NatWest Holdings Limited

2024 Annual Report and Accounts

Strategic report

Presentation of information

NatWest Holdings Limited ('NWH Ltd') is a wholly owned subsidiary of NatWest Group plc, or 'the ultimate holding company'. The term 'NWH Group' or 'we' refers to NWH Ltd and its subsidiary and associated undertakings. National Westminster Bank Plc (NWB Plc), The Royal Bank of Scotland plc (RBS plc) and Ulster Bank Ireland DAC (UBIDAC) are wholly owned subsidiaries. The term 'NatWest Group' comprises NatWest Group plc and its subsidiaries.

NWH Group publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling, respectively, and references to 'pence' represent pence where amounts are denominated in pounds sterling ('GBP'). 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 abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively.

Description of business

The principal entities under NatWest Holdings Ltd ('NWH Ltd') are National Westminster Bank Plc ('NWB Plc', which wholly owns Coutts & Company) and The Royal Bank of Scotland plc ('RBS Plc'). The term 'NWB Group' refers to NWB Plc and its subsidiary and associated undertakings. NWB Plc is the main provider of shared services for NatWest Group.

Principal activities and operating segments

NWH Group serves customers across the UK with a range of retail and commercial banking products and services. A wide range of personal products are offered including current accounts, credit cards, personal loans, mortgages and wealth management services.

The reportable operating segments are as follows:

Retail Banking serves personal customers in the UK and includes Ulster Bank customers in Northern Ireland.

Private Banking serves UK-connected, high net worth individuals and their business interests.

Commercial & Institutional consists of customer businesses reported under Business Banking, Commercial Mid-market and Corporate & Institutions, supporting our customers across the full non-personal customer lifecycle, both domestically and internationally.

Central items & other includes corporate functions such as treasury, finance, risk management, compliance, legal, communications and human resources. NWB Plc, NWH Ltd's largest subsidiary undertaking, is the main service provider of shared services and treasury activities for NatWest Group. The services are mainly provided to NWH Group, however, in certain instances where permitted, services are also provided to the wider NatWest Group including the non ring-fenced business. Ulster Bank RoI continuing operations also forms part of Central items & other.

Intermediate EU parent undertaking

NatWest Group, as a third-country group with two or more subsidiary banking institutions in the European Union ('EU'), was approved by the European Central Bank ('ECB') to establish a dual Intermediate EU Parent Undertaking ('IPU') structure on behalf of its European subsidiaries. From 1 January 2024, NatWest Bank Europe GmbH ('NatWest Bank Europe'), a wholly-owned subsidiary of NWH Ltd, acted as the ring-fenced IPU and became subject to ECB supervision.

In December 2024, NatWest Group decided to simplify the operating model in Europe. NWM N.V. will become the primary European corporate and institutional customer-facing entity, subject to regulatory approval.

Performance overview

Strong financial performance

Profit from continuing operations was £4,452 million compared with £4,028 million in 2023.

Total income increased by £268 million to £13,533 million, primarily reflecting lending growth, the higher rate environment and net bond activity.

Operating expenses decreased by £8 million to £7,251 million, reflecting a decrease in other administrative costs primarily as a result of a reduction in conduct and managed services costs, partially offset by planned staff restructuring costs, amortisation costs and premises costs. The cost:income ratio decreased from 54.7% to 53.6%.

Net impairment losses of £373 million reduced year on year reflecting good book releases, post model adjustment releases and IFRS 9 multiple economic scenario (MES) updates. This was partially offset by an increase in Stage 3 charges. Total impairment provisions decreased by £0.2 billion to £3.3 billion in the year. The expected credit loss (ECL) coverage ratio decreased from 0.97% to 0.89%.

Robust balance sheet with strong capital levels

Total assets increased by £8.8 billion to £489.0 billion. This was primarily driven by an increase in loans to customers, mainly from higher reverse repos, and a £7.4 billion increase in other financial assets driven by liquidity risk management activities, principally net bond activity. This was partially offset by a reduction in cash and balances held at central banks.

Loans to customers increased by £12.8 billion to £366.9 billion primarily driven by an increase in reverse repos, growth in the Retail Banking business as a result of the acquisition of a Metro Bank mortgage portfolio, and commercial term loan facilities.

Customer deposits increased by £4.9 billion to £396.4 billion driven by growth in savings balances, combined with a deposit mix shift, as customers move towards interest bearing accounts. This was partially offset by a reduction in repo balances as a result of market conditions.

The Common Equity Tier 1 (CET1) ratio decreased by 10 basis points to 12.6% due to a £1.8 billion increase in risk-weighted assets (RWAs), partially offset by a £0.2 billion increase in CET1 capital. The CET1 capital increase was primarily driven by attributable profit in the period of £4.3 billion, offset in part by interim and foreseeable dividends.

Total RWAs increased by £1.8 billion to £152.2 billion mainly reflecting:

– an increase in credit risk RWAs of £0.7 billion, primarily driven by a £0.9 billion Metro Bank mortgage portfolio acquisition, increased lending and an uplift in internal ratings based (IRB) temporary model adjustment in Retail Banking and an increase in drawdowns and new facilities within Commercial & Institutional. Increases were partially offset by active RWA management and improved risk metrics.
– an increase in operational risk RWAs of £1.1 billion following the annual recalculation.

Stakeholder engagement and s.172(1) statement

This statement describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (section 172) when performing their duty to promote the success of the company.

Board engagement with stakeholders

The Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually. For 2024, they remained investors, customers, colleagues, regulators, communities and suppliers.

Directors are mindful that it is not always possible to achieve an outcome which meets the expectations of all stakeholders, and that there may be impacted stakeholders outside the six key groups the Board has identified. Examples of how the Board has engaged with stakeholders, including the impact on principal decisions, can be found in this statement and on page 77 (Corporate governance statement).

Supporting effective Board discussions and decision-making

Board and committee terms of reference reinforce the importance of considering the matters set out in section 172 (the s172 factors, as set out below). The Board and committee paper template also supports consideration of stakeholders and enables good decision-making.

Principal decisions

Principal decisions are those decisions taken by the Board that are material or of strategic importance to the company or are significant to the company's key stakeholders.

This statement includes a case study of a principal decision taken by the Board during 2024. Further information on the Board's principal activities can be found in the Corporate governance statement on pages 77 to 83.

The s172 factors

(a) likely long-term consequences

(b) employee interests

(c) relationships with customers, suppliers and others

(d) the impact on community and environment

(e) maintaining a reputation for high standards of business conduct

(f) acting fairly between members of the company

Case Study – Dividend payments

Factors considered: (a), (e), (f)

What was the decision-making process?

The Board approved full year and interim dividend declarations during 2024 to be made to the sole shareholder, NatWest Group plc (NWG). It considered proposals in the context of the agreed planning targets for the year, which reflected current and future regulatory capital requirements and the available funds for distribution. In line with standard practice, the Board Risk Committee reviewed all proposals prior to submission to the Board, making appropriate recommendations. Both the committee and the Board also reviewed the opinion of the second line of defence in relation to the proposals.

How did the directors fulfil their duties under section 172? How were stakeholders considered?

The Board recognised the need to balance adequate investment in the business with shareholder expectations that excess capital be paid to the parent entity. Consideration was given to NWH Ltd's growth and lending forecasts, agreed risk appetite and targets, and the dividend capacity. The Board was particularly focused on ensuring the proposed distributions would support the long-term success of the company for the benefit of all stakeholders, and that the payments would not impact NWH Ltd's ability to withstand an extreme stress scenario. External expectations of capital management were also carefully considered by the directors, including those of the shareholder, NatWest Group plc. Regulatory requirements formed an important part of the planning targets The Board also considered the financial implications the distributions might have and any potential impact on the bank's ability to serve our customers every day.

Actions and outcomes

A final dividend of £1,130 million was approved by the Board in February 2024 and an interim dividend of £2,007 million was approved by the Board in July 2024. These payments resulted in a CET1 ratio of 12.6%, consistent with the 2024 planning target and above regulatory requirements.

Board of directors and secretary

Approval of Strategic report

The Strategic report for the year ended 31 December 2024 set out on pages 2 to 76 was approved by the Board of directors on 13 February 2025.

By order of the Board
Jan Cargill

Chief Governance Officer and Company Secretary

13 February 2025

Chair

Richard Haythornthwaite

Executive directors

John-Paul Thwaite (CEO)
Katie Murray (CFO)

Non-executive directors

Francesca Barnes
Ian Cormack
Roisin Donnelly
Patrick Flynn
Geeta Gopalan
Yasmin Jetha
Stuart Lewis
Mark Rennison
Mark Seligman
Gillian Whitehead
Lena Wilson

Board and committee membership

Nominations Committee

Rick Haythornthwaite (Chair)
Ian Cormack
Patrick Flynn
Stuart Lewis
Mark Seligman
Lena Wilson

Audit Committee

Patrick Flynn (Chair)
Ian Cormack
Geeta Gopalan
Stuart Lewis
Mark Rennison
Mark Seligman

Board Risk Committee

Stuart Lewis (Chair)
Francesca Barnes
Ian Cormack
Patrick Flynn
Geeta Gopalan
Mark Rennison
Gill Whitehead
Lena Wilson

Performance and Remuneration Committee

Lena Wilson (Chair)
Ian Cormack
Roisin Donnelly
Mark Rennison
Mark Seligman

Sustainable Banking Committee

Yasmin Jetha (Chair)
Francesca Barnes
Roisin Donnelly
Geeta Gopalan
Gill Whitehead
Lena Wilson

Senior Independent Non-executive Director

Ian Cormack

For additional detail on the activities of the Committees above, refer to the Report of the directors.

Chief Governance Officer and Company Secretary

Jan Cargill

Board changes in 2024

Rick Haythornthwaite was appointed as a non-executive director on 8 January 2024 and as Chair on 15 April 2024.

Howard Davies stood down as Chairman and as a non-executive director on 15 April 2024.

Geeta Gopalan was appointed as a non-executive director on 1 July 2024.

Board changes in 2025

Gill Whitehead was appointed as a non-executive director on 8 January 2025.

Auditor

Ernst & Young LLP
Chartered Accountants and Statutory Auditor
25 Churchill Place
London, E14 5EY

Registered office and Head office

250 Bishopsgate
London, EC2M 4AA
Telephone: +44 (0)20 7085 5000

Other principal offices

National Westminster Bank

250 Bishopsgate
London, EC2M 4AA

The Royal Bank of Scotland plc

36 St Andrew Square,
Edinburgh, EH2 2YB

Coutts & Company

440 Strand
London, WC2R 0QS

NatWest Holdings Limited

Registered in England No. 10142224

Financial review

Summary consolidated income statement for the year ended 31 December 2024

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	2024 £m	2023 £m	Variance £m	Variance %
Net interest income	**5,367**	**649**	**4,129**	**105**	**10,250**	10,064	186	2
Non-interest income	**440**	**324**	**1,760**	**759**	**3,283**	3,201	82	3
Total income	**5,807**	**973**	**5,889**	**864**	**13,533**	13,265	268	2
Operating expenses	**(2,846)**	**(699)**	**(2,786)**	**(920)**	**(7,251)**	(7,259)	8	-
Profit/(loss) before impairment losses/releases	**2,961**	**274**	**3,103**	**(56)**	**6,282**	6,006	276	5
Impairment (losses)/releases	**(282)**	**11**	**(113)**	**11**	**(373)**	(562)	189	(34)
Operating profit/(loss)	**2,679**	**285**	**2,990**	**(45)**	**5,909**	5,444	465	9
Tax charge					**(1,457)**	(1,416)	(41)	3
Profit from continuing operations					**4,452**	4,028	424	11
Profit/(loss) from discontinued operations, net of tax					**81**	(112)	193	(172)
Profit for the year					**4,533**	3,916	617	16

Key metrics and ratios	2024	2023
Cost:income ratio (1)	**53.6%**	54.7%
Loan impairment rate (2)	**10bps**	16bps
CET1 ratio (3)	**12.6%**	12.7%
Leverage ratio (4)	**5.0%**	5.3%
Risk-weighted assets	**£152.2bn**	£150.4bn

(1) Cost:income ratio is total operating expenses divided by total income.
(2) Loan impairment rate is the loan impairment charge divided by gross customer loans.
(3) CET1 ratio is CET1 capital divided by RWAs.
(4) Leverage ratio is Tier 1 capital divided by total exposure.

NWH Group reported a profit of £4,533 million compared with £3,916 million in 2023. This was driven by an increase in total income of £268 million and an increase in profit from discontinued operations of £193 million, combined with a decrease in operating expenses of £8 million and a decrease in net impairment losses of £189 million.

Total income increased by £268 million, or 2%, to £13,533 million, with increases in both net and non-interest income.

Net interest income increased by £186 million, or 2%, to £10,250 million primarily reflecting lending growth, the higher rate environment and an increase in net bond activity. This was partially offset by increased interest payable on customer deposits, due to balance growth combined with a mix shift from non-interest bearing to interest bearing products.

Non-interest income increased by £82 million, or 3%, to £3,283 million, driven by an increase in net fees and commissions and other operating income.

Net fees and commissions increased by £78 million, or 4%, to £2,102 million, driven by increased commercial lending and financing fees and higher Assets Under Management and Administration (AUMA) balances driving an increase in investment income.

Other operating income increased by £4 million, to £1,181 million, reflecting:

- £102 million increase due to gains on the sale of assets, primarily as a result of a loss on a property disposal in the prior year;
- £22 million increase on gains from assets held at fair value through profit or loss;
- £16 million higher intercompany income due from fellow NatWest Group subsidiaries, partially offset by;
- £113 million decrease on gains from economic hedging derivatives, combined with a £36 million decrease on gains from hedge ineffectiveness.

Operating expenses remained broadly stable at £7,251 million, primarily reflecting:

- a decrease in other administrative costs of £270 million, primarily driven by a reduction in conduct costs, managed services costs and a lower profit share arrangement with fellow NatWest Group subsidiaries, offset in part by an increase in the new Bank of England Levy. This was partially offset by;
- an increase in depreciation and amortisation costs of £121 million, mainly due to continued investment in technology;
- an increase in staff costs of £89 million as a result of increased planned restructuring costs, including the closure of operations in Poland, and staff share scheme awards, partially offset by a reduction in temporary staff costs; and
- an increase in premises and equipment costs of £52 million due to an increase in technology contract costs and property provisions, partially offset by lower utility costs and a smaller property footprint.

Net impairment losses of £373 million reduced year on year reflecting good book releases, post model adjustment releases and MES updates, partially offset by an increase in Stage 3 charges. Total impairment provisions decreased by £0.2 billion to £3.3 billion in the year. The ECL coverage ratio decreased from 0.97% to 0.89%.

Retail Banking

Operating profit was £2,679 million in 2024.

Net interest income decreased by £219 million to £5,367 million, reflecting asset margin compression and deposit growth combined with a deposit balance mix shift from non-interest bearing to interest bearing products. This was partially offset by deposit margin expansion.

Non-interest income decreased by £31 million to £440 million, primarily due to higher card servicing costs.

Operating expenses increased by £123 million to £2,846 million, primarily due to the new Bank of England Levy and higher severance and property exit costs, partially offset by a reduction in headcount.

Net impairment losses of £282 million in 2024, compared with £465 million net losses in 2023, largely reflect good book releases, post model adjustment releases and the MES update.

Loans to customers increased by £3.2 billion to £208.4 billion, primarily driven by £1.9 billion higher mortgage balances, including £2.2 billion related to a Metro Bank mortgage portfolio acquisition. Cards balances increased £1.1 billion during the year.

Customer deposits increased by £6.7 billion to £194.8 billion, reflecting growth in savings partly offset by a reduction in current account balances.

Private Banking

Operating profit was £285 million in 2024.

Net interest income decreased by £61 million to £649 million, primarily reflecting deposit balance growth combined with a mix shift from non-interest bearing to interest bearing products and deposit margin expansion.

Non-interest income increased by £44 million to £324 million, reflecting higher AUMA balances driving an increase in investment income.

Operating expenses increased by £85 million to £699 million, primarily reflecting continued investment in technology, higher severance costs and the new Bank of England Levy.

Net impairment releases of £11 million in 2024, compared with £14 million net impairment losses in 2023, largely reflect higher good book releases and post model adjustment releases. Stage 3 charges were broadly flat and remained at low levels.

Loans to customers decreased by £0.3 billion to £18.2 billion, mainly due to lower gross new mortgage lending, higher mortgage repayments and lower personal lending.

Customer deposits increased by £4.8 billion to £42.4 billion, reflecting growth in instant access savings offset by reductions in current accounts and term balances.

Commercial & Institutional

Operating profit was £2,990 million in 2024.

Net interest income increased by £269 million to £4,129 million reflecting lending growth and the higher rate environment. This was partially offset by deposit growth combined with a deposit mix shift from non-interest bearing to interest bearing products.

Non-interest income increased by £74 million to £1,760 million, reflecting growth in lending and financing fees, payment service fees, and an increase in other operating income as a result of fair value adjustments.

Operating expenses increased by £49 million to £2,786 million reflecting the impact of inflationary increases in staff costs and the new Bank of England Levy, partially offset by a reduction in conduct costs.

Net impairment losses of £113 million, compared with £78 million net losses in 2023, primarily reflect higher Stage 3 charges, partially offset by larger good book releases and post model adjustment releases.

Loans to customers increased by £4.0 billion to £108.5 billion, primarily due to an increase in term loan facilities, offset in part by UK Government scheme repayments of £2.0 billion.

Customer deposits increased by £3.5 billion to £157.0 billion, driven by an increase in interest bearing saving deposit products.

Central items & other

Operating loss was £45 million in 2024.

Total income increased by £192 million to £864 million, primarily reflecting lower losses associated with property lease terminations.

Operating expenses decreased by £265 million to £920 million, primarily driven by a reduction in conduct costs and managed services costs. This was partially offset by an increase in amortisation charges, mainly driven by continued investment in technology. £702 million of total expenses were recovered through service charges in non-interest income.

Summary consolidated balance sheet as at 31 December 2024

	2024	2023	Variance	
	£m	£m	£m	%
Assets				
Cash and balances at central banks	**62,501**	72,733	(10,232)	(14)
Derivatives	**1,369**	1,137	232	20
Loans to banks - amortised cost	**3,923**	4,423	(500)	(11)
Loans to customers - amortised cost	**366,865**	354,028	12,837	4
Amounts due from holding company and fellow subsidiaries	**646**	291	355	122
Other financial assets	**39,821**	32,374	7,447	23
Intangible assets	**7,024**	7,060	(36)	(1)
Other assets	**6,859**	8,179	(1,320)	(16)
Total assets	**489,008**	480,225	8,783	2
Liabilities				
Bank deposits	**25,701**	19,079	6,622	35
Customer deposits	**396,360**	391,454	4,906	1
Amounts due to holding company and fellow subsidiaries	**20,975**	20,608	367	2
Derivatives	**830**	1,254	(424)	(34)
Other financial liabilities	**4,999**	9,011	(4,012)	(45)
Subordinated liabilities	**122**	122	-	-
Notes in circulation	**3,316**	3,237	79	2
Other liabilities	**4,011**	4,436	(425)	(10)
Total liabilities	**456,314**	449,201	7,113	2
Total equity	**32,694**	31,024	1,670	5
Total liabilities and equity	**489,008**	480,225	8,783	2

Total assets increased by £8.8 billion to £489.0 billion as at 31 December 2024.

Cash and balances at central banks decreased by £10.2 billion to £62.5 billion, primarily reflecting outflows as a result of net bond activity as part of liquidity risk management.

Loans to banks – amortised cost decreased by £0.5 billion to £3.9 billion, reflecting the reclassification of the cash ratio deposit to cash and balances at central banks, partially offset by an increase in reverse repos.

Loans to customers – amortised cost increased by £12.8 billion to £366.9 billion, driven by a £6.2 billion increase in reverse repos, an increase in commercial term loan facilities and a £1.9 billion increase in Retail Banking business mainly driven by the £2.2 billion acquisition of a Metro Bank mortgage portfolio.

Amounts due from holding companies and fellow subsidiaries increased by £0.4 billion to £0.6 billion primarily due to increased balances with NatWest Group plc.

Other financial assets increased by £7.4 billion to £39.8 billion, primarily reflecting £38.1 billion of bond purchases, partially offset by bond disposals and maturities of £31.5 billion.

Other assets decreased by £1.3 billion primarily due to disposals related to the withdrawal from the Republic of Ireland.

Bank deposits increased by £6.6 billion to £25.7 billion, driven primarily by an increase in repo balances.

Customer deposits increased by £4.9 billion to £396.4 billion, primarily due to a growth in savings balances including a mix shift as customers move to interest bearing accounts, partially offset by a £9.6 billion reduction in repo balances.

Derivative liabilities decreased by £0.4 billion to £0.8 billion, driven by favourable movements in interest rate swaps.

Other financial liabilities decreased by £4.0 billion to £5.0 billion, driven by lower short term funding due to the current market environment and bond maturities.

Total equity increased by £1.7 billion to £32.7 billion. The increase mainly reflects profit for the year of £4.5 billion, a £0.2 billion increase in paid-in equity and a £0.4 billion reduction in cash flow hedging reserves, partially offset by £3.1 billion of ordinary dividends paid to NatWest Group plc.

Risk and capital management

Presentation of information

Where marked as audited in the section header, certain information in the Risk and capital management section (pages 9 to 76) is within the scope of the Independent auditor's report. Risk and capital management is generally conducted on an overall basis within NatWest Group such that common policies, procedures, frameworks and models apply across NatWest Group. Therefore, for the most part, discussion on these qualitative aspects reflects those in NatWest Group as relevant for the businesses and operations in NWH Group.

Risk management framework

Introduction

NWH 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 NWH 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 NWH Group. It aligns risk management with NWH 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 NWH 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 NWH 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 process to identify and manage top and emerging risks, which are those that could have a significant negative impact on NWH Group's ability to meet its strategic objectives. Both top and emerging risks may incorporate aspects of – or correlate to – a number of principal risks and are reported alongside them to the Board on a regular basis.

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 NWH Group to support better customer outcomes, develop a stronger and more sustainable business and deliver an improved cost base.

NWH 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 NWH 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 NWH 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 rulebook and the FCA handbook.

Risk management framework continued

Governance

Committee structure

The diagram shows NWH Ltd risk committee structure in 2024 and the main purposes of each committee.

NatWest Holdings Ltd Board
Reviews and approves the risk management framework and the risk appetite for principal risks. Monitors performance against risk appetite.

Board Risk Committee
Provides oversight and advice to the Board on current and future risk exposures, and future risk profile, including risk appetite, the approval and effectiveness of the risk management framework. Reviews NWH Ltd's performance relative to risk appetite; the effectiveness of internal controls required to manage risk; all material risk exposures and management's recommendations to monitor, control and mitigate them, including principal risks. Approves the key risk policies.

Audit Committee
Assists the Board in carrying out its responsibilities relating to accounting policies, internal control and financial reporting function, including consideration of non-financial disclosures. Review NWH Group's internal controls systems and the procedures for monitoring effectiveness of these controls.

Executive Risk Committee
Supports the NWH CRO and other accountable executives in discharging risk management accountabilities. Reviews, challenges and debates all material risk and control matters across NWH and the performance of NWH relative to risk appetite. Reviews the NWH risk management framework, and key risk policies and supports the recommendation of them to NWH BRC. Oversees implementation and embedding of the NWH risk management framework in NWH Group.

Asset & Liability Management Committee
Supports the CFO in overseeing the effective balance sheet management of each of the NWH Sub-Group legal entities, in line with chosen business strategy and NWH Group risk appetite, under normal and stress conditions.

Executive Disclosure Committee
Supports the CFO in discharging their individual accountabilities, including the review of all material financial and non-financial disclosures made by the NWH Sub-Group to ensure they are accurate, complete and fairly represent the business and financial condition of NWH Sub-Group with no material misstatements or omissions.

(1) The NatWest Group Chief Executive Officer also performs the role of NWH Group Chief Executive Officer.
(2) The NatWest Group Chief Risk Officer also performs the role of NWH Group Chief Risk Officer.
(3) The NatWest Group Chief Financial Officer also performs the role of NWH Group Chief Financial Officer.

Risk management framework continued

Risk management structure

The diagram shows NWH Group's risk management structure in 2024 and key risk management responsibilities.

NatWest Group Chief Executive Officer

NWH Chief Executive Officer

NatWest Group Chief Risk Officer

NWH Chief Risk Officer

Director of Risk, Retail Banking
Design and delivery of Retail Banking risk strategy and service proposition. Oversight of risk management across Retail Banking. Supports the ring-fence DINEDs(1) through the identification, documentation, resolution and escalation of any potential ring-fencing conflicts of interest relating to decisions made by the ring-fence and Group Chief Risk Officer.

Group Chief Credit Officer and Director of Risk, Commercial & Institutional Banking
Design and delivery of Commercial & Institutional Banking risk strategy and service proposition. Oversight of risk management across Commercial & Institutional Banking. Provides oversight and challenge in approach to credit risk management across NWH Group.

Director of Risk, Wealth Banking Businesses and Chief Risk Officer, Coutts & Company
Design and delivery of Wealth Banking Businesses risk strategy and service proposition. Oversight of risk management across Private Banking businesses.

Director of Risk, Ulster Bank Ireland DAC
Design and delivery of Ulster Bank Ireland DAC risk strategy. Oversight of risk management across UBIDAC.

Chief Operating Officer, Risk and EWRMF Director
Centralised support for the risk management function. Provides model risk oversight as well as framework design and development. Provides specialist advice on risk culture and risk appetite matters to the Directors of Risk responsible for business oversight.

Director of Risk, Finance & Treasury
Lead risk specialist for market risk, prudential risk, pension risk and stress testing, and Director of Risk for Finance providing expert advice, insight, reporting and effective risk oversight and challenge.

Director of Non-Financial Risk
Centralised oversight of non-financial risk across NWH. Design and delivery of compliance and conduct strategy and service proposition. Design and delivery of financial crime strategy and service proposition, oversight of financial crime risk management. Provides specialist technical advice to the Directors of Risk responsible for business oversight.

Head of Restructuring(2)
Design and delivery of Restructuring strategy and service proposition to protect the bank's capital by working with corporate and commercial customers in financial difficulty.

Director of Risk, Digital X and Functions (excl. Finance)
Risk partner for NatWest Digital X & Functions (excl. Finance) providing expert advice, insight, reporting and effective risk oversight and challenge.

(1) Double Independent Non-Executive Directors.
(2) With effect from 1 January 2025, Restructuring moved from the second line of defence to form part of Customer Lending Support.
(3) The NatWest Group Chief Executive Officer also performs the role of NWH Chief Executive Officer, and the NatWest Group Chief Risk Officer also performs the role of NWH Group Chief Risk Officer.
(4) The NWH Chief Risk Officer reports directly to the NWH Chief Executive Officer. There is a further secondary reporting line to the chair of the Board Risk Committee and a right of access to the Committee, including the deputy chair.
(5) The Risk function is independent of the customer-facing business segments and support functions. Its structure is divided into three parts (Directors of Risk, Specialist Risk Directors and Chief Operating Officer) to facilitate effective management of the risks facing NWH Risk committees in the customer businesses and key functional risk committees oversee risk exposures arising from management and business activities and focus on ensuring that these are adequately monitored and controlled. The Directors of Risk, (Retail Banking; Commercial & Institutional Banking (ring-fenced bank); Wealth Businesses; Financial & Strategic Risk; Non-Financial Risk and Compliance and Conduct) as well as the Director, Financial Crime Risk NatWest Holdings and the Chief Operating Officer report to the NWH Chief Risk Officer. The Director of Risk, Ulster Bank Ireland DAC reports to the Ulster Bank Ireland DAC Chief Executive. They also have a reporting line to the NWH Chief Risk Officer and to the Chair of the Ulster Bank Ireland DAC Board Risk Committee.

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 NWH Group Board.

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 NWH 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 NWH Group Board.

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 NWH 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 at least annually.

For certain principal risks, risk capacity defines the maximum level of risk NWH 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 NWH 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.

Establishing risk appetite

In line with the risk appetite framework, risk appetite is maintained across NWH 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.

The process of reviewing and updating risk appetite statements is completed alongside the business and financial planning process. This ensures that plans and risk appetite are appropriately aligned.

The Board sets risk appetite for all principal risks to help ensure NWH Group is well placed to meet its priorities and long-term targets, even in challenging economic environments. This supports NWH Group in remaining resilient and secure as it pursues its strategic business objectives.

Risk appetite statements and associated measures 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.

NWH Group's risk profile is continually monitored and frequently reviewed. Management focus is concentrated on all principal risks as well as the top and emerging risks that may correlate to them. Risk profile relative to risk appetite is reported regularly to senior management and the Board.

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 across all principal risks. 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.

Risk management framework continued

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

Specific activities relating to compliance and conduct, credit and financial crime risks are subject to testing and monitoring by the Risk function. This confirms to both internal and external stakeholders – including the Board, senior management, the customer-facing businesses, Internal Audit and NWH Group's regulators – that risk policies and procedures are being correctly implemented and that they are operating adequately and effectively. Thematic reviews and targeted reviews are also carried out where relevant to ensure appropriate customer outcomes. The NatWest Holdings Risk Testing & Monitoring Forum assesses and validates the annual plan as well as the ongoing programme of reviews.

Stress testing

Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of NatWest Group's approach to capital management. It is used to quantify and evaluate the potential impact of specified changes to risk factors on the financial strength of NatWest Group, including its capital position.

Stress testing includes:

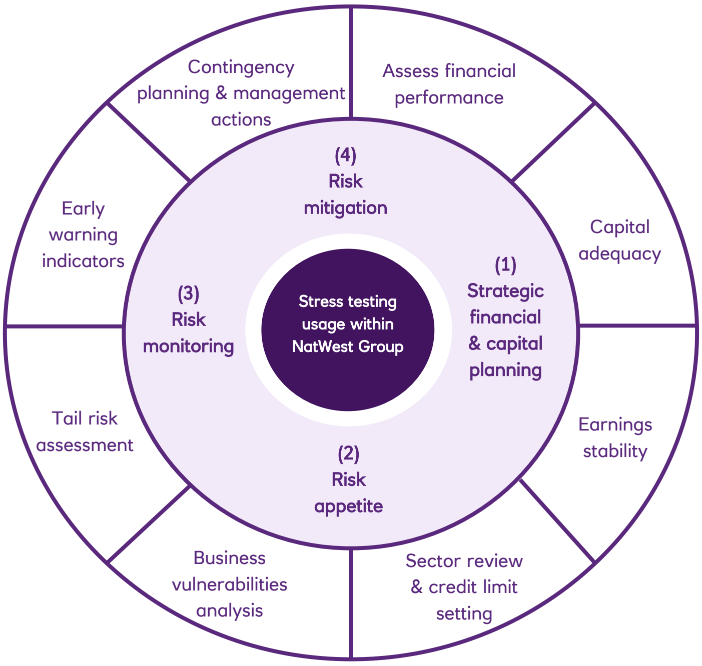
- Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.
- Sensitivity testing, which examines the impact of an incremental change to one or more risk factors.

The process for stress testing consists of four broad stages:

Define scenarios	– Identify macro and NatWest Group-specific vulnerabilities and risks. – Define and calibrate scenarios to examine risks and vulnerabilities. – Formal governance process to agree scenarios.
Assess impact	– Translate scenarios into risk drivers. – Assess impact to current and projected profit and loss and balance sheet across NatWest Group.
Calculate results and assess implications	– Aggregate impacts into overall results. – Results form part of the risk management process. – Scenario results are used to inform NatWest Group's business and capital plans.
Develop and agree management actions	– Stress scenario results are analysed by subject matter experts. Appropriate management actions are then developed. – Scenario results and management actions are reviewed by the Asset & Liability Management Committee and Board Risk Committee and recommended to the Board for approval.

Risk management framework continued

Stress testing is used widely across NatWest Group. The diagram below summarises key areas of focus.



Specific areas that involve capital management include:

- Strategic financial and capital planning – by assessing the impact of sensitivities and scenarios on the capital plan and capital ratios.
- Risk appetite – by gaining a better understanding of the drivers of, and the underlying risks associated with, risk appetite.
- Risk monitoring – by monitoring the risks and horizon-scanning events that could potentially affect NatWest Group's financial strength and capital position.
- Risk mitigation – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment. Principal risk mitigating actions are documented in NatWest Group's recovery plan.

Reverse stress testing is also carried out in order to identify and assess scenarios that would cause NatWest Group's business model to become unviable. Reverse stress testing allows potential vulnerabilities in the business model to be examined more fully.

Capital sufficiency – going concern forward-looking view

Going concern capital requirements are examined on a forward-looking basis – including as part of the annual budgeting process – by assessing the resilience of capital adequacy and leverage ratios under hypothetical future states. These assessments include assumptions about regulatory and accounting factors (such as IFRS 9). They incorporate economic variables and key assumptions on balance sheet and profit and loss drivers, such as impairments, to demonstrate that NatWest Group and its operating subsidiaries maintain sufficient capital. A range of future states are tested. In particular, capital requirements are assessed:

- Based on a forecast of future business performance, given expectations of economic and market conditions over the forecast period.
- Based on a forecast of future business performance under adverse economic and market conditions over the forecast period. Scenarios of different severity may be examined.

The examination of capital requirements under both normal and adverse economic and market conditions enables NatWest Group to determine whether its projected business performance meets internal plans and regulatory capital requirements.

The potential impact of normal and adverse economic and market conditions on capital requirements is assessed through stress testing, the results of which are not only used widely across NatWest Group but also by the regulators to set specific capital buffers. NatWest Group takes part in stress tests run by regulatory authorities to test industry-wide vulnerabilities under crystallising global and domestic systemic risks.

Stress and peak-to-trough movements are used to help assess the amount of capital NatWest Group needs to hold in stress conditions in accordance with the capital risk appetite framework.

Internal assessment of capital adequacy

An internal assessment of material risks is carried out annually to enable an evaluation of the amount, type and distribution of capital required to cover these risks. This is referred to as the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP consists of a point-in-time assessment of exposures and risks at the end of the financial year together with a forward-looking stress capital assessment. The ICAAP is approved by the Board and submitted to the PRA.

The ICAAP is used to form a view of capital adequacy separately to the minimum regulatory requirements. The ICAAP is used by the PRA to assess NatWest Group's specific capital requirements through the Pillar 2 framework.

Capital allocation

NatWest Group has mechanisms to allocate capital across its legal entities and businesses. These aim to optimise the use of capital resources taking into account applicable regulatory requirements, strategic and business objectives and risk appetite. The framework for allocating capital is approved by the CFO with support from the Asset & Liability Management Committee.

Governance

Capital management is subject to substantial review and governance. The Board approves the capital plans, including those for key legal entities and businesses as well as the results of the stress tests relating to those capital plans.

Stress testing – liquidity

Liquidity risk monitoring and contingency planning

A suite of tools is used to monitor, limit and stress test the liquidity and funding risks on the balance sheet. Limit frameworks are in place to control the level of liquidity risk, asset and liability mismatches and funding concentrations. Liquidity and funding risks are reviewed at significant legal entity and business levels daily, with performance reported to the Asset & Liability Management Committee on a regular basis. Liquidity condition indicators are monitored daily. This ensures any build-up of stress is detected early and the response escalated appropriately through recovery planning.

Internal assessment of liquidity

Under the liquidity risk management framework, NatWest Group maintains the Internal Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios.

Risk management framework continued

Each scenario evaluates either an idiosyncratic, market-wide or combined stress event as described in the table below.

Type	Description
Idiosyncratic scenario	The market perceives NatWest Group to be suffering from a severe stress event, which results in an immediate assumption of increased credit risk or concerns over solvency.
Market-wide scenario	A market stress event affecting all participants in a market through contagion, potential counterparty failure and other market risks. NatWest Group is affected under this scenario but no more severely than any other participants with equivalent exposure.
Combined scenario	This scenario models the combined impact of an idiosyncratic and market stress occurring at once, severely affecting funding markets and the liquidity of some assets.

NatWest Group uses the most severe outcome to set the internal stress testing scenario which underpins its internal liquidity risk appetite. This complements the regulatory liquidity coverage ratio requirement.

Stress testing – recovery and resolution planning

The NatWest Group recovery plan explains how NatWest Group and its subsidiaries – as a consolidated group – would identify and respond to a financial stress event and restore its financial position so that it remains viable on an ongoing basis.

The recovery plan ensures risks that could delay the implementation of a recovery strategy are highlighted and preparations are made to minimise the impact of these risks. Preparations include:

- Developing a series of recovery indicators to provide early warning of potential stress events.
- Clarifying roles, responsibilities and escalation routes to minimise uncertainty or delay.
- Developing a recovery playbook to provide a concise description of the actions required during recovery.
- Detailing a range of options to address different stress conditions.
- Appointing dedicated option owners to reduce the risk of delay and capacity concerns.

The plan is intended to enable NatWest Group to maintain critical services and products it provides to its customers, maintain its core business lines and operate while restoring NatWest Group's financial health. It is assessed for appropriateness on an ongoing basis and reviewed and approved by the Board prior to submission to the PRA on a biennial basis. Individual recovery plans are also prepared for NatWest Holdings Limited, NatWest Markets Plc, RBS International Limited, RBSH N.V. and NWB Europe. These plans detail the recovery options, recovery indicators and escalation routes for each entity.

Fire drill simulations of possible recovery events are used to test the effectiveness of NatWest Group and individual legal entity recovery plans. The fire drills are designed to replicate possible financial stress conditions and allow senior management to rehearse the responses and decisions that may be required in an actual stress event. The results and lessons learnt from the fire drills are used to enhance NatWest Group's approach to recovery planning.

Under the resolution assessment part of the PRA rulebook, NatWest Group is required to carry out an assessment of its preparations for resolution, submit a report of the assessment to the PRA and publish a summary of this report.

Resolution would be implemented if NatWest Group was assessed by the UK authorities to have failed and the appropriate regulator put it into resolution. The process of resolution is owned and implemented by the Bank of England (as the UK Resolution Authority). NatWest Group ensures ongoing maintenance and enhancements of its resolution capabilities, in line with regulatory requirements.

Stress testing – market risk

Non-traded market risk

Scenario analysis based on hypothetical adverse scenarios is performed on non-traded exposures as part of the Bank of England and European Banking Authority stress test exercises. NatWest Group also produces an internal scenario analysis as part of its financial planning cycles.

Non-traded exposures are capitalised through the ICAAP. This covers gap risk, basis risk, credit spread risk, pipeline risk, structural foreign exchange risk, prepayment risk, equity risk and accounting volatility risk. The ICAAP is completed with a combination of value and earnings measures. The total non-traded market risk capital requirement is determined by adding the different charges for each sub risk type. The ICAAP methodology captures at least ten years of historical volatility, produced with a 99% confidence level. Methodologies are reviewed by NatWest Group Model Risk and the results are approved by the NatWest Group Balance Sheet Management Committee.

Non-traded market risk stress results are combined with those for other risks into the capital plan presented to the Board. The cross-risk capital planning process is conducted once a year, with a planning horizon of five years. The scenario narratives cover both regulatory scenarios and macroeconomic scenarios identified by NatWest Group.

Vulnerability-based stress testing begins with the analysis of a portfolio and expresses its key vulnerabilities in terms of plausible vulnerability scenarios under which the portfolio would suffer material losses. These scenarios can be historical, macroeconomic or forward-looking/hypothetical. Vulnerability-based stress testing is used for internal management information and is not subject to limits. The results for relevant scenarios are reported to senior management.

Risk management framework continued

Internal scenarios - climate

In 2024, NatWest Group deployed an enhanced in-house corporate transition risk model, as part of an internal scenario analysis exercise, to assess climate transition related credit risks to corporate counterparties.

