.V. Group believes it could exit the net risk of the portfolio, rather than the sum of exit costs for each of the portfolio's individual trades. This is applied where the asset and liability positions are managed as a portfolio for risk and reporting purposes.

Product and deal specific

On initial recognition of financial assets and liabilities valued using valuation techniques which have a significant dependence on information other than observable market data, any difference between the transaction price and that derived from the valuation technique is deferred. Such amounts are recognised in the income statement over the life of the transaction; when market data becomes observable; or when the transaction matures or is closed out as appropriate.

Where system generated valuations do not accurately reflect market prices, manual valuation adjustments are applied either at a position or portfolio level. Manual adjustments are subject to the scrutiny of independent control teams and are subject to monthly review by senior management.

Own credit

NWM N.V. Group considers the effect of its own credit standing when valuing financial liabilities recorded at fair value. Own credit spread adjustments are made when valuing issued debt held at fair value, including issued structured notes. An own credit adjustment is applied to positions where it is believed that counterparties would consider NWM N.V. Group's creditworthiness when pricing trades.

8 Financial instruments – valuation continued

Level 3 additional information

For illiquid assets and liabilities classified as level 3, additional information is provided on the valuation techniques used and price sensitivity of the products to those inputs. This is to enable the reader to gauge the level of uncertainty that arises from positions with significant unobservable inputs or modelling parameters.

Level 3 ranges of unobservable inputs

The table below provides additional information on level 3 instruments and inputs. This shows the valuation technique used for the fair value calculation, the unobservable input and input range.

| | | | | 2024 | | 2023 | |
|---|----------------------|--------------------------|-------|------|-------|------|-------|
| Financial instruments | Valuation techniques | Unobservable inputs | Units | Low | High | Low | High |
| Trading assets and other financial assets | | | | | | | |
| Loans to customers | Price-based | Price | % | 100 | 100 | - | 100 |
| Equity shares | Price-based | Price | EUR | 1 | 1,019 | 1 | 1,020 |
| Derivative assets and liabilities | | | | | | | |
| Interest rate & FX derivatives | Option pricing | Correlation | % | - | 60 | - | 60 |
| | | Volatility | % | 41 | 99 | 51 | 111 |
| | | Constant prepayment rate | % | 7 | 15 | 7 | 22 |
| | | Mean reversion | % | - | 10 | - | 10 |

(1) NWM N.V. Group does not have any material liabilities measured at fair value that are issued with an inseparable third-party credit enhancement.

8 Financial instruments – valuation continued

Level 3 sensitivities

The level 3 sensitivities presented below are calculated at a trade or low-level portfolio basis rather than an overall portfolio basis. As individual sensitivities are aggregated with no reflection of the correlated nature between instruments, the overall portfolio sensitivity may not be accurately reflected. For example, some portfolios may be negatively correlated to others, where a downwards movement in one asset would produce an upwards movement in another. However, due to the additive presentation of the above figures this correlation impact cannot be displayed. As such, the actual potential downside sensitivity of the total portfolio may be less than the non-correlated sum of the additive figures as shown in the below table.

Alternative assumptions

Reasonably plausible alternative assumptions of unobservable inputs are determined based on a specified target level of certainty of 90%.

Alternative assumptions are determined with reference to all available evidence including consideration of the following: quality of independent pricing information considering consistency between different sources, variation over time, perceived tradability or otherwise of available quotes; consensus service dispersion ranges; volume of trading activity and market bias (e.g. one-way inventory); day 1 profit or loss arising on new trades; number and nature of market participants; market conditions; modelling consistency in the market; size and nature of risk; length of holding of position; and market intelligence.

Other considerations

Whilst certain inputs used to calculate CVA, FVA and own credit adjustments are not based on observable market data, the uncertainty of these inputs is not considered to have a significant effect on the net valuation of the related derivative portfolios and issued debt.

As such, the fair value levelling of the derivative portfolios and issued debt is not determined by CVA, FVA or own credit inputs. In addition, any fair value sensitivity driven by these inputs is not included in the level 3 sensitivities presented.

The table below shows the high and low range of fair value of the level 3 assets and liabilities. This range incorporates the range of fair value inputs as described in the previous table.

| | 2024 | | | 2023 | | |
|------------------------|---------------|------------------|--------------------|---------------|------------------|--------------------|
| | Level 3 €m | Favourable €m | Unfavourable €m | Level 3 €m | Favourable €m | Unfavourable €m |
| Assets | | | | | | |
| Trading assets | | | | | | |
| Loans | 108 | - | - | 4 | - | - |
| Derivatives | | | | | | |
| Interest rate | 49 | - | - | 35 | - | - |
| Foreign exchange | 12 | - | - | 4 | - | - |
| Other financial assets | | | | | | |
| Securities | - | - | - | 2 | - | - |
| Total | 169 | - | - | 45 | - | - |
| Liabilities | | | | | | |
| Derivatives | | | | | | |
| Interest rate | 82 | 10 | (10) | 121 | 10 | (10) |
| Foreign exchange | 12 | - | - | 4 | - | - |
| Total | 94 | 10 | (10) | 125 | 10 | (10) |

8 Financial instruments – valuation continued

Movement in level 3 assets and liabilities

The following table shows the movement in level 3 assets and liabilities in the year.

| | Derivatives assets €m | Other trading assets (2) €m | Other financial assets (3) €m | Total assets €m | Derivatives liabilities €m | Other trading liabilities (2) €m | Other financial liabilities €m | Total liabilities €m |
|---|-----------------------------|--------------------------------------|--|-----------------------|----------------------------------|---|---|----------------------------|
| 2024 | | | | | | | | |
| At 1 January | 39 | 4 | 2 | 45 | 125 | - | - | 125 |
| Amounts recorded in the income statement (1) | 14 | 2 | - | 16 | (47) | - | - | (47) |
| Amount recorded in the statement of comprehensive income | - | - | - | - | - | - | - | - |
| Level 3 transfers in | - | - | - | - | - | - | - | - |
| Level 3 transfers out | (1) | - | - | (1) | (2) | - | - | (2) |
| Purchases/originations | 17 | 107 | - | 124 | 27 | - | - | 27 |
| Settlements/other decreases | - | (6) | - | (6) | - | - | - | - |
| Sales | (8) | - | (1) | (9) | (9) | - | - | (9) |
| Foreign exchange and other adjustments | - | 1 | (1) | - | - | - | - | - |
| At 31 December | 61 | 108 | - | 169 | 94 | - | - | 94 |
| Amounts recorded in the income statement in respect of balances held at period end - unrealised | 84 | - | - | 84 | 28 | - | - | 28 |
| 2023 | | | | | | | | |
| At 1 January | 56 | 37 | 33 | 126 | 176 | - | - | 176 |
| Amounts recorded in the income statement (1) | (13) | 2 | - | (11) | (87) | - | - | (87) |
| Amount recorded in the statement of comprehensive income | - | - | (2) | (2) | - | - | - | - |
| Level 3 transfers in | - | - | - | - | 2 | - | - | 2 |
| Level 3 transfers out | - | (29) | - | (29) | (4) | - | - | (4) |
| Purchases/originations | 14 | - | - | 14 | 64 | - | - | 64 |
| Settlements/other decreases | - | - | - | - | (10) | - | - | (10) |
| Sales | (17) | (6) | (30) | (53) | (17) | - | - | (17) |
| Foreign exchange and other adjustments | (1) | - | 1 | - | 1 | - | - | 1 |
| At 31 December | 39 | 4 | 2 | 45 | 125 | - | - | 125 |
| Amounts recorded in the income statement in respect of balances held at period end - unrealised | 8 | - | - | 8 | (23) | - | - | (23) |

(1) There were €63 million net gains on trading assets and liabilities (2023 - €76 million net gains) recorded in income from trading activities.

(2) Other trading assets and other trading liabilities comprise assets and liabilities held at fair value in trading portfolios.

(3) Other financial assets comprise fair value through other comprehensive income, designated as at fair value through profit or loss and other fair value through profit or loss.

8 Financial instruments – valuation continued

Fair value of financial instruments measured at amortised cost on the balance sheet

The following table shows the carrying value and fair value of financial instruments measured at amortised cost on the balance sheet.

| | Carrying value €m | Fair value €m | Fair value hierarchy level | | Items where fair value approximates carrying value €m |
|--|-------------------------|---------------------|----------------------------|---------------|--|
| | | | Level 2 €m | Level 3 €m | |
| 2024 | | | | | |
| Financial assets | | | | | |
| Cash and balances at central banks | 6,187 | 6,187 | - | - | 6,187 |
| Settlement balances | 866 | 866 | - | - | 866 |
| Loans to banks | 225 | 225 | - | - | 225 |
| Loans to customers | 935 | 917 | - | 917 | - |
| Amounts due from holding companies and fellow subsidiaries | 76 | 76 | - | 64 | 12 |
| Other financial assets – securities | 1,515 | 1,514 | 98 | 1,416 | - |

| | | | | | |
|--|-------|-------|-----|-------|-------|
| 2023 | | | | | |
| Financial assets | | | | | |
| Cash and balances at central banks | 5,979 | 5,979 | - | - | 5,979 |
| Settlement balances | 565 | 565 | - | - | 565 |
| Loans to banks | 236 | 236 | - | - | 236 |
| Loans to customers | 951 | 951 | - | 951 | - |
| Amounts due from holding companies and fellow subsidiaries | 419 | 419 | - | 102 | 317 |
| Other financial assets – securities | 2,202 | 2,194 | 196 | 1,998 | - |

| | | | | | |
|--|-------|-------|-------|-------|-----|
| 2024 | | | | | |
| Financial liabilities | | | | | |
| Bank deposits | 597 | 597 | - | 592 | 5 |
| Customer deposits | 2,999 | 2,999 | - | 2,980 | 19 |
| Amounts due to holding companies and fellow subsidiaries | 1,310 | 1,312 | 151 | 987 | 174 |
| Settlement balances | 685 | 685 | - | - | 685 |
| Other financial liabilities | | | | | |
| Debt securities in issue | 2,528 | 2,528 | 1,592 | 936 | - |
| Subordinated liabilities | 22 | 22 | 22 | - | - |

| | | | | | |
|--|-------|-------|-------|-------|-----|
| 2023 | | | | | |
| Financial liabilities | | | | | |
| Bank deposits | 411 | 411 | - | 397 | 14 |
| Customer deposits | 4,531 | 4,531 | - | 4,502 | 29 |
| Amounts due to holding companies and fellow subsidiaries | 1,221 | 1,225 | 154 | 898 | 173 |
| Settlement balances | 679 | 679 | - | - | 679 |
| Other financial liabilities | | | | | |
| Debt securities in issue | 2,269 | 2,269 | 1,509 | 760 | - |
| Subordinated liabilities | 20 | 21 | 21 | - | - |

The assumptions and methodologies underlying the calculation of fair values of financial instruments at the balance sheet date are as follows:

Short-term financial instruments

For certain short-term financial instruments, including but not limited to; cash and balances at central banks, settlement balances, loans with short-term maturities and customer demand deposits, carrying value is deemed a reasonable approximation of fair value.

Loans to banks and customers

In estimating the fair value of net loans to customers and banks measured at amortised cost, NWM N.V. Group's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Loans are valued using contractual cash flows that are discounted using a market discount rate that incorporates the current spread for the borrower or where this is not observable, the spread for borrowers of a similar credit standing.

Debt securities and subordinated liabilities

Most debt securities are valued using quoted prices in active markets or from quoted prices of similar financial instruments. The remaining population is valued using discounted cash flows at current offer rates.

Bank and customer deposits

Fair values of deposits are estimated using contractual cash flows using a market discount rate incorporating the current spread.

9 Financial instruments - maturity analysis

Remaining maturity

The following table shows the residual maturity of financial instruments, based on contractual date of maturity.

| | 2024 | | | 2023 | | |
|---|------------------------------|------------------------------|-------------|------------------------------|------------------------------|-------------|
| | Less than 12 months €m | More than 12 months €m | Total €m | Less than 12 months €m | More than 12 months €m | Total €m |
| Assets | | | | | | |
| Cash and balances at central banks | 6,187 | - | 6,187 | 5,979 | - | 5,979 |
| Trading assets | 6,580 | 108 | 6,688 | 4,688 | 5 | 4,693 |
| Derivatives | 6,074 | 5,786 | 11,860 | 3,849 | 6,041 | 9,890 |
| Settlement balances | 866 | - | 866 | 565 | - | 565 |
| Loans to banks - amortised cost | 225 | - | 225 | 236 | - | 236 |
| Loans to customers - amortised cost | 497 | 438 | 935 | 316 | 635 | 951 |
| Amounts due from holding companies and fellow subsidiaries ⁽¹⁾ | 1,164 | 23 | 1,187 | 3,157 | 2 | 3,159 |
| Other financial assets | 604 | 1,507 | 2,111 | 617 | 1,988 | 2,605 |
| Liabilities | | | | | | |
| Bank deposits | 547 | 50 | 597 | 310 | 101 | 411 |
| Customer deposits | 2,985 | 14 | 2,999 | 4,523 | 8 | 4,531 |
| Amounts due to holding companies and fellow subsidiaries ⁽²⁾ | 1,978 | 549 | 2,527 | 3,928 | 1 | 3,929 |
| Settlement balances | 685 | - | 685 | 679 | - | 679 |
| Trading liabilities | 6,898 | 163 | 7,061 | 4,617 | 20 | 4,637 |
| Derivatives | 6,088 | 4,422 | 10,510 | 4,073 | 4,741 | 8,814 |
| Other financial liabilities | 1,943 | 1,425 | 3,368 | 2,246 | 559 | 2,805 |
| Subordinated liabilities | - | 303 | 303 | - | 293 | 293 |
| Lease liabilities | 2 | 6 | 8 | 2 | 6 | 8 |

(1) Amounts due from holding companies and fellow subsidiaries relating to non-financial instruments of €16 million (2023 - €15 million) have been excluded from the table.

(2) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of €31 million (2023 - €23 million) have been excluded from the table.

Assets and liabilities by contractual cash flows up to 20 years

The tables below show the contractual undiscounted cash flows receivable and payable, up to a period of 20 years, including future receipts and payments of interest of financial assets and liabilities by contractual maturity. The balances in the following tables do not agree directly with the consolidated balance sheet, as the tables include all cash flows relating to principal and future coupon payments, presented on an undiscounted basis. The tables have been prepared on the following basis:

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by NWM N.V. Group. Financial liabilities are included at the earliest date on which the counterparty can require repayment, regardless of whether or not such early repayment results in a penalty. If repayment is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the time band that contains the latest date on which it can be repaid, regardless of early repayment. The liability is included in the time band that contains the earliest possible date on which the conditions could be fulfilled, without considering the probability of the conditions being met. For example, if a structured note is automatically prepaid when an equity index exceeds a certain level, the cash outflow will be included in the less than three months' period whatever the level of the index at the year end.

The settlement date of debt securities in issue, issued by certain securitisation vehicles consolidated by NWM N.V. Group depends on when cash flows are received from the securitised assets. Where these assets are prepayable, the timing of the cash outflow relating to securities assumes that each asset will be prepaid at the earliest possible date. As the repayments of assets and liabilities are linked, the repayment of assets in securitisations is shown on the earliest date that the asset can be prepaid, as this is the basis used for liabilities. The principal amounts of financial liabilities that are repayable after 20 years or where the counterparty has no right to repayment of the principal, are excluded from the table along with interest payments after 20 years.

MFVTPL assets of €19.7 billion (2023 - €17.3 billion) and HFT liabilities of €18.8 billion (2023 - €16.2 billion) have been excluded from the following tables.

9 Financial instruments - maturity analysis continued

| | 0 - 3 months €m | 3 - 12 months €m | 1 - 3 years €m | 3 - 5 years €m | 5 - 10 years €m | 10 - 20 years €m |
|--|--------------------|------------------------|-------------------|-------------------|--------------------|---------------------|
| 2024 | | | | | | |
| Assets by contractual maturity up to 20 years | | | | | | |
| Cash and balances at central banks | 6,187 | - | - | - | - | - |
| Settlement balances | 866 | - | - | - | - | - |
| Loans to banks - amortised cost | 220 | 5 | - | - | - | - |
| Loans to customers - amortised cost | 61 | 476 | 215 | 215 | 72 | - |
| Amounts due from holding companies and fellow subsidiaries (1) | 55 | - | - | - | - | - |
| Other financial assets (2) | 400 | 133 | 71 | 59 | 290 | 452 |
| | 7,789 | 614 | 286 | 274 | 362 | 452 |
| Liabilities by contractual maturity up to 20 years | | | | | | |
| Bank deposits | 245 | 307 | 50 | - | - | - |
| Customer deposits | 2,263 | 735 | 5 | - | - | 17 |
| Amounts due to holding companies and fellow subsidiaries (3) | 422 | 346 | 506 | 45 | - | - |
| Settlement balances | 685 | - | - | - | - | - |
| Subordinated liabilities | - | - | - | - | - | 281 |
| Other financial liabilities | 881 | 1,076 | 814 | 301 | 111 | 241 |
| Lease liabilities | 1 | 2 | 4 | 2 | - | - |
| | 4,497 | 2,466 | 1,379 | 348 | 111 | 539 |
| Guarantees and commitments - notional amount (4) | | | | | | |
| Guarantees (5) | 511 | - | - | - | - | - |
| Commitments (6) | 6,892 | - | - | - | - | - |
| | 7,403 | - | - | - | - | - |
| 2023 | | | | | | |
| Assets by contractual maturity up to 20 years | | | | | | |
| Cash and balances at central banks | 5,979 | - | - | - | - | - |
| Settlement balances | 565 | - | - | - | - | - |
| Loans to banks - amortised cost | 236 | - | - | - | - | - |
| Loans to customers - amortised cost | 45 | 332 | 476 | 201 | 24 | - |
| Amounts due from holding companies and fellow subsidiaries (1) | 419 | - | - | - | - | - |
| Other financial assets (2) | 170 | 257 | 171 | 11 | 323 | 979 |
| | 7,414 | 589 | 647 | 212 | 347 | 979 |
| Liabilities by contractual maturity up to 20 years | | | | | | |
| Bank deposits | 14 | 301 | 101 | - | - | - |
| Customer deposits | 3,919 | 618 | - | - | - | 18 |
| Amounts due to holding companies and fellow subsidiaries (3) | 1,071 | 150 | 1 | - | - | - |
| Settlement balances | 679 | - | - | - | - | - |
| Subordinated liabilities | - | - | - | - | - | 273 |
| Other financial liabilities | 542 | 1,703 | 178 | 308 | 9 | 115 |
| Lease liabilities | 1 | 1 | 3 | 3 | - | - |
| | 6,226 | 2,773 | 283 | 311 | 9 | 406 |
| Guarantees and commitments - notional amount (4) | | | | | | |
| Guarantees (5) | 527 | - | - | - | - | - |
| Commitments (6) | 6,900 | - | - | - | - | - |
| | 7,427 | - | - | - | - | - |

(1) Amounts due from holding companies and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.

(2) Other financial assets exclude equity shares.

(3) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.

(4) Refer to Note 22 Memorandum items – Contingent liabilities and commitments.

(5) NWM N.V. Group is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. NWM N.V. Group expects most guarantees it provides to expire unused.

(6) NWM N.V. Group has given commitments to provide funds to customers under undrawn formal facilities, credit lines and other commitments to lend subject to certain conditions being met by the counterparty. NWM N.V. Group does not expect all facilities to be drawn, and some may lapse before drawdown.

10 Trading assets and liabilities

Trading assets and liabilities comprise assets and liabilities held at fair value in trading portfolios.

| | 2024 €m | 2023 €m |
|------------------------------|------------|------------|
| Assets | | |
| Loans | | |
| Reverse repos | 4,489 | 2,769 |
| Collateral given | 2,079 | 1,900 |
| Other loans | 120 | 24 |
| Total loans | 6,688 | 4,693 |
| Total | 6,688 | 4,693 |
| Liabilities | | |
| Deposits | | |
| Repos | 4,272 | 1,617 |
| Collateral received | 2,787 | 3,000 |
| Other deposits | 2 | 2 |
| Total deposits | 7,061 | 4,619 |
| Short positions | | |
| Central and local government | | |
| - Other | - | 18 |
| Total short positions | - | 18 |
| Total | 7,061 | 4,637 |

For accounting policy information refer to Accounting policy 3.2.

11 Derivatives

NWM N.V. Group uses derivatives as part of its trading activities or to manage its own risk such as interest rate, foreign exchange, or credit risk.

| | Notional | | | Asset | | | Liability | | |
|------------------------------|---|-----------------------------------|--------------|--|----------------------------------|---------------|--|----------------------------------|---------------|
| | Traded on recognised exchanges €bn | Traded over the counter €bn | Total €bn | Traded on recognised exchanges €m | Traded over the counter €m | Total €m | Traded on recognised exchanges €m | Traded over the counter €m | Total €m |
| 2024 | | | | | | | | | |
| Interest rate | 15 | 1,215 | 1,230 | - | 3,974 | 3,974 | - | 2,638 | 2,638 |
| - Swaps | - | 1,015 | 1,015 | - | 3,679 | 3,679 | - | 2,408 | 2,408 |
| - Options | - | 102 | 102 | - | 295 | 295 | - | 230 | 230 |
| - Forwards and futures | 15 | 98 | 113 | - | - | - | - | - | - |
| Exchange rate | - | 432 | 432 | - | 7,886 | 7,886 | - | 7,865 | 7,865 |
| - Swaps | - | 36 | 36 | - | 1,434 | 1,434 | - | 1,464 | 1,464 |
| - Options | - | 10 | 10 | - | 73 | 73 | - | 74 | 74 |
| - Spot, forwards and futures | - | 386 | 386 | - | 6,379 | 6,379 | - | 6,327 | 6,327 |
| Credit | - | - | - | - | - | - | - | 7 | 7 |
| Equity and commodity | - | - | - | - | - | - | - | - | - |
| Total | 15 | 1,647 | 1,662 | - | 11,860 | 11,860 | - | 10,510 | 10,510 |

| | | | | | | | | | |
|------------------------------|-----------|--------------|--------------|----------|--------------|--------------|----------|--------------|--------------|
| 2023 | | | | | | | | | |
| Interest rate | 20 | 1,119 | 1,139 | - | 4,378 | 4,378 | - | 3,223 | 3,223 |
| - Swaps | - | 936 | 936 | - | 4,042 | 4,042 | - | 2,879 | 2,879 |
| - Options | - | 75 | 75 | - | 336 | 336 | - | 344 | 344 |
| - Forwards and futures | 20 | 108 | 128 | - | - | - | - | - | - |
| Exchange rate | - | 349 | 349 | - | 5,511 | 5,511 | - | 5,584 | 5,584 |
| - Swaps | - | 40 | 40 | - | 1,632 | 1,632 | - | 1,630 | 1,630 |
| - Options | - | 13 | 13 | - | 80 | 80 | - | 86 | 86 |
| - Spot, forwards and futures | - | 296 | 296 | - | 3,799 | 3,799 | - | 3,868 | 3,868 |
| Credit | - | 1 | 1 | - | 1 | 1 | - | 7 | 7 |
| Equity and commodity | - | - | - | - | - | - | - | - | - |
| Total | 20 | 1,469 | 1,489 | - | 9,890 | 9,890 | - | 8,814 | 8,814 |

Included in the table above is the notional amount of €795 billion (2023 - €684 billion) of interest rate derivatives that are traded over the counter and settled through central clearing counterparties. NWM N.V. Group has no other type of derivatives that are settled through central counterparties.

11 Derivatives continued

Hedge accounting using derivatives

For accounting policy information refer to Accounting policies 4.6 and 4.10.

Refer to Note 27 for amounts due from/to fellow NatWest Group companies.

NWM N.V. Group applies hedge accounting to reduce the accounting mismatch caused in the income statement by using derivatives to hedge the following risks: interest rate, foreign exchange and the foreign exchange risk associated with net investment in foreign operations.

NWM N.V. Group's interest rate hedging relates to the management of NWM N.V. Group's non-trading structural interest rate risk, caused by the mismatch between fixed interest rates and floating interest rates on its financial instruments. NWM N.V. Group manages this risk within approved limits. Residual risk positions are hedged with derivatives, principally interest rate swaps.

Cash flow hedges of interest rate risk relate to exposures to the variability in future interest payments and receipts due to the movement of interest rates on forecast transactions and on financial assets and financial liabilities. This variability in cash flows is hedged by interest rate swaps, which convert variable cash flows into fixed. For these cash flow hedge relationships, the hedged items are actual and forecast variable interest rate cash flows arising from financial assets and financial liabilities with interest rates linked to the relevant interest rates, most notably the European Central Bank deposit rate. The variability in cash flows due to movements in the relevant interest rate is hedged; this risk component is identified using the risk management systems of NWM N.V. Group and encompasses the majority of cash flow variability risk.

Suitable larger fixed rate financial instruments are subject to fair value hedging in line with documented risk management strategies.

Fair value hedges of interest rate risk involve interest rate swaps transforming the fixed interest rate risk in financial assets and financial liabilities to floating. The hedged risk is the risk of changes in the hedged item's fair value attributable to changes in the interest rate risk component of the hedged item. The significant interest rates identified as risk components are SOFR and EURIBOR. These risk components are identified using the risk management systems of NWM N.V. Group and encompass the majority of the hedged item's fair value risk

NWM N.V. Group hedges the exchange rate risk of its net investment in foreign currency denominated operations with currency borrowings and forward foreign exchange contracts.

NWM N.V. Group reviews the value of the investments' net assets, executing hedges where appropriate to reduce the sensitivity of capital ratios to foreign exchange rate movement. Hedge accounting relationships will be designated where required.

Exchange rate risk also arises in NWM N.V. Group where payments are denominated in currencies other than the functional currency. Residual risk positions are hedged with forward foreign exchange contracts, fixing the exchange rate the payments will be settled in. The derivatives are documented as cash flow hedges.

For all cash flow hedging, fair value hedge relationships and net investment hedging, NWM N.V. Group determines that there is an economic relationship between the hedged item and hedging instrument via assessing the initial and ongoing effectiveness by comparing movements in the fair value of the expected highly probable forecast interest cash flows/ fair value of the hedged item attributable to the hedged risk with movements in the fair value of the expected changes in cash flows from the hedging instrument. The method used for comparing movements is either regression testing, or the dollar offset method. The method for testing effectiveness and the period over which the test is performed depends on the applicable risk management strategy and is applied consistently to each risk management strategy. Hedge effectiveness is assessed on a cumulative basis and the determination of effectiveness is in line with the requirements of IAS 39.

NWM N.V. Group uses either the actual ratio between the hedged item and hedging instrument(s) or one that minimises hedge ineffectiveness to establish the hedge ratio for hedge accounting. Hedge ineffectiveness is measured in line with the requirements of IAS 39 and recognised in the income statement as it arises.

11 Derivatives continued

Derivatives in hedge accounting relationships

Included in the table below are derivatives held for hedging as follows.

| | 2024 | | | | 2023 | | | |
|--|-----------------|--------------|-------------------|---|-----------------|--------------|-------------------|--|
| | Notional €bn | Assets €m | Liabilities €m | Changes in fair value used for hedge ineffectiveness (1) €m | Notional €bn | Assets €m | Liabilities €m | Changes in fair value used for hedge ineffectiveness (1) €m |
| Fair value hedging | | | | | | | | |
| Interest rate contracts | 0.1 | 1 | 1 | 1 | 0.3 | - | 1 | 2 |
| Cash flow hedging | | | | | | | | |
| Interest rate contracts | 1.4 | 26 | 1 | 6 | 1.7 | 25 | 5 | 37 |
| | 1.5 | 27 | 2 | 7 | 2.0 | 25 | 6 | 39 |
| IFRS netting and clearing house settlements | | (27) | (2) | | | (25) | (6) | |
| | | - | - | | | - | - | |

(1) The change in fair value per hedge ineffectiveness includes instruments that were derecognised in the year.

Hedge ineffectiveness

Hedge ineffectiveness recognised in other operating income comprised.

| | 2024 €m | 2023 €m |
|--|------------|------------|
| Fair value hedging | | |
| Loss on hedged items attributable to the hedged risk | (1) | (2) |
| Gain on hedging instruments | 1 | 2 |
| Fair value hedging ineffectiveness | - | - |

The main sources of ineffectiveness for interest rate risk hedge accounting relationships are:

- The effect of the counterparty credit risk on the fair value of the interest rate swap which is not reflected in the fair value of the hedged item attributable to the change in interest rate (fair value hedge);
- Differences in the repricing basis between the hedging instrument and hedged cash flows (cash flow hedge); and
- Upfront present values on the hedging derivatives where hedge accounting relationships have been designated after the trade date (cash flow hedge and fair value hedge).