This involved running the following two climate scenarios:

- A disruptive transition 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.

These scenarios tested NatWest Group's resilience to alternative transition pathways, including a disruptive transition, and to identify losses that are sensitive to scenario policy and technology assumptions.

The corporate transition risk model and internal exercise builds on the learnings from the climate biennial exploratory scenario and NatWest Group's first-generation deployment in 2023. It also supports the processes for integration of climate into ICAAP and credit risk business use-cases. The model is capable of accounting for sector specific exposure to climate-related transition risks and counterparty specific response to a limited set of demand shocks and rising carbon prices, by mitigating emissions and passing costs through to customers.

Regulatory stress testing

In October 2023, the Bank of England undertook round one of its system-wide exploratory scenario (SWES) to enhance understanding of the behaviours of banks and non-bank financial institutions under a scenario informed by the liability driven investment and 'dash for cash' crises.

NatWest Group submitted its response to round one during H1 2024. The Bank of England subsequently published the anonymised results in the June 2024 Financial Stability Report providing a narrative account of the market-wide response.

Round two commenced in June 2024. Participants were asked to reconsider their assumptions in light of round one results, and submit revised actions if applicable. The overall results of the SWES exercise were published in November 2024.

Further details can be found at:

- https://www.bankofengland.co.uk/financial-stability-report/2024/june-2024
- https://www.bankofengland.co.uk/stress-testing/2024/stress-testing-uk-banking-system-scenarios-2024-desk-based
- https://www.bankofengland.co.uk/financial-stability/boe-system-wide-exploratory-scenario-exercise

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)

The principal sources of credit risk for NWH Group are lending and related undrawn commitments. Derivatives and securities financing and debt securities are also a source of credit risk, primarily related to Treasury activities for NWH Group. NWH Group is also exposed to settlement risk through foreign exchange and payments activities.

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 of expected credit loss (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 NatWest Group and business unit provisions and model committees.
- Development and approval of credit grading models.
- Providing regular reporting on credit risk to the Board Risk Committee and Board.

Risk appetite

Credit risk appetite is approved by the Board and is set and monitored through risk appetite frameworks tailored to NWH Group's Personal and Non-Personal segments. NWH Group's qualitative appetite is set out in the credit risk appetite statement. Risk appetite statements and associated measures are reviewed and approved at least annually by the relevant legal entity board on the relevant board risk committee's recommendation to ensure they remain appropriate and aligned to strategy.

Performance against risk appetite is reported regularly to the Executive Risk Committee, and the Board Risk Committee, and the Board. Relevant credit risk matters are escalated through the Executive Risk Committee and to the Board as applicable.

Personal

The Personal credit risk appetite framework sets limits that control the quality and concentration of both existing and new business for each relevant business segment. These risk appetite measures consider the segments' ability to grow sustainably and the level of losses expected under stress. Credit risk is further controlled through operational limits specific to customer or product characteristics.

Non-Personal

For Non-Personal credit, 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.

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 probability of defaults (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.

NWH Group mitigates counterparty credit risk through collateralisation and netting agreements, which allow amounts owed by NWH Group to a counterparty to be netted against amounts the counterparty owes NWH 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 NWH 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. Property is used to mitigate credit risk across a number of portfolios, in particular residential mortgage lending and commercial real estate (CRE).

The valuation methodologies for collateral in the form of residential mortgage property and CRE are detailed below.

Residential mortgages – NWH Group takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. NWH Group values residential property individually during the loan underwriting process, either by obtaining an appraisal by a suitably qualified appraiser (for example Royal Institution of Chartered Surveyors (RICS)) or using a statistically valid model. In both cases, a sample of the valuation outputs are periodically reviewed by an independent RICS qualified appraiser. NWH Group updates Retail Banking UK residential property values quarterly using country (Scotland, Wales and Northern Ireland) or English regional specific Office for National Statistics House Price indices.

Credit risk continued

Within the Private Banking segment, properties securing loans greater than £2.5 million are revalued every three years.

The current indexed value of the property is a component of the ECL provisioning calculation.

Commercial real estate valuations – NWH Group has an actively managed panel of chartered surveying firms that cover the spectrum of geography and property sectors in which NWH Group takes collateral. Suitable RICS registered valuers for particular assets are contracted through a service agreement to ensure consistency of quality and advice. In the UK, an independent third-party market indexation is applied to update external valuations for commercial property once they are more than a year old. For loan obligations in excess of £2.5 million and where the charged property has a book value in excess of £0.5 million, a formal valuation review is typically commissioned at least every three years.

Assessment and monitoring

Practices for credit stewardship – including credit assessment, approval and monitoring as well as the identification and management of problem debts – differ between the Personal and Non-Personal portfolios.

Personal

Personal customers are served through a lending approach that entails offering a large number of small-value loans. To ensure that these lending decisions are made consistently, NWH Group analyses internal credit information as well as external data supplied by credit reference agencies (including historical debt servicing behaviour of customers with respect to both NWH Group and other lenders). NWH Group then sets its lending rules accordingly, developing different rules for different products.

The process is then largely automated, with each customer receiving an individual credit score that reflects both internal and external behaviours and this score is compared with the lending rules set. For relatively high-value, complex personal loans, including some residential mortgage lending, specialist credit managers make the final lending decisions. These decisions are made within specified delegated authority limits that are issued dependent on the experience of the individual.

Underwriting standards and portfolio performance are monitored on an ongoing basis to ensure they remain adequate in the current market environment and are not weakened materially to sustain growth.

The actual performance of each portfolio is tracked relative to operational limits. The limits apply to a range of credit risk-related measures including projected credit default rates across products and the loan-to-value (LTV) ratio of the mortgage portfolios. Where operational limits identify areas of concern management action is taken to adjust credit or business strategy.

Non-Personal

Non-Personal 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.

For lower-risk transactions below specific thresholds, credit decisions can be approved through a combination of fully automated or relationship manager self-sanctioning within the business. This process is facilitated through an auto-decision making system, which utilises scorecards, strategies and policy rules.

For other transactions, both business approval and credit approval are required.

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

Personal

Early problem identification

Pre-emptive triggers are in place to help identify customers that may be at risk of being in financial difficulty. These triggers are both internal, using NWH Group's data, and external using information from credit reference agencies. Proactive contact is then made with the customer to establish if they require help with managing their finances. By adopting this approach, the aim is to prevent a customer's financial position deteriorating.

Personal customers experiencing financial difficulty are managed by the Collections team. If the Collections team is unable to provide appropriate support after discussing suitable options with the customer, management of that customer moves to the Recoveries team. If at any point in the collections and recoveries process, the customer is identified as being potentially vulnerable, the customer will be supported to ensure they receive appropriate support for their circumstances.

In July 2023, Mortgage Charter support was introduced for residential mortgage customers. Mortgage Charter support includes temporary interest only or term extensions at the customer's request. A request for Mortgage Charter does not, of itself, trigger transfer to a specialist team.

Credit risk continued

Collections
When a customer exceeds an agreed limit or misses a regular monthly payment the customer is contacted by NWH Group and requested to remedy the position. If the situation is not resolved then, where appropriate, the Collections team will become involved and the customer will be supported by skilled debt management staff who endeavour to provide customers with bespoke solutions. Solutions include short-term account restructuring, refinance loans and forbearance which can include interest suspension and 'breathing space'. All treatments available to customers experiencing financial difficulties are reviewed to ensure they remain appropriate for customers impacted by current economic conditions. In the event that an affordable and sustainable agreement with a customer cannot be reached, the debt will transition to the Recoveries team. For provisioning purposes, under IFRS 9, exposure to customers managed by the Collections team is categorised as Stage 2 and subject to a lifetime loss assessment, unless it is 90 days past due or has triggered any other unlikeliness to pay indicators, in which case it is categorised as Stage 3.

Recoveries
The Recoveries team will issue a notice of intention to default to the customer and, if appropriate, a formal demand, while also registering the account with credit reference agencies where appropriate. Following this, the customer's debt may then be placed with a third-party debt collection agency, or alternatively a solicitor, in order to agree an affordable repayment plan with the customer. An option that may also be considered, is the sale of unsecured debt. Exposures subject to formal debt recovery are defaulted and, under IFRS 9, categorised as Stage 3.

Non-Personal

Early problem identification
Each segment and sector have 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.

There is an equivalent process for Business Banking customers, with problem debt cases reallocated to increased monitoring and support under a Portfolio Management Relationship team or the Financial Health and Support Team. 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 Non-Personal customers (excluding business banking) to provide early identification of credit deterioration, support intelligent risk-taking, ensure fair and consistent customer outcomes and provide key insights into Non-Personal lending portfolios. Expert judgement is applied by experienced credit risk officers to classify cases into categories that reflect progressively deteriorating credit risk to NWH 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 NWH 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 NWH 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 NWH 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.

Agreed customer management strategies are regularly monitored by both the business and credit teams. The largest Risk of Credit Loss exposures are regularly reviewed by a Problem Debt Case Review forum. The forum members are experienced credit, business and restructuring specialists. The purpose of the forum is to review and challenge the strategies undertaken for customers that pose the largest risk of credit loss to NWH Group.

Appropriate corrective action is taken when circumstances emerge that may affect the customer's ability to service its debt. Corrective actions may include granting a customer various types of concessions. Any decision to approve a concession will be a function of specific appetite, the credit quality of the customer, the market environment and the loan structure and security. All customers granted forbearance are classified Heightened Monitoring as a minimum.

Other potential outcomes of the relationship review are to: return the customer to a satisfactory status, offer additional lending and continue monitoring, transfer the relationship to Restructuring if appropriate, or exit the relationship.

The Wholesale Problem Debt Management framework does not apply to problem debt management for business banking customers. These customers are, where necessary, managed by specialist problem debt management teams, depending on the size of exposure or by the business banking recoveries team where a loan has been impaired.

Restructuring
Where customers have lending exposure above £1 million, and meet specific referral criteria, relationships are supported by the Restructuring team. Restructuring works with corporate and commercial customers in financial difficulty to help them understand their options and how their restructuring or repayment strategies can be delivered. Helping viable customers return to financial health and restoring a normal banking relationship is always the preferred outcome; however, where this is not possible, NWH Group will work with customers to achieve a solvent outcome.

Credit risk continued

Throughout this period, the mainstream relationship manager will remain an integral part of the customer relationship. Insolvency is considered as a last resort and if deemed necessary, NWH Group will work to recover its capital in a fair and efficient manner, while upholding the fair treatment of customers and NWH Group's core values.

Customer Lending Support

With effect from 1 January 2025, Customer Lending Support, a new centre of expertise, was established to support Non-Personal customers in financial difficulty. Customer Lending Support brings together Restructuring, Business Banking, International Retail and Business Banking Northern Ireland teams who support Non-Personal customers in financial difficulty. Collections activity within Commercial Mid-Market will also transfer to Customer Lending Support.

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. To ensure that forbearance is appropriate for the needs of the customer, minimum standards are applied when assessing, recording, monitoring and reporting of forbearance.

A credit exposure may be forborne more than once, generally where a temporary concession has been granted and circumstances warrant another temporary or permanent revision of the loan's terms.

Loans are reported as forborne until they meet the exit criteria as detailed in the appropriate regulatory guidance. These include being classified as performing for two years since the last forbearance event, making regular repayments and the loan/debt being less than 30 days past due.

Types of forbearance

Personal

In the Personal portfolio, forbearance may involve payment concessions, loan rescheduling (including extensions in contractual maturity), charging simple interest and capitalisation of arrears. Forbearance support is provided for both mortgages and unsecured lending.

Non-Personal

In the Non-Personal portfolio, forbearance 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.

Monitoring of forbearance

Personal

For Personal portfolios, forborne loans are separated and regularly monitored and reported while the forbearance strategy is implemented, until they exit forbearance.

Non-Personal

In the Non-Personal portfolio, customer PDs and facility LGDs are reassessed prior to finalising any forbearance arrangement. The ultimate outcome of a forbearance strategy is highly dependent on the co-operation of the borrower and a viable business or repayment outcome. Where forbearance is no longer appropriate, NWH Group will consider other options such as demanding repayment of facilities, and in the event repayment does not take place, the enforcement of security, insolvency proceedings or both, although these are options of last resort.

Provisioning for forbearance (audited)

Personal

The methodology used for provisioning in respect of Personal forborne loans will differ depending on whether the loans are performing or non-performing and which business is managing them due to local market conditions.

Granting forbearance will only change the arrears status of the loan in specific circumstances, which can include capitalisation of principal and interest in arrears, where the loan may be returned to the performing book if the customer has demonstrated an ability to meet regular payments and is likely to continue to do so. The loan would continue to be reported as forborne until it meets the exit criteria set out by the appropriate regulatory guidance.

For ECL provisioning, all forborne but performing exposures are categorised as Stage 2 and are subject to a lifetime loss provisioning assessment. Where the forbearance treatment includes the cessation of interest on the customer balance (i.e. non-accrual), this will be treated as a Stage 3 default.

For non-performing forborne loans, the Stage 3 loss assessment process is the same as for non-forborne loans.

Non-Personal

Provisions for forborne 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.

Non-Personal 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 forborne 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 Non-Personal 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.

Credit risk continued

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.

NWH 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 2.3.

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

Personal models

Personal PD models follow a discrete multi-horizon survival approach, predicting quarterly PDs up to lifetime at account level, with a key driver being scores from related IRB PD models. Forward-looking economic information is brought in by economic response models, which leverage the existing stress test model suite. The current suite of PD models was introduced in 2022 replacing the previous, first-generation models to remediate a range of model weaknesses.

Non-Personal models

Non-Personal 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.

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.

Personal

Economic forecasts are incorporated for the secured portfolios, where changes in property prices can be readily accommodated. Analysis has shown minimal impact of economic conditions on LGDs for the other Personal portfolios.

Non-Personal

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

Personal

The IFRS 9 Personal modelling approach for EAD is dependent on product type.

- Revolving products use the existing IRB models as a basis, with appropriate adjustments incorporating a term structure based on time to default.
- Amortising products use an amortising schedule, where a formula is used to calculate the expected balance based on remaining terms and interest rates.

Analysis has indicated that there is minimal impact on EAD arising from changes in the economy for all Personal portfolios except mortgages. Therefore, forward-looking information is only incorporated in the mortgage EAD model (through forecast changes in interest rates).

Non-Personal

For Non-Personal, 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.

Credit risk continued

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 NWH 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 (both Personal and Non-Personal) that are likely to be more susceptible to high inflation, high interest rates and supply chain disruption.

ECL post model adjustments (audited)

The table below shows ECL post model adjustments.

	Retail Banking		Private	Commercial	Central	
	Mortgages	Other	Banking	& Institutional	items & other	Total
2024	£m	£m	£m	£m	£m	£m
Deferred model calibrations	**-**	**-**	**1**	**17**	**-**	**18**
Economic uncertainty	**90**	**22**	**8**	**165**	**-**	**285**
Other adjustments	**-**	**-**	**-**	**18**	**-**	**18**
Total	**90**	**22**	**9**	**200**	**-**	**321**
Of which:						
- Stage 1	***58***	***9***	***5***	***83***	***-***	***155***
- Stage 2	***26***	***13***	***4***	***115***	***-***	***158***
- Stage 3	***6***	***-***	***-***	***2***	***-***	***8***
2023						
Deferred model calibrations	-	-	1	20	0	21
Economic uncertainty	118	39	13	234	3	407
Other adjustments	1	-	-	7	23	31
Total	119	39	14	261	26	459
Of which:						
- Stage 1	*75*	*14*	*6*	*98*	*10*	*203*
- Stage 2	*31*	*25*	*8*	*158*	*9*	*231*
- Stage 3	*13*	*-*	*-*	*5*	*7*	*25*

Post model adjustments decreased since 31 December 2023, with notable shifts in all categories.

- Retail Banking – The post model adjustments for economic uncertainty decreased to £112 million at 31 December 2024 (2023 – £157 million). This reduction primarily reflected a revision to the cost of living post model adjustment to £105 million (2023 – £144 million), reflecting enhancements to the assessment approach, supported by back-testing of default outcomes for higher risk segments. The cost of living post model adjustment captures the risk on segments in the Retail Banking portfolio that are more susceptible to the effects of cost of living rises. It focuses on key affordability lenses, including lower-income customers in fuel poverty, over-indebted borrowers and customers who remain vulnerable to higher mortgage rates.
- Commercial & Institutional –The post model adjustment for economic uncertainty decreased to £165 million (2023 – £234 million). The inflation, supply chain and liquidity post model adjustment of £136 million (2023 – £184 million) was maintained for lending prior to 1 January 2024 being a sector level downgrade applied to the sectors that are considered most at risk from the current headwinds.
- A further £29 million (2023 – £49 million) remains for customers that utilised government support schemes, this adjustment is reducing as customers default or repay.
- The £17 million (2023 – £20 million) judgemental overlay for deferred model calibrations relates to refinance risk, with the existing mechanistic modelling approach not fully capturing the risk on deteriorated exposures.
- The £18 million (2023 – £8 million) other post model adjustment was to mitigate the effect of operational timing delays in the identification and flagging of a SICR, with the increase due to a small number of large corporate exposures moving quickly from Stage 1 into default.

Credit risk continued

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). NWH 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 NWH 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 (DOIR)) 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. For Non-Personal, a doubling of PD would indicate a SICR subject to a minimum PD uplift of 0.1%. For Personal portfolios and SME Retail, the criteria vary by risk band, with lower-risk exposures needing to deteriorate more than higher-risk exposures, as outlined in the following table:

Personal risk bands	PD bandings (based on residual lifetime PD calculated at DOIR)	PD deterioration threshold criteria
A	<0.762%	PD@DOIR + 1%
B	<4.306%	PD@DOIR + 3%
C	>=4.306%	1.7 x PD@DOIR

– **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, Non-Personal exposures managed within the Wholesale Problem Debt Management framework, and adverse credit bureau results for Personal customers.
– **Persistence (Personal and SME Retail customers only)** – the persistence rule ensures that accounts which have met the criteria for PD-driven deterioration are still considered to be significantly deteriorated for three months thereafter. This additional rule enhances the timeliness of capture in Stage 2. The persistence rule is applied to PD-driven deterioration only.

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** – for Personal portfolios (except credit cards), asset duration is based on behavioural life and this is normally greater than contractual life (which would typically be overnight). For the Non-Personal portfolios, asset duration is based on annual customer review schedules and will be set to the next review date.

In the case of credit cards, the most significant judgement is to reflect the operational practice of card reissuance and the associated credit assessment as enabling a formal re-origination trigger. As a consequence, a capped lifetime approach of up to 36 months is used on credit card balances. If the approach was uncapped, the ECL impact is estimated at approximately £71 million (2023 – £110 million). However, credit card balances originated under the 0% balance transfer product and representing approximately 47% (2023 – 37%) of performing card balances, have their ECL calculated on a behavioural lifetime approach as opposed to being capped at a maximum of three years.

The capped approach reflects NWH Group practice of a credit-based review of customers prior to credit card issuance and complies with IFRS 9. Benchmarking information indicates that peer UK banks use behavioural approaches in the main for credit card portfolios with average durations between three and ten years. Across Europe, durations are shorter and are, in some cases, as low as one year.

Credit risk continued

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 most significant economic loss drivers for material portfolios are shown in the table below:

Portfolio	Economic loss drivers
Personal mortgages	Unemployment rate, sterling swap rate, house price index, real wage
Personal unsecured	Unemployment rate, sterling swap rate, real wage
Corporates	Stock price index, gross domestic product (GDP)
Commercial real estate	Stock price index, commercial property price index, GDP

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, although the progress is 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 rate environment poses a risk to the recovery.

Credit risk continued

Economic loss drivers (audited)

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

	Mini narratives – potential developments, vulnerabilities and risks	Upside	Base case	Downside	Extreme downside
Growth	**Outperformance sustained –** economy remains close to H1 2024 pace on strong consumer				
	Steady growth – staying close to trend pace from H2 2024 and beyond				
	Stalling – 2024 strength proves fleeting, lagged effect of higher rates and cautious consumer stalls the rebound				
	Extreme stress – extreme fall in GDP, with policy support to facilitate sharp recovery				
Inflation	**Close to deflation –** inflationary pressures diminish amidst pronounced weakness in demand				
	Battle won – continued downward drift in services inflation, ensuring 2% target is met on sustained basis				
	Sticky – strong growth and/or wage policies and/or interest rate cuts keep services inflation well above target				
	Structural factors – sustained bouts of energy, food and goods price inflation on geopolitics/deglobalisation				
Labour market	**Tighter, still –** job growth rebounds strongly, pushing unemployment back down to sub-3.5%				
	Cooling continues – gradual loosening prompts a gentle rise in unemployment (but remains low), job growth recovers				
	Job shedding – prolonged weakness in economy prompts redundancies, reduced hours, building slack				
	Depression – unemployment hits levels close to previous peaks amid severe stress				
Rates short-term	**Limited cuts –** higher growth and inflation keeps the MPC cautious				
	Steady – approximately one cut per quarter				
	Mid-cycle quickening – sharp declines through 2025 to support recovery				
	Sharp drop – drastic easing in policy to support a sharp deterioration in the economy				
Rates long-term	**Above consensus –** 4%				
	Middle – 3-3.5%				
	Close to 2010s – 1-2%/2.5%				

Credit risk continued

Main macroeconomic variables

The main macroeconomic variables for each of the four scenarios used for ECL modelling are set out in the table below.

	2024					2023				
	Upside	Base case	Downside	Extreme downside	Weighted average	Upside	Base case	Downside	Extreme downside	Weighted average
Five-year summary	%	%	%	%	%	%	%	%	%	%
GDP	2.0	1.3	0.5	(0.2)	1.1	1.8	1.0	0.5	(0.3)	0.9
Unemployment rate	3.6	4.3	5.0	6.7	4.6	3.5	4.6	5.2	6.8	4.8
House price index	5.8	3.5	0.8	(4.3)	2.7	3.9	0.3	(0.4)	(5.7)	0.3
Commercial real estate price	5.4	1.2	(1.0)	(5.7)	1.1	3.1	(0.2)	(2.0)	(6.8)	(0.6)
Consumer price index	2.4	2.2	3.5	1.6	2.4	1.7	2.6	5.2	1.8	2.8
Bank of England base rate	4.4	4.0	3.0	1.6	3.6	3.8	3.7	5.6	2.9	4.0
Stock price index	6.3	5.0	3.4	1.1	4.5	4.8	3.3	1.2	(0.4)	2.8
World GDP	3.8	3.2	2.5	1.6	3.0	3.7	3.2	2.7	1.8	3.0
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.
(2) The table shows compound annual growth rate (CAGR) for GDP, average levels for the unemployment rate and Bank of England base rate and Q4 to Q4 CAGR for other parameters.

Climate transition

Since 2023, NatWest Group has included explicit assumptions about changes in transition policy, expressed as an additional implicit sectoral carbon price, in the base case macroeconomic scenario. This approach has been used for financial planning and IFRS 9 reporting ever since.

In 2024, NatWest Group refined its approach. Instead of applying the economy-wide carbon price from an external scenario used in 2023, NatWest Group calculated the expected implicit carbon prices associated with specific climate transition policies. NatWest Group individually assessed 46 active and potential transition policies that had a significant impact on the cost of emissions and converted them into equivalent sectoral carbon prices. This was calculated as the cost per tonne of the emissions (CO2e) abated as a result of each policy.

NatWest Group estimated that the weighted average carbon price associated with the policies assessed will increase from £73 per tonne in 2024 to £123 per tonne in 2029. Sectoral carbon prices feed into the climate risk macro model. The model has been developed and improved over the past few years to enable NatWest Group to estimate the impact of carbon prices on a macroeconomic scenario.

UK government policies which are estimated to have the largest impact on sectoral carbon prices are:

- Emissions Trading Scheme
- Climate Change Levy
- Renewables Obligation
- VAT on domestic energy

This analysis presents a very narrow view of climate transition impact from 46 analysed policies. It only covers base case macroeconomic scenario and does not include physical impacts.

NatWest Group and its customers have a dependency on timely and appropriate government policies to provide the necessary impetus for technology development and customer behaviour changes, to enable the UK's successful transition to net zero. Policy delays and the risks outlined in the UK CCC 2022, 2023 and 2024 Progress Reports, if not adequately addressed in a timely manner, put at risk the UK's net zero transition and in turn, that of NatWest Group and its customers.

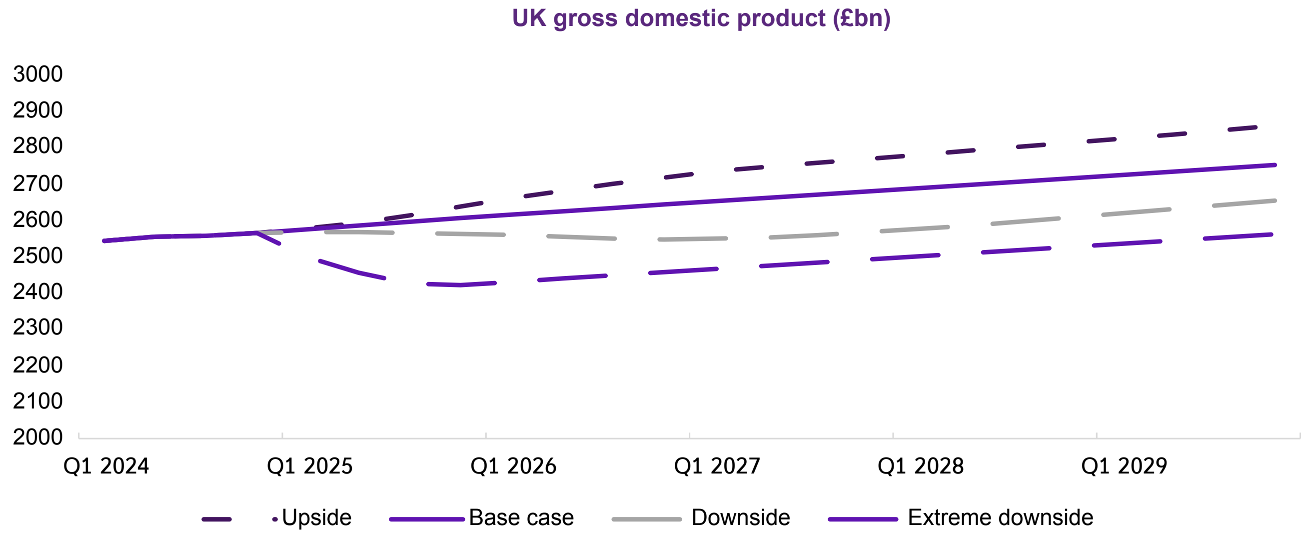
Probability weightings of scenarios

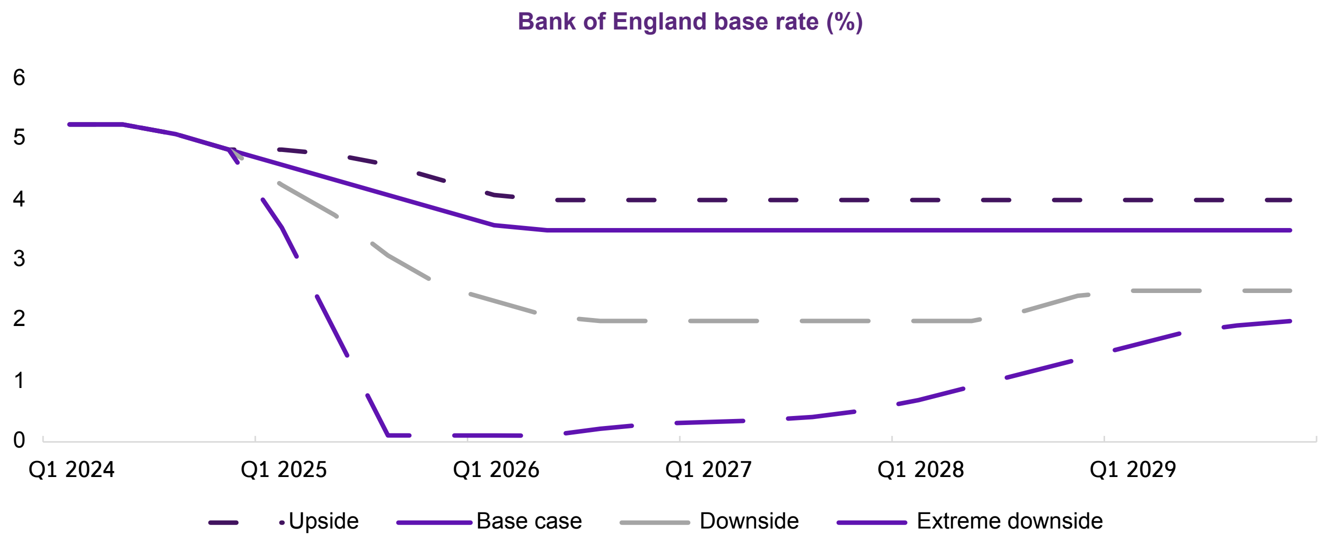
NWH Group's quantitative approach to IFRS 9 multiple economic scenarios (MES) involves selecting a suitable set of discrete scenarios to characterise the distribution of risks in the economic outlook and assigning appropriate probability weights. This quantitative approach is used for 31 December 2024.

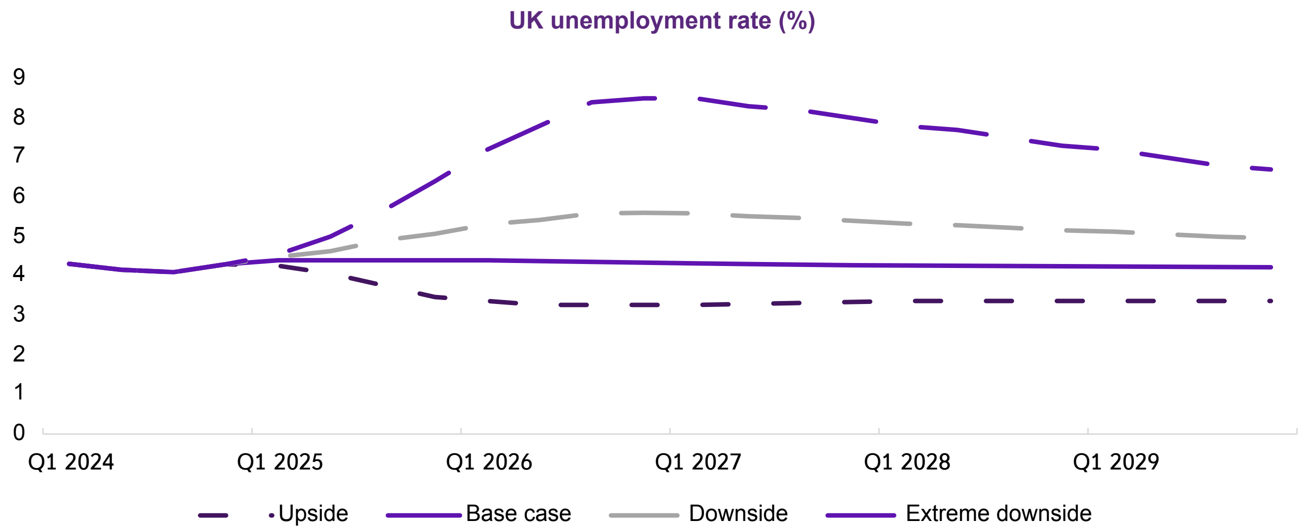
The approach involves comparing UK GDP paths for NWH Group's scenarios against a set of 1,000 model runs, following which, a percentile in the distribution is established that most closely corresponded to the scenario. The probability weight for base case is set first based on judgement, while probability 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, NWH 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







Credit risk continued

Economic loss drivers (audited)

Annual figures

GDP - annual growth

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2024	0.9	0.9	0.9	0.9	0.9
2025	2.0	1.4	0.4	(4.1)	0.6
2026	3.2	1.5	(0.5)	(0.3)	1.3
2027	2.3	1.4	0.2	1.4	1.4
2028	1.6	1.4	1.3	1.4	1.4
2029	1.6	1.4	1.7	1.4	1.5

Consumer price index - four quarter change

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2024	2.4	2.4	2.4	2.4	2.4
2025	2.9	2.3	5.8	0.6	2.9
2026	2.4	2.1	4.2	1.1	2.4
2027	2.1	2.0	2.6	1.8	2.1
2028	2.0	2.0	2.4	2.0	2.1
2029	2.0	2.0	2.5	2.0	2.1

Unemployment rate - annual average

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2024	4.2	4.2	4.2	4.2	4.2
2025	3.9	4.4	4.8	5.4	4.5
2026	3.3	4.4	5.5	8.0	4.8
2027	3.3	4.3	5.5	8.3	4.8
2028	3.4	4.3	5.3	7.6	4.7
2029	3.4	4.2	5.0	6.9	4.5

Bank of England base rate - annual average

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2024	5.11	5.11	5.11	5.11	5.11
2025	4.63	4.21	3.42	1.40	3.80
2026	4.02	3.52	2.10	0.18	2.94
2027	4.00	3.50	2.00	0.40	2.94
2028	4.00	3.50	2.15	1.03	3.04
2029	4.00	3.50	2.50	1.83	3.21

House price index - four quarter change

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2024	3.5	3.5	3.5	3.5	3.5
2025	7.8	3.5	(1.2)	(7.6)	2.2
2026	7.2	3.4	(2.8)	(14.7)	1.1
2027	5.1	3.4	0.1	(8.0)	2.2
2028	5.4	3.4	4.4	6.9	4.4
2029	5.6	3.4	4.2	6.3	4.4

Stock price index - four quarter change

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2024	11.6	11.6	11.6	11.6	11.6
2025	8.1	3.4	(10.5)	(35.0)	(3.0)
2026	5.1	3.4	5.8	15.1	5.3
2027	3.5	3.4	5.8	13.1	4.8
2028	3.5	3.4	5.8	11.6	4.7
2029	3.0	3.4	5.8	10.4	4.5

Commercial real estate price - four quarter change

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2024	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
2025	14.1	2.4	(6.8)	(23.7)	0.1
2026	4.4	1.5	(2.5)	(12.7)	0.2
2027	5.5	1.4	2.8	6.7	3.3
2028	4.2	1.5	2.6	5.7	2.8
2029	2.7	1.4	2.5	5.4	2.3

Worst points

	2024					2023				
	Downside		Extreme downside		Weighted average	Downside		Extreme downside		Weighted average
	%	Quarter	%	Quarter	%	%	Quarter	%	Quarter	%
GDP	-	Q1 2024	(4.1)	Q4 2025	-	(1.2)	Q3 2024	(4.5)	Q4 2024	0.3
Unemployment rate - peak	5.6	Q4 2026	8.5	Q1 2027	4.9	5.8	Q1 2025	8.5	Q2 2025	5.2
House price index	(1.9)	Q2 2027	(25.6)	Q3 2027	-	(12.5)	Q4 2025	(31.7)	Q2 2026	(6.5)
Commercial real estate price	(10.5)	Q2 2026	(35.0)	Q3 2026	(1.8)	(16.6)	Q1 2025	(39.9)	Q3 2025	(10.2)
Consumer price index										
- highest four quarter change	6.1	Q1 2026	3.5	Q1 2024	3.5	10.3	Q1 2023	10.3	Q1 2023	10.3
Bank of England base rate										
- extreme level	2.0	Q1 2024	0.1	Q1 2024	2.9	6.5	Q4 2024	5.3	Q4 2023	5.3
Stock price index	(0.2)	Q4 2025	(27.4)	Q4 2025	-	(14.3)	Q4 2024	(39.3)	Q4 2024	(2.4)

(1) The figures show falls relative to the starting period for GDP, house price index, commercial real estate price and stock price index. For unemployment rate, it shows highest value through the scenario horizon. For consumer price index, it shows highest annual percentage change. For Bank of England base rate, it shows highest or lowest value through the horizon. The calculations are performed over five years, with a starting point of Q4 2023 for 31 December 2024 scenarios and Q4 2022 for 31 December 2023 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, NWH 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.

NWH 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.

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited)

2024	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Stage 1 modelled loans (£m)					
Retail Banking - mortgages	169,090	170,887	173,703	164,370	154,604
Retail Banking - unsecured	10,269	10,485	10,876	9,847	8,925
Non-personal - property	27,101	27,187	27,331	26,955	24,022
Non-personal - non-property	95,043	95,609	95,971	94,348	77,485
	301,503	304,168	307,881	295,520	265,036
Stage 1 modelled ECL (£m)					
Retail Banking - mortgages	67	69	71	61	50
Retail Banking - unsecured	204	212	210	198	185
Non-personal - property	77	62	56	80	152
Non-personal - non-property	189	171	167	189	278
	537	514	504	528	665
Stage 1 coverage					
Retail Banking - mortgages	0.04%	0.04%	0.04%	0.04%	0.03%
Retail Banking - unsecured	1.99%	2.02%	1.93%	2.01%	2.07%
Non-personal - property	0.28%	0.23%	0.20%	0.30%	0.63%
Non-personal - non-property	0.20%	0.18%	0.17%	0.20%	0.36%
	0.18%	0.17%	0.16%	0.18%	0.25%
Stage 2 modelled loans (£m)					
Retail Banking - mortgages	20,980	19,183	16,367	25,700	35,466
Retail Banking - unsecured	3,513	3,297	2,906	3,935	4,857
Non-personal - property	2,830	2,744	2,600	2,976	5,909
Non-personal - non-property	12,694	12,128	11,766	13,389	30,252
	40,017	37,352	33,639	46,000	76,484
Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	60	53	44	72	118
Retail Banking - unsecured	371	348	300	407	532
Non-personal - property	58	50	44	62	174
Non-personal - non-property	278	245	222	299	609
	767	696	610	840	1,433
Stage 2 coverage					
Retail Banking - mortgages	0.29%	0.28%	0.27%	0.28%	0.33%
Retail Banking - unsecured	10.56%	10.56%	10.32%	10.34%	10.95%
Non-personal - property	2.05%	1.82%	1.69%	2.08%	2.94%
Non-personal - non-property	2.19%	2.02%	1.89%	2.23%	2.01%
	1.92%	1.86%	1.81%	1.83%	1.87%
Stage 1 and Stage 2 modelled loans (£m)					
Retail Banking - mortgages	190,070	190,070	190,070	190,070	190,070
Retail Banking - unsecured	13,782	13,782	13,782	13,782	13,782
Non-personal - property	29,931	29,931	29,931	29,931	29,931
Non-personal - non-property	107,737	107,737	107,737	107,737	107,737
	341,520	341,520	341,520	341,520	341,520
Stage 1 and Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	127	122	115	133	168
Retail Banking - unsecured	575	560	510	605	717
Non-personal - property	135	112	100	142	326
Non-personal - non-property	467	416	389	488	887
	1,304	1,210	1,114	1,368	2,098
Stage 1 and Stage 2 coverage					
Retail Banking - mortgages	0.07%	0.06%	0.06%	0.07%	0.09%
Retail Banking - unsecured	4.17%	4.06%	3.70%	4.39%	5.20%
Non-personal - property	0.45%	0.37%	0.33%	0.47%	1.09%
Non-personal - non-property	0.43%	0.39%	0.36%	0.45%	0.82%
	0.38%	0.35%	0.33%	0.40%	0.61%
Reconciliation to Stage 1 and Stage 2 ECL (£m)					
ECL on modelled exposures	1,304	1,210	1,114	1,368	2,098
ECL on non-modelled exposures	34	34	34	34	34
Total Stage 1 and Stage 2 ECL (£m)	1,338	1,244	1,148	1,402	2,132
Variance to actual total Stage 1 and Stage 2 ECL (£m)		(94)	(190)	64	794

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited) continued

	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Reconciliation to Stage 1 and Stage 2 flow exposure (£m)					
Modelled loans	**341,520**	**341,520**	**341,520**	**341,520**	**341,520**
Non-modelled loans	**18,895**	**18,895**	**18,895**	**18,895**	**18,895**
Other asset classes	**106,590**	**106,590**	**106,590**	**106,590**	**106,590**

(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 was unchanged under each scenario as the loan population was static.
(4) Refer to the Economic loss drivers section for details of economic scenarios.
(5) Refer to the NatWest Group 2023 Annual Report and Accounts for 2023 comparatives.