11 Derivatives continued

Maturity of notional hedging contracts

The following table shows the period in which notional of the hedging contract ends.

| | 0-3 months | 3-12 months | 1-3 years | 3-5 years | 5-10 years | Over 10 years | Total |
|---------------------------|------------|-------------|-----------|-----------|------------|---------------|-------|
| 2024 | €bn | €bn | €bn | €bn | €bn | €bn | €bn |
| Fair value hedging | | | | | | | |
| Interest rate risk | | | | | | | |
| Hedging assets | - | - | - | 0.1 | - | - | 0.1 |
| Hedging liabilities | - | - | - | - | - | - | - |
| 2023 | | | | | | | |
| Fair value hedging | | | | | | | |
| Interest rate risk | | | | | | | |
| Hedging assets | - | - | - | - | - | - | - |
| Hedging liabilities | - | 0.3 | - | - | - | - | 0.3 |
| 2024 | | | | | | | |
| Cash flow hedging | | | | | | | |
| Interest rate risk | | | | | | | |
| Hedging assets | 0.1 | 0.2 | 0.5 | 0.2 | 0.4 | - | 1.4 |
| 2023 | | | | | | | |
| Cash flow hedging | | | | | | | |
| Interest rate risk | | | | | | | |
| Hedging assets | 0.1 | 0.2 | 0.6 | 0.2 | 0.6 | - | 1.7 |

Average fixed interest rates

Average fixed rate for cash flow hedges, interest rate risk.

| | 0-3 months | 3-12 months | 1-3 years | 3-5 years | 5-10 years | Over 10 years | Total |
|------------------------------------|------------|-------------|-----------|-----------|------------|---------------|-------|
| 2024 | % | % | % | % | % | % | % |
| Average fixed interest rate | | | | | | | |
| Hedging assets | 2.65 | 2.67 | 2.66 | 2.74 | 2.72 | - | 2.69 |
| Hedging liabilities | - | - | - | - | - | - | - |
| 2023 | | | | | | | |
| Average fixed interest rate | | | | | | | |
| Hedging assets | 2.57 | 2.64 | 2.68 | 2.74 | 2.78 | - | 2.71 |
| Hedging liabilities | - | - | - | - | - | - | - |

11 Derivatives continued

Analysis of hedged items and related hedging instruments

The table below analyses assets and liabilities including intercompany, subject to hedging derivatives.

| | Carrying value of hedged assets and liabilities €m | Impact on hedged items included in carrying value €m | Changes in fair value used as a basis to determine ineffectiveness (1) €m |
|--|--|--|---|
| 2024 | | | |
| Fair value hedging - interest rate | | | |
| Other financial assets - securities | 102 | 1 | 1 |
| Other financial liabilities - debt securities in issue | 20 | - | (2) |
| Subordinated liabilities | - | - | - |
| Total | 20 | - | (2) |
| 2023 | | | |
| Fair value hedging - interest rate | | | |
| Other financial assets - securities | - | - | - |
| Other financial liabilities - debt securities in issue | 297 | (2) | (1) |
| Subordinated liabilities | - | - | (1) |
| Total | 297 | (2) | (2) |
| 2024 | | | |
| Cash flow hedging - interest rate | | | |
| Balances with central banks | 1,404 | | (6) |
| 2023 | | | |
| Cash flow hedging - interest rate | | | |
| Balances with central banks | 1,662 | | (37) |

(1) The change in fair value per hedge ineffectiveness includes instruments that were derecognised in the year.

Analysis of cash flow hedge reserve

The following table shows analysis of the cash flow hedge reserve.

| | Cash flow hedge reserve | |
|---|-------------------------|------|
| | 2024 | 2023 |
| | €m | €m |
| Continuing | | |
| Interest rate risk | 31 | 27 |
| Amount recognised in equity | | |
| Interest rate risk | (12) | 31 |
| Amount transferred from equity to earnings | | |
| Interest rate risk to net interest income | 15 | 7 |

12 Loan impairment provisions

The table below summarises loans and related credit impairment measures within the scope of ECL framework.

| | 2024 €m | 2023 €m |
|--|--------------|--------------|
| Loans - amortised cost | | |
| Stage 1 | 996 | 1,052 |
| Stage 2 | 118 | 141 |
| Stage 3 | 34 | - |
| Inter-Group (1) | 64 | 102 |
| Total | 1,212 | 1,295 |
| ECL provisions | | |
| Stage 1 | 5 | 7 |
| Stage 2 | 2 | 2 |
| Stage 3 | 1 | - |
| Total | 8 | 9 |
| ECL provisions coverage (2) | | |
| Stage 1 (%) | 0.50 | 0.67 |
| Stage 2 (%) | 1.69 | 1.42 |
| Stage 3 (%) | 2.94 | - |
| Total | 0.70 | 0.75 |
| Other financial assets - Gross exposure | 8,297 | 8,583 |
| Other financial assets - ECL provision | 1 | 3 |
| Impairment releases | | |
| ECL release - third party (3) | (1) | - |
| Amounts written off | - | 1 |

(1) The NWM N.V. Group intercompany assets were classified in Stage 1. The ECL for these loans was nil (2023 - nil).

(2) ECL provisions coverage is calculated as ECL provisions divided by loans - amortised cost and FVOCI. It is calculated on loans and total ECL provisions, including ECL for other (non-loan) assets and unutilised exposure. Some segments with a high proportion of debt securities or unutilised exposure may result in a not meaningful coverage ratio.

(3) Includes €1.3 million release (2023 - €1.8 million charge) related to other financial assets and €0.1 million release (2023 - nil) relating to contingent liabilities.

(4) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to page 40 for Financial instruments within the scope of the IFRS 9 ECL framework for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling €6.2 billion (2023 - €6.0 billion) and debt securities of €2.1 billion (2023 - €2.6 billion).

(5) NWM N.V. Group held collateral against third party loans in Stage 3 of €32.4 million (2023 - nil) and against Stage 1 and Stage 2 third party loans of €258 million (2023 - €287 million). Inter-group loans were uncollateralised.

For accounting policy information refer to Accounting Policy 4.11.

Credit risk enhancement and mitigation

For information on Credit risk enhancement and mitigation held as security, refer to Risk and capital management – Credit risk enhancement and mitigation section.

IFRS 9 ECL model design principles

Refer to Credit risk – IFRS 9 ECL model design principles section for further details.

Approach for multiple economic scenarios (MES)

The base scenario plays a greater part in the calculation of ECL than the approach to MES. Refer to Credit risk – Economic loss drivers – Probability weightings of scenarios section for further details.

13 Other financial assets

| | Debt securities | | | | | | |
|---|------------------------------|-------|------------|-------|---------------|-------|-------|
| | Central and local government | | Other debt | Total | Equity shares | Loans | Total |
| | US | Other | | | | | |
| 2024 | €m | €m | €m | €m | €m | €m | €m |
| Mandatory fair value through profit or loss | - | - | - | - | 1 | - | 1 |
| Fair value through other comprehensive income | - | 590 | 5 | 595 | - | - | 595 |
| Amortised cost | - | - | 1,515 | 1,515 | - | - | 1,515 |
| Total | - | 590 | 1,520 | 2,110 | 1 | - | 2,111 |
| | | | | | | | |
| 2023 | | | | | | | |
| Mandatory fair value through profit or loss | - | - | - | - | 1 | - | 1 |
| Fair value through other comprehensive income | 90 | 254 | 57 | 401 | 1 | - | 402 |
| Amortised cost | - | - | 2,202 | 2,202 | - | - | 2,202 |
| Total | 90 | 254 | 2,259 | 2,603 | 2 | - | 2,605 |

There were no significant acquisitions of equity shares in either year. There were no equity shares disposed of during 2024, NWM N.V. Group disposed of equity shares in UBS Equity Funds of €41 million in 2023. There were no significant dividends on equity shares held at FVOCI in either year.

14 Other assets

| | 2024 | 2023 |
|------------------------|------|------|
| | €m | €m |
| Property and equipment | 8 | 24 |
| Deferred tax | 103 | 63 |
| Other assets | 8 | 8 |
| | 119 | 95 |

(1) Refer to note 6 for information on Deferred tax.

15 Other financial liabilities

| | 2024 | 2023 |
|--|-------|-------|
| | €m | €m |
| Customer deposits - designated as at fair value through profit or loss | 471 | 281 |
| Debt securities in issue - amortised cost | 2,528 | 2,269 |
| Debt securities in issue - DFV | 369 | 255 |
| | 3,368 | 2,805 |

For accounting policy information refer to Accounting policies 4.6 and 4.9

16 Subordinated liabilities

| | | First call date | Maturity date | Capital treatment | 2024 €m | 2023 €m |
|---------------------------|---------------------|--------------------|------------------|----------------------|------------|------------|
| Dated loan capital | | | | | | |
| €170 million | Floating rate notes | - | Feb-2041 | Not applicable | 282 | 273 |
| \$150 million | 7.125% notes | - | Oct-2093 | Not applicable | 21 | 20 |
| | | | | | 303 | 293 |

Following table analyses intercompany subordinated liabilities. These balances are included in amounts due to holding companies and fellow subsidiaries, refer to Note 27.

| | | First call date | Maturity date | Capital treatment | 2024 €m | 2023 €m |
|---------------------------|---------------------|--------------------|------------------|----------------------|------------|------------|
| Dated loan capital | | | | | | |
| €150 million | Floating rate notes | Dec-2024 | Dec-2029 | Tier 2 | 150 | 150 |
| | | | | | 150 | 150 |

17 Other liabilities

| | | 2024 €m | 2023 €m |
|--|--|------------|------------|
| Lease liabilities | | 8 | 8 |
| Provisions for liabilities and charges | | 5 | 5 |
| Accruals | | 24 | 23 |
| Deferred income | | 10 | 10 |
| Current tax | | 7 | 4 |
| Deferred tax | | 2 | 2 |
| Other liabilities | | 14 | 13 |
| Total | | 70 | 65 |

Included in other liabilities are provisions for liabilities and charges of €5 million (2023 - €5 million), of which litigation provisions are €0.5 million (2023 - €1 million) and restructuring provisions of €4 million (2023 - €4 million). Arising out of its normal business operations, the NWM N.V. Group is party to legal proceedings in the Netherlands, the United Kingdom, the United States of America and other jurisdictions.

Litigation provisions at 31 December 2024 related to various proceedings; no individual provision is material. Detailed descriptions of the NWM N.V. Group's legal proceedings and discussion of the associated uncertainties are given in Note 22.

For accounting policy information see Accounting policies Note 4.

18 Share capital and reserves

Share capital

NWM N.V.'s share capital at 31 December 2024 consisted of 11,112 issued and fully paid ordinary shares of €4.50 each. Its authorised share capital amounts to €225,000. It comprises 41,500 ordinary shares, each with a nominal value of €4.50 and 8,500 preference shares, each with a nominal value of €4.50. All issued ordinary shares have been fully paid. There have been no changes in share capital compared to 2023. Each ordinary share entitles the holder to cast one vote. Subject to certain exceptions provided or by law or in the Articles of Association, resolutions are passed by an absolute majority of the votes cast. When shares are issued, each holder of shares shall have pre-emptive rights, in proportion to the aggregate amount of their shares, except in the case of an issue of shares for a consideration other than in cash. In the event of the dissolution and liquidation of NWM N.V., the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

Share premium reserve

Ordinary shares carry certain pre-emption rights and rank equally in voting, dividend and liquidation rights.

Dutch law prescribes that only the freely distributable reserves of NWM N.V. are taken into account for the purpose of making distributions and in determining the permissible applications of the share premium account. NWM N.V. Group optimises capital efficiency by maintaining reserves in subsidiaries, including regulated entities. The remittance of reserves to NWM N.V. or the redemption of capital by regulated entities may be subject to maintaining the capital resources required by the relevant regulator.

In 2023, after obtaining regulatory permission, NWM N.V. executed a capital restructuring, converting €150 million of share premium to retained earnings.

Ordinary dividends

NWM N.V. paid ordinary dividends in March 2024 and in October 2024 of €3,779.70 per share and €2,699.78 per share respectively. In 2023, NWM N.V. paid ordinary dividends of €35,277.18 per share.

Paid-in equity

Additional Tier 1 instruments issued by NWM N.V. having the legal form of debt are classified as equity under IFRS. The coupons on these instruments are non-cumulative and payable at NWM N.V.'s discretion. In September 2024 NWM N.V. issued capital securities of €250 million which qualify as Additional Tier 1 capital as described in CRD IV and CRR. This new issuance replaced the capital securities of €250 million that were originally issued in June 2019, and which were called at the same time as the new securities were issued. These new securities are perpetual. They can be called on after five years and have a coupon of 3-month Euribor plus 4.05%, payable on a quarterly basis.

19 Structured entities

A structured entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. SEs are usually established for a specific, limited purpose. They do not carry out a business or trade and typically have no employees.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to structured entities not controlled by NWM N.V. Group, and which are established either by NWM N.V. Group or a third party. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns for NWM N.V. Group arising from the performance of the entity. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to NWM N.V. Group, provision of lending and loan commitments, financial guarantees and investment management agreements. NWM N.V. Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions, to provide risk management services and for specific investment opportunities. Structured entities may take the form of funds, trusts, partnerships, securitisation vehicles, and private investment companies. NWM N.V. Group considers itself to be the sponsor of a structured entity where it is primarily involved in the set up and design of the entity and where NWM N.V. Group transfers assets to the entity, markets products associated with the entity in its own name, and/or provides guarantees in relation to the performance of the entity.

The nature and extent of NWM N.V. Group's interests in structured entities is summarised below.

| | 2024 | | | 2023 | | |
|---------------------------------------|--|----------------------------------|-------|--|----------------------------------|-------|
| | Asset-backed securitisation vehicles | Investment funds and other | Total | Asset-backed securitisation vehicles | Investment funds and other | Total |
| | €m | €m | €m | €m | €m | €m |
| Assets | | | | | | |
| Trading assets | 61 | - | 61 | 107 | - | 107 |
| Derivatives | 4 | - | 4 | - | - | - |
| Loans to customers | 68 | 4 | 72 | - | 4 | 4 |
| Other financial assets | 1,342 | 75 | 1,417 | 1,919 | 221 | 2,140 |
| Total | 1,475 | 79 | 1,554 | 2,026 | 225 | 2,251 |
| Liabilities | | | | | | |
| Derivatives | 44 | - | 44 | 85 | - | 85 |
| Total | 44 | - | 44 | 85 | - | 85 |
| Off balance sheet | | | | | | |
| Liquidity facilities/loan commitments | 256 | 26 | 282 | 174 | 26 | 200 |
| Total | 256 | 26 | 282 | 174 | 26 | 200 |
| Maximum exposure | 1,687 | 105 | 1,792 | 2,115 | 251 | 2,366 |

20 Asset transfers

Transfers that do not qualify for derecognition

NWM N.V. Group enters into securities repurchase and securities lending agreements in accordance with normal market practice which includes the provision of additional collateral if necessary. Under standard terms in the UK and US markets, the recipient has an unrestricted right to sell or repledge collateral, subject to returning equivalent securities on maturity of the transaction. Securities sold under repurchase transactions and transactions with the substance of securities repurchase agreements are not derecognised if NWM N.V. Group retains substantially all the risks and rewards of ownership. The fair value (and carrying value) of securities transferred under such transactions included on the balance sheet, are set out below. All of these securities could be sold or repledged by the holder. Securities received as collateral under reverse repurchase agreements were €4.5 billion (2023 - €2.8 billion) of which €4.5 billion (2023 - €2.8 billion) had been sold or repledged as collateral of the NWM N.V. Group's own transactions.

| | 2024 | 2023 |
|--|------|------|
| | €m | €m |
| The following assets have failed derecognition | | |
| Other financial assets | 459 | 447 |

(1) Associated liabilities are €418 million (2023 - €418 million).

Assets pledged as collateral

NWM N.V. Group pledges collateral with its counterparties in respect of derivative liabilities. There were €2.9 billion of assets pledged against liabilities in 2024 (2023 - €2.9 billion).

21 Capital resources

NWM N.V. Group's regulatory capital resources were as follows:

| | 2024 | 2023 |
|--|-------|-------|
| | €m | €m |
| Tier 1 | | |
| Controlling interests | 1,847 | 1,806 |
| Adjustment for: | | |
| - Other regulatory adjustments (1) | (227) | (236) |
| Common equity Tier 1 | 1,620 | 1,570 |
| Hybrid capital | 250 | 250 |
| Additional Tier 1 | 250 | 250 |
| Total Tier 1 | 1,870 | 1,820 |
| Tier 2 | | |
| Subordinated debt | 150 | 150 |
| IRB Excess of provisions over expected losses eligible | 2 | 2 |
| Total Tier 2 capital | 152 | 152 |
| Total regulatory capital | 2,022 | 1,972 |

(1) Includes reversal of own credit risk of €13 million (2023 - €40 million) plus the elimination of the profit that has not been approved yet.

It is NWM N.V. Group's policy to maintain an appropriate capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders, while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, NWM N.V. Group has regard to the supervisory requirements of DNB. DNB uses capital ratios as a measure of capital adequacy in the Dutch banking sector, comparing a bank's capital resources with its risk-weighted assets (RWAs) (the assets and off-balance sheet exposures are weighted to reflect the inherent credit and other risks). NWM N.V. Group has complied with its capital requirements during the year.

A number of subsidiaries and sub-groups within NWM N.V. Group are subject to various individual regulatory capital requirements. Furthermore, the payment of dividends by subsidiaries and the ability of members of NWM N.V. Group to lend money to other members of NWM N.V. Group may be subject to restrictions such as local regulatory or legal requirements, the availability of reserves and financial and operating performance.

22 Memorandum items

Contingent liabilities and commitments

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2024. Although NWM N.V. Group is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of NWM N.V. Group's expectation of future losses.

| | 2024 €m | 2023 €m |
|--|--------------|--------------|
| Contingent liabilities and commitments | | |
| Guarantees | 511 | 527 |
| Standby facilities, credit lines and other commitments | 6,959 | 7,000 |
| Total | 7,470 | 7,527 |

(1) Updated to reflect the regulatory treatment of revocable commitments.

Banking commitments and contingent obligations, which have been entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities. NWM N.V. Group's maximum exposure to credit loss, in the event of non-performance by the other party and where all counterclaims, collateral or security proves valueless, is represented by the contractual nominal amount of these instruments included in the table above. These commitments and contingent obligations are subject to NWM N.V. Group's normal credit approval processes.

Guarantees - NWM N.V. Group gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that NWM N.V. Group will meet a customer's obligations to third parties if the customer fails to do so. The maximum amount that NWM N.V. Group could be required to pay under a guarantee is its principal amount as disclosed in the table above. NWM N.V. Group expects most guarantees it provides to expire unused.

Other contingent liabilities - these include standby letters of credit, supporting customer debt issues and contingent liabilities relating to customer trading activities such as those arising from performance and customs bonds, warranties and indemnities.

Standby facilities and credit lines - under a loan commitment NWM N.V. Group agrees to make funds available to a customer in the future. Loan commitments, which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the loan facility are satisfied or waived. Commitments to lend include commercial standby facilities and credit lines, liquidity facilities to commercial paper conduits and unutilised overdraft facilities.

Other commitments - these include documentary credits, which are commercial letters of credit providing for payment by NWM N.V. Group to a named beneficiary against presentation of specified documents, forward asset purchases, forward deposits placed and undrawn note issuance and revolving underwriting facilities, and other short-term trade related transactions.

Risk-sharing agreements

NWM Plc and NWM N.V. have limited risk-sharing arrangements in place to facilitate the smooth provision of services to NatWest Markets' customers.

The arrangements, which NWM Plc recognises as financial guarantees within Amounts due to subsidiaries, include:

- The provision of a funded guarantee of up to €1 billion by NWM Plc to NWM N.V. that limits NWM N.V.'s exposure to large individual customer credits. Funding is provided by NWM Plc deposits placed with NWM N.V. of not less than the guaranteed amount. At 31 December 2024 the deposits amounted to €0.4 billion and the guaranteed fees in the year were €4 million.
- The provision of funded and unfunded guarantees by NWM Plc in respect of NWM N.V.'s legacy portfolio. At 31 December 2024 the exposure at default covered by the guarantees was approximately €0.2 billion (of which none cash collateralised). Fees of €0.7 million in relation to the guarantees were recognised in the year.

Obligations with ABN AMRO Bank N.V.

Included within guarantees as at 31 December 2024 is €0.5 billion (2023 - €0.5 billion), which relates to NWM N.V. Group's obligations over liabilities held within the Dutch State acquired businesses included in ABN AMRO Bank N.V.

On the division of an entity by demerger, Dutch law establishes a cross liability between surviving entities in respect of the creditors at the time of the demerger. NWM N.V. Group's cross liability is limited by law to the lower of its equity and the eligible debts of ABN AMRO Bank N.V. on 6 February 2010. The likelihood of cross liability crystallising is considered not probable.

Litigation and regulatory matters

NWM N.V. and certain members of NatWest Group are party to various legal proceedings and are involved in, or subject to, various regulatory matters, including as the subject of investigations and other regulatory and governmental action (Matters) in the Netherlands, the United Kingdom (UK), the European Union (EU), the United States (US) and other jurisdictions.

NWM N.V. Group recognises a provision for a liability in relation to these matters when it is probable that an outflow of economic benefits will be required to settle an obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

22 Memorandum items continued

In many of the Matters, it is not possible to determine whether any loss is probable or to estimate reliably the amount of any loss, either as a direct consequence of the relevant proceedings and regulatory matters or as a result of adverse impacts or restrictions on NWM N.V. Group's reputation, businesses and operations. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and document production exercises and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before the probability of a liability, if any, arising can reasonably be estimated in respect of any Matter. NWM N.V. Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, damages, fine, penalty or other relief, if any, may be, particularly for Matters that are at an early stage in their development or where claimants seek substantial or indeterminate damages.

There are situations where NWM N.V. Group may pursue an approach that in some instances leads to a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, or in order to take account of the risks inherent in defending or contesting Matters, even for those for which NWM N.V. Group believes it has credible defences and should prevail on the merits. The uncertainties inherent in all Matters affect the amount and timing of any potential economic outflows for both matters with respect to which provisions have been established and other contingent liabilities in respect of any such Matter.

It is not practicable to provide an aggregate estimate of potential liability for our Matters as a class of contingent liabilities.

The future economic outflow in respect of any matter may ultimately prove to be substantially greater than, or less than, the aggregate provision, if any, that NWM N.V. Group has recognised in respect of such Matter. Where a reliable estimate of the economic outflow cannot be reasonably made, no provision has been recognised.

Matters which are, or could be, material, either individually or in aggregate, having regard to NWM N.V. Group, considered as a whole, in which NWM N.V. Group is currently involved are set out below. We have provided information on the procedural history of certain Matters, where we believe appropriate, to aid the understanding of the Matter.

NatWest Group is involved in ongoing litigation and regulatory matters that are not described below but are described on pages 369 to 373 in NatWest Group's Annual Report and Accounts 2024. NatWest Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NatWest Group will be necessary, in amounts that are expected to be substantial in some instances. While NWM N.V. Group may not be directly involved in such NatWest Group matters, any final adverse outcome of those matters may also have an adverse effect on NWM N.V. Group.

For a discussion of certain risks associated with NWM N.V. Group's litigation and regulatory matters (including the Matters), see the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on page 149.

Litigation

FX litigation

In December 2021, a summons was served in the Netherlands against NatWest Group plc, NWM Plc and NWM N.V. by Stichting FX Claims on behalf of a number of parties, seeking declarations from the court concerning liability for anti-competitive FX market conduct described in decisions of the European Commission (EC) of 16 May 2019, along with unspecified damages. The claimant amended its claim to also refer to a 2 December 2021 decision by the EC, which described anti-competitive FX market conduct. NatWest Group plc, NWM Plc and other defendants contested the jurisdiction of the Dutch court. In March 2023, the district court in Amsterdam accepted that it has jurisdiction to hear claims against NWM N.V. but refused jurisdiction to hear any claims against the other defendant banks (including NatWest Group plc and NWM Plc) brought on behalf of the parties represented by the claimant that are domiciled outside of the Netherlands. The claimant is appealing that decision. The defendant banks have brought cross-appeals which seek a ruling that the Dutch court has no jurisdiction to hear any claims against the defendant banks domiciled outside of the Netherlands, irrespective of whether the claim has been brought on behalf of a party represented by the claimant that is domiciled within or outside of the Netherlands. The Amsterdam Court of Appeal has stayed these appeal proceedings until the Court of Justice of the European Union has answered preliminary questions that have been referred to it in another matter.

In September 2023, a second summons was served by Stichting FX Claims on NatWest Group plc, NWM Plc and NWM N.V., on behalf of a new group of parties. The claimant seeks declarations from the district court in Amsterdam concerning liability for anti-competitive FX market conduct described in the above referenced decisions of the EC of 16 May 2019 and 2 December 2021, along with unspecified damages. NatWest Group plc, NWM Plc and other defendants are contesting the Dutch court's jurisdiction. The district court has stayed the proceedings pending judgment in the above-mentioned appeals.

In January 2025, a third summons was served by Stichting FX Claims on NatWest Group plc, NWM Plc and NWM N.V., on behalf of another new group of parties. The claimant seeks similar declarations from the district court in Amsterdam to those being sought in the above-mentioned claims, along with unspecified damages.

Certain other foreign exchange transaction related claims have been or may be threatened. NWM N.V. Group cannot predict whether all or any of these claims will be pursued.

Madoff

NWM N.V. was named as a defendant in two actions filed by the trustee for the bankrupt estates of Bernard L. Madoff and Bernard L. Madoff Investment Securities LLC, in bankruptcy court in New York, which together seek to clawback more than US\$298 million that NWM N.V. allegedly received from certain Madoff feeder funds and certain swap counterparties. The claims were previously dismissed, but as a result of an August 2021 decision by the United States Court of Appeals for the Second Circuit (US Court of Appeals), they are now proceeding in the discovery phase in the bankruptcy court, where they have been consolidated into one action.

US Anti-Terrorism Act litigation

NWM N.V. and certain other financial institutions are defendants in several actions filed by a number of US nationals (or their estates, survivors, or heirs), most of whom are or were US military personnel, who were killed or injured in attacks in Iraq between 2003 and 2011. NWM Plc is also a defendant in some of these cases.

22 Memorandum items continued

According to the plaintiffs' allegations, the defendants are liable for damages arising from the attacks because they allegedly conspired with and/or aided and abetted Iran and certain Iranian banks to assist Iran in transferring money to Hezbollah and the Iraqi terror cells that committed the attacks, in violation of the US Anti-Terrorism Act, by agreeing to engage in 'stripping' of transactions initiated by the Iranian banks so that the Iranian nexus to the transactions would not be detected.

The first of these actions, alleging conspiracy claims but not aiding and abetting claims, was filed in the United States District Court for the Eastern District of New York in November 2014. In September 2019, the district court dismissed the case, finding that the claims were deficient for several reasons, including lack of sufficient allegations as to the alleged conspiracy and causation. In January 2023, the US Court of Appeals affirmed the district court's dismissal of this case. The plaintiffs have now filed a motion in the district court to re-open the case to assert aiding and abetting claims that they previously did not assert, which the defendants are opposing. Another action, filed in the United States District Court for the Southern District of New York (SDNY) in 2017, which asserted both conspiracy and aiding and abetting claims, was dismissed by the SDNY in March 2019 on similar grounds as the first case, but remains subject to appeal to the US Court of Appeals. Other follow-on actions that are substantially similar to those described above are pending in the same courts.

Regulatory matters

NWM N.V. Group's financial condition can be affected by the actions of various governmental and regulatory authorities in the Netherlands, the UK, the EU, the US and elsewhere. NatWest Group has engaged, and will continue to engage, in discussions with relevant governmental and regulatory authorities, including in the Netherlands, the UK, the EU, the US and elsewhere, on an ongoing and regular basis, and in response to informal and formal inquiries or investigations, regarding operational, systems and control evaluations and issues including those related to compliance with applicable laws and regulations, including consumer protection, investment advice, business conduct, competition/anti-trust, VAT recovery, anti-bribery, anti-money laundering and sanctions regimes.

Any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, other action being taken by governmental and regulatory authorities, increased costs being incurred by NWM N.V. Group, remediation of systems and controls, public or private censure, restriction of NWM N.V. Group's business activities and/or fines. Any of these events or circumstances could have a material adverse effect on NWM N.V. Group, its business, authorisations and licences, reputation, results of operations or the price of securities issued by it, or lead to material additional provisions being taken.

23 Non-cash and other items

This note shows non-cash items adjusted for in the cash flow statement and movement in operating assets and liabilities.

| | 2024 €m | 2023 €m |
|--|----------------|--------------|
| Impairment releases | (1) | - |
| Depreciation and amortisation | 2 | 2 |
| Change in fair value taken to profit or loss on subordinated liabilities | 7 | 17 |
| Elimination of foreign exchange differences | (62) | 2 |
| Other non-cash items | 7 | 2 |
| Income receivable on other financial assets | (131) | (86) |
| Loss on sale of other financial assets | 1 | 1 |
| Interest payable on subordinated liabilities | 10 | 13 |
| Charges and releases on provisions | - | 2 |
| Non-cash and other items | (167) | (47) |
| Change in operating assets and liabilities | | |
| Change in trading assets | (2,825) | 1,477 |
| Change in derivative assets | (1,981) | 2,475 |
| Change in settlement balance assets | (301) | 174 |
| Change in loans to banks | - | 28 |
| Change in loans to customers | 16 | 75 |
| Change in amounts due from holding companies and fellow subsidiaries | 12 | 80 |
| Change in other financial assets | - | 30 |
| Change in other assets | - | 2 |
| Change in bank deposits | 186 | 261 |
| Change in customer deposits | (1,532) | 3,485 |
| Change in amounts due to holding companies and fellow subsidiaries | (1,394) | (407) |
| Change in settlement balance liabilities | 6 | 71 |
| Change in trading liabilities | 2,424 | 639 |
| Change in derivative liabilities | 1,696 | (2,300) |
| Change in other financial liabilities | 552 | 355 |
| Change in other liabilities | 2 | (4) |
| Change in operating assets and liabilities | (3,139) | 6,441 |

24 Analysis of changes in financing during the year

| | Share capital, share premium and paid-in equity | | Subordinated liabilities (1) | |
|---|---|--------------|------------------------------|------------|
| | 2024 €m | 2023 €m | 2024 €m | 2023 €m |
| At 1 January | 1,800 | 1,950 | 443 | 515 |
| Redemption of subordinated liabilities | | | - | (92) |
| Interest paid on subordinated liabilities | | | (12) | (12) |
| Net cash outflows from financing activities | | | (12) | (104) |
| Issue of other equity instruments: Additional Tier 1 capital notes | 250 | - | | |
| Redemption of other equity instruments: Additional Tier 1 capital notes | (250) | - | | |
| Capital restructuring | - | (150) | | |
| Effects of foreign exchange | - | - | 2 | (2) |
| Changes in fair value of subordinated liabilities | - | - | 7 | 17 |
| Interest payable on subordinated liabilities | - | - | 10 | 13 |
| Other | - | - | 3 | 4 |
| At 31 December | 1,800 | 1,800 | 453 | 443 |

(1) Subordinated liabilities include intercompany subordinated liabilities for the purpose of cash flow statement.

25 Analysis of cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash, loans to banks and treasury bills with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

| | 2024 €m | 2023 €m |
|--|------------|------------|
| Cash and balances at central banks | 6,187 | 5,979 |
| Trading assets | 2,138 | 2,968 |
| Loans to banks including intragroup balances (1) | 693 | 2,663 |
| Cash and cash equivalents | 9,018 | 11,610 |

(1) Includes cash collateral posted with bank counterparties in respect of derivative liabilities is €1,004 million (2023 - €746 million).

Certain members of NatWest Group are required by law or regulation to maintain balances with the central banks in the jurisdictions in which they operate. The NWM N.V. Group had mandatory reserve deposits with De Nederlandsche Bank N.V. of €95 million (2023 - €132 million).

26 Remuneration of the Managing Board and Supervisory Board

Remuneration of the Managing Board

The Managing Board during the year comprised the following members:

- (1) V. Goedegebuure
- (2) C. Visscher
- (3) B. Achmann (from 1 December 2024)
- (4) M. van Wieringen (from 1 May 2024)
- (5) M. Elkenbracht (until 1 April 2024)

Members receive pension benefits through their employment in NWM N.V. Group.

The remuneration of the Managing Board is presented in aggregate in the table below. NatWest Group plc and its subsidiaries adhere to relevant statutory requirements and NatWest Group discloses individual remuneration of NatWest Group executive directors, compliant with the UK PRA Remuneration Code.

Total compensation for the Managing Board members has been benchmarked against similar roles in the NWM N.V. Group peer group in Europe. The outcome of the benchmarking confirms their 2024 total actual compensation is below the market medium and in line with the requirements set out in the Dutch Banking Code.

| | 2024 €000 | 2023 €000 |
|-----------------------------------|--------------|--------------|
| Salaries and short-term benefits | 1,589 | 1,887 |
| Pensions | 265 | 328 |
| Profit sharing and bonus payments | 450 | 280 |
| Other benefits (1) | - | 594 |
| Total | 2,304 | 3,089 |

(1) 2023 other benefits includes severance payments.

(2) There are no loans from NWM N.V. Group to the Managing Board members.

(3) The vesting of long-term incentive awards in the form of shares in NatWest Group will normally be subject to the satisfaction of financial and non-financial performance conditions. The performance conditions will be set by the NatWest Group Performance and Remuneration Committee for each award. In addition, awards will only vest to the extent the Committee is satisfied that the vesting outcome reflects underlying financial results and if conduct and risk management during the performance period has been effective.

Remuneration of the Supervisory Board

The Supervisory Board during the year comprised the following members:

- (1) F. Dangeard (from 18 April 2024)
- (2) M. Klessens
- (3) A. van der Pauw
- (4) R. Begbie

The Supervisory Board included members employed elsewhere within NatWest Group.

The table below provides information on the remuneration of the Supervisory Board in aggregate.

| | 2024 €000 | 2023 €000 |
|------------------|--------------|--------------|
| Remuneration (1) | 252 | 143 |

(1) There are no loans from NWM N.V. Group to the Supervisory Board members.

27 Related parties

UK Government

The UK Government's shareholding in NatWest Group plc is managed by UK Government Investments Limited, a company wholly owned by the UK Government. At 31 December 2024 HM Treasury's holding in NatWest Group plc's ordinary shares was 9.99% (31 December 2023 - 37.97%). As a result, the UK Government through HM Treasury is no longer the controlling shareholder of NatWest Group plc as per UK listing rules. The UK Government and UK Government-controlled bodies remain related parties of the NatWest Group.

Transfer pricing

NWM N.V. is a party to transfer pricing arrangements with NWM Plc. Arm's length transfer pricing legislation in both the Netherlands and UK requires that, for transactions between related parties, each entity is remunerated on the same basis as two independent parties negotiating a contract covering similar activities. The transfer pricing arrangements between NWM N.V. and NWM Plc require approval by both counterparties.

For each of the main business line interactions with NWM Plc individual transfer pricing models are in place. Each type of transaction relies on a transfer pricing model with an appropriate remuneration, based on cost-plus, (hurdle rate of) return on equity or revenue split. Under the 2024 transfer pricing arrangements, NWM N.V. reported income of €153 million (2023 - €128 million) for the activities it performed for European customers as part of the NWM Plc post Brexit operating model. The at arm's length nature of the transfer pricing arrangements is confirmed by transfer pricing documentation which has been prepared by an external expert.

Judgment and estimation uncertainty - NWM N.V. Group management has concluded it is probable that the Dutch and UK tax authorities will accept the current transfer pricing models. The transfer pricing models are sensitive to parameters used, such as the mark-ups and the return on capital. The tax authorities could have a different interpretation of the OECD Transfer Pricing Guidelines and / or facts and circumstances.

Any adjustments requested by the Dutch and UK tax authorities to the current transfer pricing models may therefore have a material impact on NWM N.V. Group's non-interest income and hence its taxable profit and unused taxable losses and tax credits. For the cost-plus, NWM N.V. Group has considered a range of mark-ups from benchmarking studies. Applying the lower quartiles of the benchmarks used for the cost-plus calculations and reducing the return on equity percentage by 2%, would decrease the transfer pricing income by €12 million to €141 million. Applying the upper quartiles of the benchmarks used for the cost-plus calculations and increasing the return on equity percentage by 2%, would increase the transfer pricing income by €22 million to €175 million.

Other related parties

- (a) In accordance with IAS 24, transactions, or balances between NWM N.V. Group entities that have been eliminated on consolidation are not reported.
- (b) NWM N.V. Group is recharged from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.
- (c) The primary financial statements include transactions and balances with its subsidiaries which have been further disclosed in the relevant parent company notes.

27 Related parties continued

Holding companies and fellow subsidiaries

Transactions NWM N.V. Group enters with its holding companies and fellow subsidiaries also meet the definition of related party transactions. The table below discloses transactions between NWM N.V. Group and subsidiaries of NatWest Group.

| | 2024 | | | 2023 | | |
|-----------------------------------|-----------------|---------------------|-------|-----------------|---------------------|-------|
| | Holding company | Fellow subsidiaries | Total | Holding company | Fellow subsidiaries | Total |
| | €m | €m | €m | €m | €m | €m |
| Interest receivable | 3 | - | 3 | 3 | 5 | 8 |
| Interest payable | (49) | - | (49) | (54) | (6) | (60) |
| Fees and commissions receivable | 153 | - | 153 | 128 | - | 128 |
| Fees and commissions payable | (5) | (3) | (8) | (9) | (2) | (11) |
| Other administration expenses (1) | (10) | (44) | (54) | (10) | (40) | (50) |
| | 92 | (47) | 45 | 58 | (43) | 15 |

(1) Includes internal service recharges of €54 million (2023 - €49 million).

Amounts due from/to holding companies and fellow subsidiaries are as below:

| | 2024 | | | 2023 | | |
|--|-----------------|---------------------|-------|-----------------|---------------------|-------|
| | Holding company | Fellow subsidiaries | Total | Holding company | Fellow subsidiaries | Total |
| | €m | €m | €m | €m | €m | €m |
| Assets | | | | | | |
| Trading assets | 1,111 | - | 1,111 | 2,740 | - | 2,740 |
| Loans to banks - amortised cost | 40 | 3 | 43 | 75 | 6 | 81 |
| Loans to customers - amortised cost | 21 | - | 21 | 20 | - | 20 |
| Settlement balances | 12 | - | 12 | 291 | 27 | 318 |
| Other assets | 16 | - | 16 | 15 | - | 15 |
| Amounts due from holding companies and fellow subsidiaries | 1,200 | 3 | 1,203 | 3,141 | 33 | 3,174 |
| Derivatives (1) | 4,061 | - | 4,061 | 3,059 | - | 3,059 |
| Liabilities | | | | | | |
| Trading liabilities | 1,218 | - | 1,218 | 2,708 | - | 2,708 |
| Bank deposits - amortised cost | 1,010 | - | 1,010 | 917 | - | 917 |
| Customer deposits - amortised cost | - | 2 | 2 | - | - | - |
| Other financial liabilities - subordinated liabilities | 150 | - | 150 | 150 | - | 150 |
| Settlement balances | 147 | - | 147 | 153 | - | 153 |
| Other liabilities | 16 | 15 | 31 | 10 | 14 | 24 |
| Amounts due to holding companies and fellow subsidiaries | 2,541 | 17 | 2,558 | 3,938 | 14 | 3,952 |
| Derivatives (1) | 4,004 | - | 4,004 | 2,770 | - | 2,770 |

(1) Intercompany derivatives are included within derivative classification on the balance sheet.

28 Post balance sheet events

Other than as disclosed in the accounts, there have been no other significant events subsequent to 31 December 2024 which would require a change or additional disclosure.

Parent Company financial statements

Basis of preparation

NWM N.V. financial statements are prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code. The NWM N.V. Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied in NWM N.V. financial statements are the same as those applied in the consolidated financial statements on pages 68 to 72.

Investments in subsidiaries are accounted for using the equity method.

The financial statements are presented in euros, which is the presentation currency of the NWM N.V. Refer to Accounting policies in the consolidated financial statements for further information on going concern.

Future accounting developments

International Financial Reporting Standards

A number of amendments to IFRS standards were in issue at 31 December 2024 and effective from 1st January 2025 or later. NWM N.V. is assessing the effect of adopting these amendments on its financial statements but does not expect the effect to be material.

Company income statement for the year ended 31 December 2024

| | Note | 2024 €m | 2023 €m |
|---|------|--------------|------------|
| Interest receivable | | 498 | 451 |
| Interest payable | | (382) | (321) |
| Net interest income | 1 | 116 | 130 |
| Income from subsidiaries | 13 | (4) | (2) |
| Fees and commissions receivable | | 236 | 202 |
| Fees and commissions payable | | (29) | (23) |
| Net fees and commissions income | 2 | 207 | 179 |
| Results from financial transactions | 2 | (20) | (40) |
| Other income | 2 | - | 2 |
| Total income | | 299 | 269 |
| Staff costs | 3 | (83) | (78) |
| Other expenses | | (91) | (88) |
| Depreciation and amortisation | | (2) | (2) |
| Operating expenses before impairment releases | | (176) | (168) |
| Impairment releases | 12 | 1 | - |
| Operating expenses including impairment releases | | (175) | (168) |
| Operating profit before tax | | 124 | 101 |
| Tax credit | 5 | 35 | 7 |
| Profit for the year | | 159 | 108 |
| Attributable to: | | | |
| Ordinary shareholders | | 135 | 84 |
| Paid-in equity holders | | 24 | 24 |

The accompanying notes on pages 112 to 125 form an integral part of these financial statements.

Company balance sheet as at 31 December 2024 (before appropriation of result)

| | Note | 2024 €m | 2023 €m |
|---|--------|---------------|---------------|
| Assets | | | |
| Cash and balances at central banks | 9 | 6,187 | 5,979 |
| Short term government paper | 9 | 488 | 248 |
| Loans to banks (1), (2) | 4,9,12 | 6,066 | 6,402 |
| Loans to customers (3), (4) | 4,9,12 | 2,912 | 2,297 |
| Derivatives (5) | 7 | 11,860 | 9,890 |
| Debt securities | 6 | 1,617 | 2,292 |
| Equity securities | | - | 1 |
| Investments in subsidiaries | 13 | 109 | 160 |
| Property and equipment | 15 | 8 | 8 |
| Other assets (6) | 14 | 1,003 | 969 |
| Total assets | | 30,250 | 28,246 |
| | | | |
| Bank deposits (7) | 9 | 6,437 | 6,110 |
| Customer deposits (8) | 9 | 6,982 | 7,418 |
| Derivatives (9) | 7 | 10,510 | 8,814 |
| Debt securities in issue | 8 | 2,897 | 2,524 |
| Other liabilities (10) | 18 | 916 | 926 |
| Provisions | 18 | 12 | 10 |
| Subordinated liabilities (11) | 17 | 453 | 443 |
| Total liabilities | | 28,207 | 26,245 |
| | | | |
| Share capital and share premium account | | 1,550 | 1,550 |
| Revaluation reserves | | 31 | 26 |
| Legal reserves | | 60 | 103 |
| Other reserves | | 47 | 20 |
| Paid-in equity | | 250 | 250 |
| Unappropriated results | | 105 | 52 |
| Total equity | 20,21 | 2,043 | 2,001 |

- (1) Loans to banks include amounts due from holding company and fellow subsidiaries of €1,154 million (2023 - €2,822 million).
- (2) Loans to banks include amounts held for trading of €5,842 million (2023 - €6,125 million). Of this €4,644 million is reverse repos (2023 - €5,075 million). Collateral given €1,001 million (2023 - €735 million). Other loans €197 million (2023 - €315 million).
- (3) Loans to customers include amounts due from holding company and fellow subsidiaries of €21 million (2023 - €37 million).
- (4) Loans to customers include amounts held for trading of €1,956 million (2023 - €1,308 million). Of this €761 million is reverse repos (2023 - €131 million). Collateral given €1,078 million (2023 - €1,165 million). Other loans €117 million (2023 - €12 million).
- (5) Derivative assets include amounts due from holding company and fellow subsidiaries of €4,061 million (2023 - €3,059 million).
- (6) Other assets include amounts due from holding company and fellow subsidiaries of €28 million (2023 - €331 million).
- (7) Bank deposits include amounts due to holding company and fellow subsidiaries of €2,228 million (2023 - €3,626 million).
- (8) Customer deposits include amounts due to holding company and fellow subsidiaries of €62 million (2023 - €60 million).
- (9) Derivative liabilities include amounts due to holding company and fellow subsidiaries of €4,004 million (2023 - €2,771 million).
- (10) Other liabilities include amounts due to holding company and fellow subsidiaries of €176 million (2023 - €176 million).
- (11) Subordinated liabilities include amounts due to holding company and fellow subsidiaries of €150 million (2023 - €150 million).
- (12) As at 31 December 2024 contingent liabilities and commitments were €7,470 million (2023 - €7,527 million).

The accompanying notes on pages 112 to 125 form an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2024

| | 2024 €m | 2023 €m |
|--|--------------|--------------|
| Share capital and share premium (1) | | |
| At 1 January | 1,550 | 1,700 |
| Capital restructuring (2) | - | (150) |
| At 31 December | 1,550 | 1,550 |
| Revaluation reserves | | |
| At 1 January | 26 | (13) |
| Changes in equity securities and debt securities at FVOCI | 2 | 1 |
| Changes in cash flow hedge reserve (3) (4) | 3 | 38 |
| At 31 December | 31 | 26 |
| Legal reserves | | |
| At 1 January | 103 | 359 |
| Changes in non-distributable profit participations | (43) | (256) |
| At 31 December | 60 | 103 |
| Other reserves | | |
| At 1 January | 20 | (43) |
| Transfer from unappropriated results | 10 | - |
| Ordinary dividends paid | - | (322) |
| Changes in non-distributable profit participations | 43 | 256 |
| Changes in fair value of credit in financial liabilities designated at FVTPL | (27) | (25) |
| Capital restructuring (2) | - | 150 |
| Other movements | 1 | 4 |
| At 31 December | 47 | 20 |
| Paid-in equity | | |
| At 1 January | 250 | 250 |
| Redeemed | (250) | - |
| Issued | 250 | - |
| At 31 December | 250 | 250 |
| Unappropriated results | | |
| At 1 January | 52 | 38 |
| Transfer to other reserves | (10) | - |
| Net result for the year | 159 | 108 |
| Paid-in equity interim dividends paid | (24) | (24) |
| Ordinary dividends paid | (72) | (70) |
| At 31 December | 105 | 52 |
| Total equity as at 31 December | 2,043 | 2,001 |

(1) Includes ordinary share capital of €50,004 (2023 - €50,004). Refer to Note 20 for further details.

(2) On 31 March 2024, after obtaining regulatory permission, NWM N.V. executed a capital restructuring, converting €150 million of share premium to other reserves.

(3) The decrease in the debit balance in the cash flow hedging reserve is mainly driven by GBP receive fixed swaps as interest rates have decreased in the year. This has reversed losses taken in previous years where interest rates had increased.

(4) In 2024 €12 million (2023 - €(31) million) was recognised in equity and €15 million (2023 - €7 million) was transferred from equity to earnings. The amount transferred from equity to the income statement is recorded as net interest income.

1 Net interest income

| | 2024 | 2023 |
|--|------|------|
| | €m | €m |
| Loans to customers | 58 | 63 |
| Balances at central banks and loans to banks | 309 | 298 |
| Amounts due from holding companies and fellow subsidiaries | 3 | 8 |
| Other financial assets | 128 | 82 |
| Interest receivable | 498 | 451 |
| Bank deposits | 19 | 4 |
| Customer deposits | 187 | 175 |
| Amounts due to holding companies and fellow subsidiaries | 49 | 61 |
| Subordinated liabilities | 1 | 5 |
| Other financial liabilities | 126 | 76 |
| Interest payable | 382 | 321 |
| Net interest income | 116 | 130 |

2 Non-interest income

| | 2024 | 2023 |
|-------------------------------------|------|------|
| | €m | €m |
| Fees and commissions receivable | 236 | 202 |
| Fees and commissions payable | (29) | (23) |
| Net fees and commissions (1) | 207 | 179 |
| Results from financial transactions | (20) | (40) |
| Other income | - | 2 |

(1) Fees and commissions is mainly driven by transfer pricing income from NWM Plc (in the UK) of €153 million (2023 - €128 million).

Refer to Note 2 and Note 27 to the consolidated financial statements for further details.

3 Operating expenses

| | 2024 €m | 2023 €m |
|--------------------------------|------------|------------|
| Wages and salaries | 66 | 62 |
| Social security costs | 11 | 10 |
| Pension costs | 6 | 6 |
| - defined contribution schemes | 6 | 6 |
| Staff costs | 83 | 78 |

There were 253 persons employed at 31 December 2024 (2023 - 244). The average number of persons employed during the year was 249 (2023 - 237).

This includes 121 persons which were employed in the Netherlands at 31 December 2024 (2023 - 120). The average number of persons employed in the Netherlands during the year was 121 (2023 - 117).

Refer to Note 5 to the consolidated financial statements for details on auditor's remuneration.

4 Segmental analysis

The geographical analyses in the tables below have been compiled on the basis of location of the counterparty.

| | Netherlands €m | Rest of Europe €m | RoW €m | Total €m |
|----------------------------------|-------------------|----------------------|-----------|-------------|
| 2024 | | | | |
| Loans - amortised cost and FVOCI | 80 | 668 | 359 | 1,107 |

| | | | | |
|----------------------------------|-----|-----|-----|-------|
| 2023 | | | | |
| Loans - amortised cost and FVOCI | 166 | 726 | 268 | 1,160 |

Refer to Note 4 to the consolidated financial statements for further details on segments.

5 Tax

Refer to Note 6 to the consolidated financial statements for further details.

6 Debt securities - assets

| | Debt securities | | | |
|---|--|---------------------------------|------------------|-------------|
| | Central and local government - US €m | Financial institutions €m | Other debt €m | Total €m |
| 2024 | | | | |
| Fair value through other comprehensive income | - | 102 | - | 102 |
| Amortised cost | - | - | 1,515 | 1,515 |
| Total | - | 102 | 1,515 | 1,617 |

| | | | | |
|---|----|---|-------|-------|
| 2023 | | | | |
| Fair value through other comprehensive income | 90 | - | - | 90 |
| Amortised cost | - | - | 2,202 | 2,202 |
| Total | 90 | - | 2,202 | 2,292 |

7 Derivatives

NWM N.V. uses derivatives as part of its trading activities or to manage its own risk such as interest rate, or credit risk.

The following table shows the notional amounts and fair values of NWM N.V.'s derivatives.

| | 2024 | | | 2023 | | |
|-------------------------|-----------------|---------------|-------------------|-----------------|--------------|-------------------|
| | Notional €bn | Assets €m | Liabilities €m | Notional €bn | Assets €m | Liabilities €m |
| Exchange rate contracts | 432 | 7,886 | 7,865 | 349 | 5,510 | 5,584 |
| Interest rate contracts | 1,230 | 3,974 | 2,638 | 1,139 | 4,379 | 3,223 |
| Credit derivatives | - | - | 7 | 1 | 1 | 7 |
| Total | 1,662 | 11,860 | 10,510 | 1,489 | 9,890 | 8,814 |

Refer to Note 11 to the consolidated financial statements for further details.

8 Debt securities in issue - liabilities

Debt Securities in Issue in both periods represent listed and unlisted instruments. Refer to Note 15 to the consolidated financial statements for further details.

9 Financial instruments – classification

The following tables analyse NWM N.V.'s financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

| | MFVTPL €m | FVOCI €m | Amortised cost €m | Other assets €m | Total €m |
|------------------------------------|---------------|-------------|-------------------------|--------------------|---------------|
| Assets | | | | | |
| Cash and balances at central banks | | | 6,187 | | 6,187 |
| Short term government paper | - | 488 | - | | 488 |
| Loans to banks (1) | 5,842 | - | 224 | | 6,066 |
| Loans to customers (1) | 1,956 | - | 956 | | 2,912 |
| Derivatives | 11,860 | | | | 11,860 |
| Debt securities | - | 102 | 1,515 | | 1,617 |
| Equity securities | - | - | - | | - |
| Investments in subsidiaries | | | | 109 | 109 |
| Property and equipment | | | | 8 | 8 |
| Other assets | | | 877 | 126 | 1,003 |
| 31 December 2024 | 19,658 | 590 | 9,759 | 243 | 30,250 |
| Cash and balances at central banks | | | 5,979 | | 5,979 |
| Short term government paper | - | 248 | - | | 248 |
| Loans to banks (1) | 6,125 | - | 277 | | 6,402 |
| Loans to customers (1) | 1,308 | - | 989 | | 2,297 |
| Derivatives | 9,890 | | | | 9,890 |
| Debt securities | - | 90 | 2,202 | | 2,292 |
| Equity securities | 1 | - | - | | 1 |
| Investments in subsidiaries | | | | 160 | 160 |
| Property and equipment | | | | 8 | 8 |
| Other assets | | | 883 | 86 | 969 |
| 31 December 2023 | 17,324 | 338 | 10,330 | 254 | 28,246 |

For the notes to this table refer to the following page.

9 Financial instruments – classification continued

| | Held-for-trading €m | DFV €m | Amortised cost €m | Other liabilities €m | Total €m |
|--------------------------|------------------------|--------------|----------------------|-------------------------|---------------|
| Liabilities | | | | | |
| Bank deposits (2) | 4,830 | - | 1,607 | | 6,437 |
| Customer deposits (2) | 3,449 | 471 | 3,062 | | 6,982 |
| Derivatives | 10,510 | | | | 10,510 |
| Debt securities in issue | - | 369 | 2,528 | | 2,897 |
| Other liabilities (3) | - | - | 840 | 76 | 916 |
| Provisions | | | 1 | 11 | 12 |
| Subordinated liabilities | | 281 | 172 | | 453 |
| 31 December 2024 | 18,789 | 1,121 | 8,210 | 87 | 28,207 |
| Bank deposits (2) | 4,782 | - | 1,328 | | 6,110 |
| Customer deposits (2) | 2,545 | 281 | 4,592 | | 7,418 |
| Derivatives | 8,814 | | | | 8,814 |
| Debt securities in issue | - | 254 | 2,270 | | 2,524 |
| Other liabilities (3) | 18 | - | 841 | 67 | 926 |
| Provisions | | | 1 | 9 | 10 |
| Subordinated liabilities | | 273 | 170 | | 443 |
| 31 December 2023 | 16,159 | 808 | 9,202 | 76 | 26,245 |

(1) Includes third party reverse repos of €3,727 million (2023 - €2,638 million) in loans to banks, and €761 million (2023 - €131 million) in loans to customers.

(2) Includes third party repos of €3,124 million (2023 - €1,270 million) in bank deposits, and €1,148 million (2023 - €347 million) in customer deposits.

(3) Includes lease liabilities of €8 million (2023 - €8 million).

Financial instruments – financial assets and liabilities that can be offset

The tables below present information on the NWM N.V.'s financial assets and liabilities that are offset in the balance sheet under IFRS or subject to enforceable master netting agreement together with financial collateral received or given.

| | Instruments which can be offset | | | Potential for offset not recognised by IFRS | | | | | |
|---------------------------|---------------------------------|-------------------|------------------------|---|--------------------------|--------------------------------|---|---|------------------------------|
| | Gross €m | IFRS offset €m | Balance sheet €m | Effect of master netting €m | Cash collateral €m | Securities collateral €m | Net amount after effect of netting agreements and related collateral €m | Instruments outside netting agreements €m | Balance sheet total €m |
| 2024 | | | | | | | | | |
| Derivative assets | 20,822 | (9,006) | 11,816 | (7,875) | (2,550) | (886) | 505 | 44 | 11,860 |
| Derivative liabilities | 20,731 | (10,312) | 10,419 | (7,875) | (1,947) | (117) | 480 | 91 | 10,510 |
| Net position (1) | 91 | 1,306 | 1,397 | - | (603) | (769) | 25 | (47) | 1,350 |
| Trading reverse repos (2) | 4,582 | (122) | 4,460 | (217) | - | (4,243) | - | 29 | 4,489 |
| Trading repos (2) | 4,394 | (122) | 4,272 | (217) | - | (4,055) | - | - | 4,272 |
| Net position | 188 | - | 188 | - | - | (188) | - | 29 | 217 |
| 2023 | | | | | | | | | |
| Derivative assets | 20,753 | (10,956) | 9,797 | (5,868) | (3,143) | (456) | 330 | 93 | 9,890 |
| Derivative liabilities | 20,550 | (11,855) | 8,695 | (5,868) | (1,685) | (601) | 541 | 119 | 8,814 |
| Net position (1) | 203 | 899 | 1,102 | - | (1,458) | 145 | (211) | (26) | 1,076 |
| Trading reverse repos (2) | 3,443 | (702) | 2,741 | (479) | - | (2,262) | - | 28 | 2,769 |
| Trading repos (2) | 2,319 | (702) | 1,617 | (479) | - | (1,138) | - | - | 1,617 |
| Net position | 1,124 | - | 1,124 | - | - | (1,124) | - | 28 | 1,152 |

(1) The net IFRS offset balance of €1,306 million (2023 - €899 million) relates to variation margin netting reflected on other balance sheet lines.

(2) Excludes balances with holding company and fellow group subsidiaries.

10 Financial instruments – valuation

For further information relating to the following tables, refer to Note 8 to the consolidated financial statements.

Valuation hierarchy

The following table shows the financial instruments carried at fair value on the balance sheet by valuation hierarchy.

| | 2024 | | | | 2023 | | | |
|--|---------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|
| | Level 1 €m | Level 2 €m | Level 3 €m | Total €m | Level 1 €m | Level 2 €m | Level 3 €m | Total €m |
| Assets | | | | | | | | |
| Short term government paper | 488 | - | - | 488 | 248 | - | - | 248 |
| Loans to banks | - | 5,842 | - | 5,842 | - | 6,125 | - | 6,125 |
| Loans to customers | - | 1,848 | 108 | 1,956 | - | 1,304 | 4 | 1,308 |
| Derivatives | - | 11,799 | 61 | 11,860 | - | 9,851 | 39 | 9,890 |
| Debt securities | - | 102 | - | 102 | 90 | - | - | 90 |
| Equity securities | - | - | - | - | - | - | 1 | 1 |
| Total financial assets held at fair value | 488 | 19,591 | 169 | 20,248 | 338 | 17,280 | 44 | 17,662 |
| Liabilities | | | | | | | | |
| Bank deposits | - | 4,830 | - | 4,830 | - | 4,782 | - | 4,782 |
| Customer deposits | - | 3,920 | - | 3,920 | - | 2,826 | - | 2,826 |
| Derivatives | - | 10,416 | 94 | 10,510 | - | 8,689 | 125 | 8,814 |
| Debt securities in issue | - | 369 | - | 369 | - | 254 | - | 254 |
| Other liabilities | - | - | - | - | - | 18 | - | 18 |
| Subordinated liabilities | - | 281 | - | 281 | - | 273 | - | 273 |
| Total financial liabilities held at fair value | - | 19,816 | 94 | 19,910 | - | 16,842 | 125 | 16,967 |

- (1) Transfers between levels are deemed to have occurred at the beginning of the quarter in which the instruments were transferred. There were no significant transfers between level 1 and level 2.
- (2) The determination of an instrument's level cannot be made at a global product level as a single product type can be in more than one level. For example, a single name corporate credit default swap could be in level 2 or level 3 depending on whether the reference counterparty's obligations are liquid or illiquid.