Measurement uncertainty and ECL adequacy (audited)

- If the economics were as negative as observed in the extreme downside (i.e. 100% probability weighting), total Stage 1 and Stage 2 ECL was simulated to increase by £0.8 billion (approximately 59%). In this scenario, Stage 2 exposure increased significantly and was the key driver of the simulated ECL rise. The movement in Stage 2 balances in the other simulations was less significant.
- In the Non-Personal portfolio, there was a significant increase in ECL under the extreme downside scenario. The Non-Personal property ECL increase was mainly due to commercial real estate prices which showed negative growth until 2026 and significant deterioration in the stock index. The non-property increase was mainly due to GDP contraction and significant deterioration in the stock index.
- Given the continued economic uncertainty, NWH 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 which NWH Group operates.

Credit risk – Banking activities

Introduction

This section details the credit risk profile of NWH Group's banking activities.

Refer to Accounting policy 2.3 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 8 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	ECL	Net	Gross	ECL	Net
	£bn	£bn	£bn	£bn	£bn	£bn
Balance sheet total gross amortised cost and FVOCI	475.6			466.1		
In scope of IFRS 9 ECL framework	474.9			465.0		
% in scope	100%			100%		
Loans to customers - in scope - amortised cost	370.5	3.3	367.2	357.7	3.5	354.2
Loans to customers - in scope - FVOCI	-	-	-	-	-	-
Loans to banks - in scope - amortised cost	3.9	-	3.9	4.3	-	4.3
Total loans - in scope	374.4	3.3	371.1	362.0	3.5	358.5
Stage 1	328.9	0.5	328.4	319.9	0.7	319.2
Stage 2	39.8	0.8	39.0	36.7	0.9	35.8
Stage 3	5.7	2.0	3.7	5.4	1.9	3.5
Other financial assets - in scope - amortised cost	71.1	-	71.1	79.6	-	79.6
Other financial assets - in scope - FVOCI	29.4	-	29.4	23.5	-	23.5
Total other financial assets - in scope	100.5	-	100.5	103.1	-	103.1
Stage 1	99.7	-	99.7	102.0	-	102.0
Stage 2	0.8	-	0.8	1.1	-	1.1
Stage 3	-	-	-	-	-	-
Out of scope of IFRS 9 ECL framework	0.7	na	0.7	1.0	na	1.0
Loans to customers - out of scope - amortised cost	(0.4)	na	(0.4)	(0.3)	na	(0.3)
Loans to banks - out of scope - amortised cost	-	na	-	0.2	na	0.2
Other financial assets - out of scope - amortised cost	1.2	na	1.2	1.1	na	1.1
Other financial assets - out of scope - FVOCI	(0.1)	na	(0.1)	-	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 £1.2 billion (2023 – £1.2 billion). These were assessed as having no ECL unless there was evidence that they were defaulted.
– Fair value adjustments on loans hedged by interest rate swaps, where the underlying loan was within the IFRS 9 ECL scope of £(0.4) billion (2023 – £(0.3) billion).

In scope assets also include an additional £0.1 billion (2023 – £0.1 billion) of inter-group assets not shown in table above.

Contingent liabilities and commitments

Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope of £115.0 billion (2023 – £106.1 billion) comprised Stage 1 £105.3 billion (2023 – £95.6 billion); Stage 2 £8.9 billion (2023 – £9.8 billion); and Stage 3 £0.8 billion (2023 – £0.7 billion).

The ECL relating to off balance sheet exposures was £0.1 billion (2023 – £0.1 billion). The total ECL in the remainder of the Credit risk section of £3.3 billion (2023 – £3.5 billion) included ECL for both balance sheet exposure and contingent liabilities.

Credit risk – Banking activities continued

Segment analysis – portfolio summary (audited)

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

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Loans - amortised cost and FVOCI (1)					
Stage 1	**182,366**	**17,155**	**94,052**	**35,312**	**328,885**
Stage 2	**24,242**	**844**	**14,686**	**49**	**39,821**
Stage 3	**3,268**	**322**	**2,147**	**-**	**5,737**
Inter-group				**66**	**66**
Total	**209,876**	**18,321**	**110,885**	**35,427**	**374,509**
ECL provisions					
Stage 1	**279**	**16**	**254**	**13**	**562**
Stage 2	**428**	**12**	**335**	**1**	**776**
Stage 3	**1,063**	**36**	**881**	**-**	**1,980**
Inter-group				**-**	**-**
Total	**1,770**	**64**	**1,470**	**14**	**3,318**
ECL provisions coverage (2)					
Stage 1 (%)	**0.15**	**0.09**	**0.27**	**0.04**	**0.17**
Stage 2 (%)	**1.77**	**1.42**	**2.28**	**2.04**	**1.95**
Stage 3 (%)	**32.53**	**11.18**	**41.03**	**nm**	**34.51**
Inter-group (%)				**nm**	**nm**
Total	**0.84**	**0.35**	**1.33**	**0.04**	**0.89**
Impairment (releases)/losses					
ECL charge - third party	**282**	**(11)**	**113**	**(10)**	**374**
ECL charge - inter-group				**(1)**	**(1)**
Total	**282**	**(11)**	**113**	**(11)**	**373**
Amounts written-off	**430**	**1**	**218**	**-**	**649**

nm – not meaningful

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

Credit risk – Banking activities continued

Segment analysis – portfolio summary (audited)

2023	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Loans - amortised cost and FVOCI (1)					
Stage 1	182,297	17,565	90,350	29,678	319,890
Stage 2	21,208	906	14,579	3	36,696
Stage 3	3,133	258	2,007	9	5,407
Inter-group				64	64
Subtotal excluding disposal group loans	206,638	18,729	106,936	29,754	362,057
Disposal group loans				67	67
Total	206,638	18,729	106,936	29,821	362,124
ECL provisions					
Stage 1	306	20	316	27	669
Stage 2	502	20	427	7	956
Stage 3	1,097	34	756	9	1,896
Inter-group				1	1
Subtotal excluding ECL provisions on disposal group loans	1,905	74	1,499	44	3,522
ECL provisions on disposal group loans				36	36
Total	1,905	74	1,499	80	3,558
ECL provisions coverage (2)					
Stage 1 (%)	0.17	0.11	0.35	0.09	0.21
Stage 2 (%)	2.37	2.21	2.93	nm	2.61
Stage 3 (%)	35.01	13.18	37.67	100.00	35.07
Inter-group (%)				1.56	1.56
Subtotal excluding disposal group loans	0.92	0.40	1.40	0.14	0.97
Disposal group loans				53.73	53.73
Total	0.92	0.40	1.40	0.27	0.98
Impairment (releases)/losses	465	14	78	5	562
ECL charge/(release) - third party	465	14	78	5	562
ECL charge/(release) - inter-group				-	-
Continuing operations	465	14	78	5	562
Discontinued operations				(6)	(6)
Total	465	14	78	(1)	556
Amounts written-off	188	2	115	7	312

(1) The table shows gross loans only and excludes amounts that were outside the scope of the ECL framework. Refer to the Financial instruments within the scope of the IFRS 9 ECL framework section for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £61.4 billion (2023 – £71.6 billion) and debt securities of £39.1 billion (2023 – £31.5 billion).

(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 (nm) coverage ratio.

Credit risk – Banking activities continued

Segmental loans and impairment metrics (audited)

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

	Gross loans				ECL provisions				ECL	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total charge	Amounts written-off
2024	£m	£m	£m	£m	£m	£m	£m		£m	£m
Retail Banking - Personal	**182,366**	**24,242**	**3,268**	**209,876**	**279**	**428**	**1,063**	**1,770**	**282**	**430**
Private Banking	**17,155**	**844**	**322**	**18,321**	**16**	**12**	**36**	**64**	**(11)**	**1**
Personal	***13,726***	***352***	***251***	***14,329***	***2***	***1***	***20***	***23***	***1***	***1***
Non-personal	***3,429***	***492***	***71***	***3,992***	***14***	***11***	***16***	***41***	***(12)***	***-***
Commercial & Institutional - Non-personal	**94,052**	**14,686**	**2,147**	**110,885**	**254**	**335**	**881**	**1,470**	**113**	**218**
Central items & other	**35,312**	**49**	**-**	**35,361**	**13**	**1**	**-**	**14**	**(10)**	**-**
Personal	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***-***
Non-personal	***35,312***	***49***	***-***	***35,361***	***13***	***1***	***-***	***14***	***(10)***	***-***
Total loans	**328,885**	**39,821**	**5,737**	**374,443**	**562**	**776**	**1,980**	**3,318**	**374**	**649**
Of which:										
Personal	***196,092***	***24,594***	***3,519***	***224,205***	***281***	***429***	***1,083***	***1,793***	***283***	***431***
Non-personal	***132,793***	***15,227***	***2,218***	***150,238***	***281***	***347***	***897***	***1,525***	***91***	***218***
2023										
Retail Banking - Personal	182,297	21,208	3,133	206,638	306	502	1,097	1,905	465	188
Private Banking	17,565	906	258	18,729	20	20	34	74	14	2
Personal	*14,296*	*255*	*209*	*14,760*	*3*	*2*	*20*	*25*	*(3)*	*2*
Non-personal	*3,269*	*651*	*49*	*3,969*	*17*	*18*	*14*	*49*	*17*	*-*
Commercial & Institutional - Non-personal	90,350	14,579	2,007	106,936	316	427	756	1,499	78	115
Central items & other	29,678	3	9	29,690	27	7	9	43	5	7
Personal	*5*	*3*	*6*	*14*	*5*	*2*	*8*	*15*	*15*	*2*
Non-personal	*29,673*	*-*	*3*	*29,676*	*22*	*5*	*1*	*28*	*(10)*	*5*
Total loans	319,890	36,696	5,407	361,993	669	956	1,896	3,521	562	312
Of which:										
Personal	*196,598*	*21,466*	*3,348*	*221,412*	*314*	*506*	*1,125*	*1,945*	*477*	*192*
Non-personal	*123,292*	*15,230*	*2,059*	*140,581*	*355*	*450*	*771*	*1,576*	*85*	*120*

– **Retail Banking** – Loans to customers increased during the year as a result of continued growth in mortgages, including the Metro Bank portfolio acquisition and credit card lending. Arrears balances increased during 2024, however, this was in line with expectations and wider-industry trends following periods of balance growth and normalisation since COVID-19. Arrears inflow rates remained stable. The reduction in good book ECL coverage in 2024 was primarily driven by unsecured PD modelling updates, alongside reductions in economic uncertainty post model adjustments and stable underlying portfolio performance. Post model adjustments to capture increased affordability pressures on customers due to high inflation and interest rates decreased during the year reflecting a revision of the assessment approach, supported by back-testing of default outcomes. Underpinned by good book ECL coverage dynamics, total ECL coverage decreased during the year and was further amplified by 2024 debt sale activity on unsecured portfolios. Flow rates into Stage 3 reduced during H1 2024 and remained consistent across H2 2024.
– **Commercial & Institutional** – The growth in exposure in Commercial & Institutional was driven by corporate and non-bank financial institutions sectors, aligned to customer strategy. Portfolio performance remained stable with a small reduction in total ECL. Stage 1 and Stage 2 ECL and coverage decreased due to reductions in post model adjustments, net improvements in economic scenarios and weightings along with stable portfolio performance. Stage 3 ECL increased due to a small number of large counterparties, but the total number of individual defaults remained low.

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 and past due by sector, asset quality and geographical region.

	Personal				Non-personal				
	Mortgages (1)	Credit cards	Other personal	Total	Corporate & other	FI	Sovereign	Total	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans by geography	207,723	6,930	9,552	224,205	108,723	40,987	528	150,238	374,443
- UK	207,723	6,930	9,552	224,205	94,823	31,189	217	126,229	350,434
- Other Europe	-	-	-	-	5,993	5,966	31	11,990	11,990
- RoW	-	-	-	-	7,907	3,832	280	12,019	12,019
Loans by stage and asset quality (2)	207,723	6,930	9,552	224,205	108,723	40,987	528	150,238	374,443
Stage 1	184,211	4,801	7,080	196,092	92,410	40,008	375	132,793	328,885
- AQ1	1,210	-	127	1,337	1,256	1,314	31	2,601	3,938
- AQ2	1,830	-	110	1,940	4,387	30,282	212	34,881	36,821
- AQ3	6,126	11	107	6,244	12,947	278	5	13,230	19,474
- AQ4	95,629	117	335	96,081	21,396	5,540	-	26,936	123,017
- AQ5	69,121	1,292	838	71,251	31,074	1,558	-	32,632	103,883
- AQ6	3,835	1,373	2,827	8,035	14,473	824	-	15,297	23,332
- AQ7	5,999	1,751	2,294	10,044	6,472	208	-	6,680	16,724
- AQ8	267	234	387	888	371	4	127	502	1,390
- AQ9	194	23	55	272	34	-	-	34	306
Stage 2	21,022	1,953	1,619	24,594	14,175	920	132	15,227	39,821
- AQ1	21	(1)	5.0	25	-	-	-	-	25
- AQ2	15	-	-	15	47.0	-	-	47	62
- AQ3	125	-	10	135	4	-	-	4	139
- AQ4	8,255	-	113	8,368	2,238	49	-	2,287	10,655
- AQ5	9,169	64	133	9,366	1,925	712	-	2,637	12,003
- AQ6	969	177	343	1,489	3,195	7	-	3,202	4,691
- AQ7	821	1,086	511	2,418	4,863	84	-	4,947	7,365
- AQ8	685	540	368	1,593	1,632	64	-	1,696	3,289
- AQ9	962	87	136	1,185	271	4	132	407	1,592
Stage 3	2,490	176	853	3,519	2,138	59	21	2,218	5,737
- AQ10	2,490	176	853	3,519	2,138	59	21	2,218	5,737
Loans - past due analysis	207,723	6,930	9,552	224,205	108,723	40,987	528	150,238	374,443
- Not past due	204,690	6,721	8,678	220,089	104,895	40,915	510	146,320	366,409
- Past due 1-30 days	1,386	50	68	1,504	2,516	17	-	2,533	4,037
- Past due 31-89 days	566	51	97	714	382	2	18	402	1,116
- Past due 90-180 days	394	41	96	531	139	49	-	188	719
- Past due >180 days	687	67	613	1,367	791	4	-	795	2,162
Loans - Stage 2	21,022	1,953	1,619	24,594	14,175	920	132	15,227	39,821
- Not past due	19,929	1,889	1,521	23,339	13,207	915	132	14,254	37,593
- Past due 1-30 days	838	31	35	904	633	3	-	636	1,540
- Past due 31-89 days	255	33	63	351	335	2	-	337	688
Weighted average life (4)									
- ECL measurement (years)	8	4	6	6	6	2	1	6	6
Weighted average 12 months PDs (4)									
- IFRS 9 (%)	0.52	3.23	4.63	0.76	1.25	0.18	13.27	1.00	0.86
- Basel (%)	0.66	3.65	3.19	0.85	1.12	0.17	13.27	0.89	0.87
ECL provisions by geography	451	381	961	1,793	1,444	63	18	1,525	3,318
- UK	451	381	961	1,793	1,292	24	11	1,327	3,120
- Other Europe	-	-	-	-	100	2	-	102	102
- RoW	-	-	-	-	52	37	7	96	96
ECL provisions by stage	451	381	961	1,793	1,444	63	18	1,525	3,318
- Stage 1	76	77	128	281	255	15	11	281	562
- Stage 2	60	186	183	429	337	8	2	347	776
- Stage 3	315	118	650	1,083	852	40	5	897	1,980

For the notes to this table refer to page 40.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

	Personal				Non-personal				
2024	Mortgages (1) £m	Credit cards £m	Other personal £m	Total £m	Corporate & other £m	FI £m	Sovereign £m	Total £m	Total £m
ECL provisions coverage (%)	0.22	5.50	10.06	0.80	1.33	0.15	3.41	1.02	0.89
- Stage 1 (%)	*0.04*	*1.60*	*1.81*	*0.14*	*0.28*	*0.04*	*2.93*	*0.21*	*0.17*
- Stage 2 (%)	*0.29*	*9.52*	*11.30*	*1.74*	*2.38*	*0.87*	*1.52*	*2.28*	*1.95*
- Stage 3 (%)	*12.65*	*67.05*	*76.20*	*30.78*	*39.85*	*67.80*	*23.81*	*40.44*	*34.51*
ECL (release)/charge - Third party	7	115	161	283	69	21	1	91	374
Amounts written-off	16	102	313	431	218	-	-	218	649
Other financial assets by asset quality (2)	-	-	-	-	3,481	16,237	80,755	100,473	100,473
- AQ1-AQ4	-	-	-	-	*3,481*	*16,187*	*80,755*	*100,423*	*100,423*
- AQ5-AQ8	-	-	-	-	-	*50*	-	*50*	*50*
Off-balance sheet	13,695	20,135	7,584	41,414	68,329	5,118	145	73,592	115,006
- Loan commitments	*13,695*	*20,135*	*7,543*	*41,373*	*65,405*	*4,436*	145	*69,986*	*111,359*
- Financial guarantees	-	-	*41*	*41*	*2,924*	*682*	-	*3,606*	*3,647*
Off-balance sheet by asset quality (2)	13,695	20,135	7,584	41,414	68,329	5,118	145	73,592	115,006
- AQ1-AQ4	*12,951*	*510*	*6,442*	*19,903*	*40,702*	*3,906*	*61*	*44,669*	*64,572*
- AQ5-AQ8	*728*	*19,276*	*1,099*	*21,103*	*27,224*	*1,163*	*21*	*28,408*	*49,511*
- AQ9	*1*	*12*	*17*	*30*	*17*	-	*63*	*80*	*110*
- AQ10	*15*	*337*	*26*	*378*	*386*	*49*	-	*435*	*813*

For the notes to this table refer to page 40.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

	Personal				Non-personal				
2023 (3)	Mortgages (1) £m	Credit cards £m	Other personal £m	Total £m	Corporate & other £m	FI £m	Sovereign £m	Total £m	Total £m
Loans by geography	206,103	5,904	9,405	221,412	104,888	33,890	1,803	140,581	361,993
- UK	206,103	5,893	9,402	221,398	92,768	30,406	1,621	124,795	346,193
- Other Europe	-	11	3	14	5,836	623	37	6,496	6,510
- RoW	-	-	-	-	6,284	2,861	145	9,290	9,290
Loans by stage and asset quality (2)	206,103	5,904	9,405	221,412	104,888	33,890	1,803	140,581	361,993
Stage 1	186,055	3,742	6,801	196,598	87,839	33,673	1,780	123,292	319,890
- AQ1	1,396	-	135	1,531	1,481	642	37	2,160	3,691
- AQ2	1,564	-	133	1,697	4,835	16,177	1,616	22,628	24,325
- AQ3	3,194	4	98	3,296	12,278	7,085	5	19,368	22,664
- AQ4	104,541	119	387	105,047	20,560	7,347	-	27,907	132,954
- AQ5	65,688	1,055	677	67,420	28,224	1,376	-	29,600	97,020
- AQ6	4,677	1,410	3,475	9,562	13,198	762	-	13,960	23,522
- AQ7	4,512	1,087	1,355	6,954	6,684	276	-	6,960	13,914
- AQ8	326	61	500	887	532	8	122	662	1,549
- AQ9	157	6	41	204	47	-	-	47	251
Stage 2	17,813	2,022	1,631	21,466	15,029	201	-	15,230	36,696
- AQ1	31	-	-	31	20	-	-	20	51
- AQ2	12	-	-	12	49	-	-	49	61
- AQ3	50	-	4	54	60	-	-	60	114
- AQ4	7,479	-	145	7,624	1,072	14	-	1,086	8,710
- AQ5	7,074	100	154	7,328	2,969	76	-	3,045	10,373
- AQ6	1,133	402	487	2,022	4,102	7	-	4,109	6,131
- AQ7	710	1,199	317	2,226	4,757	73	-	4,830	7,056
- AQ8	620	264	415	1,299	1,682	22	-	1,704	3,003
- AQ9	704	57	109	870	318	9	-	327	1,197
Stage 3	2,235	140	973	3,348	2,020	16	23	2,059	5,407
- AQ10	2,235	140	973	3,348	2,020	16	23	2,059	5,407
Loans - past due analysis	206,103	5,904	9,405	221,412	104,888	33,890	1,803	140,581	361,993
- Not past due	203,304	5,743	8,395	217,442	100,760	33,860	1,803	136,423	353,865
- Past due 1-30 days	1,156	41	70	1,267	2,663	19	-	2,682	3,949
- Past due 31-89 days	508	38	112	658	581	3	-	584	1,242
- Past due 90-180 days	434	32	103	569	103	2	-	105	674
- Past due >180 days	701	50	725	1,476	781	6	-	787	2,263
Loans - Stage 2	17,813	2,022	1,631	21,466	15,029	201	-	15,230	36,696
- Not past due	16,788	1,972	1,528	20,288	14,004	194	-	14,198	34,486
- Past due 1-30 days	746	26	39	811	611	5	-	616	1,427
- Past due 31-89 days	279	24	64	367	414	2	-	416	783
Weighted average life (4)									
- ECL measurement (years)	9	3	6	6	6	2	-	6	6
Weighted average 12 months PDs (4)									
- IFRS 9 (%)	0.50	3.45	5.33	0.76	1.56	0.22	0.54	1.22	0.94
- Basel (%)	0.65	3.37	3.17	0.82	1.17	0.19	0.54	0.92	0.86
ECL provisions by geography	409	376	1,160	1,945	1,524	39	13	1,576	3,521
- UK	409	365	1,155	1,929	1,333	24	10	1,367	3,296
- Other Europe	-	11	5	16	143	6	-	149-	165
- RoW	-	-	-	-	48	9	3	60	60
ECL provisions by stage	409	376	1,160	1,945	1,524	39	13	1,576	3,521
- Stage 1	87	76	151	314	322	23	10	355	669
- Stage 2	60	207	239	506	441	9	-	450	956
- Stage 3	262	93	770	1,125	761	7	3	771	1,896

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

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

	Personal				Non-personal				
2023	Mortgages (1) £m	Credit cards £m	Other personal £m	Total £m	Corporate & other £m	FI £m	Sovereign £m	Total £m	Total £m
ECL provisions coverage (%)	0.20	6.37	12.33	0.88	1.45	0.12	0.72	1.12	0.97
- Stage 1 (%)	*0.05*	*2.03*	*2.22*	*0.16*	*0.37*	*0.07*	*0.56*	*0.29*	*0.21*
- Stage 2 (%)	*0.34*	*10.24*	*14.65*	*2.36*	*2.93*	*4.48*	-	*2.95*	*2.61*
- Stage 3 (%)	*11.72*	*66.43*	*79.14*	*33.60*	*37.67*	*43.75*	*13.04*	*37.45*	*35.07*
ECL (release)/charge - Third party	33	193	251	477	92	(5)	(2)	85	562
Amounts written-off	31	70	91	192	120	-	-	120	312
Other financial assets by asset quality (2)	-	-	-	-	2,606	14,339	86,217	103,162	103,162
- AQ1-AQ4	-	-	-	-	*2,606*	*13,957*	*86,217*	*102,780*	*102,780*
- AQ5-AQ8	-	-	-	-	-	*382*	-	*382*	*382*
Off-balance sheet	9,771	17,284	8,124	35,179	65,726	5,051	122	70,899	106,078
- Loan commitments	*9,771*	*17,284*	*8,079*	*35,134*	*62,857*	*4,631*	*122*	*67,610*	*102,744*
- Financial guarantees	-	-	*45*	*45*	*2,869*	*420*	-	*3,289*	*3,334*
Off-balance sheet by asset quality (2)	9,771	17,284	8,124	35,179	65,726	5,051	122	70,899	106,078
- AQ1-AQ4	*9,099*	*448*	*7,150*	*16,697*	*39,894*	*3,889*	*60*	*43,843*	*60,540*
- AQ5-AQ8	*649*	*16,518*	*946*	*18,113*	*25,529*	*1,159*	*45*	*26,733*	*44,846*
- AQ9	*7*	*6*	*4*	*17*	*15*	-	-	*15*	*32*
- AQ10	*16*	*312*	*24*	*352*	*288*	*3*	*17*	*308*	*660*

(1) Includes a portion of Private Banking lending secured against residential real estate, in line with ECL calculation methodology. Private Banking mortgages are reported in UK, reflecting the country of lending origination.
(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

£0.3 billion (2023 – £0.3 billion) of AQ10 Personal balances primarily relate to loan commitments, the drawdown of which is effectively prohibited.
(3) 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.
(4) Not within the scope of the Independent auditors' report.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

The table below shows gross loans and ECL by stage, for the Personal portfolio and Non-Personal portfolio including the three largest borrowing sector clusters included in corporate and other.

	Loans - amortised cost and FVOCI				Off-balance sheet		ECL provisions			
	Stage 1	Stage 2	Stage 3	Total	Loan commitments	Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Personal	**196,092**	**24,594**	**3,519**	**224,205**	**41,373**	**41**	**281**	**429**	**1,083**	**1,793**
Mortgages (1)	**184,211**	**21,022**	**2,490**	**207,723**	**13,695**	**-**	**76**	**60**	**315**	**451**
Credit cards	**4,801**	**1,953**	**176**	**6,930**	**20,135**	**-**	**77**	**186**	**118**	**381**
Other personal	**7,080**	**1,619**	**853**	**9,552**	**7,543**	**41**	**128**	**183**	**650**	**961**
Non-personal	**132,793**	**15,227**	**2,218**	**150,238**	**69,986**	**3,606**	**281**	**347**	**897**	**1,525**
Financial institutions	**40,008**	**920**	**59**	**40,987**	**4,436**	**682**	**15**	**8**	**40**	**63**
Sovereign	**375**	**132**	**21**	**528**	**145**	**-**	**11**	**2**	**5**	**18**
Corporate & other	**92,410**	**14,175**	**2,138**	**108,723**	**65,405**	**2,924**	**255**	**337**	**852**	**1,444**
Of which:										
Commercial real estate	**14,700**	**1,339**	**356**	**16,395**	**5,544**	**142**	**65**	**27**	**130**	**222**
Consumer industries	**13,100**	**2,989**	**435**	**16,524**	**10,145**	**586**	**45**	**89**	**180**	**314**
Mobility and logistics	**13,248**	**2,357**	**148**	**15,753**	**7,883**	**536**	**26**	**35**	**67**	**128**
Total	**328,885**	**39,821**	**5,737**	**374,443**	**111,359**	**3,647**	**562**	**776**	**1,980**	**3,318**
2023 (2)										
Personal	196,598	21,466	3,348	221,412	35,134	45	314	506	1,125	1,945
Mortgages	186,055	17,813	2,235	206,103	9,771	-	87	60	262	409
Credit cards	3,742	2,022	140	5,904	17,284	-	76	207	93	376
Other personal	6,801	1,631	973	9,405	8,079	45	151	239	770	1,160
Non-personal	123,292	15,230	2,059	140,581	67,610	3,289	355	450	771	1,576
Financial institutions	33,673	201	16	33,890	4,631	420	23	9	7	39
Sovereign	1,780	-	23	1,803	122	-	10	-	3	13
Corporate & other	87,839	15,029	2,020	104,888	62,857	2,869	322	441	761	1,524
Of which:										
Commercial real estate	*13,337*	*1,835*	*305*	*15,477*	*5,910*	*105*	*77*	*51*	*89*	*217*
Consumer industries	*11,958*	*4,010*	*532*	*16,500*	*9,382*	*643*	*60*	*117*	*221*	*398*
Mobility and logistics	*13,055*	*2,068*	*143*	*15,266*	*7,508*	*435*	*32*	*39*	*48*	*119*
Total	319,890	36,696	5,407	361,993	102,744	3,334	669	956	1,896	3,521

(1) Includes transactions, such as securitisations, where the underlying risk may be in other sectors.
(2) 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

Credit risk – Banking activities continued

Non-personal forbearance (audited)

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

	Corporate & other	Financial institutions	Sovereign	Total
2024	£m	£m	£m	£m
Forbearance (flow)	**3,278**	**97**	**18**	**3,393**
Forbearance (stock)	**4,425**	**84**	**18**	**4,527**
Heightened Monitoring and Risk of Credit Loss	**5,856**	**128**	**1**	**5,985**
2023				
Forbearance (flow)	3,341	48	22	3,411
Forbearance (stock)	4,651	62	22	4,735
Heightened Monitoring and Risk of Credit Loss	5,127	167	-	5,294

- **Loans by geography and sector –** In line with NWH Group's strategic focus, exposures continued to be mainly in the UK.
- **Loans by stage** – The increase in Stage 1 reflected the growth in Non-Personal lending, alongside continued growth in Personal unsecured portfolios. There was an increase in Stage 2 balances in 2024, driven by Personal, but noting that there was a significant proportion of mortgage cases in Stage 2, due to PD persistence only. The modest increase in Stage 3 balance was mainly due to a small number of large corporate customers, with Personal lending increases largely mitigated by debt sale activity on unsecured assets.
- **Loans – past due analysis** – Within the Personal portfolio, arrears balances increased during 2024, however, this was in line with expectations following periods of balance growth and normalisation since COVID-19. Arrears inflow rates remained stable. In Non-Personal, past due composition was stable.
- **Weighted average 12 months PDs** – Both IFRS 9 and Basel PDs remained broadly stable during the year. In the Personal portfolios, there was a notable reduction in unsecured IFRS 9 PDs due to modelling updates. In Non-Personal, some reductions were observed in IFRS 9 PDs in the corporate portfolios due to economic and portfolio improvements. PDs in sovereigns increased significantly due to new lending but all new lending is fully backed by government guarantees.
- **ECL provisions by stage and ECL provisions coverage** – Overall provisions coverage reduced since 31 December 2023. In the performing book, this was mainly a result of stable portfolio performance, reduced economic uncertainty post model adjustments and PD reductions across a number of portfolios, primarily relating to modelling updates in Personal. Furthermore, Stage 3 and total book coverage reduced, supported by the 2024 debt sale activity on Personal unsecured portfolios.
- **ECL charge (excluding inter-group) –** The full year impairment charge for 2024 of £374 million primarily reflected stable default performance, alongside reduced PD levels and impairment releases driven by the reduction in economic uncertainty post model adjustments.
- **Other financial assets by asset quality** – Consisting almost entirely of balances at central banks and debt securities held in the course of treasury related management activities, these assets were mainly within the AQ1-AQ4 bands.
- **Off-balance sheet exposures by asset quality** – In Personal, undrawn exposures were reflective of available credit lines in credit cards and current accounts. Additionally, the mortgage portfolio had undrawn exposures, where a formal offer had been made to a customer but had not yet drawn down; the value increased in line with the pipeline of offers. There was also a legacy portfolio of flexible mortgages where a customer had the right and ability to draw down further funds. In Non-Personal, off-balance sheet exposures increased moderately driven by loan commitments. Asset quality was mainly in the AQ1-AQ8 bandings.
- **Non-Personal problem debt** – There was an increase in exposures during 2024 driven by corporate sectors, although volumes were flat. The framework is closely monitored, and there were no material thematic concerns.
- **Non-Personal forbearance** – Forbearance was lower at the end of 2024, compared to 2023.

Credit risk – Banking activities continued

Credit risk enhancement and mitigation (audited)

The table below shows exposures of modelled portfolios within the scope of the ECL framework and related credit risk enhancement and mitigation (CREM).

	Gross		Maximum credit risk		CREM by type			CREM coverage		Exposure post CREM	
	exposure	ECL	Total	Stage 3	Financial (1)	Property	Other (2)	Total	Stage 3	Total	Stage 3
2024	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Financial assets											
Cash and balances at central banks	**61.4**	**-**	**61.4**	**-**	**-**	**-**	**-**	**-**	**-**	**61.4**	**-**
Loans - amortised cost (3)	**374.4**	**3.2**	**371.2**	**3.7**	**42.0**	**249.1**	**25.5**	**316.6**	**3.3**	**54.6**	**0.4**
Personal (4)	***224.2***	**1.7**	**222.5**	**2.4**	***0.7***	***207.0***	***-***	***207.7***	***2.2***	***14.8***	***0.2***
Non-personal (5)	***150.2***	**1.5**	**148.7**	**1.3**	***41.3***	***42.1***	***25.5***	***108.9***	***1.1***	***39.8***	***0.2***
Debt securities	**39.1**	**-**	**39.1**	**-**	**0.1**	**-**	**-**	**0.1**	**-**	**39.0**	**-**
Total financial assets	**474.9**	**3.2**	**471.7**	**3.7**	**42.1**	**249.1**	**25.5**	**316.7**	**3.3**	**155.0**	**0.4**
Contingent liabilities and commitments											
Personal (6,7)	**41.4**	**-**	**41.4**	**0.4**	**0.9**	**3.6**	**-**	**4.5**	**-**	**36.9**	**0.4**
Non-personal (5)	**73.6**	**0.1**	**73.5**	**0.4**	**2.1**	**7.9**	**5.0**	**15.0**	**0.1**	**58.5**	**0.3**
Total off-balance sheet	**115.0**	**0.1**	**114.9**	**0.8**	**3.0**	**11.5**	**5.0**	**19.5**	**0.1**	**95.4**	**0.7**
Total exposure	**589.9**	**3.3**	**586.6**	**4.5**	**45.1**	**260.6**	**30.5**	**336.2**	**3.4**	**250.4**	**1.1**
2023											
Financial assets											
Cash and balances at central banks	71.7	-	71.7	-	-	-	-	-	-	71.7	-
Loans - amortised cost (3)	362.0	3.4	358.6	3.5	34.6	244.5	21.8	300.9	3.1	57.7	0.4
Personal (4)	*221.4*	*1.9*	*219.5*	*2.2*	*0.8*	*205.4*	*-*	*206.2*	*2.0*	*13.3*	*0.2*
Non-personal (5)	*140.6*	*1.5*	*139.1*	*1.3*	*33.8*	*39.1*	*21.8*	*94.7*	*1.1*	*44.4*	*0.2*
Debt securities	31.5	-	31.5	-	-	-	-	-	-	31.5	-
Total financial assets	465.2	3.4	461.8	3.5	34.6	244.5	21.8	300.9	3.1	160.9	0.4
Contingent liabilities and commitments											
Personal (6,7)	35.2	0.1	35.1	0.3	0.8	3.9	-	4.7	-	30.4	0.3
Non-personal	70.9	-	70.9	0.4	1.1	6.8	4.1	12.0	0.1	58.9	0.3
Total off-balance sheet	106.1	0.1	106.0	0.7	1.9	10.7	4.1	16.7	0.1	89.3	0.6
Total exposure	571.3	3.5	567.8	4.2	36.5	255.2	25.9	317.6	3.2	250.2	1.0

(1) Includes cash and securities collateral.
(2) Includes guarantees, charges over trade debtors, other asset finance related physical collateral as well as the amount by which credit risk exposure is reduced through netting arrangements, mainly cash management pooling, which give NWH Group a legal right to set off the financial asset against a financial liability due to the same counterparty. Any additional credit risk mitigation from a synthetic securitization is not included in the table above.
(3) NWH Group holds collateral in respect of individual loans – amortised cost to banks and customers. This collateral includes mortgages over property (both personal and commercial); charges over business assets such as plant and equipment; inventories and trade debtors; and guarantees of lending from parties other than the borrower. NWH Group obtains collateral in the form of securities in reverse repurchase agreements. Collateral values are capped at the value of the loan.
(4) Stage 3 mortgage exposures have relatively limited uncovered exposure reflecting the security held. On unsecured credit cards and other personal borrowing, the residual uncovered amount reflects historical experience of continued cash recovery post default through ongoing engagement with customers.
(5) Stage 3 exposures post credit risk enhancement and mitigation in Non-Personal mainly represent enterprise value and the impact of written down collateral values; an individual assessment to determine ECL will consider multiple scenarios and in some instances allocate a probability weighting to a collateral value in excess of the written down value.
(6) £0.3 billion (2023 – £0.3 billion) Personal Stage 3 balances primarily relate to loan commitments, the draw down of which is effectively prohibited.
(7) The Personal gross exposure value includes £10.1 billion (2023 – £5.9 billion) in respect of pipeline mortgages where a committed offer has been made to a customer but where the funds have not yet been drawn down. When drawn down, the exposure would be covered by a security over the borrower's property.

Credit risk – Banking activities continued

Personal portfolio (audited)

Disclosures in the Personal portfolio section include drawn exposure (gross of provisions).

	2024				2023			
Personal lending	Retail Banking £m	Private Banking £m	Central items & other £m	Total £m	Retail Banking £m	Private Banking £m	Central items & other £m	Total £m
Mortgages	194,865	12,826	-	207,691	192,915	13,222	-	206,137
Of which:								
Owner occupied	176,137	11,348	-	187,485	174,167	11,629	-	185,796
Buy-to-let	18,728	1,478	-	20,206	18,748	1,593	-	20,341
Interest only	22,186	11,276	-	33,462	25,805	11,631	-	37,436
Mixed (1)	10,384	40	-	10,424	10,068	25	-	10,093
ECL provisions (2)	440	12	-	452	397	12	-	409
Other personal lending (3)	15,045	1,301	-	16,346	13,758	1,395	13	15,166
ECL provisions (2)	1,330	12	-	1,342	1,508	12	16	1,536
Total personal lending	209,910	14,127	-	224,037	206,673	14,617	13	221,303
Mortgage LTV ratios								
- Owner occupied	56	59	-	56	55%	59%	-	55%
- Stage 1	*56*	*59*	-	*56*	55%	*59%*	-	55%
- Stage 2	*55*	*61*	-	*55*	54%	*63%*	-	*54%*
- Stage 3	*50*	*64*	-	*51*	*48%*	*61%*	-	*49%*
- Buy-to-let	53	60	-	54	52%	59%	-	53%
- Stage 1	*54*	*60*	-	*54*	*52%*	*60%*	-	*53%*
- Stage 2	*52*	*57*	-	*52*	*50%*	*57%*	-	*50%*
- Stage 3	*52*	*56*	-	*53*	*50%*	*53%*	-	*50%*
Gross new mortgage lending	26,440	1,395	-	27,835	29,664	1,400	-	31,064
Of which:								
Owner occupied	25,300	1,266	-	26,566	27,718	1,267	-	28,985
- LTV >90%	888	-	-	888	1,173	-	-	1,173
Weighted average LTV	70	63	-	70	70%	63%	-	70%
Buy-to-let	1,140	129	-	1,269	1,946	133	-	2,079
Weighted average LTV	61	62	-	61	58%	65%	-	58%
Interest only	1,575	1,238	-	2,813	2,680	1,224	-	3,904
Mixed (1)	1,150	-	-	1,150	1,568	2	-	1,570
Mortgage forbearance								
Forbearance flow	473	10	-	483	569	22	-	591
Forbearance stock	1,680	20	-	1,700	1,416	28	-	1,444
Current	*1,214*	*9*	-	*1,223*	*950*	*10*	-	*960*
1-3 months in arrears	*146*	*9*	-	*155*	*116*	*2*	-	*118*
>3 months in arrears	*320*	*2*	-	*322*	*350*	*16*	-	*366*

(1) Includes accounts which have an interest only sub-account and a capital and interest sub-account to provide a more comprehensive view of interest only exposures.
(2) Retail Banking excludes a non-material amount of lending and provisions held on relatively small legacy portfolios.
(3) Comprises unsecured lending except for Private Banking, which includes both secured and unsecured lending. It excludes loans that are commercial in nature.