For further information on the level 3 movements and sensitivities, refer to Note 8 to the consolidated financial statements.

10 Financial instruments - fair value of financial instruments not carried at fair value

The following table shows the carrying value and fair value of financial instruments carried at amortised cost on the balance sheet.

| | Carrying value €m | Fair value €m | Fair value hierarchy level | | Items where fair values approximate carrying value €m |
|---|----------------------|------------------|----------------------------|---------------|---|
| | | | Level 2 €m | Level 3 €m | |
| 2024 | | | | | |
| Financial assets | | | | | |
| Cash and balances at central banks | 6,187 | 6,187 | - | - | 6,187 |
| Loans to banks | 224 | 224 | - | 43 | 181 |
| Loans to customers | 956 | 938 | - | 938 | - |
| Debt securities | 1,515 | 1,514 | 98 | 1,416 | - |
| Other assets - settlement balances | 877 | 877 | - | - | 877 |
| Financial liabilities | | | | | |
| Bank deposits | 1,607 | 1,607 | - | 1,576 | 31 |
| Customer deposits | 3,062 | 3,061 | - | 3,042 | 19 |
| Debt securities in issue | 2,528 | 2,528 | 1,592 | 936 | - |
| Other liabilities - settlement balances | 832 | 832 | - | - | 832 |
| Subordinated liabilities | 172 | 172 | 172 | - | - |
| 2023 | | | | | |
| Financial assets | | | | | |
| Cash and balances at central banks | 5,979 | 5,979 | - | - | 5,979 |
| Loans to banks | 277 | 277 | - | 82 | 195 |
| Loans to customers | 989 | 989 | - | 989 | - |
| Debt securities | 2,202 | 2,194 | 196 | 1,998 | - |
| Other assets - settlement balances | 883 | 883 | - | - | 883 |
| Financial liabilities | | | | | |
| Bank deposits | 1,328 | 1,329 | - | 1,295 | 34 |
| Customer deposits | 4,592 | 4,591 | - | 4,562 | 29 |
| Debt securities in issue | 2,270 | 2,269 | 1,509 | 760 | - |
| Other liabilities - settlement balances | 832 | 832 | - | - | 832 |
| Subordinated liabilities | 170 | 175 | 175 | - | - |

11 Financial instruments - maturity analysis

Remaining maturity

The following table shows the NWM N.V.'s residual maturity of financial instruments, based on contractual date of maturity.

| | 2024 | | | | | | | | |
|------------------------------------|------------------------|------------|------------|------------|----------------|-----------|-----------|-----------------|--------------------------|
| | Repayable on demand | 0-1 months | 1-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Maturity not relevant |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| Assets | | | | | | | | | |
| Cash and balances at central banks | 6,187 | - | - | - | - | - | - | - | - |
| Short term government paper | - | 200 | 189 | 99 | - | - | - | - | - |
| Loans to banks | 1,291 | 2,305 | 993 | 1,475 | - | - | - | 2 | - |
| Loans to customers | 1,078 | 792 | 21 | 180 | 271 | 104 | 378 | 88 | - |
| Derivatives | - | 1,655 | 2,026 | 1,330 | 1,063 | 643 | 888 | 4,255 | - |
| Debt securities | - | 77 | 8 | 11 | 20 | 41 | 68 | 1,392 | - |
| Equity securities | - | - | - | - | - | - | - | - | - |
| Other assets (1) | - | 877 | - | - | - | - | - | - | - |
| Liabilities | | | | | | | | | |
| Bank deposits | 673 | 2,084 | 1,986 | 598 | 501 | 475 | 120 | - | - |
| Customer deposits | 2,302 | 2,753 | 712 | 683 | 45 | 21 | 365 | 101 | - |
| Derivatives | - | 1,608 | 2,047 | 1,375 | 1,058 | 742 | 802 | 2,878 | - |
| Debt securities in issue | - | 692 | 218 | 738 | 294 | 691 | - | 264 | - |
| Other liabilities (2) | - | 833 | - | 1 | 1 | 2 | 4 | - | - |
| Subordinated liabilities | - | - | - | - | - | 150 | - | 303 | - |

| | 2023 | | | | | | | | |
|-------------------------------------|------------------------|------------|------------|------------|-------------|-----------|-----------|-----------------|--------------------------|
| | Repayable on demand | 0-1 months | 1-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Maturity not relevant |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| Assets | | | | | | | | | |
| Cash and balances at central banks | 5,979 | - | - | - | - | - | - | - | - |
| Short term government paper | - | 50 | 99 | 99 | - | - | - | - | - |
| Loans to banks - amortised cost | 1,159 | 3,575 | 1,666 | - | - | - | - | 2 | - |
| Loans to customers - amortised cost | 1,165 | 173 | 27 | 52 | 240 | 200 | 286 | 154 | - |
| Derivatives | - | 1,335 | 1,233 | 448 | 833 | 529 | 918 | 4,594 | - |
| Debt securities | - | 203 | - | - | 109 | 28 | 16 | 1,936 | - |
| Equity securities | - | - | - | - | - | - | - | - | 1 |
| Other assets (1) | - | 883 | - | - | - | - | - | - | - |
| Liabilities | | | | | | | | | |
| Bank deposits | 1,528 | 3,766 | 137 | 154 | 424 | 101 | - | - | - |
| Customer deposits | 2,229 | 3,803 | 497 | 520 | 81 | - | 279 | 9 | - |
| Derivatives | - | 1,408 | 1,223 | 548 | 894 | 571 | 1,116 | 3,054 | - |
| Debt securities in issue | - | 279 | 263 | 549 | 1,153 | 75 | 88 | 117 | - |
| Other liabilities (2) | - | 832 | - | - | 1 | 3 | 23 | - | - |
| Subordinated liabilities | - | - | - | - | 150 | - | - | 293 | - |

(1) Includes settlement balances of €877 million (2023 - €883 million).

(2) Includes settlement balances of €832 million (2023 - €832 million), short positions of €0 million (2023 - €18 million) and lease liabilities of €9 million (2023 - €9 million).

11 Financial instruments - maturity analysis continued

Assets and liabilities by contractual cash flow maturity

The tables below show the contractual undiscounted cash flows receivable and payable, up to a period of 20 years, including future receipts and payments of interest of financial assets and liabilities by contractual maturity. The balances in the following tables do not agree directly with the consolidated balance sheet, as the tables include all cash flows relating to principal and future coupon payments, presented on an undiscounted basis. The tables have been prepared on the following basis.

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by NWM N.V. Financial liabilities are included at the earliest date on which the counterparty can require repayment, regardless of whether or not such early repayment results in a penalty. If repayment is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the time band that contains the latest date on which it can be repaid, regardless of early repayment. The liability is included in the time band that contains the earliest possible date on which the conditions could be fulfilled, without considering the probability of the conditions being met. For example, if a structured note is automatically prepaid when an equity index exceeds a certain level, the cash outflow will be included in the less than three months' period whatever the level of the index at the year end.

The settlement date of debt securities in issue, issued by certain securitisation vehicles consolidated by NWM N.V. depends on when cash flows are received from the securitised assets. Where these assets are prepayable, the timing of the cash outflow relating to securities assumes that each asset will be prepaid at the earliest possible date. As the repayments of assets and liabilities are linked, the repayment of assets in securitisations is shown on the earliest date that the asset can be prepaid, as this is the basis used for liabilities.

The principal amounts of financial liabilities that are repayable after 20 years or where the counterparty has no right to repayment of the principal are excluded from tables along with interest payments after 20 years.

The maturity of guarantees and commitments is based on the earliest possible date they would be drawn in order to evaluate NWM N.V.'s liquidity position.

MFVTPL assets of €19.7 billion (2023 - €17.3 billion) and HFT liabilities of €18.8 billion (2023- €16.2 billion) have been excluded from the following tables.

| | 0-3 months €m | 3-12 months €m | 1-3 years €m | 3-5 years €m | 5-10 years €m | 10-20 years €m |
|---|------------------|----------------------|-----------------|-----------------|------------------|-------------------|
| 2024 | | | | | | |
| Assets by contractual maturity | | | | | | |
| Cash and balances at central banks | 6,187 | - | - | - | - | - |
| Short term government papers | 389 | 99 | - | - | - | - |
| Loans to banks | 224 | - | - | - | - | - |
| Loans to customers | 61 | 477 | 216 | 215 | 72 | - |
| Debt securities | 11 | 34 | 66 | 59 | 290 | 452 |
| Other assets | 877 | - | - | - | - | - |
| | 7,749 | 610 | 282 | 274 | 362 | 452 |
| 2024 | | | | | | |
| Liabilities by contractual maturity | | | | | | |
| Bank deposits | 515 | 647 | 404 | 45 | - | - |
| Customer deposits | 2,325 | 735 | 130 | 301 | 9 | 110 |
| Debt securities in issue | 881 | 1,073 | 691 | - | 104 | 150 |
| Other liabilities | 834 | 2 | 4 | 2 | - | - |
| Subordinated liabilities | 2 | 6 | 152 | - | - | 281 |
| | 4,557 | 2,463 | 1,381 | 348 | 113 | 541 |
| Guarantees and commitments notional amount (1) | | | | | | |
| Guarantees (2) | 511 | - | - | - | - | - |
| Commitments (3) | 6,892 | - | - | - | - | - |
| | 7,403 | - | - | - | - | - |

For notes to this table refer to the following page.

11 Financial instruments - maturity analysis continued

| 2023 | 0-3 months €m | 3-12 months €m | 1-3 years €m | 3-5 years €m | 5-10 years €m | 10-20 years €m |
|---|------------------|----------------------|-----------------|-----------------|------------------|-------------------|
| Assets by contractual maturity | | | | | | |
| Cash and balances at central banks | 5,979 | - | - | - | - | - |
| Short term government papers | 149 | 99 | - | - | - | - |
| Loans to banks | 277 | - | - | - | - | - |
| Loans to customers | 83 | 332 | 477 | 201 | 24 | - |
| Debt securities | 3 | 118 | 165 | 11 | 323 | 979 |
| Other assets | 883 | - | - | - | - | - |
| | 7,374 | 549 | 642 | 212 | 347 | 979 |
| Liabilities by contractual maturity | | | | | | |
| Bank deposits | 931 | 301 | 101 | - | - | - |
| Customer deposits | 3,969 | 618 | 15 | 308 | - | 36 |
| Debt securities in issue | 542 | 1,702 | 163 | - | 10 | 107 |
| Other liabilities | 833 | 1 | 4 | 3 | - | - |
| Subordinated liabilities | - | 150 | - | - | - | 273 |
| | 6,275 | 2,772 | 283 | 311 | 10 | 416 |
| Guarantees and commitments notional amount (1) | | | | | | |
| Guarantees (2) | 527 | - | - | - | - | - |
| Commitments (3) | 6,900 | - | - | - | - | - |
| | 7,427 | - | - | - | - | - |

(1) Refer to Note 16 Contingent liabilities and commitments.

(2) The NWM N.V. is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. The NWM N.V. expects most guarantees it provides to expire unused. For further information, refer to Note 22 to the consolidated financial statements.

(3) The NWM N.V. has given commitments to provide funds to customers under undrawn formal facilities, credit lines and other commitments to lend subject to certain conditions being met by the counterparty. The NWM N.V. does not expect all facilities to be drawn, and some may lapse before drawdown.

12 Loan impairment provisions

| | Loans - amortised cost & FVOCI | | | | Off-balance sheet | | ECL provisions | | | |
|-----------------------------|--------------------------------|------------|-----------|--------------|-------------------|-------------------|----------------|----------|----------|----------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Loan | Contingent | Stage 1 | Stage 2 | Stage 3 | Total |
| | €m | €m | €m | €m | commitments €m | liabilities €m | €m | €m | €m | €m |
| 2024 | | | | | | | | | | |
| Non-personal | 955 | 118 | 34 | 1,107 | 6,958 | 512 | 5 | 2 | 1 | 8 |
| Financial institutions | 571 | 53 | - | 624 | 609 | 512 | 2 | - | - | 2 |
| Corporate and other | 384 | 65 | 34 | 483 | 6,349 | - | 3 | 2 | 1 | 6 |
| Of which: | | | | | | | | | | |
| Renewables & Utilities | 98 | - | - | 98 | 3,117 | - | - | - | - | - |
| Mobility & Logistics | 66 | 32 | - | 98 | 1,553 | - | - | - | - | - |
| Telecom, Media & Technology | 71 | 27 | - | 98 | 548 | - | 1 | 1 | - | 2 |
| Total | 955 | 118 | 34 | 1,107 | 6,958 | 512 | 5 | 2 | 1 | 8 |
| 2023 | | | | | | | | | | |
| Non-personal | 1,020 | 140 | - | 1,160 | 7,005 | 527 | 7 | 2 | - | 9 |
| Financial institutions | 562 | 2 | - | 564 | 812 | 527 | 3 | - | - | 3 |
| Corporate and other | 458 | 138 | - | 596 | 6,193 | - | 4 | 2 | - | 6 |
| Of which: | | | | | | | | | | |
| Renewables & Utilities | 134 | 16 | - | 150 | 3,066 | - | - | - | - | - |
| Mobility & Logistics | 65 | 5 | - | 70 | 1,028 | - | - | - | - | - |
| Telecom, Media & Technology | 76 | 19 | - | 95 | 538 | - | 1 | 1 | - | 2 |
| Total | 1,020 | 140 | - | 1,160 | 7,005 | 527 | 7 | 2 | - | 9 |

Credit risk impairments - refer to Note 12 to the consolidated financial statements and the Risk and capital management - Credit risk section for further details.

Non-traded market risk - refer to the Risk and capital management - Non-traded market risk section for details on structural foreign exchange exposure.

13 Investments in subsidiaries

The parent company's subsidiary undertakings, participating interests and branches at 31 December 2024 are shown below:

| Group interest 100% | Notes | Group interest <100% | Notes |
|----------------------------------|---------------|----------------------|-----------------|
| Alcover A.G. | <i>i, (1)</i> | Eris Finance S.R.L. | <i>ii, (5)</i> |
| Alternative Investment Fund B.V. | <i>i, (2)</i> | Maja Finance S.R.L. | <i>iii, (5)</i> |
| KEB Investors, L.P. | <i>i, (3)</i> | | |
| RBS Investments (Ireland) Ltd | <i>i, (4)</i> | | |
| RBS Nominees (Ireland) Ltd | <i>i, (4)</i> | | |
| Branches geographic location | | | |
| France, Germany, Italy, Sweden | | | |

Key:

- i* Group interest of 100%
- ii* Group interest of 45%
- iii* Group interest of 97.87%

| Registered addresses | Country of incorporation |
|---|--------------------------|
| (1) Tirolerweg 8, Zug, CH-6300 | Switzerland |
| (2) Claude Debussylaan 94, 1082 MD, Amsterdam | The Netherlands |
| (3) Clarendon House, Two Church Street, Suite 104, Reid Street, Hamilton, HM 11 | Bermuda |
| (4) Ulster Bank Head Office, Bock B Central Park, Leopardstown, Dublin 18, D18 N153 | Republic of Ireland |
| (5) Via Vittorio Alfieri 1, Conegliano TV, IT-TN 31015 | Italy |

All subsidiaries and participating interests operate principally in their country of incorporation. The list of participating interests for which statements of liability have been issued, has been filed with the Chamber of Commerce in Amsterdam. Some of NWM N.V.'s subsidiaries and participating investments are regulated entities and therefore their ability to transfer funds to NWM N.V. is subject to regulatory approvals.

Changes in investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. Movements during the year were as follows:

| | 2024 €m | 2023 €m |
|---|------------|------------|
| At 1 January | 160 | 419 |
| Income from subsidiaries | (4) | (2) |
| Capital repatriation/dividends received (1) | (49) | (261) |
| Other changes | 2 | 4 |
| At 31 December | 109 | 160 |

(1) 2024 includes a dividend of €30 million from Alcover A.G. (2023 - €260 million), a share capital repayment from RBS Hollandsche B.V. of €18 million (2023 - nil) and a liquidation distribution from RBS Hollandsche B.V. of €1 million (2023 - nil).

14 Other assets

| | 2024 €m | 2023 €m |
|---------------------|--------------|------------|
| Settlement balances | 877 | 883 |
| Prepaid expenses | 1 | 1 |
| Accrued income | 3 | 4 |
| Deferred tax | 103 | 63 |
| Other | 19 | 18 |
| | 1,003 | 969 |

15 Property and equipment

| | 2024 | | |
|--|--------------------|-----------------------------|-------------|
| | Right-of-use €m | Computer equipment €m | Total €m |
| Cost or valuation | | | |
| At 1 January 2024 | 15 | 5 | 20 |
| Additions | 3 | - | 3 |
| At 31 December 2024 | 18 | 5 | 23 |
| Accumulated impairment, depreciation and amortisation | | | |
| At 1 January 2024 | 8 | 4 | 12 |
| Charge for the year | 3 | - | 3 |
| At 31 December 2024 | 11 | 4 | 15 |
| Net book value at 31 December | 7 | 1 | 8 |
| Cost or valuation | | | |
| At 1 January 2023 | 12 | 5 | 17 |
| Additions | 3 | - | 3 |
| At 31 December 2023 | 15 | 5 | 20 |
| Accumulated impairment, depreciation and amortisation | | | |
| At 1 January 2023 | 6 | 4 | 10 |
| Disposals | - | - | - |
| Charge for the year | 2 | - | 2 |
| At 31 December 2023 | 8 | 4 | 12 |
| Net book value at 31 December | 7 | 1 | 8 |

16 Contingent liabilities and commitments and contractual obligations for future expenditure not provided in the accounts

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2024. Although the NWM N.V. is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of the NWM N.V.'s expectation of future losses. In relation to contingent liabilities and commitments and contractual obligations for future expenditure, refer to Note 22 to the consolidated financial statements for further details.

| | 2024 €m | 2023 €m |
|--|--------------|--------------|
| Contingent liabilities and commitments | | |
| Guarantees and assets pledged as collateral security | 511 | 527 |
| Standby facilities, credit lines and other commitments | 6,959 | 7,000 |
| Total | 7,470 | 7,527 |

(1) Updated to reflect the regulatory treatment of revocable commitments.

17 Subordinated liabilities

Refer to Note 16 to the consolidated financial statements for further details.

18 Other liabilities and provisions

| | 2024 | 2023 |
|-------------------------------|------------|------------|
| | €m | €m |
| Other liabilities | | |
| Short positions in securities | - | 18 |
| Settlement balances | 832 | 832 |
| Accruals | 24 | 23 |
| Deferred Income | 10 | 10 |
| Other liabilities | 50 | 43 |
| Total | 916 | 926 |

| | 2024 | 2023 |
|---|-----------|-----------|
| | €m | €m |
| Provisions for liabilities and charges | | |
| Taxation | 7 | 4 |
| Other | 5 | 6 |
| | 12 | 10 |

Arising out of its normal business operations, the NWM N.V. is party to legal proceedings in the Netherlands, United Kingdom, the United States of America and other jurisdictions. Litigation provisions at 31 December 2024 related to numerous proceedings; no individual provision is material. Detailed descriptions of the NWM N.V.'s legal proceedings and discussion of the associated uncertainties are given in Note 22 to the consolidated financial statements.

19 Asset transfers

Refer to Note 20 to the consolidated financial statements for further details.

20 Equity

Share capital

NWM N.V.'s share capital at 31 December 2024 consisted of 11,112 issued and fully paid ordinary shares of €4.50 each. Its authorised share capital amounts to €225,000. It comprises 41,500 ordinary shares, each with a nominal value of €4.50 and 8,500 preference shares, each with a nominal value of €4.50. All issued ordinary shares have been fully paid. There have been no changes in share capital compared to 2023. Each ordinary share entitles the holder to cast one vote. Subject to certain exceptions provided for by law or in the Articles of Association, resolutions are passed by an absolute majority of the votes cast. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares, except in the case of an issue of shares for a consideration other than in cash. In the event of the dissolution and liquidation of NWM N.V., the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

Share premium account

The share premium account amounts to €1,550 million (2023 - €1,550 million). In 2023, after obtaining regulatory permission, NWM N.V. executed a capital restructuring, converting €150 million of share premium to other reserves.

Revaluation reserves

Revaluation reserves includes cash flow hedge reserve of €31 million (2023 - €28 million) and equity securities at fair value through other comprehensive income reserve of nil (2023 - €2 million debit).

Legal reserves

Legal reserves includes non-distributable profit participations of €44 million (2023 - €87 million), non-distributable reserve shares of €10 million (2023 - €10 million) and foreign exchange reserve of €6 million (2023 - €6 million).

Paid-in equity

Additional Tier 1 instruments issued by NWM N.V. having the legal form of debt are classified as equity under IFRS. The coupons on these instruments are non-cumulative and payable at NWM N.V.'s discretion. In September 2024 NWM N.V. issued capital securities of €250 million which qualify as Additional Tier 1 capital as described in CRD IV and CRR. This new issuance replaced the capital securities of €250 million that were originally issued in June 2019, and which were called at the same time as the new securities were issued. These new securities are perpetual. They can be called on after five years and have a coupon of 3-month Euribor plus 4.05%, payable on a quarterly basis.

Ordinary dividends

NWM N.V. paid ordinary dividends in March 2024 and in October 2024 of €3,779.70 per share and €2,699.78 per share respectively. In 2023, NWM N.V. paid ordinary dividends of €35,277.18 per share.

Capital

Capital requirements were met during 2024. Refer to the Risk and capital management section on pages 18 to 53.

21 Profit appropriation

Profit is appropriated in accordance with article 37 of the Articles of Association. The main stipulations with respect to shares currently in issue are as follows:

The Managing Board may decide to make appropriations to reserves, subject to the approval of the Supervisory Board (article 37.2.a.). The allocation of the amount remaining after these appropriations shall be determined by the General Meeting of Shareholders. The Managing Board, subject to the approval of the Supervisory Board, shall make a proposal to that effect. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders (article 37.2.a.).

NWM N.V.'s policy on reserves and dividends shall be determined and can be amended by the Supervisory Board, upon the proposal of the Managing Board. The adoption of and each subsequent amendment to the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item (article 37.2.b.).

Subject to approval of the Supervisory Board, the Managing Board may make the dividend or interim dividend on the shares payable, at the discretion of the holders, either in cash or, provided it is authorised to issue shares, partly or wholly in shares in the Company's capital or in a combination thereof, such combination to be determined by the Managing Board (article 37.3.).

Subject to the approval of the Supervisory Board, the Managing Board shall be authorised, in so far as such is permitted by the profit as evidenced by an interim balance sheet drawn up with due observance of the provisions of Section 105, Subsection 4 of Book 2 of the Netherlands Civil Code, to make payable an interim dividend on the shares once or more frequently in the course of any financial year and prior to the approval of the Annual Accounts by the General Meeting of Shareholders (article 37.4.).

Subject to the approval of the Supervisory Board, the Managing Board may decide on a distribution charged against reserves in cash or, if the Board is authorised to issue shares, in the form of shares (article 37.5.).

Proposed profit appropriation

Appropriation of unappropriated profit pursuant to articles 37.2 and 37.3 of the Articles of Association:

| | 2024 €m | 2023 €m |
|-------------------------------------|------------|------------|
| Addition to reserves | 105 | 10 |
| Available for dividend distribution | - | 42 |
| | 105 | 52 |

22 Incorporation and registration

NWM N.V. is a public limited liability company, incorporated under Dutch law on 30 May 1990, and registered at Claude Debussylaan 94, 1082 MD Amsterdam, Netherlands and is entered in the Trade Register of the Amsterdam Chamber of Commerce under no. 33002587.

23 Remuneration of the Managing Board and Supervisory Board

Refer to Note 26 to the consolidated financial statements for further details.

24 Related parties

Refer to Note 27 to the consolidated financial statements for further details.

25 Post balance sheet events

On 30 January 2025, NWM N.V. received a CHF30 million share capital repayment from its subsidiary Alcover A.G. There has been no adjustment to the 31 December 2024 statutory financial statements.

Other than as disclosed in the accounts, there have been no significant events between 31 December 2024 and the date of approval of these accounts which would require a change to or additional disclosure.

The publication of these accounts was approved by the Supervisory Board on 20 February 2025. The financial statements will be presented for adoption at the forthcoming General Meeting. With regard to the adoption of the financial statements of NWM N.V., the Articles of Association state: 'The resolution to adopt the financial statements will be passed by an absolute majority of votes validly cast by the General Members' Council.'

Amsterdam, 20 February 2025

Supervisory Board

Frank Dangeard
Maarten Klessens
Annelies van der Pauw
Robert Begbie

Managing Board

Vincent Goedegebuure
Cornelis Visscher
Britta Achmann
Mickey van Wieringen

Other information

Articles of Association

The description set out below is a summary of the material information relating to the Company's share capital, including summaries of certain provisions of the Articles of Association and applicable Dutch law in effect at the relevant date. The Articles of Association of NWM N.V. were last amended by a notarial deed executed by Mr B.J. Kuck, civil law notary in Amsterdam on 30 April 2018, under register entry number 33002587.

As stated in the Articles of Association the object of the Company is:

- The participation in, collaboration with and financing, administration and management of other enterprises and companies and the performance of all acts, activities and services which are related or may be conducive thereto.
- The engagement in banking and stockbroking activities, the management of third-party assets, acting as trustee, administrator, executor of wills and executive director, non-executive director or liquidator of companies or other organisations, the provision of insurances and the performance of all other acts and activities which are related or may be conducive thereto, all in the broadest possible sense.
- The fostering of the direct and indirect interests of all those who are involved in any way in the Company and the safeguarding of the continuity of the Company and its affiliated enterprise(s).

Shares and voting rights

The company's share capital at 31 December 2024 consisted of 11,112 issued and fully paid ordinary shares of €4.50 each. The Company's authorised share capital amounts to €225,000. It comprises 41,500 ordinary shares, each with a nominal value of €4.50 and 8,500 preference shares, each with a nominal value of €4.50.

When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares, except in the case of an issue of shares for a consideration other than in cash or an issue of shares to employees of the company or of a group company (art.9).

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts will be distributed to the shareholders of ordinary shares on a pro-rata basis (art 39.3).

Relations with shareholders

Rights of shareholders

Any resolution to amend the Articles of Association or dissolve NWM N.V. may only be passed by the General Meeting of Shareholders following a proposal by the Managing Board which has been approved by the Supervisory Board. A copy of the proposal containing the literal text of the proposed amendments shall be made available for inspection by the holders of shares of NWM N.V. at the offices of NWM N.V. and at the offices stated in the convocation to the meeting, from the day of convocation to the end of the Meeting. Each Shareholder may obtain a full copy of the proposal free of charge.

Meetings of shareholders and convocation

General meetings of shareholders shall be held in Amsterdam, or in The Hague, Rotterdam, Utrecht or Haarlemmermeer (Schiphol). Annual General Meeting of Shareholders must be held within six months of the end of each financial year. In addition, General meetings of shareholders shall be held as frequently as deemed necessary by the Managing Board or the Supervisory Board and when required by law or by the Articles of Association. General meetings of shareholders shall be convened by the Managing Board or the Supervisory Board, without prejudice to the provisions of Sections 110, 111 and 112 of Book 2 of the Netherlands Civil Code. Convocation shall take place not later than on the fifteenth day prior to the day of the meeting. Convocation shall state the items to be discussed or alternatively notice shall be given that such items may be inspected at the company's offices.

Proposals to amend the Articles of Association or proposals relating to a reduction of the company's capital shall always be included in the actual convocation.

Code of conduct

The code of conduct applies to everyone who works for the NWM N.V. Group.

It promotes honest and ethical conduct, including the handling of actual or apparent conflicts of interest between personal and professional relationships. The NWM N.V. Group recognises that personal conduct, business integrity and the NWM N.V. Group's security are crucial, and the code of conduct serves to inform those who work for us of the NWM N.V. Group's expectations of their behaviour and practices.

The code of conduct is available on the NatWest Group's website, natwestgroup.com, and will be provided to any person without charge, upon request, by contacting Company Secretariat on the telephone number listed below.

Important addresses

Corporate Governance

Claude Debussylaan 94
1082 MD Amsterdam
The Netherlands
Telephone: + 31 20 464 26 99
Email:
nvcorporategovernancesecretariat@natwestmarkets.com

Investor Relations

250 Bishopsgate
London EC2M 4AA
Telephone: +44 (0)207 672 1758
Email: investor.relations@natwest.com

Registered office

Claude Debussylaan 94
1082 MD Amsterdam
The Netherlands

Website

<https://www.natwestmarkets.com/natwest-markets/about-us/board-and-governance/natwest-markets-n-v-.html>

Independent auditors' report

To: the shareholder and Supervisory Board of NatWest Markets N.V.