Credit risk – Banking activities continued

Personal portfolio (audited)

Mortgage LTV distribution by stage

The table below shows gross mortgage lending and related ECL by LTV band for the Retail Banking portfolio.

	Mortgages				ECL provisions				ECL provisions coverage			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
≤50%	**64,040**	**8,344**	**1,159**	**73,543**	**21**	**16**	**153**	**190**	**-**	**0.2**	**13.2**	**0.3**
>50% and ≤70%	**61,739**	**7,741**	**855**	**70,335**	**29**	**23**	**104**	**156**	**-**	**0.3**	**12.2**	**0.2**
>70% and ≤80%	**25,022**	**2,361**	**173**	**27,556**	**13**	**9**	**22**	**44**	**0.1**	**0.4**	**12.7**	**0.2**
>80% and ≤90%	**16,718**	**1,769**	**85**	**18,572**	**9**	**9**	**13**	**31**	**0.1**	**0.5**	**15.3**	**0.2**
>90% and ≤100%	**4,076**	**512**	**26**	**4,614**	**2**	**3**	**5**	**10**	**-**	**0.6**	**19.2**	**0.2**
>100%	**14**	**4**	**13**	**31**	**-**	**-**	**6**	**6**	**-**	**-**	**46.2**	**19.4**
Total with LTVs	**171,609**	**20,731**	**2,311**	**194,651**	**74**	**60**	**303**	**437**	**-**	**0.3**	**13.1**	**0.2**
Other	**212**	**1**	**1**	**214**	**2**	**-**	**1**	**3**	**0.9**	**-**	**100.0**	**1.4**
Total	**171,821**	**20,732**	**2,312**	**194,865**	**76**	**60**	**304**	**440**	**-**	**0.3**	**13.1**	**0.2**
2023												
≤50%	68,092	7,447	1,145	76,684	27	18	134	179	-	-	11.7	0.2
>50% and ≤70%	65,777	7,011	767	73,555	35	26	85	146	-	-	11.1	0.2
>70% and ≤80%	22,537	1,633	113	24,283	13	7	15	35	-	-	13.3	0.1
>80% and ≤90%	13,583	1,143	47	14,773	9	6	7	22	-	0.5	14.9	0.1
>90% and ≤100%	3,008	370	14	3,392	2	3	3	8	-	0.8	21.4	0.2
>100%	22	6	11	39	-	-	5	5	-	-	45.5	12.8
Total with LTVs	173,019	17,610	2,097	192,726	86	60	249	395	-	-	11.9	0.2
Other	186	1	2	189	1	-	1	2	1.0	-	50.0	1.1
Total	173,205	17,611	2,099	192,915	87	60	250	397	-	-	11.9	0.2

- Mortgage balances increased during 2024 as a result of the Metro Bank mortgage portfolio acquisition. Unsecured lending grew overall, driven by growth in credit cards, prime quality whole of market lending and balance transfer segments.
- The proportion of overall interest-only mortgage balances decreased in 2024. Higher levels of interest-only at the 2023 year end were driven by the implementation of the Mortgage Charter. However, applications for Mortgage Charter support decreased during 2024 and customers have rolled-off from interest-only periods.
- Portfolios and new business were closely monitored against agreed operating limits. These included loan-to-value ratios, buy-to-let concentrations, new-build concentrations and credit quality. Lending criteria, affordability calculations and assumptions for new lending were adjusted during the year, to maintain credit quality in line with appetite and to ensure customers are assessed fairly as economic conditions change.

Credit risk – Banking activities continued

Personal portfolio (audited)

Mortgage LTV distribution by region

The table below shows gross mortgage lending by LTV band for Retail Banking, by geographical region.

2024	≤50% £m	50%≤80% £m	80%≤100% £m	>100% £m	Total £m	Weighted average LTV %	Other £m	Total £m	Total %
South East	**13,622**	**19,007**	**4,506**	**1**	**37,136**	**56**	**3**	**37,139**	**19**
Greater London	**13,951**	**18,537**	**3,391**	**2**	**35,881**	**55**	**3**	**35,884**	**18**
Scotland	**4,860**	**5,766**	**1,591**	**1**	**12,218**	**55**	**1**	**12,219**	**6**
North West	**7,507**	**8,305**	**1,878**	**2**	**17,692**	**54**	**1**	**17,693**	**9**
South West	**6,577**	**8,455**	**2,055**	**1**	**17,088**	**56**	**1**	**17,089**	**9**
West Midlands	**5,379**	**6,970**	**1,683**	**1**	**14,033**	**56**	**1**	**14,034**	**7**
East of England	**7,776**	**11,730**	**3,211**	**2**	**22,719**	**58**	**1**	**22,720**	**12**
Rest of the UK	**13,871**	**19,121**	**4,871**	**21**	**37,884**	**57**	**203**	**38,087**	**20**
Total	**73,543**	**97,891**	**23,186**	**31**	**194,651**	**56**	**214**	**194,865**	**100**
2023									
South East	14,645	18,510	3,107	1	36,263	54	2	36,265	19
Greater London	14,689	18,044	2,366	1	35,100	53	3	35,103	18
Scotland	5,051	5,937	1,446	1	12,435	54	2	12,437	6
North West	7,314	8,629	1,881	2	17,826	54	2	17,828	9
South West	7,308	8,296	1,379	1	16,984	53	1	16,985	9
West Midlands	5,391	7,072	1,404	1	13,868	55	1	13,869	7
East of England	8,576	11,810	2,208	-	22,594	55	2	22,596	12
Rest of the UK	13,711	19,541	4,373	32	37,657	56	175	37,832	20
Total	76,685	97,839	18,164	39	192,727	54	188	192,915	100

Credit risk – Banking activities continued

Commercial real estate (audited)

CRE LTV distribution by stage

The table below shows CRE gross loans and related ECL by LTV band.

	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
≤50%	**6,497**	**243**	**46**	**6,786**	**25**	**4**	**7**	**36**	**0.4**	**1.6**	**15.2**	**0.5**
>50% and ≤70%	**3,918**	**365**	**78**	**4,361**	**21**	**10**	**17**	**48**	**0.5**	**2.7**	**21.8**	**1.1**
>70% and ≤100%	**279**	**64**	**32**	**375**	**2**	**3**	**13**	**18**	**0.7**	**4.7**	**40.6**	**4.8**
>100%	**139**	**8**	**118**	**265**	**1**	**-**	**56**	**57**	**0.7**	**-**	**47.5**	**21.5**
Total with LTVs	**10,833**	**680**	**274**	**11,787**	**49**	**17**	**93**	**159**	**0.5**	**2.5**	**33.9**	**1.3**
Total portfolio average LTV	**47%**	**55%**	**105%**	**49%**								
Other Investment (1)	**2,062**	**332**	**37**	**2,431**	**6**	**6**	**15**	**27**	**0.3**	**1.8**	**40.5**	**1.1**
Investment	**12,895**	**1,012**	**311**	**14,218**	**55**	**23**	**108**	**186**	**0.4**	**2.3**	**34.7**	**1.3**
Development and other (2)	**1,805**	**327**	**45**	**2,177**	**10**	**4**	**22**	**36**	**0.6**	**1.2**	**48.9**	**1.7**
Total	**14,700**	**1,339**	**356**	**16,395**	**65**	**27**	**130**	**222**	**0.4**	**2.0**	**36.5**	**1.4**
2023												
≤50%	6,130	521	58	6,709	34	12	9	55	0.6	2.3	15.5	0.8
>50% and ≤70%	2,830	590	95	3,515	19	19	18	56	0.7	3.2	19.0	1.6
>70% and ≤100%	294	107	36	437	2	5	9	16	0.7	4.7	25.0	3.7
>100%	144	6	25	175	1	1	16	18	0.7	16.7	64.0	10.3
Total with LTVs	9,398	1,224	214	10,836	56	37	52	145	0.6	3.0	24.3	1.3
Total portfolio average LTV	46%	53%	66%	47%								
Other Investment (1)	2,108	362	40	2,510	10	6	14	30	0.5	1.7	35.0	1.2
Investment	11,506	1,586	254	13,346	66	43	66	175	0.6	2.7	26.0	1.3
Development and other (2)	1,831	249	51	2,131	11	8	23	42	0.6	3.2	45.1	2.0
Total	13,337	1,835	305	15,477	77	51	89	217	0.6	2.8	29.2	1.4

(1) Relates mainly to business banking and unsecured corporate lending.
(2) Relates to the development of commercial and residential properties. Along with CRE activities that are not strictly investment or development. LTV is not a meaningful measure for this type of lending activity.

- The majority of the CRE portfolio was located and managed in the UK. Business appetite and strategy was aligned across NWH Group. Lending appetite is subject to regular review.
- While the real estate investment market was subdued through much of 2024, the portfolio remained resilient and there was moderate growth.
- Credit quality remained stable with very limited instances of specific cases deteriorating. Challenges persist in parts of the office sub-sector, but NWH Group remains comfortable with exposures held in this sub-sector.

Credit risk – Banking activities continued

Flow statements (audited)

The flow statements that follow show the main ECL and related income statement movements. They also show 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 effect. 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.
- Other (P&L only items) includes any subsequent changes in the value of written-down assets (for example, fortuitous recoveries) along with other direct write-off items such as direct recovery costs. Other (P&L only items) affects the income statement but does not affect balance sheet ECL movements.
- Amounts written-off represent the gross asset written-down against accounts with ECL, including the net asset write-down for any debt sale activity.
- There were some flows from Stage 1 into Stage 3 including transfers due to unexpected default events with a post model adjustment in place for Commercial & Institutional to account for this risk.
- The effect of any change in post model adjustments during the year is typically reported under changes in risk parameters, as are any effects arising from changes to the underlying models. Refer to the section on Governance and post model adjustments for further details.
- All movements are captured monthly and aggregated. Interest suspended post default is included within Stage 3 ECL with the movement in the value of suspended interest during the year reported under currency translation and other adjustments.

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
NWH Group total	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**418,015**	**669**	**38,884**	**956**	**5,469**	**1,896**	**462,368**	**3,521**
Currency translation and other adjustments	**(685)**	**-**	**(30)**	**-**	**159**	**203**	**(556)**	**203**
Transfers from Stage 1 to Stage 2	**(39,635)**	**(229)**	**39,635**	**229**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**26,799**	**540**	**(26,799)**	**(540)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(243)**	**(5)**	**(3,429)**	**(268)**	**3,672**	**273**	**-**	**-**
Transfers from Stage 3	**293**	**19**	**758**	**36**	**(1,051)**	**(55)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(382)**		**646**		**344**		**608**
Changes in risk parameters		**(191)**		**(112)**		**294**		**(9)**
Other changes in net exposure	**21,277**	**146**	**(7,530)**	**(168)**	**(1,880)**	**(173)**	**11,867**	**(195)**
Other (P&L only items)		**3**		**(9)**		**(24)**		**(30)**
Income statement (releases)/charges		**(424)**		**357**		**441**		**374**
Transfers to disposal groups and fair value	**(296)**	**(5)**	**(9)**	**(3)**	**(13)**	**(10)**	**(318)**	**(18)**
Amounts written-off	**-**	**-**	**-**	**-**	**(649)**	**(649)**	**(649)**	**(649)**
Unwinding of discount		**-**		**-**		**(143)**		**(143)**
At 31 December 2024	**425,525**	**562**	**41,480**	**776**	**5,707**	**1,980**	**472,712**	**3,318**
Net carrying amount	**424,963**		**40,704**		**3,727**		**469,394**	
At 1 January 2023	427,436	597	47,121	1,026	5,040	1,703	479,597	3,326
2023 movements	(9,421)	72	(8,237)	(70)	429	193	(17,229)	195
At 31 December 2023	418,015	669	38,884	956	5,469	1,896	462,368	3,521
Net carrying amount	417,346		37,928		3,573		458,847	

Credit risk – Banking activities continued

Flow statements (audited)

Retail Banking - mortgages	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	**174,038**	**87**	**17,827**	**60**	**2,068**	**250**	**193,933**	**397**
Currency translation and other adjustments	**-**	**(1)**	**-**	**2**	**110**	**110**	**110**	**111**
Transfers from Stage 1 to Stage 2	**(19,074)**	**(20)**	**19,074**	**20**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**12,454**	**24**	**(12,454)**	**(24)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(52)**	**-**	**(1,079)**	**(8)**	**1,131**	**8**	**-**	**-**
Transfers from Stage 3	**48**	**1**	**392**	**7**	**(440)**	**(8)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(13)**		**26**		**6**		**19**
Changes in risk parameters		**3**		**(16)**		**96**		**83**
Other changes in net exposure	**3,919**	**(5)**	**(2,768)**	**(7)**	**(550)**	**(75)**	**601**	**(87)**
Other (P&L only items)		**-**		**-**		**(10)**		**(10)**
Income statement (releases)/charges		**(15)**		**3**		**17**		**5**
Amounts written-off	**-**	**-**	**-**	**-**	**(16)**	**(16)**	**(16)**	**(16)**
Unwinding of discount		**-**		**-**		**(67)**		**(67)**
At 31 December 2024	**171,333**	**76**	**20,992**	**60**	**2,303**	**304**	**194,628**	**440**
Net carrying amount	**171,257**		**20,932**		**1,999**		**194,188**	
At 1 January 2023	165,264	79	18,831	61	1,762	215	185,857	355
2023 movements	8,774	8	(1,004)	(1)	306	35	8,076	42
At 31 December 2023	174,038	87	17,827	60	2,068	250	193,933	397
Net carrying amount	173,951		17,767		1,818		193,536	

- ECL coverage for mortgages remained stable overall during 2024, with growth in Stage 3 ECL partly offset by a reduction in good book ECL, primarily driven by the reduction in economic uncertainty post model adjustment levels. PDs remained broadly flat with the effect of the modest increase in arrears levels being offset by the impact of improved economics since 2023 and stable portfolio performance overall.
- The decrease in Stage 1 ECL was also driven by the cost of living post model adjustment reduction. Refer to the Governance and post model adjustments section for further details.
- The Stage 3 inflows remained broadly stable, albeit with signs of an upward drift in default rates, reflecting slightly poorer arrears performance on mortgages recently rolled-off onto higher product rates. The increase in Stage 3 ECL primarily reflected increases in ECL for post-default interest.
- There were net flows into Stage 2 from Stage 1 in line with a modest upward trend in arrears.
- The relatively small ECL cost for net re-measurement on transfer into Stage 3 included the effect of risk targeted ECL adjustments, when previously in the good book. Refer to the Governance and post model adjustments section for further details.
- Write-off occurs once the repossessed property has been sold and there is a residual shortfall balance remaining outstanding. This would typically be within five years from default but can be longer.

Credit risk – Banking activities continued

Flow statements (audited)

Retail Banking - credit cards	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	3,475	70	2,047	204	146	89	5,668	363
Currency translation and other adjustments	-	(1)	-	(1)	3	5	3	3
Transfers from Stage 1 to Stage 2	(1,895)	(42)	1,895	42	-	-	-	-
Transfers from Stage 2 to Stage 1	1,300	94	(1,300)	(94)	-	-	-	-
Transfers to Stage 3	(24)	(1)	(158)	(58)	182	59	-	-
Transfers from Stage 3	3	1	8	4	(11)	(5)	-	-
Net re-measurement of ECL on stage transfer		(58)		167		46		155
Changes in risk parameters		(3)		(13)		37		21
Other changes in net exposure	1,664	16	(458)	(66)	(56)	(2)	1,150	(52)
Other (P&L only items)		-		-		(9)		(9)
Income statement (releases)/charges		(45)		88		72		115
Amounts written-off	-	-	-	-	(102)	(102)	(102)	(102)
Unwinding of discount		-		-		(9)		(9)
At 31 December 2024	4,523	76	2,034	185	162	118	6,719	379
Net carrying amount	4,447		1,849		44		6,340	
At 1 January 2023	3,062	61	1,098	120	113	71	4,273	252
2023 movements	413	9	949	84	33	18	1,395	111
At 31 December 2023	3,475	70	2,047	204	146	89	5,668	363
Net carrying amount	3,405		1,843		57		5,305	

- Overall ECL for cards remained broadly in-line with 2023, with portfolio growth mitigated by stable portfolio performance, lower PD levels and a reduction in economic uncertainty post model adjustment levels.
- Credit card balances continued to grow during the year, in line with industry trends in the UK, reflecting strong customer demand, while sustaining robust risk appetite.
- While portfolio performance remained stable, a net flow into Stage 2 from Stage 1 was observed, with the typical maturation of lending after a period of strong growth in recent years. The staging ECL uplift was offset by modelling updates in PDs and LGDs.
- Flow rates into Stage 3 showed modest improvement in 2024 in comparison to 2023, in line with broader portfolio performance.
- Charge-off (analogous to partial write-off) typically occurs after 12 missed payments.

Credit risk – Banking activities continued

Flow statements (audited)

Retail Banking - other personal unsecured	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	**5,240**	**149**	**1,657**	**238**	**962**	**758**	**7,859**	**1,145**
Currency translation and other adjustments	**(1)**	**-**	**1**	**-**	**22**	**22**	**22**	**22**
Transfers from Stage 1 to Stage 2	**(2,156)**	**(103)**	**2,156**	**103**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**1,672**	**229**	**(1,672)**	**(229)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(69)**	**(3)**	**(304)**	**(126)**	**373**	**129**	**-**	**-**
Transfers from Stage 3	**9**	**3**	**23**	**9**	**(32)**	**(12)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(161)**		**269**		**29**		**137**
Changes in risk parameters		**(69)**		**(40)**		**107**		**(2)**
Other changes in net exposure	**909**	**81**	**(395)**	**(40)**	**(179)**	**(45)**	**335**	**(4)**
Other (P&L only items)		**1**		**(1)**		**31**		**31**
Income statement (releases)/charges		**(148)**		**188**		**122**		**162**
Amounts written-off	**1**	**1**	**(1)**	**(1)**	**(313)**	**(313)**	**(313)**	**(313)**
Unwinding of discount		**-**		**-**		**(34)**		**(34)**
At 31 December 2024	**5,605**	**127**	**1,465**	**183**	**833**	**641**	**7,903**	**951**
Net carrying amount	**5,478**		**1,282**		**192**		**6,952**	
At 1 January 2023	4,784	111	2,028	269	779	631	7,591	1,011
2023 movements	456	38	(371)	(31)	183	127	268	134
At 31 December 2023	5,240	149	1,657	238	962	758	7,859	1,145
Net carrying amount	5,091		1,419		204		6,714	

- Total ECL decreased, mainly in Stage 3, due to the reduction of balances from debt sale activity on Personal unsecured portfolios.
- Stable portfolio performance was observed during the year. PD modelling updates coupled with LGD modelling updates were reflected in the performing book ECL, with coverage levels showing a modest reduction since the prior period.
- Flow rates into Stage 3 reduced for the year, in line with broader portfolio performance.
- Unsecured retail performing balances grew steadily in 2024, largely in line with industry trends.
- Write-off occurs once recovery activity with the customer has been concluded or there are no further recoveries expected, but no later than six years after default.

Credit risk – Banking activities continued

Flow statements (audited)

Commercial & Institutional total	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	90,022	316	15,620	427	2,008	756	107,650	1,499
Currency translation and other adjustments	(157)	1	(30)	-	23	64	(164)	65
Transfers from Stage 1 to Stage 2	(15,014)	(60)	15,014	60	-	-	-	-
Transfers from Stage 2 to Stage 1	10,024	180	(10,024)	(180)	-	-	-	-
Transfers to Stage 3	(86)	(1)	(1,685)	(74)	1,771	75	-	-
Transfers from Stage 3	190	14	312	17	(502)	(31)	-	-
Net re-measurement of ECL on stage transfer		(140)		174		262		296
Changes in risk parameters		(103)		(36)		53		(86)
Other changes in net exposure	8,811	47	(3,723)	(53)	(1,001)	(49)	4,087	(55)
Other (P&L only items)		3		(8)		(37)		(42)
Income statement (releases)/charges		(193)		77		229		113
Amounts written-off	-	-	-	-	(218)	(218)	(218)	(218)
Unwinding of discount		-		-		(31)		(31)
At 31 December 2024	93,790	254	15,484	335	2,081	881	111,355	1,470
Net carrying amount	93,536		15,149		1,200		109,885	
At 1 January 2023	80,372	306	23,351	517	2,006	691	105,729	1,514
2023 movements	9,650	10	(7,731)	(90)	2	65	1,921	(15)
At 31 December 2023	90,022	316	15,620	427	2,008	756	107,650	1,499
Net carrying amount	89,706		15,193		1,252		106,151	

- The growth in exposures was mainly driven by non-bank financial institutions.
- Stage 1 and Stage 2 ECL reduced, reflecting a combination of stable portfolio performance, reductions in post model adjustments and net improvements in economic scenarios.
- Stage 3 ECL increased due to a small number of large counterparties, but in total, the number of individual defaults remained low. Flows into Stage 3 were consistent with 2023 and considerably below historical trends.
- Write-offs levels continue to remain below historical trends.
- Overall, impairment charges were low, with Stage 3 individual charges largely offset by performing book releases.

Commercial & Institutional - corporate	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	59,915	219	12,035	339	1,422	574	73,372	1,132
Currency translation and other adjustments	(109)	-	(30)	1	21	52	(118)	53
Inter-group transfers	95	1	28	2	3	-	126	3
Transfers from Stage 1 to Stage 2	(10,762)	(46)	10,762	46	-	-	-	-
Transfers from Stage 2 to Stage 1	7,672	143	(7,672)	(143)	-	-	-	-
Transfers to Stage 3	(77)	(1)	(1,329)	(54)	1,406	55	-	-
Transfers from Stage 3	154	11	262	12	(416)	(23)	-	-
Net re-measurement of ECL on stage transfer		(112)		137		186		211
Changes in risk parameters		(71)		(30)		46		(55)
Other changes in net exposure	4,551	27	(2,737)	(40)	(742)	(39)	1,072	(52)
Other (P&L only items)		3		(9)		(36)		(42)
Income statement (releases)/charges		(153)		58		157		62
Amounts written-off	-	-	-	-	(199)	(199)	(199)	(199)
Unwinding of discount		-		-		(25)		(25)
At 31 December 2024	61,439	171	11,319	270	1,495	627	74,253	1,068
Net carrying amount	61,268		11,049		868		73,185	

- There was modest exposure growth, with increased new lending largely offset by repayments.
- Stage 1 and Stage 2 ECL reduced, reflecting a combination of stable portfolio performance, reductions in post model adjustments and net improvements in economic scenarios.
- Stage 3 ECL increased due to charges on a small number of large counterparties, partially offset by write-offs.
- Overall, impairment charges were low, with Stage 3 individual charges largely offset by performing book releases.

Credit risk – Banking activities continued

Flow statements (audited)

Commercial & Institutional - property	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	24,034	85	2,939	84	534	171	27,507	340
Currency translation and other adjustments	(8)	-	(1)	-	1	6	(8)	6
Inter-group transfers	(44)	(1)	(44)	(2)	(3)	-	(91)	(3)
Transfers from Stage 1 to Stage 2	(2,952)	(12)	2,952	12	-	-	-	-
Transfers from Stage 2 to Stage 1	2,115	35	(2,115)	(35)	-	-	-	-
Transfers to Stage 3	(9)	-	(291)	(15)	300	15	-	-
Transfers from Stage 3	34	3	49	4	(83)	(7)	-	-
Net re-measurement of ECL on stage transfer		(26)		34		45		53
Changes in risk parameters		(31)		(11)		12		(30)
Other changes in net exposure	2,800	19	(698)	(14)	(220)	(9)	1,882	(4)
Other (P&L only items)		-		-		(1)		(1)
Income statement (releases)/charges		(38)		9		47		18
Amounts written-off	-	-	-	-	(18)	(18)	(18)	(18)
Unwinding of discount		-		-		(6)		(6)
At 31 December 2024	25,970	72	2,791	57	511	209	29,272	338
Net carrying amount	25,898		2,734		302		28,934	

- Stage 1 and Stage 2 ECL reduced, reflecting a combination of stable portfolio performance, reductions in post model adjustments and net improvements in economic scenarios.
- Stage 3 ECL increased due to charges on a small number of large counterparties, partially offset by write-offs.
- Overall, impairment charges were low, with Stage 3 individual charges largely offset by performing book releases.

Commercial & Institutional - other	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	6,073	12	646	4	52	11	6,771	27
Currency translation and other adjustments	(42)	1	2	-	-	3	(40)	4
Inter-group transfers	(51)	-	16	-	-	-	(35)	-
Transfers from Stage 1 to Stage 2	(1,299)	(2)	1,299	2	-	-	-	-
Transfers from Stage 2 to Stage 1	237	2	(237)	(2)	-	-	-	-
Transfers to Stage 3	-	-	(64)	(6)	64	6	-	-
Transfers from Stage 3	3	-	-	-	(3)	-	-	-
Net re-measurement of ECL on stage transfer		(2)		4		30		32
Changes in risk parameters		(2)		5		(4)		(1)
Other changes in net exposure	1,460	2	(288)	1	(38)	(1)	1,134	2
Other (P&L only items)		-		-		-		-
Income statement (releases)/charges		(2)		10		25		33
Amounts written-off	-	-	-	-	-	-	-	-
Unwinding of discount		-		-		-		-
At 31 December 2024	6,381	11	1,374	8	75	45	7,830	64
Net carrying amount	6,370		1,366		30		7,766	

- Stage 3 ECL increased due to charges on a small number of large counterparties.

Credit risk – Banking activities continued

Stage 2 decomposition by a significant increase in credit risk trigger

	UK mortgages		Credit cards		Other		Total	
2024	£m	%	£m	%	£m	%	£m	%
Personal trigger (1)								
PD movement	**14,480**	**68.8**	**1,425**	**72.9**	**809**	**50.0**	**16,714**	**67.9**
PD persistence	**3,951**	**18.8**	**414**	**21.2**	**388**	**24.0**	**4,753**	**19.3**
Adverse credit bureau recorded with credit reference agency	**936**	**4.5**	**71**	**3.6**	**119**	**7.3**	**1,126**	**4.6**
Forbearance support provided	**185**	**0.9**	**1**	**0.1**	**9**	**0.6**	**195**	**0.8**
Customers in collections	**169**	**0.8**	**3**	**0.2**	**2**	**0.1**	**174**	**0.7**
Collective SICR and other reasons (2)	**1,241**	**5.9**	**39**	**2.0**	**290**	**17.9**	**1,570**	**6.4**
Days past due >30	**60**	**0.3**	**-**	**-**	**2**	**0.1**	**62**	**0.3**
	21,022	**100.0**	**1,953**	**100.0**	**1,619**	**100.0**	**24,594**	**100.0**
2023								
Personal trigger (1)								
PD movement	12,968	72.8	1,469	72.7	867	53.2	15,304	71.3
PD persistence	2,317	13.0	481	23.8	374	22.9	3,172	14.8
Adverse credit bureau recorded with credit reference agency	1,047	5.9	49	2.4	99	6.1	1,195	5.6
Forbearance support provided	131	0.7	1	0.1	10	0.6	142	0.7
Customers in collections	178	1.0	2	0.1	8	0.5	188	0.9
Collective SICR and other reasons (2)	1,077	6.0	20	1.0	266	16.3	1,363	6.4
Days past due >30	95	0.5	-	-	7	0.4	102	0.5
	17,813	100.0	2,022	100.0	1,631	100.0	21,466	100.0

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

- The level of PD driven deterioration increased across the mortgage portfolio throughout 2024, reflecting modest increases in the early arrears level. However, the year end economic scenarios update resulted in a reduction in PD levels and a further build up in PD persistence levels.
- Modelling updates in the unsecured portfolios at both Q1 and year end, resulted in reduced in-lifetime PDs, driving a segment of lower risk cases out of PD deterioration.
- Higher risk mortgage customers who utilised the new Mortgage Charter measures continue to be collectively migrated into Stage 2, approximately £0.9 billion of exposures, and were captured in the collective SICR and other reasons category.
- Accounts that were less than 30 days past due continued to represent the vast majority of the Stage 2 population.

Credit risk – Banking activities continued

Stage 2 decomposition by a significant increase in credit risk trigger continued

	Corporate & other		Financial institutions		Sovereign		Total	
2024	£m	%	£m	%	£m	%	£m	%
Non-personal trigger (1)								
PD movement	**11,545**	**81.4**	**776**	**84.3**	**-**	**-**	**12,321**	**80.9**
PD persistence	**310**	**2.2**	**2**	**0.2**	**-**	**-**	**312**	**2.1**
Heightened Monitoring and Risk of Credit Loss	**1,591**	**11.2**	**75**	**8.2**	**132**	**100.0**	**1,798**	**11.8**
Forbearance support provided	**229**	**1.6**	**-**	**-**	**-**	**-**	**229**	**1.5**
Customers in collections	**34**	**0.2**	**-**	**-**	**-**	**-**	**34**	**0.2**
Collective SICR and other reasons (2)	**374**	**2.6**	**54**	**5.9**	**-**	**-**	**428**	**2.8**
Days past due >30	**92**	**0.7**	**13**	**1.4**	**-**	**-**	**105**	**0.7**
	14,175	**100.0**	**920**	**100.0**	**132**	**100.0**	**15,227**	**100.0**
2023								
Non-personal trigger (1)								
PD movement	9,553	63.6	61	30.3	-	-	9,614	63.1
PD persistence	1,069	7.1	13	6.5	-	-	1,082	7.1
Heightened Monitoring and Risk of Credit Loss	3,113	20.7	121	60.2	-	-	3,234	21.2
Forbearance support provided	423	2.8	-	-	-	-	423	2.8
Customers in collections	30	0.2	-	-	-	-	30	0.2
Collective SICR and other reasons (2)	492	3.3	5	2.5	-	-	497	3.3
Days past due >30	349	2.3	1	0.5	-	-	350	2.3
	15,029	100.0	201	100.0	-	-	15,230	100.0

(1) The table is prepared on a hierarchical basis from top to bottom, for example, accounts with PD deterioration may also trigger backstop(s) but are only reported under PD deterioration.
(2) Includes cases where a PD assessment cannot be made and accounts where the PD has deteriorated beyond a prescribed backstop threshold aligned to risk management practices.

- PD deterioration continued to be the primary trigger of migration of exposures from Stage 1 into Stage 2. There was an increase in cases triggering PD deterioration partially due to additional sectors included in economic uncertainty post model adjustments.
- Heightened Monitoring and Risk of Credit Loss remained an important backstop indicator of a SICR. The exposures captured by Heighted Monitoring or Risk of Credit Loss decreased over the period, due to the increase in PD deterioration.
- PD persistence related to the SME Retail portfolio only, with reductions due to some stable portfolio performance and net improvements in economic scenarios and weightings.

Capital, liquidity and funding risk

NWH Group continually ensures a comprehensive approach is taken to the management of capital, liquidity and funding, underpinned by frameworks, risk appetite and policies, to manage and mitigate its capital, liquidity and funding risks. The framework ensures the tools and capability are in place to facilitate the management and mitigation of risk ensuring NWH Group operates within its regulatory requirements and risk appetite.

Definitions (audited)

Regulatory capital consists of reserves and instruments issued that are available, 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 as capital.

Capital risk is the inability to conduct business in base or stress conditions on a risk or leverage basis due to insufficient qualifying capital as well as the failure to assess, monitor, plan and manage capital adequacy requirements.

Liquidity consists of assets that can be readily converted to cash within a short timeframe at a reliable value. Liquidity risk is defined as the risk the Group or any of its subsidiaries or branches cannot meet it's actual or potential financial obligations in a timely manner when they fall due in the short term.

Funding consists of on-balance sheet liabilities that are used to provide cash to finance assets. Funding risk is the current or prospective risk that the Group or its subsidiaries or branches cannot meet financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably.

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; and
- Depositor and investor behaviour.

Sources of risk (audited)

Capital

The eligibility of instruments and financial resources as regulatory capital is laid down by applicable regulation. Capital is categorised by applicable regulation under two tiers (Tier 1 and Tier 2) according to the ability to absorb losses on either a going or gone concern basis, degree of permanency and the ranking of absorbing losses. There are three broad categories of capital across these two tiers:

- **CET1 capital** - CET1 capital must be perpetual and capable of unrestricted and immediate use to cover risks or losses as soon as these occur. This includes ordinary shares issued and retained earnings.
- **Additional Tier 1 (AT1) capital** - This is the second type of loss absorbing capital and must be capable of absorbing losses on a going concern basis. These instruments are either written down or converted into CET1 capital when the CET1 ratio falls below a pre-specified level.
- **Tier 2 capital** - Tier 2 capital is the bank entities' supplementary capital and provides loss absorption on a gone concern basis. Tier 2 capital absorbs losses after Tier 1 capital. It typically consists of subordinated debt securities which must have a minimum of five years to maturity at all times to be fully recognised for regulatory purposes.

Minimum requirement for own funds and eligible liabilities (MREL)

In addition to capital, other specific loss absorbing instruments, including senior notes and Tier 2 capital instruments with certain qualifying criteria issued by NWH Ltd to NatWest Group plc may be used to cover certain gone concern capital requirements which is referred to as MREL. Gone concern refers to the situation in which resources must be available to enable an orderly resolution, in the event that the Bank of England (BoE) deems that NWH Group has failed, or is likely to fail.

Liquidity

NWH Group maintains a prudent approach to the definition of liquidity portfolio to ensure it is available when and where required, taking into account regulatory, legal and other constraints.

Liquidity portfolio is divided into primary and secondary liquidity as follows:

- Primary liquidity is LCR eligible assets and includes cash and balances at central banks, Treasury bills and high quality government securities.
- Secondary liquidity is assets eligible as collateral for local central bank liquidity facilities. These assets include own-issued securitisations or loans that are retained on balance sheet and pre-positioned with a central bank so that they may be converted into additional sources of liquidity at very short notice.

Funding

NWH Group maintains a diversified set of funding sources, including customer deposits, wholesale deposits and term debt issuance. These are managed against both internal funding and regulatory metrics. The principal level at which funding risk is managed are at a NatWest Holdings Group, UK DoLSub and NatWest Bank Europe GmbH. NWH Group also retains access to central bank funding facilities.

For further details on capital constituents and the regulatory framework covering capital, liquidity, and funding requirements, refer to the NWH Group Pillar 3 Report 2024.

Managing capital requirements: regulated entities

In line with paragraph 135 of IAS 1 'Presentation of Financial Statements', NWH Group manages capital having regard to regulatory requirements. Regulatory capital is monitored and reported on an individual regulated bank legal entity basis (bank entities), as relevant in the jurisdiction for large subsidiaries of NWH Group. NWH Group itself is monitored and reported on a consolidated basis.

Capital, liquidity and funding risk continued

Capital risk management

Capital management is the process by which the bank entities ensure that they have sufficient capital and other loss absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite, maintaining credit ratings and supporting strategic goals.

Capital management is critical in supporting NWH Group, and is enacted through an end to end framework across the consolidated NWH Group. The individual banking subsidiaries of NWH Group are subject to the same principles, processes and management as NWH Group. Note that although the aforementioned entities are regulated in line with Basel III principles, local implementation of the framework differs across geographies.

Capital planning is integrated into NWH Group's wider annual budgeting process and is assessed and updated at least monthly. These regular returns are submitted to the PRA which include a two-year rolling forecast view. Other elements of capital management, including risk appetite and stress testing, are set out on pages 13 and 14.

Produce capital plans	– Capital plans are produced for NWH Group, its key operating entities and its businesses over a five year planning horizon under expected and stress conditions. Stressed capital plans are produced to support internal stress testing in the ICAAP for regulatory purposes. – Shorter term forecasts are developed frequently in response to actual performance, changes in internal and external business environment and to manage risks and opportunities.
Assess capital adequacy	– Capital plans are developed to maintain capital of sufficient quantity and quality to support NWH Group's business, its subsidiaries and strategic plans over the planning horizon within approved risk appetite, as determined via stress testing, and minimum regulatory requirements. – Capital resources and capital requirements are assessed across a defined planning horizon. – Impact assessment captures input from across NWH Group including from businesses.
Inform capital actions	– Capital planning informs potential capital actions including redemptions, dividends and new issuance. – Decisions on capital actions will be influenced by strategic and regulatory requirements, risk appetite, costs and prevailing market conditions. – As part of capital planning, NWH Group will monitor its portfolio of issued capital securities and assess the optimal blend and most cost effective means of financing.

Capital planning is one of the tools that NWH Group uses to monitor and manage capital risk on a going and gone concern basis, including the risk of excessive leverage.

Liquidity risk management

NWH Group manages its liquidity risk taking into account regulatory, legal and other constraints to ensure sufficient liquidity is available where required to cover liquidity stresses. The principal levels at which liquidity risk is managed are:

– NatWest Holdings Group
– UK DoLSub
– NatWest Bank Europe GmbH

The UK DoLSub is PRA regulated and comprises NWH Group's three licensed deposit taking UK banks: National Westminster Bank Plc, The Royal Bank of Scotland plc and Coutts & Company.

NWH Group categorises its liquidity portfolio, including its locally managed liquidity portfolios, into primary and secondary liquid assets.

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

The liquidity value of the portfolio is determined by taking current market prices and applying a discount or haircut, to give a liquidity value that represents the amount of cash that can be generated by the asset.

Funding risk management

NWH Group manages funding risk through a comprehensive framework which measures and monitors the funding risk on the balance sheet.

The asset and liability types broadly match. Customer deposits provide more funding than customer loans utilise.

Capital, liquidity and funding risk continued

Key points - NWH Group

CET1 ratio

12.6%

(2023 – 12.7%)

The CET1 ratio decreased by 10 basis points to 12.6%. The decrease in the CET1 ratio was due to a £1.8 billion increase in RWAs partially offset by a £0.2 billion increase in CET1 capital.

The CET1 capital increase was mainly driven by an attributable profit in the period of £4.3 billion partially offset by:

- interim dividend paid of £2.0 billion;
- foreseeable dividend of £1.9 billion;
- a decrease in the IFRS 9 transitional adjustment of £0.2 billion; and
- other movements on reserves and regulatory adjustments.

RWAs

£152.2bn

(2023 - £150.4bn)

Total RWAs increased by £1.8 billion to £152.2 billion mainly reflecting:

- an increase in credit risk RWAs of £0.7 billion, primarily driven by the £0.9 billion Metro Bank mortgage portfolio acquisition, increased lending and an uplift in IRB temporary model adjustments in Retail Banking and an increase in drawdowns and new facilities within Commercial & Institutional. Increases were partially offset by active RWA management and improved risk metrics.
- an increase in operational risk RWAs of £1.1 billion following the annual recalculation.

UK leverage ratio

5.0%

(2023 – 5.3%)

The leverage ratio decreased by 30 basis points to 5.0%. The decrease in the leverage ratio was driven by a £31.0 billion increase in leverage exposure partially offset by a £0.4 billion increase in Tier 1 capital. The key drivers in the leverage exposure were an increase in other financial assets and other off balance sheet items.

Liquidity portfolio

£175.1bn

(2023 - £181.2bn)

The liquidity portfolio decreased by £6.1 billion to £175.1 billion during the year. Primary liquidity increased by £7.4 billion to £113.9 billion, driven by an in increase in customer deposits, partially offset by increased lending (including Metro Bank mortgage portfolio acquisition), reduced wholesale funding and impact from capital distributions (share buyback and dividends). Secondary liquidity decreased by £13.5 billion due to a decrease in pre-positioned collateral at the Bank of England.

LCR spot	**LCR average**
143%	**143%**
(2023 - 139%)	(2023 – 130%)

The spot Liquidity Coverage Ratio (LCR) increased 4% during the year to 143% driven by an in increase in customer deposits, partially offset by increased lending (including Metro Bank mortgage portfolio acquisition), reduced wholesale funding and impact from capital distributions (share buyback and dividends).

NSFR spot	**NSFR average**
135%	**136%**
(2023 - 132%)	(2023 - 134%)

The spot Net Stable Funding Ratio (NSFR) increased 3% during the year to 135% driven by increased customer deposits partially offset by increased lending.

Capital, liquidity and funding risk continued

Key points - UK DoLSub

Liquidity portfolio

£174.3bn

(2023 - £180.6bn)

The liquidity portfolio decreased by £6.3 billion to £174.3 billion. Primary liquidity increased by £7.1 billion to £113.1 billion, driven by an in increase in customer deposits partially offset by increased lending (including Metro Bank mortgage portfolio acquisition), reduced wholesale funding and impact from capital distributions (share buyback and dividends). Secondary liquidity decreased by £13.5 billion due to a decrease in pre-positioned collateral at the Bank of England.

LCR spot

142%

(2023 - 138%)

LCR average

142%

(2023 – 127%)

The spot Liquidity Coverage Ratio (LCR) increased 4% during the year to 142% driven by an in increase in customer deposits partially offset by increased lending (including Metro Bank mortgage portfolio acquisition), reduced wholesale funding and impact from capital distributions (share buyback and dividends).

NSFR spot

129%

(2023 - 126%)

NSFR average

130%

(2023 - 129%)

The spot Net Stable Funding Ratio (NSFR) increased 3% during the year to 129% driven by increased customer deposits partially offset by increased lending.

Capital, liquidity and funding risk continued

Minimum requirements

Capital adequacy ratios

NWH Group is subject to minimum capital requirements relative to RWAs. The table below summarises the minimum ratios of capital to RWAs that the consolidated Group is expected to meet. Different minimum capital requirements may apply to individual legal entities or sub-groups.

Type	CET1	Total Tier 1	Total capital
Pillar 1 requirement	**4.5%**	**6.0%**	**8.0%**
Pillar 2A requirement (1)	**1.5%**	**2.0%**	**2.7%**
Minimum capital requirement	**6.0%**	**8.0%**	**10.7%**
Capital conservation buffer	**2.5%**	**2.5%**	**2.5%**
Countercyclical buffer (2)	**1.8%**	**1.8%**	**1.8%**
O-SII buffer	**1.5%**	**1.5%**	**1.5%**
Total (excluding PRA buffer) (3)	**11.8%**	**13.8%**	**16.5%**

(1) Additional capital requirements under Pillar 2A are set as a variable amount with the exception of some fixed add-ons.
(2) The UK countercyclical buffer (CCyB) rate is currently being maintained at 2%. This may vary in either direction in the future subject to how risks develop. Foreign exposures may be subject to different CCyB rates depending on the rate set in those jurisdictions.
(3) NWH Group may be subject to a non-disclosable PRA buffer requirement as set by the PRA. The PRA buffer consists of three components:
   (a) A risk management and governance buffer that is set as a scalar of the Pillar 1 and Pillar 2A requirements. The scalar could extend up to 40% of the CET1 minimum capital requirement.
   (b) A buffer to cover stress risks informed by the results of the BoE concurrent stress testing results.
   (c) Any buffer applicable on an entity established outside the UK that exceeds that entity's share of the buffer applicable at the consolidated group level to cover the same risk.

Leverage ratios

The table below summarises the minimum ratios of capital to leverage exposure under the binding PRA UK leverage framework applicable for NWH Group.

Type	CET1	Total Tier 1
Minimum capital requirements	**2.44%**	**3.25%**
Countercyclical leverage ratio buffer (1)	**0.6%**	**0.6%**
O-SII Additional leverage ratio buffer (2)	**0.53%**	**0.53%**
Total	**3.57%**	**4.38%**

(1) The countercyclical leverage ratio buffer is set at 35% of NWH Group's CCyB.
(2) The PRA minimum leverage ratio requirement is supplemented with a O-SII additional leverage ratio buffer of 0.525%.

Liquidity and funding ratios

The table below summarises the minimum requirements for key liquidity and funding metrics under the PRA framework.

Type	
Liquidity Coverage Ratio (LCR)	**100%**
Net Stable Funding Ratio (NSFR)	**100%**

Capital, liquidity and funding risk continued

Measurement

Capital, RWAs and leverage

The table below sets out the key capital and leverage ratios on a PRA transitional basis in respect of ECL provisions(1).

	2024	2023
Capital (1)	£m	£m
CET1	**19,227**	19,063
Tier 1	**23,152**	22,745
Total	**27,656**	27,671
RWAs		
Credit risk	**131,839**	131,139
Counterparty credit risk	**676**	719
Market risk	**239**	213
Operational risk	**19,445**	18,357
Total RWAs	**152,199**	150,428
Capital adequacy ratios	**%**	%
CET1	**12.6**	12.7
Tier 1	**15.2**	15.1
Total	**18.2**	18.4
Leverage		
Tier 1 capital (£m)	**23,152**	22,745
Leverage exposure (£m) (2)	**462,127**	431,113
Leverage ratio (%) (1)	**5.0**	5.3

(1) Includes an IFRS 9 transitional adjustment of £38 million (2023 - £0.2 billion). Excluding this adjustment, the CET1 ratio would be 12.6% (2023 – 12.5%) and the leverage ratio would be 5.0% (2023 – 5.2%). The IFRS 9 transitional capital rules in respect of ECL provisions will no longer apply from 1 January 2025.

(2) Leverage exposure is broadly aligned to the accounting value of on and off-balance sheet exposures albeit subject to specific adjustments for derivatives, securities financing positions and off-balance sheet exposures.

Liquidity key metrics

The table below sets out the key liquidity and related metrics monitored by NWH Group.

	2024				2023			
	NWH Group		**UK DoLSub**		NWH Group		UK DoLSub	
	Spot	**Average**	**Spot**	**Average**	Spot	Average	Spot	Average
Liquidity Coverage Ratio (1)	**143%**	**143%**	**142%**	**142%**	139%	130%	138%	127%
Net Stable Funding Ratio (2)	**135%**	**136%**	**129%**	**130%**	132%	134%	126%	129%
Stressed Outflow Coverage (3)	**153%**		**149%**		148%		143%	

(1) The LCR Average is calculated as the average of the preceding 12 months.

(2) The NSFR Average is calculated as the average of the preceding four quarters.

(3) NatWest Group's Stressed Outflow Coverage (SOC) is an internal measure calculated by reference to liquid assets as a percentage of net stressed contractual and behavioural outflows over three months. The most severe outcome is selected from a range of scenarios comprising of market-wide, idiosyncratic and a combination of both. This assessment is performed in accordance with PRA guidance.

Capital, liquidity and funding risk continued

Leverage exposure

The leverage metrics for UK entities are calculated in accordance with the Leverage ratio (CRR) part of the PRA Rulebook.

Leverage	2024 £m	2023 £m
Cash and balances at central banks	**62,501**	72,733
Derivatives	**1,369**	1,137
Financial assets	**411,255**	391,116
Other assets	**13,883**	15,239
Total assets	**489,008**	480,225
Derivatives		
- netting and variation margin	**(2,484)**	(3,603)
- potential future exposures	**963**	857
Securities financing transactions gross up	**1,179**	383
Undrawn commitments	**43,247**	34,765
Regulatory deductions and other adjustments	**(8,546)**	(8,512)
Exclusion of core UK-group exposure	**-**	-
Claims on central banks	**(58,818)**	(69,208)
Exclusion of bounce back loans	**(2,422)**	(3,794)
Leverage exposure	**462,127**	431,113

Liquidity portfolio

The table below shows the composition of the liquidity portfolio with primary liquidity aligned to high-quality liquid assets on a regulatory LCR basis. Secondary liquidity comprises of assets which are eligible as collateral for local central bank liquidity facilities and do not form part of the LCR eligible high-quality liquid assets.

	2024		2023	
	NWH Group (1) £m	UK DoLSub £m	NWH Group £m	UK DoLSub £m
Cash and balances at central banks	**58,313**	**57,523**	68,495	67,954
High quality government/MDB/PSE and GSE bonds (2)	**43,275**	**43,275**	26,510	26,510
Extremely high quality covered bonds	**4,340**	**4,340**	4,164	4,164
LCR Level 1 eligible assets	**105,928**	**105,138**	99,169	98,628
LCR Level 2 eligible assets (3)	**7,957**	**7,957**	7,320	7,320
Primary liquidity (HQLA) (4)	**113,885**	**113,095**	106,489	105,948
Secondary liquidity	**61,200**	**61,200**	74,683	74,683
Total liquidity value	**175,085**	**174,295**	181,172	180,631

(1) NWH Group comprises UK DoLSub and NatWest Bank Europe GmbH who hold managed portfolios that comply with local regulations that may differ from PRA rules.
(2) Multilateral development bank abbreviated to MDB, public sector entities abbreviated to PSE and government sponsored entities abbreviated to GSE.
(3) Includes Level 2A and Level 2B.
(4) High-quality liquid assets abbreviated to HQLA.

Capital, liquidity and funding risk continued

Funding sources (audited)

	2024			2023		
	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m
Bank deposits						
Repos	9,479	-	9,479	2,632	-	2,632
Other bank deposits	7,955	8,267	16,222	4,447	12,000	16,447
	17,434	8,267	25,701	7,079	12,000	19,079
Customer deposits						
Repos	842	-	842	10,427	-	10,427
Personal	223,163	2,432	225,595	207,969	6,430	214,399
Corporate	138,428	43	138,471	138,965	26	138,991
Non-bank financial institutions	31,448	4	31,452	27,635	2	27,637
	393,881	2,479	396,360	384,996	6,458	391,454
Other financial liabilities (1)						
Customer deposits including repos	250	-	250	-	-	-
Debt securities in issue						
Commercial papers and certificates of deposit	2,623	-	2,623	6,009	-	6,009
Covered bonds	-	749	749	2,122	-	2,122
Securitisations	295	880	1,175	-	863	863
	3,168	1,629	4,797	8,131	863	8,994
Subordinated liabilities	2	120	122	2	120	122
Amounts due to holding company and fellow subsidiaries (2)						
Bank and customer deposits	3,154	-	3,154	4,223	-	4,223
MREL	1,410	11,882	13,292	1,685	9,734	11,419
Subordinated liabilities	547	3,916	4,463	1,436	3,285	4,721
	5,111	15,798	20,909	7,344	13,019	20,363
Total funding	419,596	28,293	447,889	407,552	32,460	440,012
Of which: available in resolution (3)			*17,755*			*16,140*

(1) Excludes settlement balances of Nil (2023 – £4 million) and derivative cash collateral of £202 million (2023 – £13 million).
(2) Amounts due to holding companies and fellow subsidiaries relate to non-financial instruments of £66 million (2023 – £245 million) have been excluded from the table.
(3) Eligible liabilities (as defined in the Banking Act 2009 as amended from time to time) that meet the eligibility criteria set out in the regulations, rules, policies, guidelines, or statements of the Bank of England including the Statement of Policy published by the Bank of England in December 2021 (updating June 2018).

Capital, liquidity and funding risk continued

Contractual maturity (audited)

The table shows the residual maturity of third party financial instruments, based on contractual date of maturity of NWH Group's banking activities, including third party and intercompany hedging derivatives. Mandatory fair value through profit or loss (MFVTPL) assets and held-for-trading (HFT) liabilities have been excluded from the maturity analysis and are shown in total in the table below.

	Banking activities										
	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	Subtotal	1-3 years	3-5 years	More than 5 years	Total	MFVTPL and HFT	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash and balances at central banks	**62,501**	**-**	**-**	**-**	**62,501**	**-**	**-**	**-**	**62,501**	**-**	**62,501**
Derivatives	**2**	**1**	**-**	**2**	**5**	**6**	**2**	**1**	**14**	**1,355**	**1,369**
Loans to banks - amortised cost	**2,626**	**377**	**253**	**16**	**3,272**	**514**	**1**	**136**	**3,923**	**-**	**3,923**
Loans to customers											
- amortised cost (1)	**41,199**	**16,202**	**12,381**	**16,875**	**86,657**	**53,047**	**40,704**	**189,709**	**370,117**	**-**	**370,117**
Personal	**5,449**	**2,256**	**3,065**	**5,986**	**16,756**	**23,429**	**20,205**	**163,222**	**223,612**	**-**	**223,612**
Corporate	**18,800**	**5,598**	**3,707**	**7,461**	**35,566**	**28,160**	**19,882**	**25,591**	**109,199**	**-**	**109,199**
Non-bank financial institutions	**16,950**	**8,348**	**5,609**	**3,428**	**34,335**	**1,458**	**617**	**896**	**37,306**	**-**	**37,306**
Other financial assets	**2,370**	**2,640**	**1,221**	**4,536**	**10,767**	**10,870**	**8,820**	**8,580**	**39,037**	**784**	**39,821**
Total financial assets	**108,698**	**19,220**	**13,855**	**21,429**	**163,202**	**64,437**	**49,527**	**198,426**	**475,592**	**2,139**	**477,731**
2023											
Total financial assets	109,974	19,363	15,338	19,197	163,872	59,507	49,460	193,310	466,149	1,971	468,120
2024											
Bank deposits excluding repos	**4,154**	**-**	**-**	**3,801**	**7,955**	**8,200**	**-**	**67**	**16,222**	**-**	**16,222**
Bank repos	**9,479**	**-**	**-**	**-**	**9,479**	**-**	**-**	**-**	**9,479**	**-**	**9,479**
Customer repos	**842**	**-**	**-**	**-**	**842**	**-**	**-**	**-**	**842**	**-**	**842**
Customer deposits excluding repos	**348,615**	**14,239**	**13,976**	**16,209**	**393,039**	**2,466**	**13**	**-**	**395,518**	**-**	**395,518**
Personal	**197,264**	**4,580**	**7,046**	**14,273**	**223,163**	**2,431**	**1**	**-**	**225,595**	**-**	**225,595**
Corporate	**121,290**	**8,738**	**6,604**	**1,796**	**138,428**	**33**	**10**	**-**	**138,471**	**-**	**138,471**
Non-bank financial institutions	**30,061**	**921**	**326**	**140**	**31,448**	**2**	**2**	**-**	**31,452**	**-**	**31,452**
Derivatives	**-**	**89**	**32**	**9**	**130**	**154**	**58**	**67**	**409**	**421**	**830**
Other financial liabilities	**693**	**928**	**975**	**572**	**3,168**	**7**	**749**	**873**	**4,797**	**202**	**4,999**
CPs and CDs	**693**	**928**	**975**	**27**	**2,623**	**-**	**-**	**-**	**2,623**	**-**	**2,623**
Covered bonds	**-**	**-**	**-**	**-**	**-**	**-**	**749**	**-**	**749**	**-**	**749**
Securitisations	**-**	**-**	**-**	**295**	**295**	**7**	**-**	**873**	**1,175**	**-**	**1,175**
Bank deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**168**	**168**
Customer deposits including repos	**-**	**-**	**-**	**250**	**250**	**-**	**-**	**-**	**250**	**34**	**284**
Settlement balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Subordinated liabilities	**-**	**-**	**2**	**-**	**2**	**-**	**-**	**120**	**122**	**-**	**122**
Notes in circulation	**3,316**	**-**	**-**	**-**	**3,316**	**-**	**-**	**-**	**3,316**	**-**	**3,316**
Lease liabilities	**9**	**13**	**20**	**39**	**81**	**126**	**78**	**275**	**560**	**-**	**560**
Total financial liabilities	**367,108**	**15,269**	**15,005**	**20,630**	**418,012**	**10,953**	**898**	**1,402**	**431,265**	**623**	**431,888**
2023											
Total financial liabilities	357,049	14,565	17,135	14,997	403,746	10,776	8,721	647	423,890	863	424,753

(1) Loans to customers excludes £3,252 million (2023 – £3,425 million) of impairment provision.

Capital, liquidity and funding risk continued

Encumbrance (audited)

NWH Group evaluates the extent to which assets can be financed in a secured form (encumbrance), but certain asset types lend themselves more readily to encumbrance. The typical characteristics that support encumbrance are an ability to pledge those assets to another counterparty or entity through operation of law without necessarily requiring prior notification, homogeneity, predictable and measurable cash flows, and a consistent and uniform underwriting and collection process. Retail assets including residential mortgages and credit card receivables display many of these features.

NWH Group categorises its assets into four broad groups, those that are:

- Already encumbered and used to support funding currently in place through own-asset securitisations, covered bonds and securities repurchase agreements.
- Pre-positioned with central banks as part of funding schemes and those encumbered under such schemes.
- Ring-fenced to meet regulatory requirement, where NWH Group has in place an operational continuity in resolution (OCIR) investment mandate wherein the PRA requires critical service providers to hold segregated liquidity buffers covering at least 50% of their annual fixed overheads.
- Unencumbered. In this category, NWH Group has in place an enablement programme which seeks to identify assets capable of being encumbered and to identify the actions to facilitate such encumbrance whilst not affecting customer relationships or servicing.

Balance sheet encumbrance - third party

	Encumbered as a result of transactions with counterparties other than central banks					Unencumbered assets not pre-positioned with central banks				
	Covered bonds	SFT, Derivatives & other (1)	Total	Pre-positioned & encumbered assets held at central banks	Collateral ring-fenced to meet regulatory requirement	Readily available	Other available (2)	Cannot be used (3)	Total	Total third party (4)
2024	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and balances at central banks	-	5.1	5.1	-	-	57.4	-	-	57.4	62.5
Derivatives								1.4	1.4	1.4
Loans to banks - amortised cost	-	0.1	0.1	-	-	2.1	0.3	1.4	3.8	3.9
Loans to customers - amortised cost (5)	8.3	-	8.3	94.5	-	106.7	102.8	54.6	264.1	366.9
Other financial assets (6)	-	9.5	9.5	-	1.8	26.5	0.3	1.7	28.5	39.8
Intangible assets								7.0	7.0	7.0
Other assets	-	-	-	-	-	-	2.2	4.7	6.9	6.9
Total assets	8.3	14.7	23.0	94.5	1.8	192.7	105.6	70.8	369.1	488.4
Amounts due from holding company and fellow subsidiaries										0.6
										489.0
2023										
Total assets	9.8	13.2	23.0	112.0	1.9	176.7	103.6	62.7	343.0	479.9
Amounts due from holding company and fellow subsidiaries										0.3
Total assets										480.2

(1) Repos and other secured deposits, cash, coin and nostro balance held with the Bank of England as collateral against deposits and notes in circulation are included here rather than within those positioned at the central bank as they are part of normal banking operations. Securities financing transactions (SFT) include collateral given to secure derivative liabilities.
(2) Other assets that are capable of being encumbered are those assets on the balance sheet that are available for funding and collateral purposes but are not readily realisable in their current form. These assets include loans that could be prepositioned with central banks but have not been subject to internal and external documentation review and diligence work.
(3) Cannot be used includes:
 (a) Derivatives, reverse repurchase agreements and trading related settlement balances.
 (b) Non-financial assets such as intangibles, prepayments and deferred tax.
 (c) Loans that are not encumbered and cannot be pre-positioned with central banks based on criteria set by the central banks, including those relating to date of origination and level of documentation.
 (d) Non-recourse invoice financing balances and certain shipping loans whose terms and structure prohibit their use as collateral.
(4) In accordance with market practice, NWH Group employs securities recognised on the balance sheet, and securities received under reverse repo transactions as collateral for repos.
(5) The pre-positioned and encumbered assets held at central banks of £94.5 billion includes the encumbered residential mortgages of £19.0 billion. £91.7 billion of residential UK mortgages are included in £106.7 billion readily available loans to customers.
(6) Other financial assets under SFT, derivatives and other include £0.5 billion of debt securities under the continuing control of NWB Plc. This follows the agreement between NWB Plc and the Group Pension Fund to establish a bankruptcy remote reservoir trust to hold these assets. Refer to Note 5 for additional information.

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 are: interest rate risk; credit spread risk; foreign exchange risk; and accounting volatility risk. Equity risk at NWH Group level is not material.

Governance, appetite and controls

For general information on risk governance, appetite and controls in NWH Group, refer to pages 13 to 14. Further information specific to non-traded market risk management, including key developments in 2024, can be found in the Non-traded market risk section of the NatWest Group Annual Report and Accounts.

Measurement

Non-traded internal VaR (1-day 99%)

The following table shows one-day internal banking book value-at-risk (VaR) at a 99% confidence level, split by risk type. VaR values for each year are calculated based on one-day values for each of the 12 month-end reporting dates.

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 further information on non-traded market risk VaR metrics, refer to the non-traded market risk section of the NatWest Group Annual Report and Accounts.

	2024				2023			
	Average £m	Maximum £m	Minimum £m	Period-end £m	Average £m	Maximum £m	Minimum £m	Period-end £m
Interest rate	15.3	26.8	2.9	2.9	38.9	60.3	23.7	23.7
Credit spread	43.9	47.9	39.9	43.2	27.8	45.9	17.9	45.9
Structural foreign exchange rate	17.3	21.7	12.4	12.4	21.0	23.1	18.8	18.8
Equity	2.6	4.3	0.2	1.0	0.3	0.3	0.2	0.2
Pipeline risk (1)	8.5	17.3	3.4	6.1	3.3	7.1	1.4	7.1
Diversification (2)	(34.3)			(20.6)	(33.5)			(26.1)
Total	53.3	68.5	44.1	45.0	57.8	79.0	46.4	69.6

(1) Pipeline risk is the risk of loss arising from personal customers owning an option to draw down a loan – typically a mortgage – at a committed rate, where interest rate changes may result in greater or fewer customers than anticipated taking up the committed offer.
(2) NWH Group benefits from diversification across various financial instrument types, currencies and markets. The extent of the diversification benefit depends on the correlation between the assets and risk factors in the portfolio at a particular time. The diversification factor is the sum of the VaR on individual risk types less the total portfolio VaR.

- Overall, total non-traded market risk VaR decreased in 2024, on both an average and period-end basis.
- Interest rate VaR fell during most of 2024, reflecting action taken to manage down interest rate repricing mismatches across customer products.
- Credit spread VaR increased significantly in H2 2023, continuing to rise on average into 2024 due to relatively stable higher bond holdings in the liquidity portfolio throughout 2024.
- Pipeline VaR increased on an average basis, reflecting small changes in the approach to mortgage pipeline risk management during the year which were complete by year-end.

Non-traded market risk continued

Interest rate risk

Non-traded interest rate risk (NTIRR) arises from the provision to customers of a range of banking products with differing interest rate characteristics. When aggregated, these products form portfolios of assets and liabilities with varying degrees of sensitivity to changes in market interest rates. Mismatches can give rise to volatility in net interest income as interest rates vary.

NTIRR comprises three primary risk types: gap risk, basis risk and option risk. For further information on the types and sources of non-traded interest rate risk as well as on the purpose and methodology of the structural hedging carried out, refer to the non-traded market risk section of the NatWest Group Annual Report and Accounts.

To manage exposures within its risk appetite, NWH Group aggregates interest rate positions and hedges its residual exposure, primarily with interest rate swaps.

Structural hedging aims to reduce gap risk and the sensitivity of earnings to interest rate shocks. It also provides some protection against prolonged periods of falling rates.

Non-traded interest rate risk can be measured from either an economic value-based or earnings-based perspective, or a combination of the two. NWH Group uses VaR as its value-based approach and sensitivity of net interest earnings as its earnings-based approach. Further detail on these measurement approaches can also be found in the non-traded market risk section of the NatWest Group Annual Report and Accounts.

Structural hedging

NWH Group has a significant pool of stable, non and low interest-bearing liabilities, principally comprising current accounts and savings. A proportion of these balances are hedged, either by offsetting the positions against fixed-rate assets (such as fixed-rate mortgages) or by hedging positions externally using interest rate swaps, which are generally booked as cash-flow hedges of floating-rate assets, in order to reduce income volatility and provide a revenue stream in net interest income. Hence, the structural hedge is one component of a larger interest rate risk management programme.

At 31 December 2024, NWH Group's structural hedge had a notional of £182 billion (2023 - £195 billion) with an average life of 2.5 to 3 years.

Approximately 93% of the £3.48 billion income allocated to structural hedges at NatWest Group level was allocated to NWH Group.

Sensitivity of net interest earnings

Net interest earnings are sensitive to changes in the level of interest rates, mainly because maturing structural hedges are replaced at higher or lower rates and changes to coupons on managed rate customer products do not always match changes in market rates of interest or central bank policy rates.

Earnings sensitivity is derived from a market-implied forward rate curve, which will incorporate expected changes in central bank policy rates such as the Bank of England base rate. A simple scenario is shown that projects forward earnings over a 12-month period based on the 31 December 2024 balance sheet.

An earnings projection is derived from the market-implied rate, which is then subjected to interest rate shocks. The difference between the market-implied projection and the shock gives an indication of underlying sensitivity to interest rate movements.

The sensitivity of net interest earnings table below shows the expected impact of immediate upward or downward changes of 25 basis points and 100 basis points to all interest rates.

Reported sensitivities should not be considered a forecast of future performance in these rate scenarios. Actions that could reduce interest earnings sensitivity include changes in pricing strategies on customer loans and deposits as well as hedging. Management action may also be taken to stabilise total income also taking into account non-interest income.

	2024				2023			
	+25 basis points £m	-25 basis points £m	+100 basis points £m	-100 basis points £m	+25 basis points £m	-25 basis points £m	+100 basis points £m	-100 basis points £m
Shifts in yield curve	135	(161)	532	(673)	140	(145)	524	(603)

(1) Earnings sensitivity considers only the main drivers, namely structural hedging and margin management.

- The sensitivity of net interest earnings in all scenarios mainly reflects managed-margin deposits and the impact of higher or lower rates on structural hedge income.

Sensitivity of fair value through other comprehensive income (FVOCI) portfolios and cash flow hedging reserves to interest rate movements

NWH Group holds most of the bonds in its liquidity portfolio at fair value and the bonds are generally classified as FVOCI for accounting purposes Valuation changes arising from unexpected movements in market rates are initially recognised in FVOCI reserves.

Interest rate swaps are used to implement the structural hedging programme and also hedging of some personal and commercial lending portfolios, primarily fixed-rate mortgages. Generally, these swaps are booked in cash flow hedge accounting relationships. Changes in the valuation of swaps that are in effective cash flow hedge accounting relationships are recognised in cash flow hedge reserves. The main driver of NWH Group's cash flow hedge reserve sensitivity is the interest rate swaps that form part of the structural hedge.

Non-traded market risk continued

The table below shows the sensitivity of bonds initially classified as FVOCI and swaps subject to cash flow hedge accounting to a parallel shift in all rates. Valuation changes affecting interest rate swaps that hedge bonds in the liquidity portfolio are also included. Where FVOCI bonds and swaps are booked in fair value hedge accounting relationships, the valuation change affecting both instruments would be recognised in the income statement. Cash flow hedges are assumed to be fully effective.

The effectiveness of cash flow and fair value hedge relationships is monitored and regularly tested in accordance with IFRS requirements. Note also that valuation changes affecting the cash flow hedge reserve affect tangible net asset value, but would not be expected to affect CET1 capital. The movement in cash flow hedge reserves in 2024 is shown in the statement of changes in equity on page 100.

	2024				2023			
	+25 basis points	-25 basis points	+100 basis points	-100 basis points	+25 basis points	-25 basis points	+100 basis points	-100 basis points
	£m	£m	£m	£m	£m	£m	£m	£m
FVOCI reserves	(6)	6	(26)	20	(0.20)	(0.40)	(4)	(6)
Cash flow hedge reserves	(148)	151	(571)	628	(149)	151	(584)	618
Total	(154)	157	(597)	648	(149)	151	(588)	612

Credit spread risk

Credit spread risk arises from the potential adverse economic impact of a change in the spread between bond yields and swap rates, where the bond portfolios are accounted at fair value through other comprehensive income.

Credit spread VaR is presented in the non-traded market risk VaR table above. For further information on the nature of this risk and how it is managed, refer to the NatWest Group Annual Report and Accounts.

Foreign exchange risk

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

- Structural foreign exchange rate risk – arises from the capital deployed in foreign subsidiaries, branches and joint arrangements and related currency funding where it differs from sterling.
- Non-trading book foreign exchange rate risk – arises from customer transactions and profits and losses that are in a currency other than the functional currency.
- Forecast earnings or costs in foreign currencies – NWH Group hedges forward some forecast foreign currency expenses.

For further information on the nature of these risks and how they are managed, refer to the NatWest Group Annual Report and Accounts.

Foreign exchange risk

The table below shows structural foreign currency exposures.

	2024			2023		
	Net investments in foreign operations	Net investment hedges	Structural foreign currency exposures	Net investments in foreign operations	Net investment hedges	Structural foreign currency exposures
	£m	£m	£m	£m	£m	£m
Euro	1,521	(748)	773	1,872	(1,047)	825
Other non-sterling	380	(139)	241	417	(145)	272
Total	1,901	(887)	1,014	2,289	(1,192)	1,097

(1) Economic hedges of US dollar net investments in foreign operations represent US dollar equity securities that do not qualify as net investment hedges for accounting purposes. They provide an offset to structural foreign exchange exposures to the extent that there are net assets in overseas operations available.

- Changes in foreign currency exchange rates affect equity in proportion to structural foreign currency exposure. For example, a 5% strengthening or weakening in foreign currencies against sterling would result in a gain or loss of £0.1 billion in equity respectively

Accounting volatility risk

Accounting volatility risk arises when an exposure is accounted for at amortised cost but economically hedged by a derivative that is accounted for at fair value. Although this is not an economic risk, the difference in accounting between the exposure and the hedge creates volatility in the income statement. For further information on how this risk is managed, refer to the NatWest Group Annual Report and Accounts.

Pension risk

Definition
Pension risk is defined as the inability to meet contractual obligations and other liabilities to the established employee or related company pension scheme.

Sources of risk
NWH Group has exposure to pension risk through its defined benefit schemes worldwide. The Main section of The NatWest Group Pension Fund (the Main section) is the largest source of pension risk as NatWest Bank Plc (a subsidiary of NWH Group) is the principal employer to the Main section with £29.5 billion of assets and £24.5 billion of liabilities at 31 December 2024 (2023 – £33.6 billion of assets and £26.5 billion of liabilities). Refer to Note 5 to the consolidated financial statements, for further details on NWH Group's pension obligations, including sensitivities to the main risk factors.

Pension scheme liabilities vary with changes in long-term interest rates and inflation as well as with pensionable salaries, the longevity of scheme members and legislation.

During 2024, the Trustee of NWH Group's largest scheme (the Main section of the NatWest Group Pension Fund) completed buy-in transactions with a third-party insurer (buy-in asset valued at £8.0 billion under IAS 19, covering around a third of the defined benefit obligation attributable to the Main section). Under the buy-in insurance contracts, the insurer makes payments to the scheme to cover pension benefits paid to members. As a result, the insured portion of the scheme is protected against all material longevity and investment risks.

These risks have been replaced with the risk that the insurer defaults on payments due to the scheme. The uninsured scheme assets continue to vary with changes in interest rates, inflation expectations, credit spreads, exchange rates, and equity and property prices. NWH Group is therefore still exposed to the risk that the schemes' assets, together with future returns and additional future contributions, are estimated to be insufficient to meet liabilities as they fall due. In such circumstances, NWH Group could be obliged (or might choose) to make additional contributions to the schemes or be required to hold additional capital to mitigate this risk.

During 2024, the Court of Appeal upheld the initial High Court ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others), calling into question the validity of rule amendments made to defined benefit pension schemes contracted-out on a Reference Scheme Test basis between 6 April 1997 and 5 April 2016. Amendments to these pension schemes over this time required confirmation from the Scheme Actuary that the Reference Scheme Test would continue to be met. In the absence of such a confirmation, the Rule amendment would be void. There were no other developments on this matter as further disclosed in Note 5 to the consolidated financial statements since last year and it will be kept under review.

Key developments in 2024
- As mentioned previously, during the year, the Trustee of the Main section of the NatWest Group Pension Fund completed partial buy-in transactions, passing longevity and investment risk for the insured portion of the scheme to an insurer.
- The 31 December 2023 triennial valuation for the Main section was completed during 2024 with no requirement for any deficit contributions. Given the strong funding level, it was also agreed that employer future service contributions would cease from 1 January 2025. Contributions in respect of administrative expenses will continue.

Governance
Chaired by the Chief Financial Officer, the NatWest Group Asset & Liability Management Committee is a key component of NatWest Group's approach to managing pension risk.

It considers the pension impact of the capital plan for NatWest Group and reviews the performance of NatWest Group's material pension funds (including those sponsored by NWH Group) and other issues material to NatWest Group's pension strategy. It also considers investment strategy proposals from the Trustee of the Main section. The NatWest Group Board reviews and as appropriate approves any material pension strategy proposals.

Risk appetite
Pension risk appetite is approved by the Board. NWH Group maintains an independent view of the risk inherent in its pension funds. NWH Group has a pension risk appetite statement incorporating defined metrics against which risk is measured that is 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. Policies and standards are in place to provide formal controls for pension risk reporting, modelling, governance and stress testing. A pension risk policy, which sits within the enterprise-wide risk management framework, is also in place and is subject to associated framework controls.

Performance against risk appetite is reported regularly to the Executive Risk Committee, the Board Risk Committee, and the Board. Relevant pension risk matters are escalated through the Executive Risk Committee, Asset & Liability Management Committee and Board Risk Committee as appropriate and to the Board as applicable.

Monitoring and measurement
Pension risk is monitored by the NWH Group Executive Risk Committee and the NatWest Group Board Risk Committee, whilst the NatWest Group Asset & Liability Management Committee receives updates on the performance of NatWest Group's material pension funds. Relevant pension risk matters are escalated to the Board as applicable. NatWest Group also undertakes stress tests on its material defined benefit pension schemes each year. These tests are also used to satisfy the requests of regulatory bodies such as the Bank of England.

The stress testing framework includes pension risk capital calculations for the purposes of the Internal Capital Adequacy Assessment Process as well as additional stress tests for a number of internal management purposes. The results of the stress tests and their consequential impact on NWH Group's balance sheet, income statement and capital position are incorporated into NWH Group's and the overall NatWest Group stress test results. NatWest Bank Plc (a subsidiary of NWH Group) is the principal employer of the Main section and could be required to fund any deficit that arises.

The financial strength of the third-party insurer is monitored on a periodic basis by the Trustee and NatWest Group.

Mitigation
The Main section is now well-protected against interest rate and inflation risks following risk mitigation measures taken by the Trustee in recent years. This includes buy-in transactions completed during 2024, resulting in a low investment risk for the scheme. If, in an extreme scenario, the insurer was unable to make payments due to the scheme under the buy-in insurance contracts, NWH Group would continue to be responsible for financially supporting the scheme to meet pension benefits. However, there are strong mitigations in place against this risk, in particular the insurance regulatory regime.

The potential impact of climate change is one of the factors considered in managing the assets of the Main section. The Trustee monitors the risk to its investments from changes in the global economy and invests, where return justifies the risk, in sectors that reduce the world's reliance on fossil fuels, or that may otherwise promote environmental benefits. Further details regarding the Main section Trustee's approach to managing climate change risk can be found in its Responsible Ownership Policy, its net zero commitment and its climate disclosures produced on an annual basis, as required by The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

Compliance and conduct risk

Definition

Compliance risk is the risk that NWH 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 NWH 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 NWH 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.

As set out in Note 24 to the consolidated financial statements, members of NatWest Group are party to legal proceedings and are subject to investigation and other regulatory action in the UK, the US and other jurisdictions.

Key developments in 2024

- Further enhancements were made 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.
- The NatWest Group-wide programme continued to make significant progress, with the second phase of Consumer Duty rules having come into force on 31 July 2024. Activity is now centred around embedding the requirements of the Duty, utilising improved data and analysis for reporting on good customer outcomes, and ensuring a consistent NatWest Group-wide approach to customer communications.
- The FCA Access To Cash Sourcebook (ATCS) was published in July 2024, with an implementation date of 18 September 2024. Following its publication, the branch closure programme paused its ongoing closures to conduct a comprehensive assessment of cash access services in any affected local areas. This included notifying impacted customers and, where necessary, completing additional actions before the closures took effect. Future proposed closures will be evaluated in accordance with ATCS requirements.

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.

These include a Consumer Duty Executive Steering Group and conflicts of interest meetings across both the first and second lines of defence.

Risk appetite

Regulatory compliance risk appetite and conduct risk appetite are approved by the Board. The risk appetite statement and associated measures for compliance and conduct risks are reviewed and approved at least annually by the relevant legal entity 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.

A range of controls is operated to ensure the business delivers good customer outcomes and is conducted in accordance with legal and regulatory requirements. A suite of risk policies, risk standards and regulatory compliance operational policies addressing compliance and conduct risks set appropriate standards across NWH 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.

Performance against risk appetite is reported regularly to the Executive Risk Committee, the Board Risk Committee, and the Board. Relevant compliance and conduct risk matters are escalated through the Executive Risk Committee and Board Risk Committee and to the Board as applicable.

Monitoring and measurement

Compliance and conduct risks are measured and managed through continuous assessment and regular reporting to NWH Group's senior risk committees and at Board level. 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 NWH Group's strategic planning cycle.

Mitigation

Activity to mitigate the most material compliance and conduct risks is carried out across NWH 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, conflicts of interest management, market conduct surveillance, complaints management, mapping of priority regulatory requirements and independent monitoring activity. Internal policies help support a strong customer focus across NWH Group.

Financial crime risk

Definition

Financial crime risk is the risk that NWH 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 NWH Group's customers, employees or third parties undertake or facilitate financial crime, or if NWH 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.

Financial crime risk continued

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.
- There was active participation in public/private partnerships including the Joint Money Laundering Intelligence Taskforce and Data Fusion. In 2024, NatWest Group (together with seven other UK Banks) shared datasets with the National Crime Agency (NCA) and seconded staff to the NCA to form a joint public/private intelligence team to work on the resulting risks identified, for reporting to law enforcement. This is a joint project, governed equally by the banks and the NCA, that has directly advanced high priority organised crime investigations and identified new criminal networks exploiting the UK's financial system.

Governance

The Financial Crime Executive Steering Group, which is jointly chaired by the NatWest Group Chief Risk Officer and the Group Chief Information Officer, is the core governance committee for financial crime risk (excluding fraud). It oversees financial crime risk management, operational performance, and transformation matters including decision-making and escalations to the Executive Risk Committee, Board Risk Committee and NatWest Group Executive Committee.

The Fraud Executive Steering Group, which is chaired by the Chief Information Officer, is the core governance committee for fraud. It oversees fraud risk management, operational performance, and investment matters including decision-making and escalations to relevant senior committees.

Risk appetite

Financial crime risk appetite is approved by the relevant legal entity board. The risk appetite statements and associated measures for financial crime risks are reviewed and approved at least annually by the relevant legal entity board on the relevant 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. NWH Group's systems and controls must be comprehensive and proportionate to the nature, scale and complexity of its businesses.

NWH 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.

Performance against risk appetite is reported regularly to the Executive Risk Committee, the Board Risk Committee, and the Board. Relevant financial crime risk matters are escalated through the Executive Risk Committee and Board Risk Committee and to the Board as applicable.

Monitoring and measurement

Financial crime risks are identified and reported through continuous risk management and regular reporting to senior risk committees and the NatWest Group Board Risk Committee. Quantitative and qualitative data is reviewed and assessed to measure whether financial crime risk is within 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 is available to detect and disrupt threats to NWH 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. NatWest Group could be exposed to physical risks directly by the effects on its property 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. NatWest 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 NatWest Group's competitiveness and profitability, as well as threaten reputational damage.