Report on the audit of the financial statements 2024 included in the Annual Report and Accounts

Our opinion

We have audited the accompanying financial statements for the financial year ended 2024 of NatWest Markets N.V. (NWM N.V., the Company or the group) based in Amsterdam, the Netherlands. The financial statements comprise the consolidated financial statements and the parent company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of NWM N.V. as at 31 December 2024 and of its result and its cash flows for 2024 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code
- The parent company financial statements give a true and fair view of the financial position of NWM N.V. as at 31 December 2024 and of its result for 2024 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2024
- The following statements for the year ended 31 December 2024: the consolidated income statement, the consolidated statements of comprehensive income and changes in equity and the consolidated cash flow statement
- The notes comprising material accounting policy information and other explanatory information

The parent company financial statements comprise:

- The company balance sheet as at 31 December 2024
- The company income statement for the year ended 31 December 2024
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of NWM N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics for professional accountants).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

NWM N.V. is a licensed bank which operates as an investment banking firm serving corporates and financial institutions in the European Economic Area ("EEA"). The group consist of multiple branches and entities and is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

| | |
|-------------------|---|
| Materiality | €20 million (2023: €20 million) |
| Benchmark applied | 1% of total equity as at 31 December 2024 (2023: 1%) |
| Explanation | Based on our professional judgement, a benchmark of 1% of total equity is an appropriate quantitative indicator of materiality and it reflects the focus of users of the financial statements on the financial position of the Company. Equity is the basis for determining regulatory capital and dividend payment capacity. |

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NWM N.V. is at the head of a group of entities and is structured in components. The financial information of this group is included in the financial statements. The banking activities of NWM N.V. are structured in geographical segments: the Netherlands and the rest of the world. Further, NWM N.V. has one insurance subsidiary in Switzerland that is in run-off.

We are responsible for planning and performing the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements. We are also responsible for the direction, supervision, review and evaluation of the audit work performed for purposes of the group audit. We bear the full responsibility for the auditor's report.

Based on our understanding of the group and its environment, the applicable financial framework and the group's system of internal control, we identified and assessed risks of material misstatement of the financial statements and the significant accounts and disclosures. Based on this risk assessment, we determined the nature, timing and extent of audit work performed, including the group components at which to perform audit work. For this determination we considered the nature of the relevant events and conditions underlying the identified risks of material misstatements for the financial statements, the association of these risks to components and the materiality or financial size of the components relative to the group. We communicated the audit work to be performed and identified risks through instructions for component auditors as well as requesting component auditors to communicate matters related to the financial information of the component that is relevant to identifying and assessing risks.

We have performed the audit procedures centrally for the banking activities in the geographical segments mentioned above. We have involved EY component auditors to perform audit work for central operations focused on for example commercial lending, credit, treasury, and financial control and reporting functions. The EY component teams of the central operations performed audit procedures under our coordination and supervision.

This resulted in a coverage of 100% of the operating profit before tax, 100% of total equity, 96.7% of total income and 99.6% of total assets. The percentages of coverage are presented net of positive and negative contributions. We also selected the component in Switzerland to perform specified procedures on material financial asset balances with no significant risk of material misstatement identified. For other components, we performed analytical procedures to corroborate that our risk assessment and scoping remained appropriate throughout the audit.

We performed site visits to meet with EY component teams of the central operations in the United Kingdom, observe the component operations, discuss the group risk assessment and the risks of material misstatements. We reviewed and evaluated the adequacy of the deliverables from all component teams and reviewed key working papers to address the risks of material misstatement. We held planning meetings, key meetings required based on circumstances and closing meetings with all component teams. During these meetings and calls, amongst others, the planning, procedures performed based on risk assessments, findings and observations were discussed and any further work deemed necessary by the primary or component team was then performed.

By performing the audit work mentioned above at components of the group, together with additional work at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the banking industry. We included specialists in the areas of IT audit, forensics, sustainability, treasury, income tax and transfer pricing and have made use of our own specialists in the areas of financial instrument valuation and modelling, macro-economic forecasting and expected credit losses.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda and lead to significant change for many businesses and society. The Managing Board reported in the "Climate-related disclosures" section of the annual report and accounts how NWM N.V. is addressing climate-related and environmental risks also taking into account related regulatory and supervisory guidance and recommendations.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition are taken into account in estimates and significant assumptions especially in the area of "Valuation of financial instruments with higher risk characteristics", "Valuation of deferred tax assets" and "Expected credit losses" as disclosed in Note "Accounting Policies - Basis of preparation - How Climate risk affects our accounting judgments and estimates", as well as in the design of relevant internal control measures. Furthermore, we read the other information included in the annual report and accounts and considered whether there is any material inconsistency between non-financial information in section "Climate-related disclosures" and "Climate and nature risk" of the annual report and the financial statements.

Based on the audit procedures performed, we have included the impact of climate change on the financial statements in the key audit matter "Valuation of financial instruments with higher risk characteristics including related income from trading activities".

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of NMW N.V. and its environment and the components of the system of internal control, including the risk assessment process and the Managing Board's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We refer to section "Risk factors" of the annual report and accounts 2024 for the Managing Board's (fraud) risk assessment

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption, in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all organizations. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note "Accounting Policies – Critical accounting policies" to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

As described in our key audit matter "Valuation of financial instruments with higher risk characteristics, including related income from trading activities", we considered the risks of management bias that may represent a risk of material misstatement due to fraud and the presumed risk of fraud in revenue recognition in connection with valuation of financial instruments with higher risk characteristics which requires significant judgement. Further, we considered the risk of management bias that may represent a risk of material misstatement due to fraud in connection with the recognition of deferred tax assets as described in our key audit matter "Transfer pricing arrangements and recognition of deferred tax assets".

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, compliance, human resources and business heads and the Supervisory Board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Managing Board specifically about the procedures management performs to be compliant with the banking regulations, inspection of the systematic integrity risk analysis (SIRA), reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. With regard to the identified shortcomings in the area of financial crime in prior years, we assessed whether NWM N.V. has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether NWM N.V. implemented remediation plans as discussed in 'Financial crime risk' in section "Risk and Capital Management". Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in Note "Basis of preparation" to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the Managing Board made a specific assessment of NWM N.V.'s ability to continue as a going concern and to continue its operations for the foreseeable future. We discussed and evaluated the specific assessment with the Managing Board exercising professional judgment and maintaining professional skepticism.

We considered whether the Managing Board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, also focusing on whether the Company will continue to meet the regulatory capital and liquidity requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our 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. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter "Expected Credit Losses" which was included in our last year's auditor's report, is not considered a key audit matter this year due to our reassessment of related risks of material misstatements in the financial statements.

| Risk | Our audit approach |
|---|---|
| Transfer pricing arrangements and recognition of deferred tax assets | |
| <p>NWM Group plc, which includes NWM N.V. and its branches, applies a transfer pricing framework, including a set of profit allocation models for its activities based on cost plus, return on equity and revenue split. The transfer pricing arrangements related to intergroup transactions and services require the application of judgment and require compliance with complex local tax regulations. NWM N.V. received transfer pricing revenues of €153 million in 2024 (2023: €128 million). Given the judgment applied in the selection of the transfer pricing models and assumptions used, we identified a risk of material misstatement relating to transfer pricing revenues.</p> <p>Further, NWM N.V. has significant taxable losses and tax credits of approximately €3 billion. Based on its strategic plans, NWM N.V. expects to generate taxable income for future periods and consistent with the prior year, management reassessed the recognized deferred tax asset using the forecasted future taxable income for a five-year period from 2025-2029. Based on this assessment, management recognized deferred tax assets of €100 million as at 31 December 2024 (2023: €63 million). Given the high level of estimation uncertainty involved over the assumptions and judgments used for forecasting future taxable income, including the allocation of transfer pricing income among NWM N.V. branches, we identified a risk of material misstatement. We also identified the risks of management override of controls with regard to the recognition of deferred tax assets.</p> <p>Reference is made to the 'Accounting Policies' to the consolidated financial statements, Note 2 'Non-interest income', Note 6 'Tax' and Note 27 'Related parties'.</p> | <p>We have obtained an understanding of entity's system of internal control, including control activities, evaluated the design and implementation of internal controls across the processes relevant to transfer pricing arrangements and recognition of deferred tax assets. This included, amongst other, controls governing budget processes, transfer pricing model inputs, post model adjustments, posting of journal entries and disclosures.</p> <p>With the support of our internal transfer pricing and income tax specialists, we have assessed the completeness, measurement and accuracy of transfer pricing income and related documentation. In order to understand and evaluate management's judgements, we have considered the status of current tax authority enquiries and correspondences, current estimates and developments in the tax environment and challenged management's key assumptions.</p> <p>We have evaluated whether NWM N.V. has appropriately applied the requirements of the IAS 1 'Presentation of Financial Statements', IAS 12 'Income Taxes' and IFRIC 23 'Uncertain Tax Positions' and whether the methods for making estimates are appropriate and were applied consistently in connection with the recognition of deferred tax assets and transfer pricing income.</p> <p>We have tested how management has assessed the recognition of deferred tax assets and the data on which these were measured. We have evaluated the appropriateness of the methods and the reasonableness of assumptions used, mainly being the approved forecast of taxable income for future periods including transfer pricing income and the assessment of the future strategic plans. We obtained an understanding of back testing procedures performed by NWM N.V. and tested the outcome of these procedures to evaluate the reliability of the forecast of the taxable income. Furthermore, we have evaluated the outcome of alternative scenarios and sensitivity analyses to assess whether the deferred tax asset recognized is within a reasonable range.</p> <p>Finally, we have evaluated the completeness and accuracy of the disclosures relating to the deferred tax assets and transfer pricing arrangements in compliance with EU-IFRSs. This includes evaluation of particularly whether disclosures adequately convey the degree of estimation uncertainty.</p> |
| Key observations | |
| <p>We are satisfied that the models and assumptions used by management to determine transfer pricing income and recognize deferred tax assets are reasonable. The related disclosures in the financial statements are considered adequate and appropriate in accordance with EU-IFRSs.</p> | |

| Risk | Our audit approach |
|--|---|
| Valuation of financial instruments with higher risk characteristics including related income from trading activities | |
| <p>As reported in Note 8 'Financial instruments – valuation' to the financial statements, as at 31 December 2024 the Company held financial instruments with higher risk characteristics. This included (but is not limited to) reported level 3 assets of €169 million (2023: €45 million) and level 3 liabilities of €94 million (2023: €125 million) whose value is dependent upon unobservable inputs.</p> <p>The valuation of those financial instruments with higher risk characteristics can include both significant judgement and the risk of inappropriate recognition of income from trading activities through incorrect pricing as outlined below. The fair value of these instruments can involve complex valuation models and significant fair value adjustments, both of which may be reliant on data inputs where there is limited market observability.</p> <p>Areas which required management estimates and significant judgement include:</p> <ul style="list-style-type: none"> – Complex models – Complex model dependent valuations of financial instruments, which include interest rate swaps linked to pre-payment behaviour and interest rate options with exotic features; – Inputs used in valuation of illiquid instruments ("Illiquid Inputs") - Pricing inputs and calibrations for illiquid instruments. Additionally derivative instruments whose valuation is dependent on discount rates associated with complex collateral arrangements; and – Fair value adjustments - The appropriateness of fair value adjustments made to derivative valuations including Credit Valuation Adjustments (CVA). <p>We identified risks of management override of controls and considered that the manipulation of income from trading activities recognition is most likely to arise through the inappropriate valuation of these instruments given the level of judgement involved.</p> <p>Reference is made to 'Market Risk' section of the 'Risk and capital management' section of the annual report and accounts.</p> | <p>We evaluated the design and tested operating effectiveness of controls relating to financial instrument valuation and related income statement measurement including independent price verification, valuation models governance, collateral management, income statement analysis and the associated controls over relevant information technology systems. We also observed the Valuation Committee meetings where valuation inputs, assumptions and adjustments were discussed and approved.</p> <p>We involved our financial instrument valuation and modelling specialists to assist us in performing procedures including the following:</p> <ul style="list-style-type: none"> – Complex models: Testing complex model-dependent valuations by performing independent revaluation to assess the appropriateness of models and the adequacy of assumptions and inputs used by NWM N.V.; – Illiquid inputs: Independently re-pricing instruments that had been valued using illiquid pricing inputs, using alternative pricing sources where available, to evaluate management's valuation; – Fair value adjustments: Comparing fair value adjustment methodologies to current market practice and assessing the appropriateness and adequacy of the valuation adjustment framework in light of market practice and changes in the risk profile of the underlying portfolio; and revaluing a sample of counterparty level CVAs, and independently challenging illiquid CVA inputs. <p>Throughout our audit procedures we considered the current uncertain geopolitical and economic outlook, including market volatility and the impact of climate change on the valuation of financial instruments, particularly in relation to long-dated illiquid positions.</p> <p>In addition, we assessed whether there were any indicators of aggregate bias in financial instrument valuation and methodology assumptions.</p> <p>We performed back-testing analyses of recent trade activity and asset disposals to evaluate the drivers of significant differences between book value and trade value and to assess the impact on the fair value of similar instruments within the portfolio. We performed an analysis of significant collateral discrepancies with counterparties to assess the potential impact on the fair value of the underlying (and similar) financial instruments.</p> |
| Key observations | |
| We are satisfied that the models and assumptions used by management to reflect the fair value of financial instruments with higher risk characteristics and the recognition of related income are reasonable and in accordance with EU-IFRSs. | |

| Risk | Our audit approach |
|---|--|
| IT systems and controls impacting financial reporting | |
| <p>As discussed in the 'Risk factors' section under 'Operational and IT resilience risk', NWM N.V.'s IT environment is complex and pervasive to the operations and financial reporting of NWM N.V. due to the large volume of transactions processed in various locations daily. The risk is also impacted by the greater dependency on other NatWest Group entities and third-parties, increasing use of cloud platforms, decommissioning of legacy systems and migration to new systems. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. Such controls contribute to mitigating the risk of potential fraud or errors in financial reporting as a result of changes to applications and data. We therefore consider the IT systems and controls impacting the financial reporting a key audit matter.</p> | <p>We evaluated the design and tested operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting. During our planning and test of design phases of our audit, we performed procedures to assess the cybersecurity program and how management evaluates cyber risks.</p> <p>We tested user access by assessing the controls in place for in-scope applications, in particular those pertaining to the addition and periodic recertification of users' access. We continued to focus on key controls enforced by the user access management tools, including ensuring the completeness of user data, automated identification of movers and leavers and the adequacy of the overall control environment in addressing access-related IT risks to financial reporting.</p> <p>We tested change management controls in relation to amendments to applications. We tested IT application and controls over data interfaces between applications.</p> <p>For systems outsourced to third party service providers,, we tested IT general controls through evaluating the relevant Service Organisation Controls ("SOC") reports (where available). This included assessing the timing of the reporting, the controls tested by the service auditor and whether they address relevant IT risks. We also tested required complementary user entity controls performed by management. Where a SOC report was not available we identified and reviewed compensating business controls to address risks to financial reporting. Several systems in the scope of our audit have been migrated to a cloud-hosted infrastructure model, however access management processes and controls remained in-house and they formed part of our testing.</p> <p>We assessed automated controls within business processes and the reliability of relevant reports used as part of manual controls. This included assessing the integrity of system interfaces, the completeness and accuracy of data feeds, automated calculations and specific input controls.</p> <p>Where control deficiencies were identified, we tested remediation activities performed by management and compensating controls in place and assessed what additional testing procedures were necessary.</p> <p>We also performed a further aggregation analysis of access management deficiencies to consider the pervasiveness of findings identified, and the impact on our overall approach to access management testing. We noted that no further changes to our approach were required.</p> |
| Key observations | |
| <p>Our testing of IT systems and controls and substantive work performed, enabled us to rely on the IT systems and controls impacting financial reporting in 2024.</p> | |

Report on other information included in the Annual Report and Accounts

The annual report and accounts contain other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the Supervisory Board as auditor of NWM N.V. on 22 July 2016, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

NWM N.V. has prepared the annual report and accounts in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report and accounts prepared in the XHTML format, including the marked-up consolidated financial statements as included in the reporting package by NWM N.V., complies in all material respects with the RTS on ESEF.

The Managing Board is responsible for preparing the annual report and accounts, including the financial statements, in accordance with the RTS on ESEF, whereby the Managing Board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report and accounts in this reporting package comply with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N, "Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument" (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- Obtaining an understanding of the Company's financial reporting process, including the preparation of the reporting package
- Identifying and assessing the risks that the annual report and accounts do not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
 - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
 - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material misstatements, whether due to fraud or error during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the Audit Committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 20 February 2025

EY Accountants B.V.

J.G. Kolsters

Risk factors

Principal Risks and Uncertainties

Set out below are certain risk factors that could have a material adverse effect on NWM N.V. Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, and directly or indirectly impact the value of its securities. These risk factors are broadly categorised and should be read in conjunction with other risk factors in this section and other parts of this annual report, including the top and emerging risk section, and the risk and capital management section. They should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing NWM N.V. Group.

Economic and political risk

NWM N.V. Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK, European and global markets, including as a result of inflation and interest rates, supply chain disruption and geopolitical developments.

The value of NWM N.V. Group's own and other securities may be materially affected by market risk (including as a result of market fluctuations). Market volatility, illiquid market conditions and disruptions in the financial markets may make it very difficult to value certain of NWM N.V. Group's own and other securities, particularly during periods of market displacement. This could cause a decline in the value of NWM N.V. Group's financial instruments, or inaccurate carrying values for certain securities. Similarly, NWM N.V. Group trades a considerable amount of own and other securities (including derivatives) and volatile market conditions could result in a significant decline in NWM N.V. Group's net trading income or result in a trading loss.

In addition, financial markets are susceptible to severe events evidenced by, or resulting in, rapid depreciation in asset values, which may be accompanied by a reduction in asset liquidity. Under these conditions, hedging and other risk management strategies may not be as effective at mitigating losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously (and often automatically) and on a large scale, increasing NWM N.V. Group's counterparty risk. NWM N.V. Group's risk management and monitoring processes seek to quantify and mitigate NWM N.V. Group's exposure to extreme market moves. However, market events have historically been difficult to predict and NWM N.V. Group, its customers and its counterparties could realise significant losses if severe market events were to occur.

NWM N.V. Group is affected by global economic and market conditions. Uncertain and volatile economic conditions can create a challenging operating environment for financial services companies such as NWM N.V. Group. The outlook for the global economy is affected by many dynamic factors including: GDP, unemployment, inflation, interest rates, asset prices (including residential and commercial property), energy prices, supply chain disruption, protectionist policies or trade barriers (including tariffs), and monetary and fiscal policy (such as increases in bank levies).

Economic and market conditions could be exacerbated by a number of factors including: instability in the UK or global financial systems, market volatility and change, fluctuations in the value of the pound sterling and euro, new or extended economic sanctions, volatility in commodity prices, political uncertainty, concerns regarding sovereign debt (including sovereign credit ratings), changing demographics in the markets that NWM N.V.

Group and its customers serve, or rapid changes to the economic environment due to the adoption of technology, automation and artificial intelligence, or due to climate change, and/or other sustainability-related risks (including increasing social and other inequalities). Any of the above developments could have an adverse effect on NWM N.V. Group directly (for example, as a result of credit losses) or indirectly (for example, by impacting global economic growth and financial markets and NWM N.V. Group's customers and their banking needs).

NWM N.V. Group is also exposed to risks arising out of geopolitical and other events or political developments that may hinder economic or financial activity levels. Political, military or diplomatic events (for example, the Russia-Ukraine conflict and Middle East conflicts), terrorist acts or threats, more severe and frequent extreme weather events, tax changes, widespread public health crises, related potential adverse effects on supply chains, and the responses to any of the above scenarios by various governments and markets, may have a material adverse effect on the business and performance of NWM N.V. Group, including as a result of the direct or indirect impact on UK, regional or global trade and/or NWM N.V. Group's customers and counterparties.

In recent years, the UK has experienced significant political uncertainty. NWM Group may also face political uncertainty in Scotland if there is another Scottish independence referendum. Scottish independence may adversely affect NWM Group both in relation to entities incorporated in Scotland and in other jurisdictions. Any changes to Scotland's relationship with the UK or the EU would adversely affect the environment in which NWM Group plc and its subsidiaries operate and may require further changes to NatWest Group (including NWM Group's and NWM N.V. Group's structure), independently or in conjunction with other mandatory or strategic structural and organisational changes, any of which could have an adverse effect NWM N.V. Group.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

Changes in interest rates will continue to affect NWM N.V. Group's business and results.

NWM N.V. Group's performance is affected by changes in interest rates. Benchmark overnight interest rates decreased in 2024, and forward rates at 31 December 2024 suggest that interest rates will continue to decline in 2025.

On the one hand, stable interest rates support more predictable income flow and less volatility in asset and liability valuations, although persistently low and negative interest rates, may adversely affect NWM N.V. Group. On the other hand, volatility in interest rates may result in unexpected outcomes both for interest income and asset and liability valuations which may adversely affect NWM N.V. Group. For example, decreases in key benchmark rates such as the key ECB interest rates may adversely affect NWM N.V. Group's net interest margin, and unexpected movements in spreads between key benchmark rates such as sovereign and swap rates may, in turn, affect liquidity portfolio valuations.

In addition, unexpected sharp rises in rates may also have an adverse effect on some asset and derivative valuations, for example. Furthermore, customer and investor responses to rapid changes in interest rates can have an adverse impact on NWM N.V. Group.

For example, customers may make deposit choices that provide them with higher returns than those then being offered by NWM N.V. Group, and NWM N.V. Group may not respond with competitive products as rapidly, for example following an interest rate change which may in turn decrease NWM N.V. Group's net interest income. Movements in interest rates also influence and reflect the macroeconomic situation more broadly, affecting factors such as business and consumer confidence, property prices, default rates on loans, customer behaviour (which may adversely impact the effectiveness of NWM N.V. Group's hedging strategy) and other indicators that may indirectly affect NWM N.V. Group (and the effectiveness of its hedging strategy).

Any of the above may have an adverse effect on its future results, financial condition, prospects, and/or reputation.

HM Treasury (or UKGI on its behalf) could exercise, or be perceived as being capable of exercising, influence over NatWest Group and NWM N.V. Group is ultimately controlled by NatWest Group.

NatWest Group plc is the ultimate parent company of NWM N.V. In July 2024, the UK Chancellor confirmed the commitment of the UK Government to exit its shareholding in NatWest Group plc by 2025/2026 subject to market conditions and sales representing value for money. As at 13 January 2025, HM Treasury held 8.90% of the ordinary share capital with voting rights of NatWest Group plc.

HM Treasury has indicated that it intends to respect the commercial decisions of NatWest Group and that NatWest Group entities (including NWM N.V. Group) will continue to have their own independent board of directors and management team determining their own strategy. However, for as long as HM Treasury remains NatWest Group plc's largest single shareholder, HM Treasury and UK Government Investments Limited ('UKGI') (as manager of HM Treasury's shareholding) could exercise, or be perceived as being capable of exercising, influence over NatWest Group (including NWM N.V. Group), such as on matters relating to changes to NatWest Group's (including NWM N.V. Group's) directors and senior management, NatWest Group's (including NWM N.V. Group's) capital strategy, dividend policy, remuneration policy or the conduct by NatWest Group's (including NWM N.V. Group's) of its operations. HM Treasury or UKGI's approach largely depends on government policy, which could change. Any exercise of such influence, or the perception that such influence may be exercised, may have an adverse effect on NatWest Group's (including NWM N.V. Group's) reputation, the price of NatWest Group's (including NWM N.V. Group's) securities, or the governance or business strategy of NatWest Group (including NWM N.V. Group).

The way in which HM Treasury or UKGI exercises HM Treasury's rights as NatWest Group plc's largest single shareholder could give rise to conflicts between the interests of HM Treasury and the interests of other shareholders, including as a result of a change in government policy, which may in turn adversely affect NatWest Group (including NWM N.V. Group).

In addition, as a wholly owned subsidiary of NWM Plc (and ultimately NatWest Group plc), NWM plc and NatWest Group plc directly and indirectly control NWM N.V. Group's corporate policies and strategic direction. The interests of NatWest Group plc as an equity holder of NWM N.V. Group and as its ultimate parent and the interests of the C&I business segment may differ from, and conflict with, the interests of NWM N.V. Group or of potential investors in its securities.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

Business change and execution risk

NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change.

As part of NatWest Group's strategy (including the strategic priorities of disciplined growth, bank-wide simplification and active balance sheet and risk management), NWM Group's (including NWM N.V. Group's) own strategy has evolved to mostly focus on serving NatWest Group's corporate and institutional customer base, via the creation of NatWest Group's C&I business segment. NatWest Group plc reports NWM N.V. Group's results under the C&I operating segment structure, although NWM N.V. Group continues to report on a standalone legal entity basis. The C&I business segment was created to promote closer operational and strategic alignment to support NatWest Group growth, with more integrated services to customers across NatWest Group entities, within and outside the ring-fenced banks, with the potential increased risk of breach of the UK ring-fencing regime requiring effective conflicts of interest policies. As a result of further focusing on NatWest Group's core C&I customers, NWM Group's prospects have become further dependent on the success and strategy of NatWest Group.

NWM Group's ability to serve its customers may be adversely affected by the execution of NatWest Group's strategy in respect of its C&I business segment and customer reactions to the changing nature of NWM Group's business model may be more adverse than expected. Previously anticipated revenue and profitability levels may not be achieved (including in relation to: the ability to support customer transactions whilst meeting NWM Group capital targets, and changes to the availability of risk capital, in the timescales envisaged, or at all). An adverse macroeconomic environment, political and regulatory uncertainty, market volatility and change, and/or strong market competition may require NWM Group to adjust aspects of its strategy or the timeframe for its implementation. It is anticipated that NWM Plc will continue to generate operating losses in the short term and as a result its capital levels may decline.

NWM Group's (which includes NWM N.V. Group) strategy requires it to focus on bank-wide simplification, a significant proportion of which is dependent on simplification of its IT systems and therefore may not be realised if IT capabilities are not delivered in line with assumptions. In addition, the scale of changes that have been concurrently implemented require the implementation and application of robust governance and controls frameworks and robust IT systems. There is a risk that NWM Group (including NWM N.V. Group) may not be successful in maintaining such governance and control frameworks and IT systems.

As part of NWM Group's strategy, NWM Group has set a number of financial, capital and operational targets and expectations, which are expected to require further reductions to its wider cost base. The financial, operational and capital targets and expectations envisaged by NWM's strategy may not be met or maintained in the timeframes expected or at all. In addition, targets and expectations for NWM Group are based on management plans, projections and models, and are subject to a number of key assumptions and judgments, any of which may prove to be inaccurate.

NWM Group has implemented a shared services model and transfer pricing arrangements with some entities within NatWest Group's ring-fenced sub-group (including NatWest Bank Plc and The Royal Bank of Scotland Plc). NWM Group therefore relies directly or indirectly on NatWest Group entities to provide services to itself and its customers. This reliance has increased as a result of NWM Group joining NatWest Group's C&I business segment.

A failure of NWM Group to receive these services may result in operational risk for NWM N.V. Group. See, 'Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM N.V. Group's businesses'. In addition, any change to the cost and/or scope of services provided by NatWest Group may impact NWM Group's (including NWM N.V. Group's) competitive position and its ability to meet its other targets.

NWM's strategy entails legal, execution, operational and regulatory (including compliance with the UK ring fencing regime), conflicts, IT system, cybersecurity, culture, people, conduct, business and financial risks to NWM Group (including NWM N.V. Group). As a result, NWM Group may not be able to successfully implement some or all aspects of its strategy or may not meet any or all of the related strategic targets or expectations. Each of the risks identified above, individually or collectively, could adversely affect NWM Group's (including NWM N.V. Group's) products and services offering or office locations, competitive position, ability to meet targets and commitments, reputation with customers or business model and may result in higher-than-expected costs, all of which could adversely affect NWM Group (including NWM N.V. Group) and its ability to deliver its strategy. There is a risk that the intended benefits of NatWest Group's and NWM Group's strategies may not be realised in the timelines or in the manner contemplated, or at all. Various aspects of NWM Group's strategy may not be successful, may not be completed as planned, or at all, or could be phased or could progress in a manner other than as expected. This could lead to additional management actions by NWM Group (or NWM N.V. Group), regulatory action or reduced liquidity and/or funding opportunities.

Additionally, as a result of the UK's withdrawal from the EU, certain aspects of the services provided by NatWest Group require local licences or individual equivalence decisions (temporary or otherwise) by relevant regulators. In April 2024, the European Parliament approved the Banking Package (CRR III/CRD VI). From 10 January 2027, non-EU firms providing 'banking services' will be required to apply for and obtain authorisation to operate as third country branches in each relevant EU member state where they provide these services, unless an exemption applies.

NatWest Group continues to evaluate its EU operating model, making adaptations as necessary. For example, in December 2024, NatWest Group decided that NWM N.V. will become the primary European corporate and institutional customer-facing entity, subject to regulatory approval. This new structure may lead to a significant increase in assets and liabilities within NWM N.V. Group and may require NWM N.V. to significantly increase its funding requirements, add additional skilled personnel, allocate increased management attention, and grow its technological capabilities. A failure by NWM N.V. Group to address any of these changes, if and when they arise, may have an adverse impact on NWM N.V. Group. See, 'NWM N.V. Group is reliant on access to the capital markets to meet its funding requirements. The inability to do so may adversely affect NWM N.V. Group', 'NWM N.V. Group relies on attracting, retaining, developing and remunerating diverse senior management and skilled personnel, and is required to maintain good employee relations', and 'NWM N.V. Group's operations are highly dependent on its complex IT systems, and any IT failure could adversely affect NWM N.V. Group'.

Changes to, or uncertainty regarding NatWest Group's and NWM Group's (including NWM N.V. Group) EU operating model have been, and may continue to be, costly and may (i) adversely affect customers and counterparties who are dependent on trading with the EU or personnel from the EU; and/or (ii) result in further costs and/or regulatory sanction due to a failure to receive the required regulatory permissions and/or further changes to NatWest Group's and NWM Group's business operations, product offering, customer engagement, and regulatory requirements.

Any of the above may lead to NWM Group (and NWM N.V. Group) not being viable, competitive or profitable, and may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

The transfer of NatWest Group's Western European corporate portfolio involves certain risks.