Liability risks may arise should stakeholders consider NatWest 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.

As climate and nature risk is both a principal risk within NatWest Group's EWRMF, and a cross cutting risk, which impacts other principal risks, NatWest Group periodically refreshes its assessment of the relative impact of climate-related risk factors to other principal risks, where NatWest Group's exposure to a principal risk could be taken outside of appetite due to climate-related risk factors. In identifying climate-related risks and opportunities to NatWest Group, the period in which each is likely to occur, was assessed. Risks and opportunities deemed material to the five-year financial planning cycle were viewed as short-term. Aligned with the guidance of the Science Based Targets initiative for financial institutions, long-term was defined as beyond 15 years, while medium-term was defined as within the next five to 15 years[1].

The outcome of the latest assessment of the relative impact of climate-related risk factors to other principal risks is included in the table that follows. All principal risks in the table were identified as potentially impacted by climate risk, over short, medium and long-term time horizons.

(1) NatWest Group's climate transition planning uses different time frames than those used in financial reporting. Accordingly, the references to 'short', 'medium' and 'long-term' in climate reporting are not indicative of the meaning of similar terms used in NatWest Group's other disclosures.

Climate and nature risk continued

Risk type	Risks to NatWest Group	Drivers	Identification and assessment
Credit risk	From the adverse impact on future credit worthiness of customers due to climate change risk factors impacting asset valuation, income and costs, for example, from increased flooding events. Mitigants include the use of operational limits in the residential mortgage portfolio (refer to page 60 of the NatWest Group plc 2024 Sustainability Report) and the inclusion of climate considerations in sector strategy within the commercial portfolio.	Physical: acute, chronic(1) Transition: government policy and legislation, market, technology, reputation	Scenario analysis Portfolio level assessments Transaction level assessments
Compliance risk	Due to the need for NatWest Group to 'observe the letter and spirit' of all applicable laws and regulations relating to climate. Mitigants include the introduction of an environmental, social and governance regulatory compliance operational policy to give guidance on relevant regulatory expectations.	Physical: acute, chronic(1) Transition: government policy and legislation, market, technology, reputation Liability: greenwashing	Transaction level assessments
Conduct risk	Due to poor customer outcomes arising from the impacts of climate change including changes to financial stability or general wellbeing, which will either be supported or exacerbated by NatWest Group's conduct. Mitigants include additional checks on sustainability claims and applying product flaw controls.	Transition: government policy and legislation, market, technology, reputation Liability: greenwashing	Scenario analysis Transaction level assessments
Operational risk	Due to the increased likelihood and potential impact of business disruption or arising from new and changing policy standards. Mitigants include resilience and disclosure controls.	Physical: acute, chronic(1) Transition: government policy and legislation, market, technology, reputation	Scenario analysis Transaction level assessments
Reputational risk	Due to the risk of damage to NatWest Group's reputation arising from perceived impact on climate change or adequacy of actions taken in response when compared against ambitions and progress made by peers. Mitigants include the environmental, social and ethical risk framework.	Transition: government policy and legislation, market, technology, reputation Liability: greenwashing	Portfolio level assessments Transaction level assessments

(1) Acute - event-driven such as increased severity of extreme weather events (for example, storms, droughts, floods, and fires) or water, land or air pollution. Chronic – longer-term shifts in precipitation and temperature and increased variability in weather patterns (for example, sea level rise) or biodiversity loss.

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:

- NatWest Group continued to enhance its in-house climate risk modelling capabilities, supporting the integration of climate risk within its capital adequacy (ICAAP), impairment (IFRS 9) and risk management processes.
- NatWest Group partnered with climate experts from the University of Exeter to create bespoke climate risk scenario narratives that explore 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. Further details of the outcomes of NatWest Group's latest climate-related scenario analysis can be found in the NatWest Group plc 2024 Sustainability Report.
- NatWest Group began to roll-out Climate Decisioning Framework (CDF) tools. These comprise climate risk scorecards and climate transition plan assessment tools. The roll-out was completed on a test and learn basis and the scorecard outputs do not drive credit risk decision-making as yet.
- In January 2024, the scope of the climate risk policy was expanded to recognise nature-related risks beyond climate change. NatWest Group's capability to manage climate risks is more mature than its capability to manage nature-related risks.
- Building on activity in 2023, NatWest Group enhanced its understanding of nature risks by completing a pilot Locate, Evaluate, Assess and Prepare (LEAP) assessment as recommended by the Taskforce on Nature-related Financial Disclosures. The pilot focused on a deep dive of three sectors in the Non-Personal portfolio.

Governance

The Board is responsible for monitoring and overseeing climate-related risk within NatWest Group's overall business strategy and risk appetite.

Risk appetite statements and associated measures are reviewed and approved at least annually by the NatWest Group Board on the NatWest Group Board Risk Committee's recommendation to ensure they remain appropriate and aligned to strategy.

The Chief Risk Officer shares accountability with the Chief Executive Officer under the Senior Managers Regime for identifying and managing the financial risks arising from climate change. This includes ensuring that the financial risks from climate change are adequately reflected in risk management frameworks and policies, and that NatWest Group can identify, measure, monitor, manage and report on its exposure to these risks.

Climate and nature risk continued

During 2024, the Group Executive Committee provided oversight of the latest iteration of NatWest Group's climate transition plan, progression in establishing partnerships and opportunities including oversight of progress against the NatWest Group climate and sustainable funding and financing target and ensuring the effective management of climate-related risks. Work continued in 2024 to mature NatWest Group's climate-related risk management capabilities.

The Group Executive Committee will continue to supervise strategic implementation and delivery, supported by the Climate Centre of Excellence, segments and functions.

Risk appetite

Climate risk appetite is approved by the relevant legal entity board. Performance against risk appetite is reported regularly to the Group Executive Risk Committee, the Group Board Risk Committee, and the Group Board. Relevant climate and nature risk matters are escalated through the Executive Risk Committee and Board Risk Committee and to the Board as applicable.

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 policies to NatWest Group's strategic priorities.

Monitoring and measurement

NatWest Group continues to enhance its processes to effectively measure the potential size and scope of climate-related risks, through the three approaches detailed below. The approach to nature-related risks is not as mature as the approach to climate-related risks with the completion of the LEAP pilot being the first step in identifying and assessing nature-related risks.

Scenario analysis

NatWest Group focused on continuing to develop 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 NatWest Group to test 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.

NatWest Group recognises a number of potential key use cases for climate scenario analysis, including, but not restricted to, the following:

- Regulatory stress testing requirements.
- Portfolio management.
- Strategic decision-making, capital adequacy and provisioning.

There are various challenges 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-related risks. In addition, there is significant uncertainty as to how the climate 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-related 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.

Portfolio level assessment

NatWest Group uses a number of tools to undertake portfolio level assessments including operational limits in retail credit risk, stress analysis in market risk and heightened climate-related risk sector assessment in Non-Personal credit risk. The latter seeks to identify sectors that are likely to see increased credit risks for NatWest Group because of climate-related factors, over a ten to 15-year horizon. A breakdown is included in the NatWest Group plc 2024 Sustainability Report.

NatWest Group also regularly considers the potential impact of existing and emerging regulatory requirements related to climate change at NatWest Group and subsidiary level, through external horizon scanning and monitoring of emerging regulatory requirements.

Transaction level assessment

Assessments are undertaken which consider anti-greenwashing factors within NatWest Group's marketing and communications processes. NatWest Group's suppliers are encouraged to undertake assessments which aim to improve sustainability performance. Within the Non-Personal credit portfolio, NatWest Group uses its initial suite of climate risk scorecards and CDF tools to engage with its customers to support them in better understanding climate-related risks for their business and conduct climate transition plan assessments. In 2024, CDF tools were rolled out on a phased test and learn basis focused on business areas covering large corporates, mid-corporates, commercial real estate, housing associations and some financial institutions customer segments. Through this process, NatWest Group continues to build capability among first and second line risk colleagues, and a culture where consideration of climate risk is part of the credit journey.

Mitigation

NatWest Group manages and mitigates climate-related risk in the Non-Personal portfolio through:

- Top-down portfolio assessments, including incorporating climate factors in the overall sector strategy, updating the environmental, social and ethical risk acceptance criteria in response to potential climate-related risks and applying climate-enhanced transaction acceptance standards.
- Bottom-up transaction assessments, including ensuring enhanced oversight for the largest lending climate transactions and use of qualitative climate risk scorecards, to provide a consistent and structured approach for understanding customer-specific exposure to climate-related risks.

During 2024, Commercial & Institutional continued to enhance pricing frameworks to embed climate considerations. These enable NatWest Group to support businesses to help address the climate challenge and to encourage Commercial & Institutional customers towards more sustainable, transition-aligned transactions.

In the residential mortgage portfolio, lending limits were applied based on climate characteristics, including: (i) exposure to EPC A and B rated properties, (ii) buy-to-let properties with potential EPC between D and G and (iii) flats, new builds and buy-to-let properties at high or very high risk of flood. Additionally, the credit policies do not allow buy-to-let mortgages to properties with an EPC rating between F and G. Limits are continually reviewed to reflect new flood risk data, risk profile and market conditions.

NatWest Group continues to participate in a number of industry forums to help shape the financial service industry's response to the challenges posed by climate risk, including scenario analysis. An example is the Climate Financial Risk Forum, established by the PRA and the FCA.

NatWest Group also continues to engage actively with academia to ensure best practice and the latest thinking on climate risks is considered within NatWest Group's work. For example, the work with University of Exeter as described previously.

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 NWH 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 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 oversight function is vital to support NWH 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 an Operational Risk Executive Steering Committee is in place. This forum ensures all material operational risks are monitored and managed within appetite. The Board Risk Committee and Board receives regular updates on the outputs of the Operational Risk Executive Steering Committee as necessary.

Risk appetite

Operational risk appetite is approved by the relevant legal entity board and supports effective management of all operational risks. It expresses the level and types of operational risk NWH Group is willing to accept to achieve its strategic objectives and business plans. NatWest Group's operational risk appetite quantitative and qualitative statements encompass the full range of operational risks faced by its legal entities, businesses, and functions. The risk appetite statement and associated measures for operational risk are reviewed and approved at least annually by the relevant legal entity board on the relevant board risk committee's recommendation to ensure they remain appropriate and aligned to strategy.

Performance against risk appetite is reported regularly to the Executive Risk Committee, the Board Risk Committee, and the Board. Relevant model risk matters are escalated through the Executive Risk Committee and Board Risk Committee and to the Board as applicable.

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 the Internal Control over Financial Reporting (Sarbanes-Oxley Section 404) regulatory requirements and with the requirements of the UK Corporate Governance Code section on Risk Management and Internal Controls.

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 the NatWest Group Audit Committee and NatWest Group Board Risk Committee. They are also shared with external auditors.

Monitoring and measurement

Operational risk is measured and managed through continuous assessment and regular reporting to NatWest Group's senior risk committees and at Board-level.

Risk and control self-assessments are used across business areas and support functions to identify and assess material non-financial risks (including operational risks, financial crime and 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.

NWH 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 NWH Group's Pillar 2A capital requirement. Scenario analysis is used to assess how severe but plausible operational risks will affect NWH Group. It provides a forward-looking basis for evaluating and managing operational risk exposures.

Refer to the Capital, liquidity and funding risk section for the operational risk capital requirement figures.

Operational risk continued

Operational resilience and cybersecurity

NWH 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.

(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.

Event and loss data management

The operational risk event and loss data management process ensures NWH Group captures and records operational risk events with financial and non-financial impacts that meet defined criteria. Loss data is used for internal, 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. NWH Group has not experienced a material cybersecurity 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.

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

NWH Group uses a variety of models in the course of its business activities. Examples include the use of model outputs to support customer decisioning, measuring and assessing risk exposures (including credit, market, and climate risk), calculating regulatory capital and liquidity requirements and automation of operational processes.

Model applications may give rise to different risks depending on the business in which they are used. Model risk is therefore assessed separately for each business segment in addition to the overall assessment made for NWH Group.

Key developments in 2024

- NWH 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 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 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.

Business and function model management committees are used to escalate model risk matters to senior management where required.

The NatWest Group Model Risk Oversight Committee further enhances model risk governance by providing a platform for executive level discussion on emerging model risks, identification of systemic risks and the evolution of model risk management practices. NWH Group is considered in scope of the NatWest Group Model Risk Oversight Committee.

Risk appetite

Model risk appetite is approved by the relevant legal entity board. It is set in order to limit the level of model risk that NWH Group is willing to accept in the course of its business activities. The NWH Group model risk appetite statement and associated measures are reviewed and approved by the relevant legal entity board on the relevant board risk committee's recommendation at least annually to ensure they remain appropriate and aligned to strategy.

Business areas are responsible for monitoring performance against appetite and remediating models outside appetite.

Performance against risk appetite is reported regularly to the Executive Risk Committee, the Board Risk Committee, and the Board. Relevant model risk matters are escalated through the Executive Risk Committee and Board Risk Committee and to the Board as applicable.

Model risk continued

Monitoring and measurement

Model risk is measured and managed through continuous assessment and regular reporting to NatWest Group's senior risk committees and at Board level.

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 NWH 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 NWH 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

By their nature – as approximations of reality – model risk is inherent in the use of models. It is managed by refining or redeveloping models where appropriate – 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; NWH Group's actions materially conflicting with stakeholder expectations; and contagion (when NWH Group's reputation is damaged by failures in key sectors including NWH 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.

Governance

A reputational risk policy supports reputational risk management across NWH Group. Reputational risk registers are used to manage reputational risks identified within relevant business areas. These are reported to the relevant business executive risk committee.

Material reputational risks to NWH 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 Risk Committee and NatWest Group Board Risk Committee oversees the identification and reporting of reputational risk.

Risk appetite

Reputational risk appetite is approved by the Board. NWH Group manages and articulates its appetite for reputational risk through a qualitative reputational risk appetite statement and associated quantitative measures which are approved at least annually by the relevant legal entity board on the relevant board risk committee's recommendation to ensure they remain appropriate and aligned to strategy.

NWH Group seeks to identify, measure and manage risk aligned to stakeholder trust. However, reputational risk is inherent in NWH 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 via reputational risk registers at business or legal entity level. They are escalated, where appropriate, to the relevant business risk committee and where material, to the NatWest Group Reputational Risk Committee.

Additional principal 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 NWH 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.

Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2024.

Other information incorporated into this report by reference can be found at:

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Stakeholder engagement and s.172(1) statement	4
Board of directors and secretary	5
Financial review	6
Segmental analysis	Note 4
Share capital and reserves	Note 20
Post balance sheet events	Note 33

NWH Group structure

NatWest Holdings Limited (NWH Ltd) is a wholly owned subsidiary of NatWest Group plc. The term NWH Group refers to NWH Ltd and its subsidiary and associated undertakings. National Westminster Bank Plc (NWB Plc) and The Royal Bank of Scotland plc (RBS plc) are wholly owned subsidiaries. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings. NatWest Group plc is incorporated in the UK and has its registered office at 36 St Andrew Square, Edinburgh, EH2 2YB.

Details of NWH Ltd's principal subsidiary undertakings and their activities are shown in Note 7 of the parent company financial statements and notes. A full list of related undertakings of NWH Ltd is shown in Note 11 of the parent company financial statements and notes.

The financial statements of NWH Ltd can be obtained from Corporate Governance, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies, or natwestgroup.com.

Activities

NWH Group is engaged principally in providing a wide range of banking and other financial services.

Results and dividends

The profit attributable to the ordinary shareholders of NWH Group for the year ended 31 December 2024 was £4,298 million compared with a profit of £3,709 million for the year ended 31 December 2023, as set out in the consolidated income statement on page 97.

No ordinary shares were issued during 2024 or 2023.

In 2024, NWH Ltd paid an ordinary dividend of £3.1 billion to NatWest Group plc (2023 – £2.5 billion).

Employees

At 31 December 2024, NWH Group employed 56,900 people (excluding temporary staff). Details of related costs are included in Note 3 to the consolidated accounts.

NWB Plc employs the majority of NWH Group's UK customer-facing staff, with costs recharged. NWB Plc also provides the majority of shared services (including technology) and operational processes under intra-group agreements.

References to 'colleagues' in this report mean all permanent employees and, in some instances, members of the wider workforce e.g. temporary employees and agency workers.

Corporate governance statement

For the financial year ended 31 December 2024 NWH Ltd has again chosen to report against the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles), published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website. The disclosures below explain how NWH Ltd has applied the Wates Principles in the context of its corporate governance arrangements.

1. Purpose and leadership

The Board reviews and sets the strategic direction of the NWH Group and, as appropriate, the strategies for each of its businesses, within the parameters set by the NatWest Group plc Board. The Board also oversees the execution of NWH Group strategy and holds executive management to account for its delivery.

In 2024 the Board held three dedicated sessions to consider the future strategy of NatWest Group, as it related to NWH Sub Group considering proposals by management and the resources required for successful implementation. At the first session, macro-level matters were considered, such as customers' evolving needs, the current and potential competitive landscape, and the importance of the right business mix and the key role an agile and future-fit technology platform would play in delivery. The important role of organisational culture was also discussed. The external environment and risk landscape were also considered. The second and third sessions were focused on delivery of the strategy. Following these sessions and discussion at scheduled Board meetings, the Board confirmed support for the strategy, centred around the three strategic priorities of disciplined growth, bank-wide simplification and active balance sheet and risk management.

Further information on NatWest Group's strategy can be found in the NatWest Group plc 2024 Annual Report and Accounts.

In conjunction with the NatWest Group plc Board, the NWH Ltd Board reviewed the bank's purpose in 2024. Proposals were considered by the Sustainable Banking Committee and subsequently the Board. Discussions were informed by a variety of factors including current market practices, directors' personal reflections and the output of engagement with internal and external stakeholders (including focus groups and in-depth interviews with samples of colleagues and customers). The Board also considered illustrative examples of the purpose and communication strategies for different stakeholder groups. The final purpose statement (The bank that turns possibilities into progress) was approved by the Board in September 2024.

Colleague sentiment towards the refreshed purpose was also observed by the Board via the Colleague Advisory Panel meetings, which are chaired by Roisin Donnelly who reports on each meeting to the Board.

The Board assesses and monitors culture in several ways, as described below.

- Culture assessment reports which includes a wide range of metrics and assesses culture based on the NatWest Group culture assessment framework. The framework is aligned to both performance culture drivers and ethics, conduct and compliance. In December, the format of the report was reviewed by the Board and an evolved assessment framework was agreed which will be implemented in Board reporting from January 2025.
- Our View colleague engagement survey results, which provide insights from the surveys conducted in April and September, are provided to the Board bi-annually. Colleagues responded to questions across the whole colleague experience including wellbeing, building capability, leadership and ethics and integrity. Strong results were noted, with targeted action plans in place to drive improvements.

- Colleague Advisory Panel reports which in 2024 provided feedback on discussions from meetings held in May and November. Topics included executive remuneration and the wider workforce, the new performance management system Beyond, NatWest Group's evolving purpose and responsible AI.
- As part of the Board strategy sessions careful consideration was given to the cultural shift required to deliver the renewed strategy. External case studies of cultural transformation informed discussions.
- The impact on culture of the refreshed purpose was a key consideration by the Board. It reviewed the output of research undertaken with colleagues on the proposed purpose statement and management's planned approach to embed the new purpose in the bank's culture.
- the Sustainable Banking Committee considered how business ethics is monitored and reported through the NatWest Group Culture Assessment Framework.

A refreshed core behaviours framework will be rolled out during 2025. Proposals will be presented to the Board following collaboration with internal and external stakeholders.

The activities described above have supported the Board in meeting the Wates Principle 1 requirement to ensure that purpose, values, strategy and culture are aligned, within the wider NatWest Group governance structure.

2. Board composition

As at the date of publication of this report, the Board has 14 directors comprising the Chair, two executive directors and 11 independent non-executive directors, one of whom is the Senior Independent Director.

The names of the current directors and secretary are shown on page 5. Their biographies are available at natwestgroup.com (NatWest Holdings Limited section).

Chair, CEO and Senior Independent Director

The role of the Chair is to lead the Board and ensure its overall effectiveness. This is distinct and separate from that of the CEO who manages the business day-to-day. The Senior Independent Director acts as a sounding board for the Chair and as an intermediary for other directors when necessary.

Balance and diversity

The Board is structured to ensure that the directors provide NWH Ltd with the appropriate balance of skills, experience, knowledge and diversity, as well as independence. Board committees also comprise directors with a variety of skills and experience so that no undue reliance is placed on any one individual.

The Nominations Committee is responsible for considering and making recommendations to the Board in respect of Board appointments and membership and chairing of Board committees.

The Nominations Committee reviews the structure, size and composition of the Board, and makes recommendations to the Board in relation to any necessary changes, having regard to the overall balance of skills, knowledge, experience and diversity on the Board, the length of service of the Board as a whole; and the requirement to keep membership regularly refreshed. The Nominations Committee considers Board composition and succession planning at least annually. The NatWest Group plc Group Nominations and Governance Committee (Group N&G) also approves all appointments to the Board, reflecting NWH Ltd's position as a subsidiary within NatWest Group.

Board recruitment continued to be a principal area of focus in 2024. Paul Thwaite became permanent CEO on 16 February 2024 and Rick Haythornthwaite, having joined the Board as a non-executive director on 8 January 2024, assumed the Chair role on 15 April 2024 after Howard Davies stepped down. The Board approved the appointment of Geeta Gopalan in February 2024 and she joined on 1 July 2024. During 2024 the Nominations Committee's membership supported comprehensive candidate searches with diversity and inclusion considerations factored into all search criteria. During the search processes, the Nominations Committee held several discussions on potential candidates, assessing the credentials of each candidate against the qualities and capabilities set out in the role specifications agreed by the Nominations Committee. Following a rigorous process, the Nominations Committee, in conjunction with Group N&G, recommended and the Board approved Gill Whitehead's appointment as a non-executive director. The Nominations Committee, in conjunction with Group N&G, continues to oversee further recruitment activity in respect of the Board of NWH Ltd.

In addition, Jan Cargill will be stepping down as Company Secretary on 14 February 2025 and Gary Moore will be appointed as her successor on this date.

In December 2024, the Nominations Committee, in conjunction with Group N&G, reviewed, and the Board approved, an enhanced version of the NatWest Group plc and NWH Sub Group Board skills matrix.

The NatWest Group plc and NWH Sub Group Boards conducted a comprehensive Board skills assessment using the Board Outlook platform. This process evaluated the collective expertise and capabilities of the Boards against the organisation's strategic priorities and governance needs, and the resulting data and analysis underpins the succession planning process. By identifying critical and general skills areas, this enhanced skills assessment approach has provided valuable insights into the Boards' strengths and opportunities for consideration by the Nominations Committee, Group N&G and the Boards. The findings, as reflected in the 2024 Board skills matrix, will help to ensure that the Board remains well-equipped to navigate complex challenges, deliver on long-term value creation and uphold the highest standards of governance.

The Board operates a boardroom inclusion policy which reflects NatWest Group's values, its inclusion guidelines and relevant legal or voluntary code requirements. The boardroom inclusion policy aims to promote diversity and inclusion in the composition of the Boards and Board committees of NatWest Group plc, NWH Ltd, NWB Plc and RBS plc and in the nominations and appointments process. A copy of the policy is available at natwestgroup.com.

The boardroom inclusion policy ensures that the Board, and any committee to which it delegates nomination responsibilities, follows an inclusive process when making nomination decisions. That includes ensuring that the nomination process is based on the principles of fairness, respect and inclusion, that all nominations and appointments are based on individual competence, skills and expertise measured against identified objective criteria without bias, prejudice or discrimination, and that searches for Board candidates are conducted with due regard to the benefits of diversity and inclusion.

The policy includes targets which aspire to meet those set out in the UK Listing Rules along with the recommendations of the FTSE Women Leaders Review and the Parker Review.

As at 31 December 2024:

- NWH Ltd met the FTSE Women Leaders Review voluntary target of 40% women's representation on boards by the end of 2025, with 46% of the Board being women;
- with a woman as CFO, NWH Ltd met the FTSE Women Leaders Review recommendation that companies should have at least one woman in the Chair or Senior Independent Director roles on the board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025; and
- the company met the recommendation of the Parker Review with two members of the Board being from an ethnic minority background

Changes since 1 January 2025: Gill Whitehead joined the Board on 8 January 2025 as an independent non-executive director. Gill's appointment to the Board means women's representation as at the date of this report is 50%.

The boardroom inclusion policy also acknowledges NatWest Group's ambition to have gender balance in the global top three levels (CEO-3 and above) by 2030, and progress against this ambition is set out on page 42 of the NatWest Group plc 2024 Annual Report and Accounts (Strategic report).

Size and structure

NWH Ltd is the holding company for NatWest Group's ring-fenced operations, which include the Retail and Private Banking segments and certain aspects of the Commercial & Institutional business. A common board structure is operated such that directors of NWH Ltd are also directors of RBS plc and NWB Plc. Known collectively as the NWH Sub Group, the boards of these three entities meet concurrently.

An integral part of NatWest Group's governance arrangements is the appointment of three double independent non-executive directors (DINEDs) to the Boards and Board committees, of the NWH Sub Group. They are Francesca Barnes, Ian Cormack and Mark Rennison.

The DINEDs are independent in two respects: (i) independent of management as non-executives; and (ii) independent of the rest of NatWest Group by virtue of their NWH Sub Group only directorships. They attend NatWest Group plc Board and relevant Board committee meetings as observers. The DINEDs play a critical role in NatWest Group's ring-fencing governance structure, and are responsible for exercising appropriate oversight of the independence and effectiveness of the NWH Sub Group's governance arrangements, including the ability of each board to take decisions independently.

The DINEDs also have an enhanced role in managing any material conflicts which may arise between the interests of NWH Ltd and other members of NatWest Group.

The governance arrangements for the Boards and Board committees of NatWest Group plc and the NWH Sub Group have been designed to enable NatWest Group plc to exercise appropriate oversight and to ensure that, as far as is reasonably practicable, the NWH Sub Group is able to take decisions independently of the wider Group.

Independence

The independent non-executive directors combine broad business and commercial experience with independent and objective judgement. They provide constructive challenge, strategic guidance, and specialist advice to the executive directors and the executive management team and hold management to account.

The balance between non-executive and executive directors enables the Board to provide clear and effective leadership across NWH Group's business activities and ensures no one individual or small group of individuals dominates the Board's decision-making.

Non-executive director independence and individual directors' continuing contribution to the company are considered by the Board, with support from the Nominations Committee, at least annually and when new non-executive directors are appointed. The Board considers that the Chair, Rick Haythornthwaite, was independent on appointment and that all current non-executive directors are independent.

Enhancing directors' skills and knowledge

The Chief Governance Officer and Company Secretary supports directors in their training and development via a comprehensive induction programme when they join the Board and an ongoing annual schedule of training sessions and deep dives into areas of interest and relevance. These are designed to support directors' professional development, deepen their knowledge of the business or specific areas of interest or offer specialised training on relevant matters.

During 2024 the Board undertook several training sessions on a range of relevant topics. These included liquidity and funding; model risk management; digital assets; financial crime; diversity, equity and inclusion; and climate. These training sessions enabled the directors to deepen their understanding on these topics and informed their decision-making. All directors were invited to training and deep dive sessions held at the committee level.

Directors undertake the training they consider necessary to assist them in carrying out their duties and responsibilities and the non-executive directors discuss their training and professional development with the Chair at least annually.

Each new director receives a formal induction programme on joining the Board, which is co-ordinated by the Chief Governance Officer and Company Secretary and tailored to suit the requirements of the individual concerned. This includes visits to NWH Group's major businesses and functions and meetings with directors and senior management. Meetings with external auditors, counsel and stakeholders are also arranged as appropriate. Geeta Gopalan joined the Board on 1 July 2024 and further information on Geeta's induction can be found on page 94 of the NatWest Group plc 2024 Annual Report and Accounts.

In March 2024 the Board spent a week visiting the bank's operations in India. Time was split between Gurugram and Bengaluru, and in both locations a series of meetings was held with a variety of internal and external stakeholders. The programme included a focus on colleague engagement, and directors met individuals and teams from Finance, Digital X and People, who support colleagues across the bank to deliver for our customers. From an external perspective, the Board met with current suppliers and customers as well as representatives of emerging businesses in India and leaders of other large businesses based in the country. The Board also undertook a variety of community engagement sessions during its time in India. These included spending time at the Vidya School in Gurugram (which provides high quality public-school education to under-privileged children) and the 'I am Gurgaon' project in the city (which is seeking to improve the local ecosystem and reduce the risk of flooding). Directors also participated in a Climate Action Roadshow which showcased active environmental projects supported by colleagues, and included contributions from non-government organisations and beneficiaries of the projects. Following the visit, the Board discussed with management the insights gained during the trip and how these could inform future decision making.

External appointments and time commitment

The Board monitors the commitments of the Chair and directors and is satisfied that they are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively. Any additional external appointments require prior Board approval.

The Wates Principles emphasises the importance of ensuring directors have sufficient time to meet their board responsibilities. Before any appointment, significant commitments are disclosed with an indication of the time involved. After appointment to the Board, any new external appointments require prior Board approval. Time commitment is also considered during non-executive directors' year end review meetings with the Chair, in the context of directors' performance and contribution to the Board.

Board papers relating to new director appointments or proposed additional external appointments for existing directors include details of the individual's full portfolio and anticipated time commitment for the external role(s) under consideration (e.g. Committee Chair roles). They also include a reminder of applicable Capital Requirements Directive limits on the number of directorships which may be held.

During 2024 the Board approved the appointments of Geeta Gopalan and Gill Whitehead to the Board and additional external appointments taken on by Stuart Lewis, Mark Seligman, Roisin Donnelly and Lena Wilson were also approved. In each case, the Board noted there would be no material impact on the time commitment required for their respective NWH Group roles and authorised any situational conflicts of interest which had been notified, under the process described below.

Board effectiveness review

An evaluation of the performance of the Board, its committees, the Chair and individual directors usually takes place annually. The evaluation is externally facilitated every three years, with internal evaluations in the intervening years.

In 2023 the Board decided to defer the internal evaluation of Board and committee effectiveness due in Q4 2023 until 2024, given the July 2023 change in Group CEO and upcoming Chair succession. The most recent external evaluation of Board and committee effectiveness was conducted in 2021, and therefore the 2024 process was due to be conducted externally.

In June 2024, the Nominations Committee, in conjunction with Group N&G (the nominations committees), agreed a shortlist of potential external facilitators for the 2024 Board effectiveness review. Following a competitive tender process the nominations committees recommended, and the Board approved, the appointment of Boardroom Review Limited (BRL) noting their deep expertise and established track record in the field. BRL has no other connection with NatWest Group.

Key findings were consistent across NatWest Group plc and the NWH Sub Group and an overview of findings and proposed next steps arising from the 2024 Board effectiveness review can be found on pages 103 to 105 of the NatWest Group plc 2024 Annual Report and Accounts. At the December Board meeting, the Chair undertook to develop and consult on proposals for further Board consideration and implementation from Q1 2025.

The Chair met each non-executive director individually to discuss their performance, continuing professional development and contribution to the company's long-term sustainable success. The Chair also shared peer feedback collated as part of the review process.

Separately, the Senior Independent Director, together with the Senior Independent Director of the NWH Sub Group, sought feedback on the Chair's performance from the non-executive directors, executive directors and other key internal and external stakeholders and discussed it with the Chair. This included peer feedback collated as part of the review process.

These reviews concluded that each non-executive director and the Chair continue to contribute positively to the long-term sustainable success of the company.

3. Director responsibilities

Board policies and processes are set out in our non-executive director handbook, which operates as a consolidated governance support manual for non-executive directors of NatWest Group plc and the NWH Sub Group.

Accountability

All directors receive guidance on their statutory duties under the Companies Act 2006 and are supported in the discharge of their duties by the Chief Governance Officer and Company Secretary.

Each director has a role profile which clearly articulates their responsibilities and accountabilities, and any additional regulatory responsibilities and accountabilities are set out in their statement of responsibilities.

NatWest Group also produces and maintains a document called 'Our Governance' which sets out the governance, systems and controls applicable to NatWest Group plc and the NWH Sub Group. Our Governance is made available to all directors and is reviewed and approved by the Board.

Conflicts of interest

The directors' conflicts of interest policy sets out procedures to ensure that the Board's management of conflicts of interest and its powers for authorising certain conflicts are operating effectively. This includes the management of conflicts that may arise during Board decisions where the interests of NWH Ltd conflict with the interests of other members of NatWest Group.

Directors are required to notify the Board of any situational or transactional conflict of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts.

Situational conflicts can be authorised by the Board in accordance with the Companies Act 2006 and the company's Articles of Association. The Board considers each request for authorisation on a case by case basis and has the power to impose conditions or limitations on any authorisation granted as part of the process.

Details of all directors' conflicts of interest are recorded in a register which is maintained by the Chief Governance Officer and Company Secretary and reviewed annually by the Board.

The Board

The Board is the main decision-making forum for NWH Ltd. The Board is collectively responsible for the long-term success of NWH Ltd and the delivery of sustainable value to its shareholders. The Board's role is to provide leadership of NWH Ltd and NWH Group, with particular focus on customers and employees. It sets and oversees the strategic direction of the NWH Group. It reviews and approves the NWH Ltd risk management framework (including the risk appetite framework as a component thereof ('Risk Appetite Framework')) and risk appetite for principal risks in accordance with the Risk Appetite Framework; and it monitors performance against risk appetite for NWH Ltd. It considers any material risks and approves, as appropriate, recommended actions escalated by the NatWest Holdings Board Risk Committee. It approves NWH Ltd's key financial objectives and keeps the capital and liquidity positions of NWH Ltd under review.

The Board's terms of reference include a formal schedule of matters specifically reserved for the Board's decision and are reviewed at least annually. An internal review confirmed the Board had fulfilled its remit as set out in its terms of reference during 2024.

There were eight scheduled Board meetings during 2024. Additional ad hoc meetings of the Board and some of its committees were held throughout the year to receive updates and deal with time-critical matters. There were five additional Board meetings held in 2024. There were also three strategy sessions with executive management in 2024, including one ad hoc.

When directors are unable to attend meetings convened at short notice, they receive the papers and have the opportunity to provide their feedback in advance.

At each scheduled Board meeting the directors receive reports from the Chair, Board committee Chairs, CEO, CFO, Chief Risk Officer and other members of the executive management team, as appropriate. Business reviews from the CEOs of the Retail Banking, Private Banking and Commercial & Institutional businesses included updates on progress against strategy and spotlights on current topics including business strategies, customer trends and trading outlook.

In addition to the business CEOs, a number of other senior executives attended Board meetings throughout the year to present reports to the Board. This provided the Board with an opportunity to engage directly with management on key issues and supported succession planning.

The Board also welcomed external presenters and advisers to Board meetings, who provided useful insights and perspectives. The Board and Executive Committee (ExCo) operating rhythm continues to support a proactive and transparent agenda planning and paper preparation process. This process operates as follows:

- Pre- and Post- Board meeting: the Chair, CEO, CFO and Company Secretary meet in advance of each Board meeting to reflect on the previous meeting and discuss the agenda structure, key items for consideration and guest presenters for the following meeting.
- Executive level meetings: executive review of papers prior to consideration by the Board and Board committees ensures a consistent and coordinated approach.
- Board meeting: at the end of each Board meeting directors have an opportunity to provide feedback on the quality of papers and any areas for future focus.

Having non-executive directors on multiple Board committees supports effective governance by strengthening co-ordination and alignment on shared areas of focus, particularly in relation to audit, risk and remuneration matters.

Board committee members also work together to enhance their knowledge and understanding of the business through business visits and teach-ins. In 2024 these included joint Audit and Risk Committee visits to the Risk, Internal Audit and Finance functions and an Audit Committee and Sustainable Banking Committee Financed Emissions teach-in.

Board committees

The Board has established a number of Board committees with particular responsibilities. The Audit, Risk, Performance & Remuneration, and Nominations Committees of NWH Ltd operate as committees of each of NWH Ltd, NWB Plc and RBS plc, with meetings running concurrently.

As at the date of this report:

The Audit Committee comprises six independent non-executive director members, one of whom is the Board Risk Committee Chair and two of whom are DINEDs. The committee assists the Board in discharging its responsibilities in relation to accounting policies, internal control, and financial reporting functions, including consideration of any relevant non-financial disclosures or related controls which may impact the financial statements It also reviews accounting reporting and regulatory standards of internal controls, and monitors processes for internal audit and external audit.

The Board Risk Committee comprises eight independent non-executive director members, one of whom is the Chair of the Audit Committee and three of whom are DINEDs. It provides oversight and advice to the Board in relation to current and potential future risk exposures, future risk profile, and the approval and effectiveness of NWH Ltd's Risk Management Framework and (in conjunction with the Audit Committee) internal controls required to manage risk.

The Performance and Remuneration Committee (RemCo) comprises five independent non-executive directors, two of whom are DINEDs. It assists the NatWest Group plc Performance and Remuneration Committee with the oversight and implementation of NatWest Group's remuneration policy and also considers and makes recommendations on remuneration arrangements for senior executives of NWH Ltd.

The Nominations Committee comprises the Chair, Senior Independent Director and four further independent non-executive director members. It is responsible for assisting the Board in the formal selection and appointment of directors. It reviews the structure, size and composition of the Board, and membership and chairing of Board Committees.

The Sustainable Banking Committee comprises six independent non-executive director members, one of whom is a DINED. It provides support to the Board in overseeing, supporting and challenging actions being taken by management to run NWH Group as a sustainable business, capable of generating long term value for its stakeholders. It has a particular focus on overseeing how technology, data and innovation are used to support the customer.

Executive Committee

The Executive Committee comprises NWH Ltd's most senior executives and supports the CEO in managing NWH Group's business.

Decisions at all executive level committees, including the Executive Committee, are made under individual accountability where decision making authority lies with an individual (who usually chairs committee meetings) and committee members support the relevant individual in discharging their accountabilities. These committees provide a forum for debate and challenge of the key issues set out in their terms of reference with the role of members being to provide input, support and challenge the decision maker including whether to recommend matters to Board committees and the Board.

ExCo considers the delivery of strategy, financials, risk and customer, colleague and operational issues affecting NWH Group. Members of the executive management team also have individual accountabilities for their respective areas of responsibility and have committees to support them in discharging these accountabilities.

Integrity of information

All directors receive accurate, timely and clear information on all relevant matters and have access to the advice and services of the Chief Governance Officer and Company Secretary. External advice is provided to the Board as required. In addition, all directors are able, if necessary, to obtain independent professional advice at NWH Ltd's expense.

4. Opportunity and risk

The role of the Board is to promote the long-term sustainable success of NWH Ltd.

The Board held three dedicated strategy sessions with the executive management team in 2024, and additional strategy updates to the Board during 2024. Within the context of a wider discussion at NatWest Group level, this provided an opportunity for the Board to assess opportunities and risks to the future success of the business, the sustainability of the business model and how its governance contributes to the delivery of its strategy.

The Board reviews the effectiveness of the risk management and internal control systems – including the nature and extent of the risks taken in pursuit of strategic objectives. The Board also reviews and approves risk appetite for NWH Ltd's principal risks in accordance with the NatWest Group risk appetite framework; monitors performance against risk appetite for NWH Ltd; and considers any material risks and approves, as appropriate, recommended actions escalated by the Board Risk Committee.

NWH Ltd's risk strategy is informed and shaped by an understanding of the risk landscape including the principal risks it takes in carrying out business activities as well as the risks and uncertainties arising from the external economic, political and regulatory environments.