To improve efficiencies and best serve customers following the UK's withdrawal from the EU, certain assets, liabilities, transactions and activities of NatWest Group (including its Western European corporate portfolio principally consisting of term funding and revolving credit facilities) (the 'Transfer Business'), are expected to be: (i) transferred from the ring-fenced subgroup of NatWest Group to NWM Group (including NWM N.V. Group), and/or (ii) transferred to the ring-fenced subgroup of NatWest Group from NWM Group (including NWM N.V. Group), subject to regulatory and customer requirements. The timing, success and quantum of any of these transfers remain uncertain as is the impact of these transactions on its results of operations. As a result, this could have a material adverse effect on NWM Group's (including NWM N.V. Group) future results, financial condition, prospects, and/or reputation.

Financial resilience risk

NWM N.V. is NatWest Group's banking and trading entity located in the Netherlands. NWM N.V. has repurposed its banking licence, and NWM N.V. Group may be subject to further changes.

As part of NatWest Group's strategy, NWM N.V. is NatWest Group's banking and trading entity located in the Netherlands, and serves EEA customers. In addition, although the head office for NWM N.V. is located in the Netherlands, NWM N.V. Group also operates branches in France, Germany, Italy, and Sweden. As NWM N.V. and its parent company, RBS Holdings N.V., are classified as a "significant supervised group", the ECB has assumed direct supervision of NWM N.V., which may have an adverse effect on NWM N.V. Group's business strategy, operating model (including any compliance cost) and prudential and regulatory requirements.

As a subsidiary of NWM Plc (and ultimately NatWest Group plc), NWM N.V. utilises a number of NWM Group and NatWest Group systems, policies and frameworks (via a shared services model) including in relation to: technology (including innovation) and network infrastructure, marketing, risk frameworks, financial accounting systems, reporting, on-boarding processes, model development and validation, certain administrative and legal services and governance. In addition, the products that NWM N.V. offers are based on those offered by NWM Plc. See also, 'Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM N.V. Group's businesses'. As such, any changes made to systems, policies, frameworks or products of NatWest Group or NWM Group may have a corresponding adverse effect on NWM N.V.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM Group, including NWM N.V. Group, may not achieve its ambitions or targets, meet its guidance, generate returns or implement its strategy effectively.

NWM N.V. Group is subject to transfer pricing arrangements with NWM Plc (NWM N.V.'s parent company). Arm's length transfer pricing legislation in both the Netherlands and UK requires that, for transactions between related parties, each entity is rewarded on the same basis as two independent parties negotiating a contract covering the same activities.

The transfer pricing arrangements between NWM N.V. and NWM Plc require approval by both counterparties and are subject to audit and/or assessment by Dutch and UK tax authorities. A portion of NWM N.V. Group's income derives from transfer pricing income received from NatWest Group entities. Should the level of such income change as a result of regulatory intervention or otherwise, this may have a material and adverse effect on NWM N.V. Group's profitability. As part of NatWest Group's strategy, NWM N.V. Group has set a number of financial, capital and operational targets including in respect of: CET1 ratio targets, leverage ratio targets, targets in relation to local regulation, funding plans and requirements, employee engagement, diversity and inclusion as well as climate strategy (including its climate and sustainable funding and financing targets).

NWM N.V. Group's ability to meet its ambitions, targets, and guidance, and make discretionary capital distributions is subject to various internal and external factors, risks and uncertainties. These include but are not limited to: global macroeconomic, political, market and regulatory uncertainties, customer behaviour, operational risks and risks relating to NWM N.V. Group's business model and strategy (including risks associated with climate and other sustainability-related issues). See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change'.

A number of factors may impact NWM N.V.'s abilities to maintain its CET1 ratio target, including the macroeconomic environment, impairments, the extent of organic capital generation, and the receipt and payment of dividends. Furthermore, the focus on maintaining a disciplined cost base may result in limited investment in other areas which could affect NWM N.V. Group's long-term product offering or competitive position and its ability to meet its other targets, including those related to customer satisfaction.

In addition, challenging trading conditions may adversely affect NWM N.V. Group's business and its ability to achieve its targets, meet its guidance, and execute its strategy. Furthermore, NWM N.V. Group's strategy may not be successfully executed, or it may not meet its ambitions, targets, guidance, and expectations.

Any of the above may lead NWM N.V. Group to not meet its ambitions, target, guidance and expectations, to not be viable, competitive or profitable, and may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. may not meet the prudential regulatory requirements for capital.

NWM N.V. Group is required by the ECB to maintain adequate financial resources. Adequate capital provides NWM N.V. Group with financial flexibility in the face of turbulence and uncertainty in the global economy and specifically in its core European operations.

NWM Plc's and NWM N.V.'s target CET1 ratios (see the targets set forth in each respective entity's Outlook section) are based on regulatory requirements and management actions that rely on internal modelling and risk appetite (including under stress). As at 31 December 2024, NWM N.V. Group's CET1 ratio (on a consolidated basis) was 20.4% and its CET1 target ratio for the medium term is around 14%. NWM N.V.'s current capital strategy is based on the management of RWAs and other capital management initiatives.

Other factors that could influence NWM N.V.'s CET1 ratios include:

- a depletion of NWM N.V.'s capital resources through reduced profits (which would in turn impact retained earnings) and may result from revenue attrition or increased liabilities, sustained periods of low interest rates, reduced asset values resulting in write-downs or reserve adjustments, impairments, changes in accounting policy, accounting charges or foreign exchange movements;
- a change in the quantum of NWM N.V.'s RWAs, stemming from exceeding target RWA levels, regulatory changes (including their interpretation or application), foreign exchange movements or a failure in internal controls or procedures to accurately measure and report RWAs/leverage exposure. An increase in RWAs would lead to a reduction in the CET1 ratio (and increase the amount of internal MREL required for NWM N.V.);
- changes in prudential regulatory requirements including the Total Capital Requirement for NWM N.V. (as regulated by the ECB), including Pillar 2 requirements and regulatory buffers as well as any applicable scalars;
- further losses (including as a result of extreme one-off incidents such as cyberattack, fraud or conduct issues) would deplete capital resources and place downward pressure on the CET1 ratio; or
- the timing of planned liquidation, disposal and/or capital releases of capital including on activity or legacy entities owned by NWM Plc and NWM N.V. See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change. Management actions taken under a stress scenario may affect, among other things, NWM N.V. Group's product offering, its credit ratings, its ability to operate its businesses and pursue its strategy, any of which may negatively impact investor confidence and the value of NWM N.V. Group's securities. See also, 'NWM N.V. may not manage its capital, liquidity or funding effectively which could trigger the execution of certain management actions or recovery options', and 'NatWest Group (including NWM N.V.) may become subject to the application of statutory stabilisation or resolution powers which may result in, among other actions, the write-down or conversion of certain Eligible Liabilities (including NWM N.V.'s Eligible Liabilities).'

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options.

Liquidity and the ability to raise funds continues to be a key area of focus for NWM N.V. Group and the industry as a whole. NatWest Group and NWM N.V. are required by regulators in the UK, the EU and other jurisdictions in which they undertake regulated activities to maintain adequate liquidity and funding resources.

To satisfy its liquidity and funding requirements, NWM N.V. Group may therefore access sources of liquidity and funding through deposits and wholesale funding, including debt capital markets and trading liabilities such as repurchase agreements. As at 31 December 2024, NWM N.V. Group held €3.6 billion in deposits from banks and customers. The level of deposits and wholesale funding may fluctuate due to factors outside NWM N.V. Group's control.

These factors include: loss of customers, changes in customer behaviour, loss of customer and/or investor confidence (including in individual NWM N.V. Group entities or the European banking sector or the banking sector as a whole), changes in interest rates, government support, increasing competitive pressures for bank funding or the reduction or cessation of deposits and other funding by counterparties, any of which could result in a significant outflow of deposits or reduction in wholesale funding within a short period of time. See also, 'NWM N.V. Group has significant exposure to counterparty and borrower risk'.

An inability to grow, roll-over, or any material decrease in, NWM N.V. Group's deposits, short-term wholesale funding and short-term liability financing could, particularly if accompanied by one of the other factors described above, have an adverse effect on NWM N.V. Group's ability to satisfy its liquidity needs.

NWM N.V. Group engages from time to time in 'fee based borrow' transactions whereby collateral (such as government bonds) is borrowed from counterparties on an unsecured basis in return for a fee. This borrowed collateral may be used by NWM N.V. Group to finance parts of its balance sheet, either in its repo financing business, derivatives portfolio or more generally across its balance sheet. If such 'fee based borrow' transactions are unwound whilst used to support the financing of parts of NWM N.V. Group balance sheet, then unsecured funding from other sources would be required to replace such financing. There is a risk that NWM N.V. Group would be unable to replace such financing on acceptable terms or at all, which may have an adverse effect on its liquidity position and may adversely affect NWM N.V. Group. In addition, because 'fee base borrow' transactions are conducted off-balance sheet (due to the collateral being borrowed) investors may find it more difficult to gauge NWM N.V. Group's creditworthiness, which may be affected if these transactions were to be unwound in a stress scenario. Any lack of, or perceived lack of, creditworthiness may adversely affect NWM N.V. Group.

Macroeconomic developments, political uncertainty, changes in interest rates, and market volatility could affect NWM N.V. Group's ability to access sources of liquidity and funding on satisfactory terms, or at all. This may result in higher funding costs and failure to comply with regulatory capital, funding and leverage requirements. As a result, NWM N.V. Group and its subsidiaries could be required to change their funding plans and/or their operations. This could exacerbate funding and liquidity risk, which could have a negative effect on NWM N.V. Group.

As at 31 December 2024, NWM N.V. Group reported a liquidity coverage ratio of 247% on a consolidated basis. If its liquidity position were to come under stress and if NWM N.V. Group is unable to raise funds through deposits, wholesale funding sources, or other reliable funding sources, on acceptable terms or at all, its liquidity position would likely be adversely affected. This would mean that NWM N.V. Group might be unable to: meet deposit withdrawals on demand or satisfy buy back requests, repay borrowings as they mature, meet its obligations under committed financing facilities, comply with regulatory funding requirements, undertake certain capital and/or debt management activities, or fund new loans, investments and businesses.

If, under a stress scenario, the level of liquidity falls outside of NWM N.V. Group's risk appetite, there are a range of recovery management actions that NWM N.V. Group could take to manage its liquidity levels, but any such actions may not be sufficient to restore adequate liquidity levels. NWM N.V. Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM N.V. Group's applicable liquidity requirements would trigger consideration of NWM N.V.'s recovery actions. This in turn may prompt consideration of NatWest Group's recovery plan to attempt to remediate a deficient liquidity position.

NWM N.V. Group may need to liquidate assets to meet its liabilities, including disposals of assets not previously identified for disposal to reduce its funding or payment commitments or trigger the execution of certain management actions or recovery options. This could also lead to higher funding costs and/or changes to NWM N.V. Group's funding plans or its operations. In a time of reduced liquidity or market stress, NWM N.V. Group may be unable to sell some of its assets or may need to sell assets at depressed prices, which in either case may adversely affect NWM N.V. Group.

NWM N.V. Group independently manages liquidity risk on a stand-alone basis, including through holding its own liquidity portfolio. It has restricted access to liquidity or funding from other NatWest Group entities. As a result, NWM N.V.'s liquidity position could be adversely affected, which may also require assets to be liquidated or may result in higher funding costs which may adversely affect NWM N.V. Group's margins and profitability. NWM N.V.'s management of its own liquidity portfolio and the structure of capital support are subject to operational and execution risk, as NWM N.V. is required to meet its own liquidity and capital requirements.

Continuing market volatility may have a negative effect on NWM N.V. Group's access to liquidity and funding, which could mean that NWM N.V. Group is required to adapt its funding plan or change its operations in order to satisfy its liquidity and funding requirements, which could have an adverse effect on NWM N.V. Group. Market volatility may also result in increases to leverage exposure.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group is reliant on access to the capital markets to meet its funding requirements. The inability to do so may adversely affect NWM N.V. Group.

NWM N.V.'s funding requirements are based on its current and anticipated business activities, and may increase in the future (including as a result of changes to NatWest Group's and NWM Group's (including NWM N.V. Group) EU operating model). Therefore, NWM N.V. Group is reliant on frequent access to the capital markets for funding, at a cost that can be passed through to its customers.

This access entails execution risk, regulatory risk, risk of reduced commercial activity, risk of loss of market confidence in NWM N.V. Group if it cannot finance its activities and risk of a ratings downgrade, which could be influenced by a number of internal or external factors, including, those summarised in 'NWM N.V. Group, its customers and its counterparties face continued economic and political risks and uncertainty in the UK, European and global markets, including as a result of inflation and interest rates, supply chain disruption and geopolitical developments' and 'NWM N.V. Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM N.V. Group.'

In addition, NWM N.V. receives capital directly or indirectly from NWM Group plc and NWM N.V. is therefore reliant on the willingness of NWM Group plc to fund its internal capital targets. NWM N.V. Group has set target levels for different tiers of capital as percentages of its RWAs. The level of capital and funding required for NWM N.V. to meet its internal targets is therefore a function of the level of RWAs and its leverage exposure in NWM N.V. and this may vary over time.

Any inability of NWM N.V. Group to adequately access the capital markets, to manage its balance sheet in line with assumptions in its funding plans, may adversely affect NWM N.V. Group, such that NWM N.V. Group may not constitute a viable banking business and/or NWM N.V. may fail to meet its regulatory capital requirements (at present, NWM N.V. does not yet have its own MREL).

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. may not manage its capital, liquidity or funding effectively which could trigger the execution of certain management actions or recovery options.

Under the EU Bank Recovery and Resolution Directives I and II ('BRRD'), as implemented in the Netherlands, NatWest N.V. Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM N.V.'s applicable capital or leverage, liquidity or funding requirements would trigger consideration of NWM N.V.'s recovery action, and in turn may prompt consideration of NatWest Group's recovery actions. If, under stressed conditions, the liquidity, capital or leverage ratio were to decline, there are a range of recovery management actions (focused on risk reduction and mitigation) that NWM N.V. could undertake that may or may not be sufficient to restore adequate liquidity, capital and leverage ratios. Additional management options relating to existing capital issuances, asset or business disposals, capital payments and dividends from NWM Plc to its parent, could also be undertaken to support NWM N.V.'s capital and leverage requirements.

NatWest Group may also address a shortage of capital in NWM N.V. by providing parental support to NWM N.V., subject to evidence that the conditions set out in Article 23 of the BRRD, as implemented into Dutch law article 3:301 and 3:305 of the Dutch Financial Markets Supervision Act ('FMSA') have been met. NatWest Group's and/or NWM N.V.'s regulator may also request that NWM N.V. Group carry out additional capital management actions. The Bank of England ('BoE') has identified single point-of-entry at NatWest Group plc, as the preferred resolution strategy for NatWest Group.

However, under certain conditions set forth in the BRRD, as implemented by the FMSA, De Nederlandsche Bank ('DNB') or the Single EU Resolution Board ('SRB'), also have the power to execute the 'bail-in' of certain securities of NWM N.V. without further action at NatWest Group level.

Any capital management actions taken under a stress scenario may, in turn affect: NWM N.V. Group's product offering, credit ratings, ability to operate its businesses and pursue its strategy as well as negatively impacting investor confidence and the value of NWM N.V. Group's securities. See also, 'NatWest Group (including NWM N.V.) may become subject to the application of statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of certain Eligible Liabilities (including NWM N.V.'s Eligible Liabilities)'. In addition, if NWM N.V.'s liquidity position was to be adversely affected, this may require assets to be liquidated or may result in higher funding costs, which may adversely affect NWM N.V. Group's operating performance.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

Any reduction in the credit rating and/or outlooks assigned to NatWest Group plc, any of its subsidiaries (including NWM Plc or NWM N.V.) or any of their respective debt securities could adversely affect the availability of funding for NWM N.V. Group, reduce NWM N.V. Group's liquidity and funding position and increase the cost of funding.

Rating agencies regularly review NatWest Group plc, NWM Plc, NWM N.V. and other NatWest Group entities' credit ratings and outlooks. NWM N.V. Group entities' credit ratings and outlooks, could be negatively affected (directly and indirectly) by a number of factors that can change over time, including without limitation: credit rating agencies' assessment of NWM N.V. Group's strategy and management's capability; its financial condition including in respect of profitability, asset quality, capital, funding and liquidity, and risk management practices; the level of political support for the sectors and regions in which NWM N.V. Group operates; the legal and regulatory frameworks applicable to NWM N.V. Group's legal structure; business activities and the rights of its creditors; changes in rating methodologies; changes in the relative size of the loss-absorbing buffers protecting bondholders and depositors; the competitive environment, political, geopolitical and economic conditions in NWM N.V. Group's key markets (including inflation and interest rates, supply chain disruptions and geopolitical developments); any reduction of the UK's sovereign credit rating and market uncertainty.

In addition, credit rating agencies are increasingly taking into account sustainability-related factors, including climate, environmental, social and governance related risk, as part of the credit ratings analysis, as are investors in their investment decisions.

Any reductions in the credit ratings of NatWest Group plc, NWM Plc, NWM N.V. or of certain other NatWest Group entities could significantly affect NWM N.V. Group. Adverse consequences for NWM N.V. Group from downgrades could include, without limitation, a reduction in the access to capital markets or in the size of NWM N.V.'s deposit base, and trigger additional collateral or other requirements in its funding arrangements or the need to amend such arrangements, which could adversely affect NWM Group's liquidity and funding position and cost of funding, which could in turn limit the range of counterparties willing to enter into transactions with NWM N.V. Group on favourable terms, or at all. This may in turn adversely affect NWM N.V. Group's competitive position and threaten its prospects.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group operates in markets that are highly competitive, with competitive pressures and technology disruption.

NWM N.V. Group expects competition to continue and intensify in response to various trends including: evolving customer behaviour, technological changes (including digital currencies, stablecoins, and the growth of digital banking), competitor behaviour, new market entrants, competitive foreign exchange offerings, industry trends resulting in increased disaggregation or unbundling of financial services, or, conversely the re-intermediation of traditional banking services, and the impact of regulatory actions, among others. In particular, NWM N.V.

Group may be unable to grow or retain its market share due to new or (more competitive) banking, lending, and payment products and services that are offered by rapidly evolving incumbents and challengers (including shadow banks, alternative or direct lenders and new entrants). These competitive pressures and the introduction of disruptive technology may result in a shift in customer behaviour and impact NWM N.V. Group's revenues and profitability. Moreover, innovations in biometrics, artificial intelligence, automation, cloud services, blockchain, cryptocurrencies and quantum computing may rapidly facilitate industry transformation.

Increasingly, many of NWM N.V. Group's products and services are, and will become, more technology intensive, including through digitalisation, automation and the use of artificial intelligence, while needing to continue complying with applicable and evolving regulations. NWM N.V. Group's ability to develop or acquire digital solutions and their integration into NWM N.V. Group's structures, systems and controls has become increasingly important for retaining and growing NWM N.V. Group's market share and customer-facing businesses. NWM N.V. Group's innovation strategy (which includes investments in its IT capability intended to improve its core infrastructure and customer interface capabilities as well as investments and strategic partnerships with third party technology providers) may not be successful or may not result in NWM N.V. Group offering innovative products and services in the future.

Furthermore, current or future competitors may be more successful than NWM N.V. Group in implementing technologies for delivering products or services to their customers, which may adversely affect its competitive position. In addition, continued consolidation and/or technological developments in the financial services industry could result in the emergence of new competitors or NWM N.V. Group's competitors gaining greater capital and other resources, including the ability to offer a broader and more attractive or better value range of products and services and geographic diversity. For example, new market entrants, including non-traditional financial services providers, such as technology conglomerates, may have competitive advantages in scale, and technology and may be able to develop and deliver financial services at a lower cost base.

NWM Group and NWM N.V. Group may also fail to identify future opportunities or fail to derive benefits from technological innovation, changing customer behaviour and changing regulatory demands. Competitors may be better able to attract and retain customers and key employees, have more effective IT systems, and have access to lower cost funding and/or be able to attract deposits or provide investment-banking services on more favourable terms than NWM N.V. Group. Although NWM Group invests in new technologies and participates in industry and research-led technology development initiatives, such investments may be insufficient or ineffective, especially given NWM Group's focus on business simplification and cost efficiencies. This could affect NWM N.V. Group's ability to offer innovative products or technologies to customers.

If NWM N.V. Group is unable to offer competitive, attractive and innovative products that are also profitable and released in a timely manner, it will lose market share, incur losses on some or all of its initiatives and possibly lose growth opportunities. For example, NWM N.V. Group is investing in the automation of certain solutions and interactions within its customer-facing businesses, including through artificial intelligence. There can be no certainty that such initiatives will allow NWM N.V. Group to compete effectively or will deliver the expected cost savings for NWM N.V. Group.

In addition, the implementation of NatWest Group's strategy, delivery on its climate ambition and cost-controlling measures may also have an impact on NWM N.V. Group's ability to compete effectively and provide satisfactory returns.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group may be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests.

NatWest Group is subject to annual and other stress tests by its regulator in the UK and NWM N.V. Group is subject to stress testing by the ECB. Stress tests are designed to assess the resilience of banks to potential adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. If the stress tests reveal that a bank's existing regulatory capital buffers are not sufficient to absorb the impact of the stress, then it is possible that NatWest Group and/or NWM Group may need to take action to strengthen their capital positions.

Failure by NatWest Group (or NWM N.V. Group) to meet its quantitative and qualitative requirements of the stress tests set forth by its UK regulators or the ECB, as applicable, may result in: NatWest Group's (and/or NWM N.V. Group's) regulators requiring NatWest Group (or NWM N.V. Group) to generate additional capital, reputational damage, increased supervision and/or regulatory sanctions and/or loss of investor confidence.

Any of the above may have a material adverse effect on NatWest Group's (and NWM N.V. Group's) future results, financial condition, prospects, and/or reputation.

NWM N.V. Group has significant exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on NWM N.V. Group.

NWM N.V., a subsidiary of NWM Plc, has a portfolio of loans and loan commitments to Western European corporate customers. As a result, NWM N.V. Group has exposure to many different sectors, customers and counterparties with a range of various credit quality. Risks arising from actual or perceived changes in credit quality and the recoverability of monies due from borrowers and other counterparties are inherent in a wide range of NWM N.V. Group's businesses. These risks may be concentrated for those businesses for which customer income is heavily weighted towards a specific geographic region, industry or customer base.

Furthermore, these risks are likely to increase due to the expected transfer of NatWest Group's Transfer Business. See 'The transfer of NatWest Group's Western European corporate portfolio involves certain risks'.

Credit risk may arise from a variety of business activities, including, but not limited to: extending credit to customers through various lending commitments; entering into swap or other derivative contracts under which counterparties have obligations to make payments to NWM N.V. Group (including un-collateralised derivatives); providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools, whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans. See also, 'Risk and Capital Management — Credit Risk'.

Any negative developments in the activities listed above may negatively impact NWM N.V. Group's customers and credit exposures, which may, in turn, adversely affect NWM N.V. Group's profitability.

The credit quality of NWM N.V. Group's borrowers and other counterparties may be affected by global macroeconomic and political uncertainties, as well as prevailing economic and market conditions. See 'NWM N.V. Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK, European and global markets, including as a result of inflation and interest rates, supply chain disruption and geopolitical developments'. Any further deterioration in these conditions or changes to legal or regulatory landscapes could worsen borrower and counterparty credit quality or impact the enforcement of contractual rights, increasing credit risk.

NWM N.V. Group is exposed to the financial sector, including sovereign debt securities, financial institutions, financial intermediation providers (including providing facilities to financial sponsors and funds, backed by assets or investor commitments) and securitised products (typically senior lending to special purpose vehicles backed by pools of financial assets). Concerns about, or a default by, a financial institution or intermediary could lead to significant liquidity problems and losses or defaults by other financial institutions or intermediaries, since the commercial and financial soundness of many financial institutions and intermediaries is closely related and interdependent as a result of credit, trading, clearing and other relationships. Any perceived lack of creditworthiness of a counterparty or borrower may lead to market-wide liquidity problems and losses for NWM N.V. Group. In addition, the value of collateral may be correlated with the probability of default by the relevant counterparty ('wrong way risk'), which would increase NWM N.V. Group's potential loss. This systemic risk may also adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which NWM N.V. Group interacts on a regular basis. See also, 'NWM N.V. Group is reliant on access to the capital markets to meet its funding requirements. The inability to do so may adversely affect NWM N.V. Group', and 'NWM N.V. Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options'. As a result, adverse changes in borrower and counterparty credit risk may cause additional impairment charges under IFRS 9, increased repurchase demands, higher costs, additional write-downs and losses for NWM N.V. Group and an inability to engage in routine funding transactions.

NWM N.V. Group has applied an internal analysis of multiple economic scenarios (MES) together with the determination of specific overlay adjustments to inform its IFRS 9 ECL (Expected Credit Loss). The recognition and measurement of ECL is complex and involves the use of significant judgment and estimation. This includes the formulation and incorporation of multiple forward-looking economic scenarios into ECL to meet the measurement objective of IFRS 9. The ECL provision is sensitive to the model inputs and economic assumptions underlying the estimate.

Going forward, NWM N.V. Group anticipates observable credit deterioration of a proportion of assets resulting in a systematic uplift in defaults, which is mitigated by those economic assumption scenarios being reflected in the Stage 2 ECL across portfolios, along with a combination of post model overlays in both wholesale and retail portfolios reflecting the uncertainty of credit outcomes. See also, 'Risk and Capital Management — Credit Risk'.

A credit deterioration would also lead to RWA increases. Furthermore, the assumptions and judgments used in the MES and ECL assessment at 31 December 2024 may not prove to be adequate resulting in incremental ECL provisions for NWM N.V. Group.

Due to NWM N.V. Group's exposure to the financial industry, it also has exposure to shadow banking entities (i.e., entities which carry out activities of a similar nature to banks without the same regulatory oversight). NWM N.V. Group is required to identify and monitor its exposure to shadow banking entities, implement and maintain an internal framework for the identification, management, control and mitigation of the risks associated with exposure to shadow banking entities, and/or ensure effective reporting and governance in respect of such exposure. If NWM N.V. Group is unable to properly identify and monitor its shadow banking exposure, maintain an adequate framework, or ensure effective reporting and governance in respect of shadow banking exposure.

Any of the above may adversely affect NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group could incur losses or be required to maintain higher levels of capital as a result of limitations or failure of various models.

Given the complexity of NWM N.V. Group's business, strategy and capital requirements, NWM N.V. Group relies on models for a wide range of purposes, including to manage its business, assess the value of its assets and its risk exposure, as well as to anticipate capital and funding requirements (including to facilitate NatWest Group's mandated stress testing). In addition, NWM N.V. Group utilises models for valuations, credit approvals, calculation of loan impairment charges on an IFRS 9 basis, financial reporting and for financial crime (criminal activities in the form of money laundering, terrorist financing, bribery and corruption, tax evasion and sanctions as well as external or internal fraud (collectively, 'financial crime')). NWM N.V. Group's models, and the parameters and assumptions on which they are based, are periodically reviewed.

Model outputs are inherently uncertain, because they are imperfect representations of real-world phenomena or simplifications of complex real-world systems and processes, and are based on a limited set of observations. NWM N.V. Group may face adverse consequences as a result of actions or decisions based on models that are poorly developed, incorrectly implemented, non-compliant, outdated or used inappropriately. This includes models that are based on inaccurate or non-representative data (for example, where there have been changes in the micro or macroeconomic environment in which NWM N.V. Group operates) or as a result of the modelled outcome being misunderstood, or used for purposes for which it was not designed. This could result in findings of deficiencies by NatWest Group's (and in particular, NWM Group's or NWM N.V. Group's) regulators (including as part of NatWest Group's mandated stress testing), increased capital requirements, may render some business lines non-viable, may require management action or may subject NWM N.V. Group to regulatory sanction, any of which in turn may also have an adverse effect on NWM N.V. Group and its customers. Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group's financial statements are sensitive to underlying accounting policies, judgments, estimates and assumptions.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, exposures and RWAs. While estimates, judgments and assumptions take into account historical experience and other factors (including market practice and expectations of future events that are believed to be reasonable under the circumstances), actual results may differ due to the inherent uncertainty in making estimates, judgments and assumptions (particularly those involving the use of complex models).

Further, accounting policy and financial statement reporting requirements increasingly require management to adjust existing judgments, estimates and assumptions for the effects of climate-related, sustainability and other matters that are inherently uncertain and for which there is little historical experience which may affect the comparability of NWM N.V. Group's future financial results with its historical results. Actual results may differ due to the inherent uncertainty in making climate-related and sustainability estimates, judgments and assumptions.

Accounting policies deemed critical to NWM N.V. Group's results and financial position, based upon materiality and significant judgments and estimates, involve a high degree of uncertainty and may have a material impact on its results. For 2024, these include fair value and deferred tax. These are set out in the section 'Critical accounting policies'.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

Changes in accounting standards may materially impact NWM N.V. Group's financial results.

NWM N.V. Group prepares its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board. Changes in accounting standards or guidance by accounting bodies or in the timing of their implementation, whether immediate or foreseeable, could result in NWM N.V. Group having to recognise additional liabilities on its balance sheet, or in further write-downs or impairments to its assets and may also adversely affect NWM N.V. Group.

NWM N.V. Group's trading assets amounted to €6.7 million as at 31 December 2024. The valuation of financial instruments, including derivatives, measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Generally, to establish the fair value of these instruments, NWM N.V. Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently credible, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to prevailing market conditions. In these circumstances, NWM N.V. Group's internal valuation models require NWM N.V. Group to make assumptions, judgments and estimates to establish fair value, which are complex and often relate to matters that are inherently uncertain.