NWH Ltd operates within NatWest Group's integrated enterprise-wide risk management framework. This is centred around the embedding of a strong risk culture and is designed to ensure the tools and capability are in place to facilitate sound risk management and decision-making. As part of the enterprise-wide framework NWH Ltd complies with NatWest Group's risk appetite framework, which is approved annually by the NatWest Group plc Board. NatWest Group's risk appetite is set in line with overall strategy.

Further information on NatWest Group's integrated enterprise-wide risk management framework including risk culture, risk appetite, risk identification, risk measurement and risk mitigation, as well as NWH Ltd risk governance, can be found in the risk and capital management section of this report (pages 9 to 76).

5. Remuneration

The NatWest Group remuneration policy provides a consistent policy across all NatWest Group companies and ensures compliance with regulatory requirements. The remuneration policy is aligned with the business strategy, objectives, values and long-term interests of NWH Ltd. The policy supports a culture where individuals are rewarded for delivering sustained performance in line with risk appetite and for demonstrating the right conduct and behaviours.

The RemCo reviews remuneration for executives of NWH Ltd and considers reports on the wider workforce including annual pay outcomes and diversity information. The RemCo helps to ensure that the remuneration policies, procedures and practices being applied are appropriate for NWH Ltd.

Executive remuneration structures incentivise individuals to deliver sustainable performance based on strategic objectives for NatWest Group and the relevant business area. Performance is assessed against a balanced scorecard of financial and non-financial measures and variable pay is subject to deferral as well as malus and clawback provisions to ensure rewards are justified in the long-term.

We launched our new performance management framework Beyond in January 2024, shifting the focus from pay decisions based on ratings to data-driven reward decisions. Colleague goals remain set against a balanced scorecard of measures to support business strategy and strategic purpose.

NatWest Group continues to pay colleagues fairly for the work they do, supported by simple and transparent pay structures in line with industry best practices. NatWest Group keeps policies and processes under review to ensure it does so.

Following targeted action in 2022 and 2023 to support our colleagues through the cost-of-living crisis, we continued to focus on rewarding colleagues in a fair, sustainable and transparent way during 2024. NatWest Group has been an accredited Living Wage Employer in the UK since 2014 and sets pay levels above the real living wage rates. In 2023 we were certified as a Global Living wage employer, recognising that our rates of pay for our colleagues outside the UK are at or above the living wage threshold as defined by the Fair Wage Network. We are currently going through the re-certification process.

NatWest Group helps colleagues to have an awareness of the financial and economic factors affecting its performance through quarterly 'Results Explained' communications and Workplace Live events with the Group CEO and Group CFO.

Further information on the remuneration policy, pay ratios and employee share plans can be found in the Directors' remuneration report of the NatWest Group plc 2024 Annual Report and Accounts. Gender and Ethnicity Pay Gap information can be found in the Strategic report section of the NatWest Group plc 2024 Annual Report and Accounts and at natwestgroup.com, along with the steps being taken to build an inclusive and engaged workforce.

6. Stakeholder relationships and engagement

In February 2024 the Board approved its annual objectives and confirmed the Board's key stakeholder groups – investors, customers, colleagues, communities, regulators and suppliers. The Board's agenda and engagement plans were structured to enhance the Board's understanding of these stakeholders' views and interests. This in turn has informed Board discussions and decision-making.

For further information on stakeholder engagement activities undertaken within NatWest Group which impacted NWH Group, refer to page 32 to 33 and pages 99 to 101 of the NatWest Group plc 2024 Annual Report and Accounts, and below under Additional colleague-related disclosures (workforce engagement including the Colleague Advisory Panel).

Engagement with colleagues, suppliers, customers and others

For further details on the Board's engagement with colleagues, customers, suppliers and others, and how these stakeholders' interests have influenced Board discussions and principal decisions, refer to page 4 of the Strategic report which includes a section 172(1) statement and signposts to further information contained in the NatWest Group plc 2024 Annual Report and Accounts.

Additional colleague-related disclosures

Informing and consulting colleagues

NatWest Group listens to our colleagues and uses this insight to attract, engage and retain the best talent for the future. In 2024, our colleague listening strategy included: regular colleague opinion surveys; a Colleague Advisory Panel (CAP) connected directly with our Board; the Colleague Experience Squad, which provided feedback on colleague products and services; and Engage, our social media platform. We also track metrics and key performance indicators, which we can benchmark with sector and high-performing comparisons.

Over 50,000 colleagues (82% participant rate) across all countries and levels participated in our September 2024 Our View colleague engagement survey. [1] Our results from our September 2024 colleague engagement survey remained steady and we maintained the strong position held in 2023.

Across all comparable categories, NatWest Group remains in the top quartile, sitting an average of eight percentage points above the Global Financial Services Norm (GFSN) benchmark. While purposeful leadership has improved, we have work to do in relation to building capability, relating to the longer-term future focused development of colleagues, which has fallen back slightly since 2023 and despite improvements in experimentation; simplification, collaboration, and efficiency remain flat.

Regular interactions with employee representatives such as trade unions, elected employee bodies and work councils are a vital means of transparency and engagement for NatWest Group. These sessions are frequently used to discuss developments and updates on the progress of strategic priorities. NatWest Group is also committed to respecting employees' rights of freedom of association across all its business. In addition, the CAP continues to be an effective way to strengthen colleague voice, by enabling two-way discussions on topics important to them. By connecting colleagues directly with the Board, this deepens our understanding of colleague sentiment. The CAP is chaired by Roisin Donnelly, one of our non-executive directors, and she is joined by at least two additional Board members in every CAP meeting. CAP membership is refreshed regularly, and it currently comprises 28 colleagues who are self-nominated and are representative of the bank's population e.g., business area, grade, location and working pattern. Following each meeting, a report summarising the main points discussed is presented at the next Board meeting. Ms Donnelly then updates CAP members with feedback from the Board discussion. In 2024, CAP meetings were held in May and November. Topics are either chosen by CAP or are requested by Board, and in 2024 have included our purpose, our performance management approach Beyond, responsible artificial intelligence and our standing annual item: executive and wider workforce remuneration.

(1) NatWest Group Our View results exclude Ulster Bank RoI.

Employment for colleagues with disabilities and long-term conditions

NatWest Group makes workplace adjustments to support colleagues with disabilities and long-term conditions to succeed. If a colleague develops a disability or long-term condition, NatWest Group will, wherever possible, make adjustments to support them in their existing job or re-deploy them to a more suitable alternative job. The NatWest Group Careers site gives comprehensive insights into NatWest Group jobs, culture, locations, and application processes. It also hosts a variety of blog content to portray stories of what it is like to work at NatWest Group. The company also makes sure that candidates can easily request reasonable adjustments to support at any stage of the recruitment process.

Internal control over financial reporting

The internal controls over financial reporting for NWH Group are managed at NatWest Group level. Any deficiencies identified are reported to Group Audit Committee along with management's remediation plans.

NatWest Group's auditors have audited the effectiveness of NatWest Group's internal control over financial reporting and have given an unqualified opinion.

Directors' interests

Where directors of NWH Group are also directors of NatWest Group plc, their interests in the shares of the ultimate holding company at 31 December 2024 are shown in the Corporate Governance, Annual report on remuneration section of the NatWest Group 2024 Annual Report and Accounts. None of the directors held an interest in the loan capital of the ultimate holding company or in the shares or loan capital of NWH Ltd or any of its subsidiaries, during the period from 1 January 2024 to 13 February 2025.

Directors' indemnities

In terms of section 236 of the Companies Act 2006 (the 'Companies Act'), Qualifying Third Party Indemnity Provisions have been issued by the ultimate holding company to its directors, members of NWH Ltd's Executive Committee, individuals authorised by the PRA/FCA and certain directors and/or officers of NatWest Group's subsidiaries and trustees of NatWest Group's pension scheme.

The ultimate holding company also maintains Directors' and Officers' Liability Insurance to provide appropriate protection to directors and/or officers from liabilities that may arise against them in connection with their role.

Going concern

NWH Group's business activities and financial position, the factors likely to affect its future development and performance and its objectives and policies in managing the financial risks to which it is exposed, and its capital are discussed in the Business review. NWH Group's regulatory capital resources and significant developments in 2024, and anticipated future developments are detailed in the Capital, liquidity and funding section on pages 56 to 65. This section also describes NWH Group's funding and liquidity profile, including changes in key metrics and the build up of liquidity reserves.

The directors have prepared the financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved.

Political donations

During 2024, no political donations were made in the UK or EU, nor any political expenditure incurred in the UK or EU.

Directors' disclosure to auditors

Each of the directors at the date of approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which NWH Ltd's auditors are unaware; and

(b) the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that NWH Ltd's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

Auditors

Ernst & Young LLP (EY LLP) are NWH Ltd's auditors and have indicated their willingness to continue in office.

By order of the Board

Jan Cargill
Chief Governance Officer and Company Secretary
13 February 2025
NatWest Holdings Limited
is registered in England No.10142224

Statement of directors' responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on pages 86 to 96.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required by the Companies Act 2006 to prepare company financial statements, for each financial year in accordance with UK adopted International Accounting Standards. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of NWH Group and NWH Ltd. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of NWH Group and to enable them to ensure that the Annual Report and Accounts complies with the Companies Act 2006. They are also responsible for safeguarding the assets of NWH Ltd and NWH Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of NWH Ltd and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Directors' report (incorporating the Financial review) includes a fair review of the development and performance of the business and the position of NWH Ltd and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Richard Haythornthwaite
Chair

John-Paul Thwaite
Chief Executive Officer

Katie Murray
Chief Financial Officer

13 February 2025

Board of directors

Chair
Richard Haythornthwaite

Executive directors
John-Paul Thwaite
Katie Murray

Non-executive directors
Francesca Barnes
Ian Cormack
Roisin Donnelly
Patrick Flynn
Geeta Gopalan
Yasmin Jetha
Stuart Lewis
Mark Rennison
Mark Seligman
Gillian Whitehead
Lena Wilson

Financial statements

Independent auditors' report to the members of NatWest Holdings Limited

Opinion

In our opinion:

- the financial statements of NatWest Holdings Limited (the 'Parent Company') and its subsidiaries (together, the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with UK adopted IAS as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Group and the Parent Company for the year ended 31 December 2024 which comprise:

Group	Parent Company
– Consolidated balance sheet as at 31 December 2024; – Consolidated income statement for the year then ended; – Consolidated statement of comprehensive income for the year then ended; – Consolidated statement of changes in equity for the year then ended; – Consolidated cash flow statement for the year then ended; – Accounting policies; – Related Notes 1 to 33 to the financial statements; and – Risk and capital management section of the Strategic report identified as 'audited'.	– Balance sheet as at 31 December 2024; – Statement of changes in equity for the year then ended; – Cash flow statement for the year then ended; and – Related Notes 1 to 11 to the financial statements including critical accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted IAS, IFRS as issued by the IASB, and as regards to the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and engaged with management early to ensure all key factors were considered in their assessment;
- We evaluated management's going concern assessment which included assessing their evaluation of long-term business and strategic plans, capital adequacy, liquidity, and funding positions. Management also assessed these positions considering internal stress tests which included consideration of principal and emerging risks. The Group's risk profile and risk management practices were considered including capital risk, liquidity and funding risk, credit risk, non-traded market risk, pension risk, compliance and conduct risk, financial crime risk, climate risk, operational risk, model risk, and reputational risk;
- With the involvement of specialists, we evaluated management's assessment by considering the Group's ability to continue in operation and meet its liabilities under different scenarios including the impact of the Group's strategic plans, and the current uncertain geopolitical and economic outlook;
- Considered the results of the Group's stress testing; and
- We reviewed the Group's going concern disclosures included in the annual report for conformity with the reporting standards.

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

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

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of two components and specified audit procedures for a further two components. – We performed central procedures for certain audit areas and balances as outlined in the Tailoring the scope section of our report.
Key audit matters	– Expected credit loss provisions – Pension valuation and net pension balance – IT access management – Recognition and impairment of investments in group undertakings in the Parent Company's accounts
Materiality	– Overall Group materiality of £298 million which represents 5% of the profit before tax of the Group of £5,909 million (2023 - £5,444 million) adjusted for non-recurring conduct and litigation costs. – Parent Company materiality of £298 million (2023 - £276 million), which is 0.7% (2023 - 0.7%) of equity of the Parent Company.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component audit teams, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

The scoping for the current year is as follows:

Component	Scope	Key locations
National Westminster Bank Plc (NWB)	Full	United Kingdom
The Royal Bank of Scotland plc (RBS plc)	Full	United Kingdom
NatWest Bank Europe GmbH (NWBE)	Specified procedures	Germany
Ulster Bank Ireland DAC (UBIDAC)	Specified procedures	Republic of Ireland

We determined that centralised audit procedures can be performed across the identified components in the following audit areas: financial control and reporting; modelled expected credit loss provisions; pensions, recognition and impairment of investment in subsidiaries, information technology; provisions for customer redress, litigation and other regulatory matters; and taxation.

We identified two components as individually relevant to the Group due to relevant events and conditions underlying the identified risks of material misstatement of the group financial statements being associated with the reporting components or a pervasive risk of material misstatement of the group financial statements or a significant risk or an area of higher assessed risk of material misstatement of the group financial statements being associated with the components.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the group significant financial statement account balance.

We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We selected two components of the group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Our scoping to address the risk of material misstatement for each key audit matter is included in the Key audit matters section of our report.

The table below illustrates the coverage obtained from the work performed by our audit teams. We considered total assets, total equity, and total income to verify we had appropriate overall coverage.

	Full scope (1)	Specific scope (2)	Specified procedures (3)
Total assets	86%	14%	0%
Total equity	78%	22%	0%
Total income	85%	12%	0%

(1) Full scope: audit procedures on all significant accounts.
(2) Specific scope: audit procedures on selected accounts.
(3) Specified procedures: audit procedures as designed by the Group audit team.

Involvement with component audit teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component audit teams operating under our instruction.

The Group audit engagement team interacted regularly with the component audit teams where appropriate throughout the course of the audit, which included holding planning meetings, maintaining regular communications on the status of the audits, reviewing key working papers and taking responsibility for the scope and direction of the audit process. The Group audit team continued to follow a programme of oversight that has been designed to ensure that the Senior Statutory Auditor, or another Group audit partner, has ongoing interactions with all in scope locations, including those outside the United Kingdom. The Group audit team interacted regularly with the component audit teams and maintained a continuous and open dialogue, as well as holding formal closing meetings quarterly, to ensure that the Group audit team were fully aware of their progress and results of their procedures. The Group audit team also reviewed key working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from credit risk, operational risk and reputational risk. These are explained in the Climate and nature risk section within the Risk and capital management section, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

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

The Group has explained in Accounting policies how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. The Group notes that many of the impacts 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 under the requirements of UK adopted IAS and IFRS as issued by the IASB. The Group has also explained within the Credit Risk section within the Risk and capital management section, their approach to quantifying the impact of climate transition policy within macroeconomic variables used in the calculation of expected credit losses.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating the Group's assessment of the impact of climate risk, their climate commitments and the significant judgements and estimates disclosed in Accounting policies, and whether these have been appropriately reflected in the asset values where these are impacted by future cash flows, and in the timing and nature of liabilities recognised following the requirements of UK adopted IAS and IFRS as issued by the IASB. As part of this evaluation, we performed our own risk assessment, supported by our climate change and economic specialists, to determine the risk of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also evaluated the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact within the key audit matter for expected credit loss provisions and Recognition and impairment of investments in group undertakings in the Parent Company's accounts. Details of our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

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

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td colspan="2">Expected credit loss (ECL) provisions</td></tr>
<tr><td>
At 31 December 2024 the Group reported total gross loans – amortised cost and fair value through other comprehensive income (FVOCI) of £374.5 billion (2023 - £362.1 billion) and £3.3 billion of expected credit losses (ECL) (2023 - £3.5 billion).

Management's judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used. These include the impacts of continuing uncertain geopolitical and economic outlook. Aspects with increased complexity and judgements in respect of the timing and measurement of ECL include:

– Staging – Completeness and accuracy of allocation of assets into stage 1, 2 and 3 using criteria in accordance with IFRS 9.
– Models and model assumptions – Appropriateness of accounting interpretations, modelling assumptions and data used to calculate the ECL, including Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). There is also complexity in assessing the adequacy of model performance in the current and forecasted economic environment.
– Economic scenarios - Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios truly reflect the current macro-economic environment and are incorporated in the ECL appropriately as at 31 December 2024.
– Post-model adjustments (PMAs) - Completeness and valuation of post-model adjustments which represent approximately 10% of total ECL (2023 - 13%), including adjustments required to address the limitation of models to adequately incorporate the risks of inflation, elevated interest rates, and other geopolitical and economic uncertainties, and the identification of vulnerable customers with higher risks of defaults than currently reflected; and
– Individual provisions - Measurement of individual provisions including the assessment of multiple scenarios and probability weights, the impact of the current uncertain geopolitical and economic outlook on exit or recovery strategies, collateral valuations, and time to collect.
</td><td>
Controls testing - We evaluated the design and operating effectiveness of controls over the ECL process, including those over management's judgements and estimates. These controls, among others, covered:
– the staging of assets per management's criteria, and their monitoring of stage effectiveness
– model governance including development, monitoring and independent validation
– input data accuracy and completeness
– credit monitoring
– the review and challenge of multiple economic scenarios approved
– the governance and management review of post-model adjustments; and
– the assessment and approval of individual provisions.

Overall assessment - We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable by performing peer benchmarking and sensitivity analysis, to assess the impact of changing selected key assumptions on the ECL provision, taking into consideration the current macroeconomic environment.

Staging - We evaluated the criteria used to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9. We recalculated the staging of the complete population of assets based on management's criteria and performed sensitivity analysis to assess the impact of different criteria on the ECL and the impact of selected collective staging downgrades to industries, geographic regions and high-risk populations that are exposed to recent economic, political or climate change stresses.

On the non-personal portfolio, we tested credit monitoring which drives the probability of default estimates used in the staging calculation, we recalculated the risk ratings for a sample of performing loans and focused our testing on high-risk industries, such as commercial real estate, telecommunications private markets, automotive, health, power utilities, retail and leisure.

Models and model assumptions - We selected a sample of models based on both quantitative and qualitative factors. We involved EY modelling specialists to test the assumptions, inputs, methodology and model build. This included a combination of assessing model design and formulae, alternative modelling techniques, recalculating the PD, LGD and EAD, and implementation of new models during the year. We also considered the results of the Group's internal model monitoring and validation results.

To evaluate data quality, we agreed a sample of key data points to source systems, including data used to run the models and historic loss data to monitor models. We also tested the ECL data reconciliations from the calculation engine through to the general ledger and disclosures.

Economic scenarios - We involved EY economic specialists to assist us in evaluating the base case and alternative economic scenarios, including evaluating probability weights. This assessment included the impacts of the current geopolitical and economic environment, as well as the impacts of climate change on the economic variables. We assessed whether forecasted macroeconomic variables such as GDP, unemployment rate, Consumer Price Index, UK Stock Price Index, Bank of England base rates and the House Price Index were appropriate. With the support of our credit modelling specialists, we evaluated the correlation and translation of the macroeconomic factors, including the impacts of alternative paths or weights to ECL.
</td></tr>
</table>

Risk	Our response to the risk
Expected credit loss (ECL) provisions continued	
	Post-Model Adjustments (PMAs) – We, along with our modelling and economic specialists, tested the appropriateness, adequacy and completeness of the PMAs held at year end in response to model and data limitations. This included challenging management's identification of retail customers vulnerable to price and rate increases, commercial sub-sectors susceptible to inflation and liquidity challenges, loss given default assumptions, and time to collect. We have also challenged the continued recognition of PMAs from previous years, by checking the latest default trends in specific cohorts. We also assessed the use of PMAs against the risk of double counting of either certain portfolios/customers or identified risks. **Individual provisions** - We recalculated and challenged the scenarios, assumptions, and cash flows for a sample of individual provisions including the alternative scenarios and probability weights assigned, involving EY valuation specialists where appropriate. The samples considered higher risk sectors, such as commercial real estate telecommunications , automotive, health, power utilities, retail and leisure. We considered the impact of the current geopolitical and economic outlook and climate change had on collateral valuations and time to collect as well as whether planned exit strategies remained viable.

How we scoped our audit to respond to the risk and involvement with component teams

We performed centralised procedures and full scope audit procedures over this risk, which covered 100% of the risk amount.

The majority of audit procedures were undertaken by the Group audit team for the components, with component audit teams supporting and reporting on the following audit procedures:
- Specific key data testing impacting the ECL calculation, and the credit risk disclosures;
- Procedures over the valuation of a sample of individual provisions for cases managed outside of central restructuring; and
- Procedures over the valuation of a sample of individual loans not identified as impaired.

The Group audit team's involvement with the component teams and procedures performed included:
- Risk assessment procedures and determining the type and extent of work to be undertaken at each of the components;
- Regular interactions throughout the course of the audit, including planning meetings, maintaining regular communications on the status, and meetings on results and conclusions; and
- Reviewing key working papers and taking responsibility for the scope and direction of the audit process.

Key observations communicated to the NatWest Holdings (NWH) Group Audit Committee[1]

We are satisfied that the ECL provisions were reasonable and recognised in accordance with IFRS 9. We highlighted the following matters to the NWH Group Audit Committee that contributed to our overall conclusion:
- Effectiveness of the overall control environment, including the compensating controls identified by management, where deficiencies were identified.
- Results of our testing of models, model assumptions, the key data elements used for ECL calculation, including the reasonableness of the macroeconomic variables, scenarios and weightings used.
- Accuracy of staging and the reasonableness of management's staging criteria, and our independent sensitivity analysis on the staging criteria to assess appropriateness.
- Reasonableness and adequacy of the post-model adjustments recorded to reflect risk in the portfolios.
- Individually assessed impairments, the overall reasonableness of the provisions, including assumptions applied.

Relevant references in the Annual Report and Accounts

Credit Risk section of the Risk and capital management section identified as 'audited'
Accounting policies
Note 12 to the financial statements

(1) The NWH Group Audit Committee covers the ring-fenced bank legal entities of NatWest Group plc, including NatWest Holdings Limited.

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td colspan="2">Pension valuation and net pension asset</td></tr>
<tr><td>The Group operates a number of defined benefit schemes which in aggregate are significant in the context of the overall balance sheet. At 31 December 2024, the Group reported a net pension asset of £1 million (2023 - £8 million) comprising £42 million of schemes in surplus and £41 million of schemes in deficit (2023 - £45 million and £37 million, respectively). The net pension asset is sensitive to changes in the key judgements and estimates, including the effects of the current uncertain geopolitical and economic outlook and associated market volatility, which include:

– **Assumptions -** Actuarial assumptions and inputs including discount rate, inflation, pension payments and longevity to determine the valuation of retirement benefit liabilities;
– **Valuations** - Pricing inputs and calibrations for illiquid or complex model-dependent valuations of certain investments held by the schemes;
– **Funding –** the pension schemes have adequate liquidity to cover for any shortfall in derivative asset prices as a result of current economic conditions; and
– **Augmentation cap -** Quantification of trustees' rights to unilaterally augment benefits (Augmentation cap) to determine the recognition of surplus.</td><td>**Controls testing -** We evaluated the design and operating effectiveness of controls over the defined benefit obligation process including the setting of actuarial assumptions, the data inputs used in the actuarial calculation and the measurement of the fair value of the schemes' assets.

Assumptions - We involved our actuarial specialists to evaluate the actuarial assumptions used to calculate the defined benefit obligation by comparing them to ranges independently developed from third party sources and market practice. We assessed the impact on pension liabilities due to changes in financial, demographic and longevity assumptions over the year, and whether these were supported by objective external evidence and rationales, including the effects of current uncertain geopolitical and economic outlook, including market volatility.

Valuations - We tested the fair value of scheme assets by independently calculating the fair value for a sample of the assets held. Our sample included cash, equity and debt instruments, derivative financial instruments, and illiquid assets. We involved our valuation specialists to assess the appropriateness of management's valuation methodology used in the valuation of the complex, illiquid and buy-in insurance assets including the judgements made in the determining significant assumptions used.

We independently re-priced illiquid and complex assets that had been valued using unobservable market inputs, using alternative pricing sources where available, to evaluate management's valuations.
Funding – We assessed whether the pension schemes have adequate funding to cover for any shortfall in derivative asset prices given the current economic conditions.

Augmentation cap and equalisation adjustments - We involved our actuarial specialists to assess the estimation of the Augmentation cap including the inputs used in the calculation. We also assessed the methodology and judgements made in calculating these estimates and the associated accounting treatment in accordance with IAS 19 and IFRIC 14.

Disclosure - We assessed the adequacy of the disclosures made in the financial statements, including the appropriateness of the assumptions, sensitivities and disclosures over investment strategy and risk management.</td></tr>
<tr><td colspan="2">How we scoped our audit to respond to the risk and involvement with component teams</td></tr>
<tr><td colspan="2">We performed full scope audit procedures over this risk, undertaken by the Group audit team, which covered 100% of the risk amount.</td></tr>
<tr><td colspan="2">Key observations communicated to the NWH Group Audit Committee</td></tr>
<tr><td colspan="2">We are satisfied that the valuation and disclosure of the net pension balance are reasonable and in accordance with IFRS. We highlighted the following matters to the NWH Group Audit Committee:

– Our benchmarking of key actuarial assumptions including the discount rate, inflation, longevity and pension payments concluded that assumptions were within a reasonable range.
– No material differences were identified from our testing including our independent valuation testing for a sample of pension assets.
– Management's accounting for the buy-in transactions during the year was appropriate.
– Management's estimate of the impact of the augmentation cap was reasonable and the methodology consistent with IAS 19 and IFRIC 14.</td></tr>
<tr><td colspan="2">Relevant references in the Annual Report and Accounts</td></tr>
<tr><td colspan="2">Accounting policies
Note 5 to the financial statements</td></tr>
</table>

Risk	Our response to the risk
IT access management	
The IT environment is complex and pervasive to the operations of the Group due to the large volume of transactions processed in numerous locations daily, with extensive reliance on automated controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. This risk is also impacted by the growing dependency on third parties, increasing use of cloud platforms, decommissioning of legacy systems, and migration to new systems. Such controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data. The Group has implemented user access management controls across IT applications, databases and operating systems. We have identified user access-related deficiencies in the past and similar thematic issues have been noted in the current year, and thus the risk of inappropriate access remains.	We evaluated the design and operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting. We tested user access by assessing the controls in place for in-scope applications, in particular testing the addition and periodic recertification of users' access. We continue to focus on key controls enforced by the Group's 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. There have been no significant changes in the suite of access management controls operated by the Group in the current year. 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 addressed 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 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. Where control deficiencies were identified, we tested remediation activities performed by management and/or compensating controls in place and assessed the impact, of any residual risk over financial statement reporting. We also performed a further aggregation analysis of access management deficiencies identified by EY, management, and Internal Audit 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.

How we scoped our audit to respond to the risk and involvement with component teams

All audit work performed to address this risk was undertaken by the Group audit team.

Key observations communicated to the NWH Group Audit Committee

Based on our testing procedures, including validating management's remediation activities, and testing of compensating controls, we are satisfied that reliance can be placed upon IT controls impacting material financial reporting systems. The following matters were reported to the NWH Group Audit Committee:

- Overall, in combination with compensating controls, we are satisfied that the Group's overall IT control environment appropriately supports the financial reporting process.
- While improvements have been made to further standardise IT access management processes and controls, there are still IT applications relevant to financial reporting which make use of bespoke tools and/or processes to perform access-related controls. Control deficiencies continued to be observed in these areas, which led to an increase in the overall number of reported IT control deficiencies requiring remediation by management.

Risk	Our response to the risk
Recognition and impairment of investments in group undertakings in the Parent Company's accounts.	
At 31 December 2024 the Parent Company reported investments in group undertakings of £42.4 billion (2023 - £39.1 billion). Management assessed investments in subsidiaries of the Parent Company, as at 31 December 2024, for indicators of impairment or that impairment charges recognised in prior periods should be reversed in accordance with IAS 36. Where indicators have been identified, management assess any asset impairment based upon value in use. As a result of the assessment management concluded that in the Parent Company's accounts the carrying amount investments in group undertakings is recoverable. These estimates are based on the five-year revenue and cost forecasts, and the output of a subsequent value in use computation, within which we identify the following key judgements / estimates: – Profitability estimates – Macroeconomic assumptions; – Capital forecasts; and – Modelling assumptions and inputs (including discount rate and long-term growth rate).	**Controls testing** - We evaluated the design and operating effectiveness of controls over the key judgemental inputs (macroeconomic assumptions including interest rates, business forecasts and capital). In addition, we have assessed the controls over the methodology, models and methods utilised in the Value in Use (VIU) calculation. **Assumption and model testing:** – Tested the mathematical accuracy of the models and calculations utilised in the VIU computation. – Challenged the reasonableness and achievability of management forecasts from a combination of historical performance, benchmarking with external data and evaluating underlying business strategies. – Engaged specialists to evaluate the appropriateness of significant assumptions (macroeconomic, modelling assumptions and inputs). – Assessed the sensitivity of the VIU to reasonable variations in significant assumptions, both individually and in aggregate. **Disclosure** - We challenged and verified the adequacy of the information disclosed in the Parent Company's annual accounts in accordance with applicable standards and regulations.

How we scoped our audit to respond to the risk and involvement with component teams

Procedures performed to respond to this risk were undertaken by the Group audit team, which covered 100% of the risk amount pertaining to the Parent Company.

Key observations communicated to the NWH Group Audit Committee

We are satisfied that the carrying value of investments in group undertakings in the Parent Company's accounts were reasonable and recognised in accordance with IFRS. We highlighted the following matters to the NWH Group Audit Committee that contributed to our overall conclusion:

- Effectiveness of the overall control environment, including management's identification of compensating controls where deficiencies were identified;
- Reasonableness of the methodologies, judgements and assumptions used by management to conclude upon the recognition of the related balances;
- Management's approach to estimating the recoverable amounts for the subsidiaries of the Group is reasonable. Given that the Group's investment in National Westminster Bank plc shows indicators of impairment we focused on performing reasonable stresses on the VIU assumptions and ensuring these are appropriately disclosed.

Relevant references in the Annual Report and Accounts

Accounting policies
Note 7 to the Parent Company financial statements

In the prior year, our auditor's report included a key audit matter in relation to provisions for customer redress, litigation and other regulatory matters. We did not consider this to be a key audit matter in the current year due to the resolution of several matters, reducing the assessed risk and audit effort. Further, we have refined one of the key audit matters in the current year, to now exclude the recognition of deferred tax assets due to the reduced sensitivity of the recognised asset to the underlying forecast, and impairment of goodwill due to the significant headroom associated.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £298 million (2023 - £276 million), which is 5% (2023 - 5%) of the profit before tax of the Group of £5,909 million (2023 - £5,444 million) adjusted for non-recurring conduct and litigation costs. We believe removing these non-recurring charges reflects the most useful measure for users of the financial statements and is consistent with the prior year. The 5% basis used for Group materiality is consistent with the wider industry and is the standard for regulated entities.

We determined materiality for the Parent Company to be £298 million (2023 - £276 million), which is 0.7% (2023 - 0.7%) of equity of the Parent Company. We believe this reflects the most useful measure for users of the financial statements as the Parent Company's primary purpose is to act as a holding company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit-based measure is not relevant.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023 - 75%) of our planning materiality, namely £224 million (2023 - £207 million). We have based the percentage of performance materiality on a number of considerations, including the number and amount of identified misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Audit work was undertaken at component teams for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £44 million to £198 million (2023 - £62 million to £181 million).

Reporting threshold

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

We agreed with the NWH Audit Committee that we would report to them all uncorrected audit differences in excess of £15 million (2023 - £14 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report and Accounts, including the Strategic report, Report of the directors, and Statement of directors' responsibilities, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Report of the directors.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA); and Companies Act 2006.
- We understood how the Group is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and banking regulatory bodies in relevant jurisdictions; reviewed minutes of the NWH Board and Risk Committees; and gained an understanding of the Group's governance framework.
- Conducted a review of correspondence with (and reports from) the banking regulators in relevant jurisdictions, including the PRA and the FCA.
- Carried out an assessment of matters reported on the Group's whistleblowing programmes where these related to the financial statements.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud. We also assessed the risks of fraud in our key audit matters. Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.
- We designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of internal and external legal counsel, executive management, internal audit and reading reports of reviews performed by external legal counsel. We also tested controls and performed procedures to respond to any financial statement impacts of non-compliance with laws and regulations. These procedures were performed by both the Group audit team and component audit teams with oversight from the Group audit team.
- Identified and tested journal entries including those posted with certain descriptions or unusual characteristics, backdated journals or posted by infrequent and unexpected users.
- The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, involving specialists where appropriate.

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

Other matters we are required to address

Following the recommendation from the NWH Group Audit Committee we were appointed by the Group at its annual general meeting on 25 April 2019 to audit the financial statements of the Group for the year ending 31 December 2019 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering periods from our appointment through 31 December 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the NWH Group Audit Committee.

Use of our report

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

Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
13 February 2025

Consolidated income statement

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Interest receivable		**20,608**	17,092
Interest payable		**(10,358)**	(7,028)
Net interest income	1	**10,250**	10,064
Fees and commissions receivable		**2,683**	2,578
Fees and commissions payable		**(581)**	(554)
Other operating income		**1,181**	1,177
Non-interest income	2	**3,283**	3,201
Total income		**13,533**	13,265
Staff costs		**(3,413)**	(3,324)
Premises and equipment		**(1,107)**	(1,055)
Other administrative expenses		**(1,716)**	(1,986)
Depreciation and amortisation		**(1,015)**	(894)
Operating expenses	3	**(7,251)**	(7,259)
Profit before impairment losses		**6,282**	6,006
Impairment losses	12	**(373)**	(562)
Operating profit before tax		**5,909**	5,444
Tax charge	7	**(1,457)**	(1,416)
Profit from continuing operations		**4,452**	4,028
Profit/(loss) from discontinued operations, net of tax		**81**	(112)
Profit for the year		**4,533**	3,916
Attributable to:			
Ordinary shareholders		**4,298**	3,709
Paid-in equity holders		**241**	208
Non-controlling interests		**(6)**	(1)
		4,533	3,916

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	2024 £m	2023 £m
Profit for the year	**4,533**	3,916
Items that do not qualify for reclassification		
Remeasurement of retirement benefit schemes	**(139)**	(149)
Tax	**38**	39
	(101)	(110)
Items that do qualify for reclassification		
FVOCI financial assets	**(24)**	55
Cash flow hedges (1)	**553**	841
Currency translation	**(36)**	(8)
Tax	**(150)**	(244)
	343	644
Other comprehensive income after tax	**242**	534
Total comprehensive income for the year	**4,775**	4,450
Attributable to:		
Ordinary shareholders	**4,539**	4,243
Paid-in equity holders	**241**	208
Non-controlling interests	**(5)**	(1)
	4,775	4,450

(1) Refer to footnotes 1 and 2 in 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	8	62,501	72,733
Derivatives	11	1,369	1,137
Loans to banks - amortised cost	8	3,923	4,423
Loans to customers - amortised cost	8	366,865	354,028
Amounts due from holding company and fellow subsidiaries	8	646	291
Securities subject to repurchase agreements		8,984	6,469
Other financial assets excluding securities subject to repurchase agreements		30,837	25,905
Other financial assets	13	39,821	32,374
Intangible assets	14	7,024	7,060
Other assets	15	6,859	8,179
Total assets		489,008	480,225
Liabilities			
Bank deposits	8	25,701	19,079
Customer deposits	8	396,360	391,454
Amounts due to holding company and fellow subsidiaries	8	20,975	20,608
Derivatives	11	830	1,254
Other financial liabilities	17	4,999	9,011
Subordinated liabilities	18	122	122
Notes in circulation		3,316	3,237
Other liabilities	19	4,011	4,436
Total liabilities		456,314	449,201
Owners' equity	20	32,669	30,989
Non-controlling interests		25	35
Total equity		32,694	31,024
Total liabilities and equity		489,008	480,225

The accounts were approved by the Board of directors on 13 February 2025 and signed on its behalf by:

Richard Haythornthwaite
Chair

John-Paul Thwaite
Chief Executive Officer

Katie Murray
Chief Financial Officer

NatWest Holdings Limited
Registration No. 10142224

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Called-up share capital - at 1 January and 31 December	20	**3,263**	3,263
Paid-in equity - at 1 January		**3,682**	3,682
Redeemed		**(556)**	-
Issued		**799**	-
At 31 December	20	**3,925**	3,682
Merger reserve - at 1 January		**(11,132)**	(11,056)
Amortisation		**(88)**	(76)
At 31 December		**(11,220)**	(11,132)
FVOCI reserve - at 1 January		**(41)**	(91)
Unrealised (losses)/gains		**(44)**	12
Realised losses		**20**	48
Tax		**6**	(10)
At 31 December		**(59)**	(41)
Cash flow hedging reserve - at 1 January		**(1,523)**	(2,130)
Amount recognised in equity (1)		**(533)**	76
Amount transferred from equity to earnings (2)		**1,086**	765
Tax		**(155)**	(234)
At 31 December		**(1,125)**	(1,523)
Foreign exchange reserve - at 1 January		**(162)**	(153)
Retranslation of net assets		**(97)**	(96)
Foreign currency gains on hedges of net assets		**52**	64
Tax		**(1)**	(1)
Recycled to profit or loss on disposal of businesses		**8**	**24**
At 31 December		**(200)**	(162)
Capital redemption reserve - at 1 January and 31 December		**24**	24
Retained earnings - at 1 January		**36,878**	35,692
Profit/(loss) attributable to ordinary shareholders and other equity owners			
- continuing		**4,458**	4,029
- discontinued		**81**	(112)
Paid-in equity dividends paid		**(241)**	(208)
Ordinary dividends paid		**(3,137)**	(2,482)
Redemption of paid-in equity			
- gross		**(3)**	-
Realised losses in period on FVOCI equity shares			
- gross		**-**	(5)
Remeasurement of the retirement benefit schemes			
- gross		**(139)**	(149)
- tax		**38**	40
Shares issued under employee share schemes			
- gross		**16**	-
- tax		**6**	-
Share-based payments			
- gross		**(5)**	10
- tax		**21**	(13)
Amortisation of merger reserve		**88**	76
At 31 December		**38,061**	36,878

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

	2024 £m	2023 £m
Owners' equity at 31 December	**32,669**	30,989
Non-controlling interests - at 1 January	**35**	10
Currency translation adjustments and other movements	**1**	-
Loss attributable to non-controlling interests	**(6)**	(1)
Dividends paid	**(5)**	(5)
Acquisition of subsidiary	**-**	31
At 31 December	**25**	35
Total equity at 31 December	**32,694**	31,024
Attributable to:		
Ordinary shareholders	**28,744**	27,307
Paid-in equity holders	**3,925**	3,682
Non-controlling interests	**25**	35
	32,694	31,024

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

(2) As referred to in Note 11, the amount transferred from equity to the income statement is mostly recorded within net interest income mainly within loans to banks and customers – amortised cost, balances at central banks and customer deposits.