Any of these factors could require NWM N.V. Group to recognise fair value losses which may adversely affect NWM N.V. Group's income generation and financial position.

From time to time, the International Accounting Standards Board may issue new accounting standards or interpretations that could materially impact how NWM N.V.

Group calculates, reports and discloses its financial results and financial condition, and which may affect NWM N.V. Group capital ratios, including the CET1 ratio and the required levels of regulatory capital. New accounting standards and interpretations that have been issued by the International Accounting Standards Board but which have not yet been adopted by NWM N.V. Group are discussed in 'Future accounting developments'.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NatWest Group (including NWM N.V.) may become subject to the application of statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of certain Eligible Liabilities (including NWM N.V.'s Eligible Liabilities).

The BRRD establishes a common approach within the EU for the recovery and resolution of banks. In the UK and the Netherlands, the BRRD has been implemented via national legislation which grants powers to a national resolution authority (the 'NRA'). The UK implementation of the BRRD remains in force now that the transition following the UK's withdrawal from the EU has ended.

In the EU the BRRD is also (partly) implemented by a directly binding regulation which established a Single Resolution Mechanism ('SRM') and the SRB with powers which exceed the powers of the EU NRAs.

United Kingdom – NatWest Group plc and its UK subsidiaries

The BoE, the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA'), and HM Treasury (together, the 'UK Authorities') are granted substantial powers to resolve and stabilise UK-incorporated financial institutions. Five stabilisation options exist: (i) transfer of all of the business of a relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a 'bridge bank' wholly or partially-owned by the BoE; (iii) transfer of part of the assets, rights or liabilities of the relevant entity to one or more asset management vehicles for management of the transferor's assets, rights or liabilities; (iv) the write-down, conversion, transfer, modification, or suspension of the relevant entity's equity, capital instruments and liabilities; and (v) temporary public ownership of the relevant entity. These options may be applied to NatWest Group plc as the parent company or to NWM Group, as a subsidiary, where certain conditions are met (such as, whether the firm is failing or likely to fail, or whether it is reasonably likely that action will be taken (outside of resolution) that will result in the firm no longer failing or being likely to fail). Moreover, there are modified insolvency and administration procedures for relevant entities within NatWest Group, and the Authorities have the power to modify or override certain contractual arrangements in certain circumstances and amend the law for the purpose of enabling their powers to be used effectively and may promulgate provisions with retrospective applicability. Similar powers may also be exercised with respect to NWM N.V. in the Netherlands by the relevant Dutch regulatory authorities.

Under the UK Banking Act 2009, the Authorities are generally required to have regard to specified objectives in exercising the powers provided for by the UK Banking Act 2009. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the UK.

Moreover, the 'no creditor worse off' safeguard provides that where certain resolution actions are taken, the Authorities are required to ensure that no creditor is in a worse position than if the bank had entered into normal insolvency proceedings. Although, this safeguard may not apply in relation to an application of the separate write-down and conversion power relating to capital instruments under the UK Banking Act 2009, in circumstances where a stabilisation power is not also used, the UK Banking Act 2009 still requires the Authorities to respect the hierarchy on insolvency when using the write-down and conversion power. Further, holders of debt instruments which are subject to the power may, however, have ordinary shares transferred to or issued to them by way of compensation.

Uncertainty exists as to how the Authorities may exercise their powers including the determination of actions to be undertaken in relation to the ordinary shares and other securities issued by NatWest Group (including NWM Group), which may depend on factors outside of NWM Group's control. Moreover, the UK Banking Act 2009 provisions remain largely untested in practice, particularly in respect of resolutions of large financial institutions and groups.

The Netherlands – NWM N.V.

The BRRD and the SRM provide the SRB and DNB (the 'N.V. Authorities'), and together with the UK Authorities, the 'Authorities') with substantial powers to resolve and stabilise financial institutions incorporated in the Netherlands. The N.V. Authorities are responsible for resolution in relation to RBS Holdings N.V. and its subsidiaries (including NWM N.V.).

As a result, the SRB assumes direct resolution responsibility for NWM N.V. Group, while DNB participates in the planning and execution of resolution measures in coordination with the SRB within the SRM framework. The N.V. Authorities have broad powers to implement resolution measures with respect to financial institutions incorporated in the Netherlands which meet the conditions for resolution, which may include (without limitation) measures analogous to the Resolution Stabilisation Tools (options set out at points (i) to (iv) above under the UK Banking Act 2009). These powers and tools are designed to be used prior to the point at which any insolvency proceedings with respect to NWM N.V. could have been initiated.

In addition to the resolution powers of the N.V. Authorities described above, the Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets and liabilities of, claims against or securities issued by or with the consent of NWM N.V., if in the Minister of Finance's opinion, the stability of the financial systems is in serious and immediate danger as a result of the situation in which the firm finds itself (the 'Minister of Finance Powers').

There remains uncertainty regarding the ultimate nature and scope of these powers, and any exercise of the resolution regime powers by the N.V. Authorities or the Minister of Finance Powers may adversely affect holders of NWM N.V.'s Eligible Liabilities that fall within the scope of such powers.

If NatWest Group is at or is approaching the point such that regulatory intervention is required, there may correspondingly be a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NatWest Group is subject to regulatory oversight in respect of resolution, and NWM N.V. Group could be adversely affected should the BoE in the future deem NatWest Group's preparations to be inadequate.

NatWest Group is subject to regulatory oversight by the BoE and the PRA, and is required (under the PRA rulebook) to carry out an assessment of its preparations for resolution, submit a report of the assessment to the PRA, and disclose a summary of this report.

In August 2024 the BoE's assessment of NatWest Group's preparations did not identify any areas for further enhancement, shortcomings, deficiencies or substantive impediments. NatWest Group could be adversely affected should future BoE assessments deem NatWest Group's preparations to be inadequate.

If any future BoE assessment identifies any areas for further enhancement, shortcomings, deficiencies or substantive impediments in NatWest Group's ability to achieve the resolvability outcomes, or reveals that NatWest Group is not adequately prepared to be resolved, or does not have adequate plans in place to meet resolvability requirements, NatWest Group may be required to take action to enhance its preparations to be resolvable, resulting in additional cost and the dedication of additional resources. These actions may have an impact on NatWest Group (and NWM N.V. Group) as, depending on the BoE's assessment, potential action may include, but is not limited to, resulting in restrictions on maximum individual and aggregate exposures, a requirement to dispose of specified assets, a requirement to change legal or operational structure, a requirement to cease carrying out certain activities and/or to maintain a specified amount of MREL. This may also impact NatWest Group's (and NWM N.V. Group's) strategic plans and may lead to a loss of investor confidence. Additionally, DNB and the SRB may exercise similar powers if the recovery and resolution plans of NWM N.V. Group are not satisfactory.

Any of the above have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

Operational and IT resilience risk

Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM N.V. Group's businesses.

Operational risk is the risk of loss or disruption resulting from inadequate or failed internal processes, procedures, people or systems, or from external events, including legal and regulatory risks, third party processes, procedures, people or systems. NWM N.V. Group operates in several countries, offering a diverse range of products and services supported directly or indirectly by third party suppliers. As a result, operational risks or losses can arise from a number of internal or external factors (including, for example, payment errors or financial crime and fraud), for which there is continued scrutiny by third parties on NWM Group's compliance with financial crime requirements; see 'NWM N.V. Group and NWM Plc are exposed to the risk of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM N.V. Group'.

These risks are also present when NWM N.V. Group relies on NatWest Group, NWM Group, critical service providers (suppliers) or vendors to provide services to it or its customers, as is increasingly the case as NWM N.V. Group outsources certain activities, including with respect to the implementation of technologies, innovation (such as cloud services and artificial intelligence) and responding to regulatory and market changes. Furthermore, NWM N.V. is subject to the European Banking Authority's ('EBA') guidelines on outsourcing arrangements. If the systems and services provided by NatWest Group, NWM Group or any third party do not comply with such EBA requirements, there is a risk of increase in operational and compliance costs, which may negatively affect NWM N.V. Group's business continuity and reputation.

Operational risks also exist due to the implementation of NatWest Group's strategy, and the organisational and operational changes involved, including NatWest Group's cost-controlling and simplification measures, continued digitalisation and the integration of artificial intelligence in the business, acquisition, divestments and other transactions; the implementation of recommendations from internal and external reviews with respect to certain governance processes, policies, systems and controls of NatWest Group entities; and conditions affecting the financial services industry generally (including macroeconomic and other geopolitical developments) as well as the legal and regulatory uncertainty resulting from these conditions. Any of the above may place significant pressure on NWM N.V. Group's ability to maintain effective internal controls and governance frameworks.

In recent years, NWM Group (including NWM N.V. Group) has materially increased its dependence on NatWest Bank Plc for numerous critical services and operations, including without limitation, property, technology, finance, accounting, treasury, legal, risk, regulatory compliance and reporting, financial crime, human resources, and certain other support and administrative functions. In addition, NWM N.V. Group has materially increased its dependence on NWM Plc for numerous critical services similar to those outlined above and for certain sales activities, which due to their complexities could potentially trigger regulatory, tax, reputational, financial crime and conduct risks. A failure by NatWest Bank Plc or NWM Plc to adequately supply these services may expose NWM N.V. Group to critical business failure risk, increased costs, regulatory sanctions, and other liabilities. These and any increases in the cost of these services may adversely affect NWM N.V. Group.

NWM N.V. Group also faces operational risks as it continues to invest in automation of certain solutions and customer interactions, including through artificial intelligence. Such initiatives may result in operational, reputational and conduct risks if the technology is not used appropriately, is defective, or inadequate or is not fully integrated into NWM N.V. Group's current solutions, systems, and controls.

The effective management of operational risks is critical to meeting customer service expectations and retaining and attracting customer business. Although NWM N.V. Group has implemented risk controls and mitigation actions, with resources and planning having been devoted to mitigate operational risk, such measures may not be effective in controlling each of the operational risks faced by NWM N.V. Group. Ineffective management of such risks may adversely affect NWM N.V. Group.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group is subject to sophisticated and frequent cyberattacks, and compliance with cybersecurity and data protection regulations is becoming increasingly complex.

NWM N.V. Group experiences a constant threat from cyberattacks across the entire NatWest Group (including NWM N.V. Group) and against NatWest Group and NWM N.V. Group's supply chain networks, reinforcing the importance of due diligence of, ongoing risk management of and close working relationships with, the third parties on which NWM N.V. Group relies. NWM N.V. Group is reliant on technology, against which there is a constantly evolving series of attacks, that are increasing in terms of frequency, sophistication, impact and severity. As cyberattacks evolve and become more sophisticated (including through the use of artificial intelligence), NWM Group (which includes NWM N.V. Group) is required to continue to invest significant resources in additional capability designed to defend against emerging threats.

Third parties continue to make hostile attempts to gain access to, introduce malware (including ransomware) into, and exploit potential vulnerabilities of, financial services institutions' IT systems, including those of NWM Group. For example, in 2024, NatWest Group and its supply chain were subjected to a small number of attempted Distributed Denial of Service and ransomware attacks. These hostile attempts were addressed without material impact on NatWest Group or its customers by deploying cybersecurity capabilities and controls that seek to manage the impact of any such attacks, and sustain availability of services for NWM Group's customers. Consequently, NWM N.V. Group continues to invest significant resources in developing and evolving cybersecurity capabilities and controls that are designed to mitigate the potential effect of such attacks.

However, given the nature of the threat, there can be no assurance that these capabilities and controls will prevent the potential adverse effect of any attack from occurring. See also, 'NWM N.V. Group's operations are highly dependent on its complex IT systems, and any IT failure could adversely affect NWM N.V. Group'.

Any failure in NWM Group's (including NWM N.V. Group's) information and cybersecurity policies, procedures or controls, may result in significant financial losses, major business disruption, inability to deliver customer services, or loss of, or ability to access, data or systems or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these factors could increase costs (including costs relating to notification of, or compensation for customers and credit monitoring), result in regulatory investigations or sanctions being imposed or may affect NWM N.V. Group's ability to retain and attract customers.

Regulators in the UK, US, Europe and Asia continue to recognise cybersecurity as an important systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyberattacks, and to provide timely reporting or notification of them, as appropriate (including the EU Digital Operational Resilience Act ('DORA')). Furthermore, cyberattacks on NWM N.V. Group's counterparties may also have an adverse effect on NWM N.V. Group's operations.

Additionally, malicious third parties may induce employees, customers, third party providers or other users with access to NWM N.V. Group's systems to wrongfully disclose sensitive information to gain access to NWM N.V. Group's data or systems or that of NWM N.V. Group's customers or employees. Cybersecurity and information security events can derive from groups or factors such as: internal or external threat actors, human error, fraud or malice on the part of NWM N.V. Group's employees or third parties, including third party providers, or may result from technological failure (including defective, inadequate or inappropriately used artificial intelligence-based solutions).

NWM N.V. Group expects greater regulatory engagement, supervision and enforcement by the ECB to continue in relation to its overall resilience to withstand IT and IT-related disruption, either through a cyberattack or some other disruptive event. Such increased regulatory engagement, supervision and enforcement is uncertain in relation to the scope, cost, consequence and the pace of change, which may have an adverse effect on NWM N.V. Group. Due to NWM N.V. Group's reliance on technology, the adoption of innovative solutions, the integration of automated processes and artificial intelligence in its business, and the increasing sophistication, frequency and impact of cyberattacks, such attacks may adversely affect NWM N.V. Group.

In accordance with applicable UK, Dutch and EU data protection, and cybersecurity laws and regulations (including the EU General Data Protection Regulation ('EU GDPR')), NWM N.V. Group is required to ensure it implements timely appropriate and effective organisational and technological safeguards against unauthorised or unlawful access to the data of NWM N.V. Group, its customers and its employees. In order to meet this requirement, NWM N.V. Group relies on the effectiveness of its internal policies, controls and procedures to protect the confidentiality, integrity and availability of information held on its IT systems, networks and devices as well as with third parties with whom NWM N.V. Group interacts. A failure to monitor and manage data in accordance with applicable requirements may result in financial losses, regulatory fines and investigations and associated reputational damage.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group operations and strategy are highly dependent on the accuracy and effective use of data.

NWM N.V. Group relies on the availability, sourcing, and effective use of accurate and high quality data to support, monitor, evaluate, manage and enhance its operations, innovate its products offering, meet its regulatory obligations, and deliver its strategy. Investment is being made in data tools and analytics, including raising awareness around ethical data usage (for example, in relation to the use of artificial intelligence) and privacy across NWM N.V. Group.

The availability and accessibility of current, complete, detailed, accurate and, wherever possible, machine-readable customer segment and sub-sector data, together with appropriate governance and accountability for data, is fast becoming a critical strategic asset, which is subject to increased regulatory focus. Failure to have or be able to access that data or the ineffective use or governance of that data could result in a failure to manage and report important risks and opportunities or satisfy customers' expectations including the inability to deliver products and services. This could also place NWM N.V. Group at a competitive disadvantage by increasing its costs, inhibiting its efforts to reduce costs or its ability to improve its systems, controls and processes. Any of the above could result in a failure to deliver NWM N.V. Group's strategy.

These data weaknesses and limitations, or the unethical or inappropriate use of data, and/or non-compliance with data protection laws could give rise to, conduct and litigation risks and may increase the risk of operational challenges, losses, reputational damage or other adverse consequences due to inappropriate models, systems, processes, decisions or other actions.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group relies on attracting, retaining, developing and remunerating diverse senior management and skilled personnel, and is required to maintain good employee relations.

NWM N.V. Group's success depends on its ability to attract, retain (through creating an inclusive environment), and develop highly skilled and qualified diverse personnel, including senior management, directors, and key employees (including for client-facing, technology and data focused roles), in a highly competitive market, and under internal cost efficiency pressures.

The inability to compensate employees competitively and/or any reduction of compensation, heightened regulatory oversight of banks and the increasing scrutiny of, and (in some cases) restrictions placed upon, employee compensation arrangements, negative economic developments or other factors, may adversely affect NWM N.V. Group's ability to hire, retain and engage well qualified employees, especially at a senior level, which could adversely affect NWM N.V. Group.

This increases the cost of hiring, training and retaining diverse skilled personnel. In addition, certain economic, market and regulatory conditions and political developments may reduce the pool of candidates for key management and non-executive roles, including non-executive directors with the right skills, knowledge and experience, or may increase the number of departures of existing employees. Moreover, a failure to foster a diverse and inclusive workforce may adversely affect NWM N.V. Group's employee engagement and the formulation and execution of its strategy and could also have a negative effect on its reputation with customers, investors and regulators.

Some of NWM N.V. Group's employees are represented by employee representative bodies, including works councils. Engagement with its employees and such bodies is important to NWM N.V. Group in maintaining good employee relations. Any breakdown of these relationships may adversely affect NWM N.V. Group.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group's operations are highly dependent on its complex IT systems, and any IT failure could adversely affect NWM N.V. Group.

NWM N.V. Group's operations are highly dependent on the ability to process a very large number of transactions efficiently and accurately while complying with applicable laws and regulations (including DORA). The proper functioning of NatWest Group's (including NWM N.V. Group's) transactional and payment systems, financial crime, and fraud detection systems and controls, risk management, credit analysis and reporting, accounting, customer service and other IT systems, including cloud services providers (some of which are owned and operated by other entities in NatWest Group or third parties), is critical to NWM N.V. Group's operations.

Individually or collectively, any system failure, loss of service availability (including defective or inadequate automated processes or artificial intelligence based solutions), or breach of data security could potentially cause significant damage to (i) important business services across NWM N.V. Group; and (ii) NWM N.V. Group's ability to provide services to its customers, which could result in reputational damage, significant compensation costs and regulatory sanctions (including fines resulting from regulatory investigations) or a breach of applicable regulations and could affect NWM N.V. Group's regulatory approvals, competitive position, business and brands, which could undermine its ability to attract and retain customers and talent. NWM N.V. Group outsources certain functions as it innovates and offers new digital solutions to its customers. Outsourcing, alongside remote working, heightens the above risks.

NWM N.V. Group uses IT systems that enable remote working interface with third-party systems, and NWM N.V. Group could experience service denials or disruptions if such systems exceed capacity or if a third-party system fails or experiences any interruptions, all of which could result in business and customer interruption and related reputational damage, significant compensation costs, regulatory sanctions and/or a breach of applicable regulations.

In 2024, NWM N.V. Group continued to make considerable investments to further simplify, upgrade and improve its IT and technology capabilities (including migration of certain services to cloud platforms). As part of NWM's strategy, NWM Group, including NWM N.V. Group, also continues to develop and enhance digital services for its customers and seeks to improve its competitive position through enhancing controls and procedures and strengthening the resilience of services including cyber security.

Any failure of these investment and rationalisation initiatives to achieve the expected results, due to cost challenges, poor implementation, defects, or otherwise, may adversely affect NWM Group's operations, its reputation and ability to retain or grow its customer business or adversely affect its competitive position, thereby negatively impacting NWM N.V. Group. See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change'.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

A failure in NWM N.V. Group's risk management framework could adversely affect NWM N.V. Group, including its ability to achieve its strategic objectives.

Risk management is an integral part of all of NWM N.V. Group's activities and delivery of its long-term strategy. NatWest Group's Enterprise- Wide Risk Management Framework sets out NWM Group's (including NWM N.V. Group) approach for managing risk within NWM N.V. Group including in relation to risk governance and risk appetite. A failure to adhere to this framework and agreed risk appetite statements, or any material weaknesses or deficiencies in the framework's controls and procedures, may adversely affect NWM N.V. Group's financial condition and strategic delivery as well as accurate reporting of risk exposures.

Financial risk management is highly dependent on the use and effectiveness of internal stress tests and models and ineffective risk management may arise from a wide variety of factors, including lack of transparency or incomplete risk reporting, manual processes and controls, inaccurate data, inadequate IT systems, unidentified conflicts or misaligned incentives, lack of accountability control and governance, incomplete risk monitoring (including trade surveillance) and failures of systems to properly process all relevant data, risks related to unanticipated behaviour or performance in algorithmic trading and management, insufficient challenges or assurance processes, or a failure to commence or timely complete risk remediation projects. Failure to manage risks effectively, or within regulatory expectations, could adversely affect NWM N.V. Group's reputation or its relationship with its regulators, customers, shareholders or other stakeholders.

In addition, financial crime risk management is dependent on the use and effectiveness of financial crime assessment, systems and controls. Weak or ineffective financial crime processes and controls may risk NatWest Group inadvertently facilitating financial crime which may result in regulatory investigation, sanction, litigation, fines and reputational damage. Financial crime continues to evolve, whether through fraud, scams, cyber-attacks or other criminal activity (including through the use of artificial intelligence). These risks are exacerbated as NWM N.V. Group continues to innovate its product offering and increasingly offers digital solutions to its customers. NatWest Group (including NWM N.V. Group) has made and continues to make significant, multi-year investments to strengthen and improve its overall financial crime control framework with prevention systems and capabilities. A number of NWM N.V. Group's financial crime controls are operated by NatWest Group on behalf of NWM N.V. Group.

NWM N.V. Group's operations are inherently exposed to conduct risks, which include business decisions, actions or reward mechanisms that are not responsive to or aligned with NWM N.V. Group's regulatory obligations, customer needs or do not reflect NWM N.V. Group's strategy, ineffective product management, unethical or inappropriate use of data, information asymmetry, implementation and utilisation of new technologies, outsourcing of customer service and product delivery, inappropriate behaviour towards customers, customer outcomes, the possibility of mis-selling of financial products and mishandling of customer complaints. Some of these risks have materialised in the past and ineffective management and oversight of conduct risks may lead to further remediation and regulatory intervention or enforcement.

NWM N.V. Group's businesses are also exposed to risks from employee, contractor, service provider misconduct including non-compliance with policies and regulations, negligence or fraud (including financial crimes and fraud), any of which could result in regulatory fines or sanctions and serious reputational or financial harm to NWM N.V. Group. Remote working arrangements for NWM N.V. Group employees place heavy reliance on the IT systems that enable remote working and may place additional pressure on NWM N.V. Group's ability to maintain effective internal controls, governance frameworks, and increase operational risk.

Remote working arrangements are also subject to regulatory scrutiny to ensure adequate recording, surveillance and supervision of regulated activities and compliance with regulatory requirements and expectations, including requirements to: meet threshold conditions for regulated activities; ensure the ability to oversee functions (including any outsourced functions); ensure no detriment is caused to customers; and ensure no increased risk of financial crime.

NWM N.V. Group seeks to embed a risk awareness culture across the organisation and has implemented policies and allocated new resources across all levels of the organisation to manage and mitigate conduct risk and expects to continue to invest in risk management, including the ongoing development of a NatWest Group risk management strategy in line with regulatory expectations. However, such efforts may not insulate NWM N.V. Group from instances of misconduct and no assurance can be given that NWM N.V. Group's strategy and control framework will be effective. See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change'. Any failure in NWM N.V. Group's risk management framework may adversely affect NWM N.V. Group and its financial condition through reputational and financial harm and may result in the inability to achieve its strategic objectives for its customers, employees and wider stakeholders.

Furthermore, NWM N.V. has policies and controls in place to prevent and detect financial crime and has invested in technology and capability to enhance financial crime controls. Although NWM N.V. head office is located in Amsterdam (where NWM N.V. risk management function is based), it also operates branches in France, Germany, Italy, and Sweden. Should such risk policies and controls be inadequate to combat financial crime, particularly in NWM N.V. branches (where there is less direct supervision), there could be an adverse effect on NWM N.V.

Any of the above have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group's operations are subject to inherent reputational risk.

Reputational risk relates to stakeholder and public perceptions of NWM N.V. Group arising from an actual or perceived failure to meet stakeholder or the public's expectations, including with respect to NatWest Group's strategy and related targets, NWM Group's strategy, or due to any events, behaviour, action or inaction by NWM N.V. Group, its employees or those with whom NWM N.V. Group is associated. See also, 'NWM N.V. Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM N.V. Group.' This includes harm to its brand, which may be detrimental to NWM N.V. Group's business, including its ability to build or sustain business relationships with customers, stakeholders and regulators, and may cause low employee morale, regulatory censure or reduced access to, or an increase in the cost of, funding.

Reputational risk may arise whenever there is, or there is perceived to be, a material lapse in standards of integrity, controls, compliance, customer or operating efficiency and may adversely affect NWM N.V. Group's ability to attract and retain customers. In particular, NWM N.V. Group's ability to attract and retain customers and talent, and engage with counterparties may be adversely affected by factors including: negative public opinion resulting from the actual or perceived manner in which NWM N.V. Group or any other member of NatWest Group conducts or modifies its business activities and operations, media coverage (whether accurate or otherwise), employee misconduct, NWM N.V. Group's financial performance, IT systems failures or cyberattacks, data breaches, financial crime and fraud, the level of direct and indirect government support for NatWest Group plc, or the actual or perceived practices in the banking and financial industry in general, or a wide variety of other factors.

Technologies, in particular online social networks and other broadcast tools that facilitate communication with large audiences in short timeframes and with minimal costs, may also significantly increase and accelerate the impact of damaging information and allegations.

Although NWM N.V. Group has a Reputational Risk Policy and framework to identify, measure and manage material reputational risk exposures, NWM N.V. Group cannot be certain that it will be successful in avoiding damage to its business from reputational risk.

Any of the above aspects of reputational risk may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

Legal, regulatory and conduct risk

NWM N.V. Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM N.V. Group.

NWM N.V. Group is subject to extensive laws, regulations, guidelines, corporate governance practice and disclosure requirements, administrative actions and policies in each jurisdiction in which it operates, which represents ongoing compliance and conduct risks. Many of these are constantly evolving and are subject to further material changes, which may increase compliance and conduct risks, particularly as the laws of different jurisdictions (including those of the EU/EEA and UK) diverge. NWM Group (NWM N.V. Group's parent) expects government and regulatory intervention in the financial services industry to remain high for the foreseeable future.

In particular, NWM N.V. Group is subject to (i) direct prudential supervision by the ECB; (ii) direct market conduct supervision by the Dutch Authority for the Financial Markets in the Netherlands (Stichting Autoriteit Financiële Markten ('AFM')) and indirect market conduct supervision by the European Securities and Markets Authority; and (iii) supervision by DNB, as home state supervisor, in respect of NWM N.V. Group's branch offices in the Netherlands, France, Germany, Italy, and Sweden, and to supervision by local regulators in these jurisdictions, as host state supervisors, in respect of certain regulatory aspects of NWM N.V. Group's branch offices' operations that are subject to home or host state supervision (e.g. anti-money laundering laws). NWM N.V. Group expects government and regulatory intervention in the financial services industry to remain high for the foreseeable future.

Prudential regulatory requirements:

Regulators and governments continue to focus on reforming the prudential regulation of the financial services industry and the manner in which the business of financial services is conducted. Measures have included: enhanced capital, liquidity and funding requirements through initiatives such as the Basel 3.1 standards implementation (and any resulting effect on RWAs and models), the UK ring-fencing regime, the strengthening of the recovery and resolution framework applicable to financial institutions in the Netherlands, the EU proposed reform of bank crisis management and deposit insurance framework, the UK, the EU and the US, financial industry reforms (such as the FSMA 2023), corporate governance requirements, rules relating to the compensation of senior management and other employees, enhanced data protection and IT resilience requirements (such as DORA), financial market infrastructure reforms, enhanced regulations in respect of the provision of 'investment services and activities'.

There is also increased regulatory focus in certain areas, including conduct, model risk governance, consumer protection in retail or other financial markets, competition and disputes regimes, anti-money laundering, anti-corruption, anti-bribery, anti-tax evasion, payment systems, sanctions and anti-terrorism laws and regulations. This has resulted in NWM N.V. Group facing greater regulation and scrutiny in the Netherlands and the other countries in which it operates.

In addition, there is significant oversight by competition authorities of the jurisdictions in which NWM N.V. Group operates. The competitive landscape for banks and other financial institutions in Europe, the UK and the US is rapidly changing. Recent regulatory and legal changes have and may continue to result in new market participants and changed competitive dynamics in certain key areas. Regulatory and competition authorities, including the CMA, are also looking at and focusing more on how they can support competition and innovation in digital and other markets.

Recent regulatory changes and heightened levels of public and regulatory scrutiny in Europe, the UK, Asia and the US have resulted in increased capital, funding and liquidity requirements, changes in the competitive landscape, changes in other regulatory requirements and increased operating costs, and have impacted, and will continue to impact, product offerings and business models.

Regulatory requirements:

Recent regulatory changes and heightened levels of public and regulatory scrutiny in the EU have resulted in increased capital, funding and liquidity requirements, changes in the competitive landscape, changes in other regulatory requirements and increased operating costs, and have impacted, and will continue to impact, product offering and business models.

For example, NWM N.V. Group is required to ensure operational continuity in resolution; the steps required to ensure such compliance entail significant costs, and also impose significant operational, legal and execution risk. Material consequences could arise should NWM N.V. Group be found to be non-compliant with these regulatory requirements.

As the ECB replaced DNB as the prudential regulator of NWM N.V. due to NWM N.V. becoming a 'significant institution', this may result in changes to supervision and regulations applicable to NWM N.V. Should NWM N.V. not meet certain supervisory criteria, remedial action or changes to the business may be required. Any such actions or changes may harm the reputation of NWM N.V. Group and may also require additional resources and funds which may need to be diverted from other parts of the business which may, in turn, adversely affect NWM N.V. Group.

Such changes may also result in an increased number of regulatory investigations and proceedings and have increased the risks relating to NWM N.V. Group's ability to comply with the applicable body of rules and regulations in the manner and within the timeframes required.

Moreover, uncertainties remain as to the extent to which EU/EEA laws will diverge from UK law. For example, bank regulation in the UK may diverge from European bank regulation following the enactment of the Financial Services and Markets Act 2023 ('FSMA 2023') and the Retained EU Law (Revocation and Reform) Act 2023. In particular, FSMA 2023 provides for the revocation of retained EU laws relating to financial services regulation, but sets out that this process will likely take a number of years and that the intention is that specific retained EU laws will not be revoked until such time as replacement regulatory rules are in place. Significant uncertainties remain as to whether and what equivalence determinations will be made by the various regulators, whether the proposed EEA licenced subsidiary is granted a banking licence, whether banking services will be harmonised across the EEA and, therefore, what the respective legal and regulatory arrangements will be, under which NWM Group and its subsidiaries (including NWM N.V. Group) will operate. This divergence could lead to further market fragmentation. The actions taken by regulators in response to any new or revised bank regulation and other rules affecting financial services, may adversely affect NWM Group, including its business, non-UK operations, group structure (including NWM N.V. Group), compliance costs, intragroup arrangements and capital requirements.

Other areas in which, and examples of where, governmental policies, regulatory and accounting changes and increased public and regulatory scrutiny may adversely affect (some of which could be material) on NWM N.V. Group include, but are not limited to, the following:

- general changes in government, central bank, regulatory or competition policy, or changes in regulatory regimes that may influence investor decisions in the jurisdictions in which NWM N.V. Group operates;
- rules relating to foreign ownership, expropriation, nationalisation and confiscation or appropriation of assets;
- new or increased regulations relating to customer data protection as well as IT controls and resilience, such as the India Digital Personal Data Protection Act 2023;
- the introduction of, and changes to, taxes, levies or fees applicable to NWM N.V. Group's operations, which may require increased payments of tax, changes in tax rates, increases in the bank corporation tax surcharge in the UK, restrictions on the tax deductibility of interest payments or further restrictions on the set-off of carry-forward tax losses;

- the potential introduction by the BoE of a Central Bank Digital Currency which could result in deposit outflows, higher funding costs, and/or other implications for banks including NatWest Group (including impact on NWM N.V. Group);
- recent or proposed US regulations around cybersecurity incidents, climate disclosures, and other climate and sustainability-related rules;
- increased risk of legal action against NWM Group for financing or contributing to climate change and nature-related degradation, or greenwashing;
- new or increased regulations relating to financial crime; and
- any regulatory requirements relating to the use of artificial intelligence and large language models across the financial services industry (such as the European Union Artificial Intelligence Act).

Any of these developments (including any failure to comply with, or correctly interpret, new rules and regulations) could also have a significant impact on NWM N.V. Group's authorisations and licences, the products and services that NWM N.V. Group may offer, its reputation and the value of its assets, NWM N.V. Group's operations or legal entity structure, and the manner in which NWM N.V. Group conducts its business. Material consequences could arise should NWM N.V. Group be found to be non-compliant with these regulatory requirements.

Regulatory developments may also result in an increased number of regulatory investigations and proceedings and have increased the risks relating to NWM N.V. Group's ability to comply with the applicable body of rules and regulations in the manner and within the timeframes required.

Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, including contradictory or conflicting laws, rules or regulations by key regulators or policymakers in different jurisdictions, or failure by NWM N.V. Group to comply with such laws, rules and regulations, may adversely affect NWM N.V. Group's business, results of operations and outlook. In addition, uncertainty and insufficient international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect NWM N.V. Group's reputation, ability to engage in effective business, capital and risk management planning.

Any of the above could have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group and NWM Plc are exposed to the risk of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM N.V. Group.

NWM N.V. Group's operations are diverse and complex and it operates in legal and regulatory environments that expose it to potentially significant civil actions (including those following on from regulatory sanction), as well as criminal, regulatory and governmental proceedings. NWM N.V. Group and NWM Plc have resolved a number of legal and regulatory actions over the past several years but continues to be, and may in the future be, involved in such actions in the US, the UK, Europe and other jurisdictions.

NWM N.V. Group and/or NWM Plc are, have recently been and will likely be involved in a number of significant legal and regulatory actions, including investigations, proceedings and ongoing reviews (both formal and informal) by governmental law enforcement and other agencies and litigation proceedings, including in relation to the offering of securities, conduct in the foreign exchange market, the setting of benchmark rates such as LIBOR and related derivatives trading, the issuance, underwriting, and sales and trading of fixed-income securities (including government securities), product mis-selling, customer mistreatment, anti-money laundering, antitrust, VAT recovery, record keeping, reporting, and various other issues. There is also an increasing risk of activist actions, particularly relating to climate change and sustainability-related matters. Legal and regulatory actions are subject to many uncertainties, and their outcomes, including the timing, amount of fines, damages or settlements or the form of any settlements, which may be material and in excess of any related provisions, are often difficult to predict, particularly in the early stages of a case or investigation. NWM N.V. Group's expectation for resolution may change and substantial additional provisions and costs may be recognised in respect of any matter.

The resolution of significant investigations include NWM Plc's December 2021 spoofing-related guilty plea in the United States, which involves a multi-year period of probation, an independent corporate monitor, and commitments to compliance programme reviews and improvements and reporting obligations. In the event that NWM Plc does not meet its obligations to the US Department of Justice, this may lead to adverse consequences including for NWM N.V. Group. Significant ongoing matters include the implementation of recommendations made by the independent corporate monitor aforementioned. For additional information relating to this and other legal and regulatory proceedings and matters to which NWM Group is exposed, see 'Litigation and regulatory matters' at Note 25 to the NWM Group consolidated accounts.

Recently resolved matters or adverse outcomes or resolution of current or future legal or regulatory matters, could increase the risk of greater regulatory and third-party scrutiny and could have material financial, reputational, or collateral consequences for NWM Group's (including NWM N.V. Group's) business and result in restrictions or limitations on NWM Group's (including NWM N.V. Group's) operations.

These may include the effective or actual disqualification from carrying on certain regulated activities and consequences resulting from the need to reapply for various important licences or obtain waivers to conduct certain existing activities of NWM N.V. Group, particularly but not solely in the US, which may take a significant period of time and the results and implications of which are uncertain. Disqualification from carrying on any activities, whether automatically as a result of the resolution of a particular matter or as a result of the failure to obtain such licences or waivers could adversely affect NWM N.V. Group's business, in particular in the US. This in turn and/or any fines, settlement payments or penalties may have an adverse effect on NWM N.V. Group. Similar consequences could result from legal or regulatory actions relating to other parts of NatWest Group.

Failure to comply with undertakings made by NWM N.V. Group to its regulators, or the conditions of probation resulting from the spoofing-related guilty plea may result in additional measures or penalties being taken against NWM N.V. Group. In addition, any failure to administer conduct redress processes adequately, or to handle individual complaints fairly or appropriately, could result in further claims as well as the imposition of additional measures or limitations on NWM N.V. Group's operations, additional supervision by NWM N.V. Group's regulators, and loss of investor confidence.

Any of the above may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

Climate and sustainability-related risks

NWM N.V. Group and its value chain face climate and sustainability-related risks that may adversely affect NWM N.V. Group.

Climate change has been identified as a source of systemic risk, with potentially severe consequences for financial institutions. The financial impacts of climate and sustainability-related risks are expected to be widespread and may disrupt the orderly functioning of financial markets and have an adverse effect on financial institutions, including NWM N.V. Group.

Financial and non-financial risks from climate change can arise through physical and transition risks. In addition, physical and transition risks can trigger further losses, stemming directly or indirectly from legal claims, litigation and conduct liability (referred to as 'liability risk').

Whilst there are significant uncertainties relating to the location, magnitude and timing of climate-related physical risks, scientific research suggests physical risks may occur in increasing frequency and severity. Climate-related events like flood, wildfires and climatic changes can damage assets and disrupt operations, leading to increased costs, changes in asset values and loan defaults.

Damage or disruption to NWM N.V. Group customers' and counterparties' (including suppliers') properties, premises and operations could disrupt business, result in the deterioration of the value of collateral or insurance shortfalls, impair asset values and negatively impact the creditworthiness of customers and their ability and/or willingness to pay fees, afford new products or repay their debts, leading to increased default rates, delinquencies, write-offs and impairment charges in NWM N.V. Group's portfolios. In addition, NWM N.V. Group's premises and operations, or those of its critical outsourced functions may experience damage or disruption leading to increased costs for NWM N.V. Group.

To meet the goals of the 2015 Paris Agreement, the EU's and the Netherlands' climate policy and the UK's Net Zero Strategy by 2050 will require a net-zero transition across all sectors of the economy and markets in which NWM N.V. Group operates. The timing and pace of the transition to a net-zero economy will depend on many factors and uncertainties and may be near-term, gradual and orderly, or delayed, rapid and disorderly, or a combination of these. A transition to a net-zero economy requires significant and timely policy and regulatory changes, immediate actions from national and regional governments, new technological innovations and changes to supply and demand systems within industries. The transition to a net-zero economy may also trigger changes in consumer behaviour and market sentiment. In addition, there is significant uncertainty about how climate change and the world's transition to a net-zero economy will unfold over time and how and when climate and other sustainability-related risks will manifest. These timeframes are considerably longer than NWM N.V. Group's historical and current strategic, financial, resilience and investment planning horizons.

NWM N.V. Group and its value chain (including its investors, customers, counterparties (including its suppliers), business partners and employees) ('NWM N.V. Group's Value Chain') may face financial and non-financial risks arising from broader (i.e. non-climate-related) sustainability issues such as risks relating to nature loss (such as the loss and/or decline of the state of nature including but not limited to, the reduction of any aspect of biological diversity and other forms of environmental degradation such as air, water and land pollution, soil quality degradation and water stress).

NatWest Group recognises that climate and nature-related risks are interlinked and therefore NatWest Group aims to work towards enhancing processes and capabilities to include assessments of nature-related risks and opportunities within governance, risk management and stakeholder engagement practices.

Climate and nature-related risks may:

- adversely affect the broader economy, influencing interest rates, inflation and growth, impacting profitability and stability;
- adversely affect asset pricing and valuations of NWM N.V. Group's own and other securities and, in turn, the wider financial system;
- adversely affect economic activities directly (for example through lower corporate profitability or the devaluation of assets) or indirectly (for example through macro-financial changes);
- adversely affect the viability or resilience of business models over the medium to longer term, particularly those business models most vulnerable to climate and sustainability-related risks;
- trigger losses stemming directly or indirectly from liability risks and/or reputational damage, including as a result of adverse media coverage, or activists, the public or NWM N.V. Group's Value Chain associating NWM N.V. Group or its customers with adverse climate and sustainability-related issues;
- adversely affect NWM N.V. Group's ability to contribute to deliver on NatWest Group's strategy, including achieving its climate ambitions and targets; and
- exacerbate other risk categories to which NWM N.V. Group is exposed, including credit risk, operational risk (including business continuity), market risk (both traded and non-traded), liquidity and funding risk (for example, net cash outflows or depletion of liquidity buffers), reputational risk, pension risk, regulatory compliance risk and conduct risk.

In addition to nature-related risks, NWM N.V. Group and NWM N.V. Group's Value Chain may face financial and non-financial risks arising from other sustainability-related issues such as (i) risks related to social issues (including human rights), for example, negative impact on people's standard of living and health, political and geopolitical tensions and conflict endangering people's lives and security, displacement of communities, the violation of indigenous people's rights, unjust working conditions and labour rights breaches (including discrimination, lack of diversity and inclusion, inequality, gender/ethnicity pay gap and payments under the minimum wage), modern slavery, accessible banking and financial inclusion, financial crime, data privacy breaches, innovation, digitalisation and AI, and lack of support for the vulnerable; and (ii) governance-related risks (including board diversity, ethical corporate culture, executive compensation and management structure).

There is also growing expectation from customers, investors, policymakers, regulators and society of the need for a 'just transition' – in recognition that the transition to net zero should happen in a way that is as fair and inclusive as possible to everyone concerned. Although NatWest Group (including NWM N.V. Group) continues to evaluate and assess whether and, if so, how it integrates 'just transition' considerations into its strategy and decision-making, a failure (or perception of failure) by NatWest Group (including NWM N.V. Group) to sufficiently factor these considerations into existing products and service offerings may adversely affect NatWest Group (including NWM N.V. Group), including NatWest Group's (including NWM N.V. Group) reputation.

If NWM N.V. Group fails to identify, assess, prioritise, monitor, react to and prevent appropriately: (i) climate and sustainability-related impacts, risks and opportunities; and (ii) changing regulatory and market expectations and societal preferences that NWM N.V. Group and NWM N.V. Group's Value Chain face, in a timely manner or at all, this may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects (including cash flows, access to finance or cost of capital over the short, medium or long term), reputation or the price of its securities.

NatWest Group's strategy relating to climate change, ambitions, targets and transition plan entail significant execution and/or reputational risks and are unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes.

At NatWest Group's Annual General Meeting in April 2022, ordinary shareholders passed an advisory 'Say on Climate' resolution endorsing NatWest Group's previously announced strategic direction on climate change, including its ambitions to at least halve the climate impact of its financing activity by 2030, achieve alignment with the 2015 Paris Agreement and reach net zero across its financed emissions, assets under management and operational value chain by 2050. NatWest Group may also announce other climate and sustainability-related ambitions, targets and initiatives and/or retire or change existing ones.

Making the changes necessary by NWM N.V. Group to contribute to achieve NatWest Group's climate ambitions and targets and executing its transition plan, together with the active management of climate and sustainability-related risks and other regulatory, policy and market changes, is likely to necessitate material changes to NWM N.V. Group's business, operating model, its existing exposures and the products and services NWM N.V. Group provides to its customers (potentially on accelerated timescales). NWM N.V. Group may be required to (i) in the medium and long term significantly reduce its financed emissions and facilitated and its exposure to customers that do not align with a transition to net zero or do not have a credible transition plan in place, and (ii) divest or discontinue certain activities for regulatory or legal reasons or in response to the transition to a less carbon-dependent economy. Increases in lending and financing activities may wholly or partially offset some or all these reductions, which may increase the extent of changes and reductions necessary.

Making the necessary changes, or failing to make the necessary changes in a timely manner, or at all to achieve NatWest Group's climate ambitions and targets and executing its transition plan, together with the active management of climate and sustainability-related risks and other regulatory, policy and market changes may have an adverse effect on NatWest Group and NatWest Group's ability to achieve its climate and financial ambitions and targets, take advantage of climate change-related opportunities and generate sustainable returns.

NWM N.V. Group's ability to contribute to achieving NatWest Group's strategy, including contributing to achieve NatWest Group's climate ambitions and targets, will significantly depend on many factors and uncertainties beyond NWM N.V. Group's control.

These include (i) the extent and pace of climate change, including the timing and manifestation of physical and transition risks; (ii) the macroeconomic environment; (iii) the effectiveness of actions of governments, legislators, regulators and businesses; (iv) the response of the wider society, NWM N.V. Group's Value Chain and other stakeholders to mitigate the impact of climate and sustainability-related risks; (v) changes in customer behaviour and demand; (vi) appetite for new markets, credit appetite, concentration risk appetite, lending opportunities; (vii) developments in the available technology; (viii) the rollout of low carbon infrastructure; and (ix) the availability of accurate, verifiable, reliable, auditable, consistent and comparable data.

These external factors and other uncertainties will make it challenging for NWM N.V. Group to contribute to achieving NatWest Group's climate ambitions and targets and there is a significant risk that all or some of these ambitions and targets will not be achieved or not achieved within the intended timescales.

NWM N.V. Group's ability to contribute to achieving NatWest Group's climate ambitions and targets depends to a significant extent on the timely implementation and integration of appropriate government policies. The UK Climate Change Committee ('UK CCC') 2024 Progress Report to the UK Parliament states that the UK is not on track to hit its legislated target to reduce emissions in 2030 by 68% compared to 1990 levels and only a third of the emission reductions required to achieve the UK's 2030 target are currently covered by credible plans, with action needed across all sectors of the economy. NatWest Group's climate ambitions are unlikely to be achieved without timely and appropriate government policy and technology developments, as well as supplier, customer and societal response required to support the transition.

The UK CCC is expected to publish its Seventh Carbon Budget on 26 February 2025. NatWest Group expects this to take into account new UK policy initiatives announced by the UK government in November 2024 and NatWest Group plans to review its climate ambitions in the context of the of the UK's Seventh Carbon Budget, once released.

Climate and sustainability matters are also becoming increasingly politicised and polarised. Some of NWM N.V. Group's customers, investors or other stakeholders may decide not to do business with NWM N.V. Group because, according to their own assessment, NatWest Group's (including NWM N.V. Group) strategy, ambitions and targets related to climate and sustainability do not meet their expectations, either for lacking the necessary ambition or progress, or for being perceived as overly concerned about sustainability.

Any delay or failure by NWM N.V. Group in putting into effect, making progress against or meeting NatWest Group's climate and sustainability-related ambitions, targets and plans may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation and may increase the climate and sustainability-related risks NWM N.V. Group faces.

Failure to implement effective governance, procedures, systems and controls in compliance with legal, regulatory requirements and societal expectations to manage climate and sustainability-related risks and opportunities could adversely affect NWM N.V. Group.

NWM N.V. Group is subject to European and Dutch legal and regulatory expectations as to how to prudently manage and transparently disclose climate and sustainability-related risks. In November 2020, the ECB published its 'Guide on climate-related and environmental risks' ('ECB Guide') which laid down the

ECB's expectations for each supervised entity in relation to climate-related and environmental risks in governance, strategy and risk management. The ECB has expressed its readiness to enforce the abovementioned expectations with all the instruments at its disposal, including imposing periodic penalty payments or bank-specific capital add-ons and in 2024 the ECB has started to issue fine notices to a number of lenders not meeting ECB's long-defined expectations on disclosing and managing climate risk. In January 2022, the EBA published its final draft implementing technical standards on Pillar 3 disclosures on ESG risks which from 28 June 2022 apply to large institutions that have securities traded on a regulated market of an EU member state (including NWM N.V. Group) and require them to disclose information on their exposure to ESG-related risks and the actions they take to mitigate those risks, as well as metrics including their Green Asset Ratio (to be disclosed for the financial year ending 2023) and the Banking Book Taxonomy Alignment Ratio (to be disclosed for the financial year ending 2024). On 9 January 2025, the EBA published its final guidelines on the management of ESG risks, which set out requirements for institutions for the identification, measurement, management and monitoring of ESG risks, including through plans aimed at addressing the risks arising from the transition towards an EU climate-neutral economy. These guidelines will be applicable to NWM N.V. Group from 11 January 2026.

In March 2023, DNB published its 'Guide to managing climate and environmental risks' which provided financial undertakings with focal points and best practices for managing climate-related and environmental risks, including considerations for integrated risk management in areas such as business models, strategies, governance, risk management and information dissemination.

In June 2020, the AFM published its position paper on sustainability where it described what it expected from market parties when it comes to sustainability and how the AFM would be supervising this. The AFM confirmed, amongst others, that: - a sustainable economy and society is a supervisory priority of the AFM and is increasingly becoming an integral part of its supervision strategy; and - it expects market participants to integrate sustainability aspects in a responsible and careful manner in their financial products and services.

Any failure of NWM N.V. Group to fully and timely embed climate and other sustainability-related risks into its risk management practices and framework to appropriately identify, assess, prioritise and monitor the various climate-related physical and transition risks and other sustainability-related risks and apply the appropriate product governance process in line with applicable legal and regulatory requirements and expectations, may have a material adverse effect on NWM N.V. Group's regulatory compliance, prudential capital requirements, and this may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects, reputation or the price of its securities.

There are significant limitations related to accessing accurate, reliable, verifiable, auditable, consistent and comparable climate and other sustainability-related data that contribute to substantial uncertainties in accurately modelling and reporting on climate and sustainability information, as well as making appropriate important internal decisions.

Accurate assessment and reporting of climate and sustainability-related impacts, risks, opportunities and other climate and sustainability-related matters, and related metrics depends on access to accurate, reliable, verifiable, auditable, consistent and comparable data from counterparties (including suppliers), customers, or other third parties. Data of adequate quality may not be generally available or, if available, may not be accurate, reliable, verifiable, auditable, consistent, or comparable.

In the absence of other sources, reporting on climate and sustainability-related matters (including reporting on NatWest Group's (including NWM N.V. Group) financed and facilitated emissions) may be based on estimated or aggregated information developed by third parties (including customers) that may be prepared in an inconsistent way using different methodologies, interpretations, or assumptions that may not be accurate for a given counterparty (including supplier) or customer. There may also be data gaps and limitations that are addressed using estimates based on assumptions about matters that are inherently uncertain or proxy data, such as sectoral averages or use of emissions estimated by a third party, again developed in a variety of ways and in some cases not in a timely manner causing data to be potentially outdated at the time when they are used.

Significant risks, uncertainties and variables are inherent in the assessment, measurement and mitigation of climate and sustainability-related risks. These include data quality gaps and limitations mentioned above, as well as the pace at which climate science, greenhouse gas accounting standards and various emissions reduction solutions develop, which NWM N.V. Group expects to be enhanced through the Corporate Sustainability Reporting Directive (CSRD) affecting NatWest's customers. In addition, there is significant uncertainty about how climate change and the world's transition to a net-zero economy will unfold over time and how and when climate and sustainability-related risks will manifest. These timeframes are considerably longer than NWM N.V. Group's historical and current strategic, financial, resilience and investment planning horizons.

As a result, NWM N.V. Group's assessment of climate and sustainability impacts, risks, opportunities and other climate and sustainability-related matters is likely to evolve and its climate and sustainability-related disclosures may be amended, updated or restated in the future as the quality and completeness of NWM N.V. Group's data and methodologies continue to improve.

These data quality challenges, gaps and limitations may also have a material impact on NWM N.V. Group's ability to make effective business decisions about climate and sustainability-related impacts, risks, opportunities and other climate and sustainability-related matters, including risk management decisions, to comply with disclosure requirements and to monitor and report progress in meeting ambitions, targets and pathways all of which may have an adverse effect on NWM N.V. Group.

Climate-related risks are challenging to model due to their forward-looking nature, the lack of and/or quality of historical testing capabilities, lack of accuracy, standardisation and incompleteness of emissions and other climate and sub-sector related data and the immature nature of risk measurement and modelling methodologies. As a result, it is very difficult to predict and model the impact of climate-related risks into precise financial and economic outcomes. The evaluation of climate-related risk exposure and the development of associated potential risk mitigation techniques also largely depend on the choice of climate scenario modelling methodology and the assumptions made which involves a number of risks and uncertainties.

Accordingly, these risks and uncertainties coupled with significantly long timeframes make the outputs of climate-related risk modelling, climate-related targets (including emission reduction targets) and pathways, inherently more uncertain than outputs modelled for traditional financial planning cycles based on historical financial information.

Capabilities within NWM N.V. Group to appropriately assess, model, report and manage climate and sustainability-related impacts and risks and the suitability of the assumptions required to model and manage climate and sustainability-related risks appropriately continue to develop and mature. Even when those capabilities are appropriately developed, the high level of uncertainty regarding any assumptions modelled, the highly subjective nature of risk measurement and mitigation techniques, incorrect or inadequate assumptions and judgements and data quality gaps and limitations may lead to inadequate risk management information and frameworks, or ineffective business adaptation or mitigation strategies or regulatory non-compliance.

Any of the above may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects, reputation and the price of its securities.

NWM N.V. Group is becoming subject to more extensive, and sophisticated climate and other sustainability-related laws, regulation and oversight and there is an increasing risk of regulatory enforcement, investigation and litigation.

NWM N.V. as well as its subsidiaries are increasingly becoming subject to more extensive, and sophisticated sustainability-related laws and regulations in the EU and in the Netherlands, including in relation to mandatory climate and other sustainability reporting (such as CSRD and Pillar 3 disclosures on ESG risks) and due diligence (such as the Corporate Sustainability Due Diligence Directive), climate transition plan, product labelling and combatting "greenwashing".

Compliance with these complex, evolving and often diverging legal, regulatory and supervisory requirements and voluntary standards and initiatives is likely to require NWM N.V. Group to implement significant changes to its business models, IT systems, products, governance, internal controls over financial and non-financial reporting, disclosure controls and procedures, modelling capability and risk management systems, and the training and development of personnel, which may increase the cost of doing business, result in higher capital requirements, and entail additional change risk and increased compliance, regulatory sanctions, conduct and litigation (including settlements) costs.

The ECB, AFM, EBA and DNB are also increasingly focused on climate change, environmental degradation, social and governance topics and have announced good practices and supervisory expectations relating to some of these topics. There is also an increasing number of laws, regulations and legislative actions, including proposals, guidance, policy and regulatory initiatives many of which have been introduced or amended recently and are subject to further changes, is likely to affect the financial sector and the wider economy.

A failure by NWM N.V. Group or any of its subsidiaries to comply with these climate and sustainability-related legal, regulatory and supervisory requirements and standards and meet expectations of NWM N.V. Group's Value Chain in this respect may result in investigations and regulatory sanction each of which may have an adverse effect on NWM N.V. Group and the successful implementation of NatWest Group's (including NWM N.V. Group) strategy relating to climate and sustainability.

Divergence between UK, EU, US, Dutch and other climate and sustainability-related legal, regulatory and supervisory requirements and their interpretation may increase the cost of doing business (including increased operating costs) and may result in regulatory non-compliance and litigation risk.

Failure by NWM N.V. Group to comply with these divergent legal, regulatory and supervisory requirements (if applicable to NWM Group) may have an adverse effect on NWM N.V. Group's ability to contribute to the successful implementation of NatWest Group's strategy relating to climate change including when contributing to setting up NatWest Group's climate ambitions and targets and to executing NatWest Group's transition plan and may result in NWM N.V. Group and/or its subsidiaries not meeting investors' expectations.

Increasing new climate and sustainability-related jurisprudence, laws and regulations in the EU and the Netherlands (and other jurisdictions), regulatory scrutiny, expose financial institutions, including NWM N.V. Group, to face increasing litigation, conduct, enforcement and contract liability risks related to climate change, nature-related degradation, human rights violations and other social, governance and sustainability-related issues. Furthermore, regulatory and enforcement activity around climate and sustainability initiatives that promote more extensive sustainability-related requirements and those that impose divestment and other sanctions against financial institutions that implement climate and sustainability-related initiatives is becoming increasingly divergent and conflicting between jurisdictions, in particular in the United States.

Any failure of NWM N.V. Group to develop and implement robust and effective governance, controls and procedures over climate and sustainability-related impact assessment, disclosure, reporting and other communications and sustainability-related claims (including in relation to NWM N.V. Group's products, services and strategy) and comply with them in line with applicable legal and regulatory requirements and expectations, may give rise to increased complaints, regulatory enforcement (including sanctions), investigation and litigation and may adversely affect NWM N.V. Group's regulatory compliance, investor base, and reputation.

Furthermore, there is a risk that shareholders, campaign groups, customers and activist groups could seek to take legal action against NWM N.V. Group for financing, facilitating or contributing to actual or perceived harm to the environment or people, climate change, nature-related degradation and human rights violations, failure to implement or follow adequate governance procedures and for not supporting the principles of 'just transition' (i.e. maximising the social benefits of the transition, mitigating the social risks of the transition, empowering those affected by the change, anticipating future shifts to address issues up front and mobilising investments from the public and private sectors).

Any of the above may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects, reputation and the price of its securities.

Additional information

Major shareholders

NatWest Markets N.V. is 100% owned by RBS Holdings N.V. In turn, RBS Holdings N.V. is a 100% subsidiary of NatWest Markets Plc.

Stock exchange listings

None of the shares in the NatWest Markets N.V. Group are listed.

Issued share capital

The issued share capital of NWM N.V. consists of 11,112 ordinary shares with a nominal value of €4.50 each.

Dividends

The NatWest Markets N.V. Group's policy is to pay dividends on ordinary shares taking account the capital position and prospects. For further information on the payment of dividends, refer to Note 18 to the consolidated financial statements.

Off-balance sheet arrangements

NatWest Markets N.V. Group has no off-balance sheet arrangements that have or are reasonably likely to have an adverse effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

For further information on off-balance sheet commitments and contingent liabilities refer to Note 22 to the consolidated financial statements.

Forward-looking statements

This document may include forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements with respect to NWM N.V. Group's financial condition, results of operations and business, including its strategic priorities, financial, investment and capital targets, and climate and sustainability related targets, commitments and ambitions described herein. Statements that are not historical facts, including statements about NWM N.V. Group's beliefs and expectations, are forward-looking statements. Words, such as 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'target', 'goal', 'objective', 'may', 'outlook', 'prospects' and similar expressions or variations on these expressions are intended to identify forward-looking statements. In particular, this document may include forward-looking statements relating, but not limited to: NWM N.V. Group's economic and political risks financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of NWM N.V. Group's strategy and NWM Plc Group's strategy, its climate and sustainability related ambitions and targets, its access to adequate sources of liquidity and funding, its regulatory capital position and related requirements, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions and uncertainties, exposure to third party risk, operational risk, conduct risk, cyber, data and IT risk, financial crime risk, key person risk, credit rating risk and the impact of climate and sustainability related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NWM N.V. Group's actual results are discussed in NWM N.V. Group's 2024 Annual Report and Accounts, and its other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NWM N.V. Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.