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 - continuing operations		**5,909**	5,444
Operating profit/(loss) before tax - discontinued operations		**81**	(112)
Adjustments for:			
Non-cash and other items	26	**3,266**	2,923
Changes in operating assets and liabilities	26	**(6,893)**	(30,485)
Income taxes paid		**(1,487)**	(1,045)
Net cash flows from operating activities (1,2)		**876**	(23,275)
Cash flows from investing activities			
Sale and maturity of other financial assets		**34,959**	18,840
Purchase of other financial assets		**(42,561)**	(35,090)
Income received on other financial assets		**795**	427
Net movement in business interests and intangible assets	25	**(1,888)**	4,749
Sale of property, plant and equipment		**190**	128
Purchase of property, plant and equipment		**(457)**	(797)
Net cash flows from investing activities		**(8,962)**	(11,743)
Cash flows from financing activities			
Issue of paid-in equity		**799**	-
Redemption of paid in equity		**(559)**	-
Issue of subordinated liabilities		**1,146**	1,263
Redemption of subordinated liabilities		**(1,374)**	(1,359)
Interest paid on subordinated liabilities		**(234)**	(224)
Issue of MRELs		**3,377**	2,223
Maturity and redemption of MRELs		**(1,587)**	(1,112)
Interest paid on MRELs		**(423)**	(349)
Dividends paid		**(3,383)**	(2,695)
Net cash flows from financing activities		**(2,238)**	(2,253)
Effects of exchange rate changes on cash and cash equivalents		**(283)**	(478)
Net decrease in cash and cash equivalents		**(10,607)**	(37,749)
Cash and cash equivalents at 1 January		**76,024**	113,773
Cash and cash equivalents at 31 December	28	**65,417**	76,024

(1) Includes interest received of £20,481 million (2023 - £16,650 million) and interest paid of £10,250 million (2023 - £6,169 million).
(2) The total cash outflow for leases is £90 million (2023 - £115 million) including payment of principal amount of £74 million (2023 - £96 million) which are included in operating activities in the cash flow statement.

Accounting policies

1 Presentation of financial statements

NatWest Holdings Limited (NWH Ltd) is incorporated in the UK and registered in England and Wales. The financial statements are presented in the functional currency, pounds sterling.

The audited financial statements include these accounting policies, the accompanying notes to the financial statements on pages 109 to 155 and the audited sections of the Risk and capital management section on pages 9 to 76 which together from an integral part of the primary financial statements. The directors have prepared the financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved (refer to the Report of the directors) and in accordance with UK adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The critical and material accounting policies and related judgements are set out below.

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

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

We have applied the exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12 Income taxes in respect of Pillar 2 income taxes. Accordingly, we have not recognised or disclosed information about deferred tax assets and liabilities related to Pillar 2 income taxes.

Our consolidated financial statements incorporate the results of NWH Ltd and the entities it controls. Control arises when we have the power to direct the activities of an entity so as to affect the return from the entity. 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.

On the acquisition of a business from a NatWest Group company, the assets, liabilities and IFRS reserves, such as the cash flow hedging reserve, are recognised at their inherited values taken from the consolidated financial statements of NatWest Group plc and include the accounting history since initial recognition. The acquirer recognises, in merger reserve, any difference between the consideration paid and the net items recognised at inherited values.

We apply accounting for associates and joint arrangements to entities where we have significant influence, but not control, over the operating and financial policies. We assess significant influence by reference to a presumption of voting rights of more than 20%, but less than 50%, supplemented by a qualitative assessment of substantive rights which include representation at the Board of Directors, significant exchange of managerial personnel or technology amongst others.

Investments in associates and joint ventures are recorded upon initial recognition at cost, increased or decreased each period by the share of the subsequent levels of profit or loss, and other changes in equity are considered in line with their nature.

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.

Measurement of deferred tax and expected credit losses (ECL) are highly sensitive to reasonably possible changes in those anticipated conditions. In 2024, 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.

Our Climate transition plan includes an assessment of:
- changes in products, services and business operations to support customer transition towards net zero;
- financial impacts of supporting customer transition, including investment required. The linkage between our financial plan and our Climate transition plan will continue to be developed and refreshed annually as part of the financial planning cycle;
- the climate impact of policies, using the UK Climate Change Committee (UK CCC) Balanced Net Zero (BNZ) pathway scenario, aligned with the UK's Sixth Carbon Budget. In addition, we have used the credibility ratings for sectoral policies provided by the UK CCC 2023 Progress Report, published in July, to the Parliament to develop a BNZ adjusted pathway to reflect estimated time delays of these policies.

There remains considerable uncertainty regarding this policy response, including the effect of wider geo-political uncertainty on governmental ambitions regarding climate transition and the effect of decarbonisation on wider economic growth, technology development and customer behaviours.

Information used in other 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. Some physical and transition risks can manifest in the shorter term. The following items represent the most significant effects:

- The 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.

Effect of climate change in the estimation of ECL

We are monitoring the effect of the physical and transition consequences of climate change on our experience of loan loss. We use available information regarding the effect of climate transition policy largely driven by carbon prices as an adjustment to macroeconomic factors that are used as inputs to the models that generate PD and LGD outcomes, which are key inputs to the ECL calculation. The determination of whether specific loss drivers and climate events generate specific losses is ongoing and is necessary to determine how sensitive changes in ECL could be to climate inputs.

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.

2 Critical accounting policies

The judgements 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 of this document, including the ECL estimate in the Risk and capital management section.

Information used for significant estimate

Policy	Judgement	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 7
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 10
Loan impairment provisions	Definition of default against which to apply PD, LGD and EAD models. Selection of multiple economic scenarios. Criteria for a significant increase in credit risk. Identification of risks not captured by the models.	ECL estimates contain a number of measurement uncertainties (such as the weighting of multiple economic scenarios) and disclosures include sensitivities to show the impact on other reasonably possible scenarios.	Note 13

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

2.1. 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 eligible and available 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 and the expectation of long term economic growth beyond this period. The five-year forecast takes account of management's current expectations on competitiveness and profitability. The long term growth rate reflects external indicators which will include market expectations on climate risk. We do not consider any additional adjustments to this indicator.

2.2. 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 (refer to '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.

2.3. Loan impairment provisions: 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 are 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 are adjusted from 12 months to lifetime. This will lead to a higher impairment charge.

The measurement of ECL 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 on 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.

Judgement 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.

2 Critical accounting policies continued

- **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.

The typical time frames from initial impairment to write-off for our collectively assessed portfolios are:

- **Retail mortgages** - write-off usually occurs within five years, or earlier, when an account is closed, but can be longer where the customer engages constructively,
- **Credit cards** - the irrecoverable amount is typically written off after twelve arrears cycles or at four years post default any remaining amounts outstanding are written off,
- **Overdrafts and other unsecured loans** - write-off occurs within six years,
- **Commercial loans** - write-offs are determined in the light of individual circumstances; and Uncollateralised impaired business loans are generally written off within five years.

3. Material accounting policies

3.1. 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. Finance lease income is recognised at a constant periodic rate of return before tax on the net investment on the lease.

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value and is reported in other operating income. 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.

3.2. Discontinued operations, held for sale and disposal groups

The results of discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit/(loss) from discontinued operations, net of tax in the income statement. Comparatives are represented for the income statement, cash flow statement, statement of changes in equity and related notes.

An asset or disposal group (assets and liabilities) is classified as held for sale if we will recover its carrying amount principally through a sale transaction rather than through continuing use. These are measured at the lower of its carrying amount or fair value less cost to sell unless the existing measurement provisions of IFRS apply. These are presented as single amounts, comparatives are not represented.

3.3. 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 NatWest 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.

Variable compensation that is settled in cash or debt instruments is charged to the income statement on a straight-line basis over the period during which services are provided, taking account of forfeiture and clawback criteria. The value of employee services received in exchange for NatWest Group plc shares and share options is recognised as an expense over the vesting period, subject to deferral, clawback, cancelation and forfeiture criteria with a corresponding increase in equity.

The fair value of shares granted is the market price adjusted for the expected effect of dividends as employees are not entitled to dividends until shares are vested.

The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These consider the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors such as the dividend yield.

Defined contribution pension scheme

A scheme where we pay fixed contributions and; there is no legal or constructive obligation to pay further contributions or benefits. Contributions are recognised in the income statement as employee service costs accrue.

Defined benefit pension scheme

A scheme that defines the benefit an employee will receive on retirement and is dependent on one or more factors such as age, salary, and years of service. The net of the recognisable scheme assets and obligations is reported on the balance sheet in other assets or other liabilities. The defined benefit obligation is measured on an actuarial basis. The charge to the income statement for pension costs (mainly the service cost and the net interest on the net defined benefit asset or liability) is recognised in operating expenses.

Actuarial gains and losses (i.e. gains and/or losses on re-measuring the net defined benefit asset or liability due to changes in actuarial measurement assumptions) are recognised in other comprehensive income in full in the period in which they arise and not subject to recycling to the income statement.

3 Material accounting policies continued

The difference between scheme assets and scheme liabilities, the net defined benefit asset or liability, is recognised on the balance sheet if the criteria of the asset ceiling test are met. This requires the net defined benefit surplus to be limited to the present value of any economic benefits available to us in the form of refunds from the plan or reduced contributions to it.

We will recognise a liability where a minimum funding requirement exists for any of our defined benefit pension schemes. This reflects agreed minimum funding and the availability of a net surplus as determined as described above. When estimating the liability for minimum funding requirements we only include contributions that are substantively or contractually agreed and do not include contingent and discretionary features, including dividend-linked contributions or contributions subject to contingent events requiring future verification.

We recognise a net defined benefit asset when the net defined benefit surplus can generate a benefit in the form of a refund or reduction in future contributions to the plan. The net benefit pension asset is recognised at the present value of the benefits that will be available to us excluding interest and the effect of the asset ceiling (if any, excluding interest). Changes in the present value of the net benefit pension asset are recognised immediately in other comprehensive income.

In instances where Trustees have the ability to declare augmented benefits to participants, we do not recognise a defined benefit pension asset and record the surplus immediately in other comprehensive income.

3.4. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance acquired or developed by us, and are stated at cost less accumulated amortisation and impairment losses. Amortisation is a method to spread the cost of such assets over time in the income statement. This is charged to the income statement over the assets' estimated useful economic lives using methods that best reflect the pattern of economic benefits. The estimated useful economic lives are:

Computer software	3 to 10 years
Other acquired intangibles	3 to 5 years

Direct costs relating to the development of internal-use computer software are reported on the balance sheet after technical feasibility and economic viability have been established.

These direct costs include payroll, the costs of materials and services, and directly attributable overheads. Capitalisation of costs ceases when the software can operate as intended.

During and after development, accumulated costs are reviewed for impairment against the benefits that the software is expected to generate.

Costs incurred prior to the establishment of technical feasibility and economic viability are expensed to the income statement as incurred, as are all training costs and general overheads. The costs of licences to use computer software that are expected to generate economic benefits beyond three years are also reported on the balance sheet.

Goodwill on the acquisition of a subsidiary is the excess of the fair value of the consideration paid, the fair value of any existing interest in the subsidiary and the amount of any non-controlling interest measured either at fair value or at its share of the subsidiary's net assets over the net fair value of the subsidiary's identifiable assets, liabilities, and contingent liabilities.

Goodwill is measured at initial cost less any subsequent impairment losses. The gain or loss on the disposal of a subsidiary includes the carrying value of any related goodwill when such transactions occur.

3.5. Impairment of non-financial assets

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

At each balance sheet date, we assess whether there is any indication that other intangible assets or property, plant and equipment are impaired. If any such indication exists, we estimate the recoverable amount of the asset and compare it to its balance sheet value to calculate if an impairment loss should be recognised in the income statement. A reversal of an impairment loss on other intangible assets or property, plant and equipment is recognised in the income statement provided the increased carrying value is not greater than it would have been had no impairment loss been recognised.

The recoverable amount of an asset that does not generate cash flows that are independent from those of other assets or groups of assets, is determined as part of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to our cash-generating units or groups of cash-generating units expected to benefit from the combination. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell or its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been considered in estimating future cash flows.

The assessment of asset impairment is based upon value in use. This represents the value of future cashflows and uses our five-year revenue and cost forecasts and the expectation of long term economic growth beyond this period. The five-year forecast takes account of management's current expectations on competitiveness and profitability, including near term effects of climate transition risk. The long term growth rate reflects external indicators which will include market expectations on climate risk. We do not consider any additional adjustments to this indicator.

3.6. Property, plant and equipment & investment property

Items of property, plant and equipment except investment property are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, these are accounted for separately.

Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Freehold land is not depreciated.

The estimated useful lives of our property, plant and equipment are:

Freehold buildings	50 years
Long leasehold property (leases with more than 50 years to run)	50 years
Short leaseholds	unexpired period of lease
Property adaptation costs	10 to 15 years
Computer equipment	up to 5 years
Other equipment	4 to 15 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. Investment property is not depreciated but is stated at fair value.

3 Material accounting policies continued

Fair value is based on current prices for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is recognised on a straight-line basis over the term of the lease in Other operating income. Lease incentives granted are recognised as an integral part of the total rental income.

3.7. 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 and hedges of net investments in foreign operations.

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.

Income and expenses of foreign subsidiaries and branches are translated into sterling 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.

3.8. 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 judgemental 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 judgements 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.

3.9. 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.

3.10. 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.

3 Material accounting policies continued

3.11. Capital instruments

We classify a financial instrument that we issue as a financial 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.

3.12. Derivatives and hedging

Derivatives are reported on the balance sheet at fair value. We use derivatives 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 the derivatives reported in the income statement).

Gains and losses arising from changes in the fair value of derivatives that are not in hedge relationships and derivatives that are managed together with financial instruments designated at fair value 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.

We enter into three types of hedge accounting relationships.

Fair value hedge - the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk is recognised in the income statement. Where the hedged item is measured at amortised cost, the balance sheet amount of the hedged item is also adjusted.

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.

Hedge of net investment in a foreign operation - in the hedge of a net investment in a foreign operation, the effective portion of the designated hedge relationship is recognised in other comprehensive income. Any ineffective portion is recognised in profit or loss. Non-derivative financial liabilities as well as derivatives may be designated as a hedging instrument in a net investment hedge.

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 fair value hedging any cumulative adjustment is amortised to the income statement over the life of the hedged item. Where the hedged item is no longer on the balance sheet the adjustment to the hedged item is reported in the income statement.

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.

For net investment hedging on disposal or partial disposal of a foreign operation, the amount accumulated in equity is reclassified from equity to the income statement.

3.13. 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 either by starting to implement the plan or by announcing its main features.

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 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
Continuing operations		
Balances at central banks and loans to banks - amortised cost	**2,523**	2,077
Loans to customers - amortised cost	**16,413**	14,055
Other financial assets	**1,672**	960
Interest receivable	**20,608**	17,092
Bank deposits	**1,261**	853
Customer deposits	**7,183**	4,224
Amounts due to holding company and fellow subsidiaries	**1,367**	1,355
Other financial liabilities	**536**	580
Subordinated liabilities	**11**	16
Interest payable	**10,358**	7,028
Net interest income	**10,250**	10,064

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. Included in interest receivable is finance lease income of £545 million (2023 - £480 million) which is recognised at a constant periodic rate of return before tax on the net investment.

For accounting policy information refer to Accounting policy 3.1.

2 Non-interest income

	2024 £m	2023 £m
Continuing operations		
Net fees and commissions (1)	**2,102**	2,024
Other operating income		
Gain on redemption of own debt	**2**	1
Rental income on operating leases and investment property	**232**	237
Changes in fair value of other financial assets fair value through profit or loss (2)	**65**	43
Hedge ineffectiveness	**(2)**	34
Profit/(loss) on disposal of amortised cost assets and liabilities	**4**	(6)
Loss on disposal of fair value through other comprehensive income assets	**(18)**	(43)
Profit/(loss) on sale of property, plant and equipment	**31**	(21)
Net income from economic hedging (3)	**181**	294
Service charges (4)	**702**	686
Other income	**(16)**	(48)
	1,181	1,177
Non-interest income	**3,283**	3,201

(1) Refer to Note 4 for further analysis.
(2) Includes instruments that have failed solely for payment of principal and interest testing under IFRS 9.
(3) Includes fair value changes on derivatives not designated in a hedge accounting relationship, and gains and losses from structural hedges.
(4) Income from recharging shared services to other NatWest Group subsidiaries outside NWH Group.

For accounting policy information refer to Accounting policies 3.1 and 3.7.

3 Operating expenses

	2024 £m	2023 £m
Continuing operations		
Wages, salaries and other staff costs	**2,678**	2,564
Temporary and contract costs	**127**	170
Social security costs	**314**	301
Pension costs	**294**	289
- defined benefit schemes (Note 5)	**100**	124
- defined contribution schemes	**194**	165
Staff costs	**3,413**	3,324
Premises and equipment	**1,107**	1,055
Depreciation and amortisation (1)	**1,015**	894
Other administrative expenses (2)	**1,716**	1,986
Administrative expenses	**3,838**	3,935
	7,251	7,259

(1) Include depreciation of right of use assets of £93 million (2023 - £93 million).
(2) Includes redress and other litigation costs. Further details are provided in Note 19.

For accounting policy information refer to Accounting policies 3.3, 3.4, 3.5 and 3.6.

The average number of persons employed, rounded to the nearest hundred, during the year, excluding temporary staff, was 56,900 (2023 – 58,100). The number of persons employed, rounded to the nearest hundred, at 31 December 2024, excluding temporary staff was as follows:

Continuing operations	2024	2023
Retail Banking	**13,000**	14,300
Private Banking	**2,200**	2,400
Commercial & Institutional	**9,000**	9,000
Central items & other	**31,600**	32,300
Total	**55,800**	58,000
UK	**36,900**	38,800
India	**17,600**	16,900
Poland	**800**	1,500
Republic of Ireland	**100**	400
Rest of the World	**400**	400
Total	**55,800**	58,000

Bonus awards

The following tables analyse NWH Group's bonus awards.

	2024 £m	2023 £m	Change %
March awards (1)	**57**	39	46%
Deferred cash awards	**229**	186	23%
Deferred share awards	**30**	27	11%
Total deferred bonus awards	**259**	213	22%
Total bonus awards (2)	**316**	252	25%

Reconciliation of bonus awards to income statement charge

	2024 £m	2023 £m
Bonus awarded	**316**	252
Less: deferral of charge for amounts awarded for current year	**(94)**	(75)
Income statement charge for amounts awarded in current year	**222**	177
Add: current year charge for amounts deferred from prior years	**71**	75
Less: forfeiture of amounts deferred from prior years	**(2)**	(3)
Income statement charge for amounts deferred from prior years	**69**	72
Income statement charge for bonus award (2)	**291**	249

(1) March cash awards are limited to £2,000 for all employees.
(2) Excludes other performance-related compensation.

4 Segmental analysis

Reportable operating segments

NWH Group is organised into the following reportable segments: Retail Banking, Private Banking, Commercial & Institutional and Central items & other.

Retail Banking serves personal customers in the UK and includes Ulster Bank customers in Northern Ireland.

Private Banking serves UK-connected, high net worth individuals and their business interests.

Commercial & Institutional consists of customer businesses reported under Business Banking, Commercial Mid-market and Corporate & Institutions, supporting our customers across the full non-personal customer lifecycle, both domestically and internationally.

Central items & other includes corporate functions such as treasury, finance, risk management, compliance, legal, communications and human resources. NWB Plc, NWH Ltd's largest subsidiary undertaking, is the main service provider of shared services and treasury activities for NatWest Group. The services are mainly provided to NWH Group, however, in certain instances where permitted, services are also provided to the wider NatWest Group including the non ring-fenced business. Ulster Bank RoI continuing operations also forms part of Central items & other.

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
Net interest income	**5,367**	**649**	**4,129**	**105**	**10,250**
Net fees and commissions	**409**	**290**	**1,401**	**2**	**2,102**
Other operating income	**31**	**34**	**359**	**757**	**1,181**
Total income	**5,807**	**973**	**5,889**	**864**	**13,533**
Depreciation and amortisation	**(1)**	**(1)**	**(117)**	**(896)**	**(1,015)**
Other operating expenses	**(2,845)**	**(698)**	**(2,669)**	**(24)**	**(6,236)**
Impairment losses	**(282)**	**11**	**(113)**	**11**	**(373)**
Operating profit/(loss)	**2,679**	**285**	**2,990**	**(45)**	**5,909**
2023					
Continuing operations					
Net interest income	5,586	710	3,860	(92)	10,064
Net fees and commissions	427	249	1,351	(3)	2,024
Other operating income	44	31	335	767	1,177
Total income	6,057	990	5,546	672	13,265
Depreciation and amortisation	-	-	(124)	(770)	(894)
Other operating expenses	(2,723)	(614)	(2,613)	(415)	(6,365)
Impairment (losses)/releases	(465)	(14)	(78)	(5)	(562)
Operating profit/(loss)	2,869	362	2,731	(518)	5,444

Total revenue (1)

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
External	**9,064**	**1,261**	**8,498**	**5,649**	**24,472**
Inter-segmental (2)	**56**	**1,557**	**(1,708)**	**95**	**-**
Total	**9,120**	**2,818**	**6,790**	**5,744**	**24,472**
2023					
Continuing operations					
External	7,403	1,161	7,798	4,485	20,847
Inter-segmental (2)	(185)	998	(1,851)	1,038	-
Total	7,218	2,159	5,947	5,523	20,847

For the notes to this table refer to page 113.

4 Segmental analysis continued

Total income

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
External	**4,855**	**11**	**5,510**	**3,157**	**13,533**
Inter-segmental (2)	**952**	**962**	**379**	**(2,293)**	**-**
Total	**5,807**	**973**	**5,889**	**864**	**13,533**

2023	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
External	4,486	329	5,676	2,774	13,265
Inter-segmental (2)	1,571	661	(130)	(2,102)	-
Total	6,057	990	5,546	672	13,265

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

Analysis of net fees and commissions

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
Fees and commissions receivable					
- Payment services	**322**	**37**	**667**	**-**	**1,026**
- Credit and debit card fees	**401**	**13**	**253**	**5**	**672**
- Lending and financing	**18**	**5**	**600**	**-**	**623**
- Brokerage	**35**	**9**	**-**	**-**	**44**
- Investment management, trustee and fiduciary services	**2**	**235**	**1**	**-**	**238**
- Underwriting fees	**-**	**-**	**-**	**-**	**-**
- Other	**7**	**11**	**58**	**4**	**80**
Total	**785**	**310**	**1,579**	**9**	**2,683**
Fees and commissions payable	**(376)**	**(20)**	**(178)**	**(7)**	**(581)**
Net fees and commissions	**409**	**290**	**1,401**	**2**	**2,102**

2023	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
Fees and commissions receivable					
- Payment services	324	32	650	3	1,009
- Credit and debit card fees	400	13	253	3	669
- Lending and financing	14	5	563	1	583
- Brokerage	35	6	-	-	41
- Investment management, trustee and fiduciary services	2	209	1	-	212
- Underwriting fees	-	-	1	-	1
- Other	4	5	48	6	63
Total	779	270	1,516	13	2,578
Fees and commissions payable	(352)	(21)	(165)	(16)	(554)
Net fees and commissions	427	249	1,351	(3)	2,024

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
Assets	**218,098**	**18,813**	**116,817**	**135,280**	**489,008**
Liabilities	**198,796**	**42,614**	**163,637**	**51,267**	**456,314**

2023	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Continuing operations					
Assets	214,929	19,210	113,060	133,026	480,225
Liabilities	191,982	37,823	159,870	59,526	449,201

4 Segmental analysis continued

Segmental analysis of goodwill

The total carrying value of goodwill at 31 December 2024 was £5,219 million (2023 - £5,220 million), comprising: Retail Banking £2,607 million (2023 - £2,607 million); Commercial & Institutional £2,604 million (2023 - £2,605 million); and Private Banking £9 million (2023 - £9 million). Refer to Note 14 for more details.

Geographical segments

The geographical analysis in the tables below has been compiled on the basis of location of office where the transactions are recorded.

2024	UK £m	RoW £m	Total £m
Continuing operations			
Total revenue (1)	23,885	587	24,472
Interest receivable	20,469	139	20,608
Interest payable	(10,279)	(79)	(10,358)
Net fees and commissions	2,097	5	2,102
Other operating income	745	436	1,181
Total income	13,032	501	13,533
Operating profit/(loss) before tax	6,228	(319)	5,909
Total assets	478,186	10,822	489,008
Total liabilities	453,436	2,878	456,314
Contingent liabilities and commitments (3)	113,482	1,472	114,954
Cost to acquire property, plant and equipment and intangible assets	1,023	127	1,150

2023	UK £m	RoW £m	Total £m
Continuing operations			
Total revenue (1)	20,008	839	20,847
Interest receivable	16,967	125	17,092
Interest payable	(6,915)	(113)	(7,028)
Net fees and commissions	2,028	(4)	2,024
Other operating income	473	704	1,177
Total income	12,553	712	13,265
Operating profit/(loss) before tax	5,757	(313)	5,444
Total assets	468,844	11,381	480,225
Total liabilities	446,401	2,800	449,201
Contingent liabilities and commitments (3)	105,191	817	106,008
Cost to acquire property, plant and equipment and intangible assets	1,543	93	1,636

(1) Total revenue comprises interest receivable, fees and commissions receivable and other operating income.
(2) Revenue and income from transactions between segments of the group are reported as inter-segment in both the current and comparative information.
(3) Refer to Note 24 Memorandum items – Contingent liabilities and commitments.

5 Pensions

Defined contribution schemes

NWH Group sponsors a number of defined contribution pension schemes in different territories, which new employees are offered the opportunity to join.

Defined benefit schemes

NWH Group sponsors a number of pension schemes in the UK and overseas, including the Main section of the NatWest Group Pension Fund (the Main section) which operates under UK trust law and is managed and administered on behalf of its members in accordance with the terms of the trust deed, the scheme rules and UK legislation.

Pension fund trustees are appointed to operate each fund and ensure benefits are paid in accordance with the scheme rules and national law. The trustees are the legal owner of the scheme's assets, and have a duty to act in the best interests of all scheme members.

The schemes generally provide a pension of one-sixtieth of final pensionable salary for each year of service prior to retirement up to a maximum of 40 years and are contributory for current members. These have been closed to new entrants for over ten years, although active members continue to build up additional pension benefits, currently subject to 2% maximum annual salary inflation, while they remain employed by NWH Group.

The Main section corporate trustee is NatWest Pension Trustee Limited (the Trustee), a wholly owned subsidiary of NWB Plc, Principal Employer of the Main section. The Board of the Trustee includes member trustee directors selected from eligible staff, deferred and pensioner members who apply and trustee directors appointed by NatWest Group. Under UK legislation, a defined benefit pension scheme is required to meet the statutory funding objective of having sufficient and appropriate assets to cover its liabilities (the pensions that have been promised to members).

Similar governance principles apply to NWH Group's other pension schemes.

For accounting policy information refer to Accounting policy 3.3.

Investment strategy

The assets of the Main section represent 94% of all plan assets at 31 December 2024 (2023 - 94%) and are invested as shown below. The profile of non-insured assets is typical of the non-insured assets held by other group schemes.

Within the non-insured portfolio the Main section employs physical, derivative and non-derivative instruments to achieve a desired asset class exposure and to reduce the section's interest rate, inflation, and currency risk. This means that the net funding position is considerably less sensitive to changes in market conditions than the value of the assets or liabilities in isolation. In particular, movements in interest rates and inflation are substantially hedged by the Trustee.

During 2024, the Trustee completed buy-in insurance transactions for the Main section of the Group Pension Fund. Each transaction saw an upfront premium paid to an insurer in exchange for a buy-in insurance contract. The contracts provide a stream of cashflows to the Trustee replicating payments due to members, thereby passing material demographic and market risk to the insurer.

At 31 December 2024, the Main section included buy-in insurance contracts covering around a third of the liabilities.

The premium for each transaction was determined by the insurer using its pricing basis. Under IAS 19, the value placed on this asset mirrors the valuation of the defined benefit obligations covered, incorporating an assessment of credit risk. Since the insurer's pricing basis is more conservative than the best-estimate valuation under IAS 19, a material asset loss arises at the outset. This forms a large part of the asset loss recognised through OCI, which also includes the impact of other movements in asset values over the year. However, the asset loss is offset by a corresponding movement in the asset ceiling, meaning the net balance sheet impact is neutral. Once the contract has been established, the value of the buy-in insurance contracts will move in line with movements in the defined benefit obligations covered, protecting the scheme against demographic and market risk.

	2024			2023		
Major classes of plan assets as a percentage of total plan assets of the Main section	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	0.1	6.6	6.7	0.1	6.7	6.8
Index-linked bonds	23.6	-	23.6	36.7	-	36.7
Government bonds	9.9	-	9.9	13.3	-	13.3
Corporate and other bonds	14.4	4.1	18.5	19.2	6.4	25.6
Real estate	-	2.4	2.4	-	4.5	4.5
Derivatives	-	0.1	0.1	-	2.7	2.7
Buy-in insurance contracts	-	27.0	27.0	-	-	-
Cash and other assets	-	11.8	11.8	-	10.4	10.4
	48.0	52.0	100.0	69.3	30.7	100.0

5 Pensions continued

The Main section's holdings of derivative instruments are summarised in the table below:

	2024			2023		
	Notional	Fair value		Notional	Fair value	
	amounts	Assets	Liabilities	amounts	Assets	Liabilities
	£bn	£m	£m	£bn	£m	£m
Inflation rate swaps	**24**	**1,548**	**812**	29	1,929	940
Interest rate swaps	**57**	**3,096**	**3,763**	52	3,121	3,394
Currency forwards	**8**	**60**	**130**	13	235	34
Equity and bond put options	**-**	**-**	**-**	-	-	4
Other	**1**	**22**	**4**	1	8	20

Swaps have been executed at prevailing market rates and within standard market bid/offer spreads with a number of counterparties, including NWB Plc.

At 31 December 2024, the gross notional value of the swaps was £81 billion (2023 - £81 billion) and had a net positive fair value of £73 million (2023 - £714 million) against which the scheme had posted 85% collateral.

The schemes do not invest directly in NWH Group but can have exposure to NWH Group through indirect holdings. The trustees of the respective UK schemes are responsible for ensuring that indirect investments in NWH Group do not exceed the regulatory limit of 5% of plan assets.

Changes in value of net pension asset/(liability)	Fair value of plan assets £m	Present value of defined benefit obligation (1) £m	Asset ceiling/ minimum funding (2) £m	Net pension asset/ (liability) £m
At 1 January 2023	36,144	(26,440)	(9,686)	18
Currency translation and other adjustments	(21)	17	4	-
Income statement - operating expenses	1,770	(1,413)	(481)	(124)
Recognised in other comprehensive income	(1,081)	(1,901)	2,833	(149)
Contributions by employer	260	3	-	263
Contributions by plan participants and other scheme members	13	(13)	-	-
Liabilities extinguished upon settlement	(50)	50	-	-
Benefits paid	(1,310)	1,310	-	-
At 1 January 2024	**35,725**	**(28,387)**	**(7,330)**	**8**
Currency translation and other adjustments	**(5)**	**8**	**(4)**	**(1)**
Income statement - operating expenses	**1,671**	**(1,420)**	**(351)**	**(100)**
Net interest expense	**1,671**	**(1,317)**	**(351)**	**3**
Current service cost	**-**	**(91)**	**-**	**(91)**
Past service cost	**-**	**(3)**	**-**	**(3)**
Loss on curtailments and settlements	**-**	**(9)**	**-**	**(9)**
Other comprehensive income	**(4,711)**	**2,181**	**2,391**	**(139)**
Return on plan assets excluding recognised interest income (3)	**(4,711)**	**-**	**-**	**(4,711)**
Experience gains and losses	**-**	**13**	**-**	**13**
Effect of changes in actuarial financial assumptions	**-**	**2,243**	**-**	**2,243**
Effect of changes in actuarial demographic assumptions	**-**	**(75)**	**-**	**(75)**
Asset ceiling/minimum funding adjustments (3)	**-**	**-**	**2,391**	**2,391**
Contributions by employer (4)	**233**	**-**	**-**	**233**
Contributions by plan participants and other scheme members	**12**	**(12)**	**-**	**-**
Benefits paid	**(1,397)**	**1,397**	**-**	**-**
Assets and liabilities extinguished upon settlement	**(42)**	**42**	**-**	**-**
At 31 December 2024 (5)	**31,486**	**(26,191)**	**(5,294)**	**1**

(1) Defined benefit obligations are subject to annual valuation by independent actuaries.
(2) NWH Group recognises the net pension scheme surplus or deficit as a net asset or liability. In doing so, the funded status is adjusted to reflect any schemes with a surplus that NWH Group may not be able to access, as well as any minimum funding requirement to pay in additional contributions. This is most relevant to the Main section, where the current surplus is not recognised as the trustees may have rights over the use of the surplus. Other NWH Group schemes that this applies to include the Ulster Bank Pension Scheme (NI).
(3) Buy-in transactions have had a significant, offsetting impact on the 'Return on plan assets excluding recognised income' and 'Asset ceiling adjustments' line items recognised in OCI.
(4) NWH Group expects to make contributions to the Main section of £39 million in 2025.
(5) During 2024, the Court of Appeal upheld the initial High Court ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others), calling into question the validity of rule amendments between 1997 and 2016. In 2023, a selection of amendments from the relevant period judged as material, were reviewed. While uncertainties remain, the review indicated the risk of a change in the defined benefit obligation (DBO) was remote, so no adjustment was made to the DBO value. This position is unchanged at year end.

5 Pensions continued

Amounts recognised on the balance sheet	2024 £m	2023 £m
Fund assets at fair value	**31,486**	35,725
Present value of fund liabilities	**(26,191)**	(28,387)
Funded status	**5,295**	7,338
Assets ceiling/minimum funding	**(5,294)**	(7,330)
Retirement benefit asset	**1**	8

Net pension asset comprises	2024 £m	2023 £m
Net assets of schemes in surplus (included in Other assets, Note 15)	**42**	45
Net liabilities of schemes in deficit (included in Other liabilities, Note 19)	**(41)**	(37)
	1	8

Funding and contributions by NWH Group

In the UK, the trustees of defined benefit pension schemes are required to perform funding valuations every three years. The trustees and the sponsor, with the support of the Scheme Actuary, agree the assumptions used to value the liabilities and to determine future contribution requirements. The funding assumptions incorporate a margin for prudence over and above the expected cost of providing the benefits promised to members, taking into account the sponsor's covenant and the investment strategy of the scheme. Similar arrangements apply in the other territories where NWH Group sponsors defined benefit pension schemes.

A full triennial funding valuation of the Main section, effective 31 December 2023, was completed during the 2024 financial year.

This triennial funding valuation determined the funding level to be 115%, pension liabilities to be £29 billion and the surplus to be £4 billion, all assessed on the agreed funding basis. The average cost of the future service of current members is 21.2% of salary before contributions from those members. Given the strong funding level, it was agreed that future service contributions would cease from 1 January 2025. The sponsor will continue to meet administrative expenses.

The key assumptions used to determine the uninsured funding liabilities were the discount rate, which is determined based on fixed interest swap and gilt yields plus 0.64% per annum, and mortality assumptions, which result in life expectancies of 27.1/29.1 years for male/female pensioners who were age 60 and 28.5/30.6 years from age 60 for males/females who were age 40 at the valuation date.

Accounting assumptions

Placing a value on NWH Group's defined benefit pension schemes' liabilities requires NWH Group's management to make a number of assumptions, with the support of independent actuaries. The ultimate cost of the defined benefit obligations depends upon actual future events and the assumptions made are unlikely to be exactly borne out in practice, meaning the final cost may be higher or lower than expected.

5 Pensions continued

The most significant assumptions used for the Main section are shown below:

	Principal IAS 19 actuarial assumptions (1)	
	2024	2023
	%	%
Discount rate	**5.6**	4.8
Inflation assumption (RPI)	**3.2**	3.1
Rate of increase in salaries	**1.8**	1.8
Rate of increase in deferred pensions	**3.4**	3.2
Rate of increase in pensions in payment	**2.6**	2.4
Lump sum conversion rate at retirement	**18.0**	18.0
Longevity at age 60:	**Years**	Years
Current pensioners		
Males	**26.5**	26.8
Females	**28.5**	28.6
Future pensioners, currently aged 40		
Males	**27.5**	27.7
Females	**29.7**	29.5

(1) The above financial assumptions are long-term assumptions set with reference to the period over which the obligations are expected to be settled.

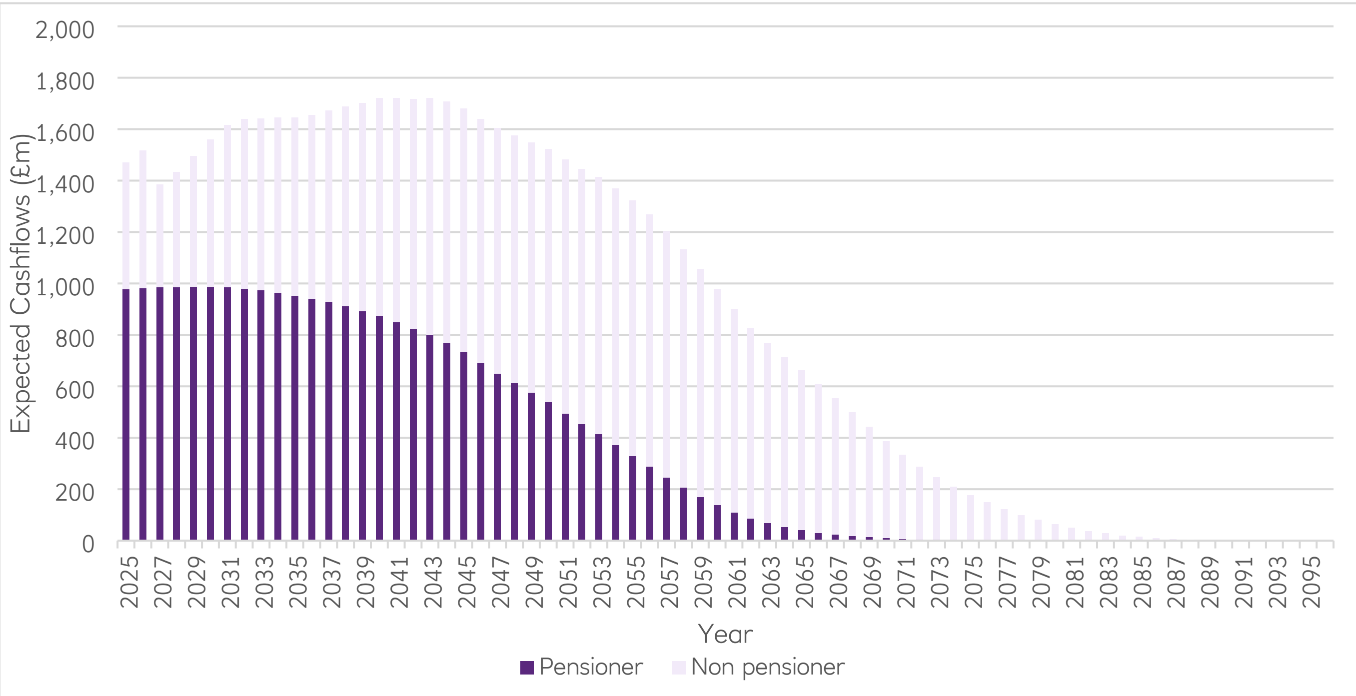
Discount rate

The IAS 19 valuation uses a single discount rate set by reference to the yield on a basket of 'high quality' sterling corporate bonds.

Significant judgement is required when setting the criteria for bonds to be included in the basket of bonds that is used to determine the discount rate used in the IAS 19 valuations. The criteria include issue size, quality of pricing and the exclusion of outliers. Judgement is also required in determining the shape of the yield curve at long durations: a constant credit spread relative to gilts is assumed. Sensitivity to the main assumptions is presented below.

The weighted average duration of the Main section's defined benefit obligation at 31 December 2024 is 13 years (2023 – 14 years).

The chart below shows the projected benefit payment pattern for the Main section in nominal terms. These cashflows are based on the most recent formal actuarial valuation, effective 31 December 2023.



5 Pensions continued

The table below shows how the net pension asset of the Main section would change if the key assumptions used were changed independently. In practice, the variables are somewhat correlated and do not move completely in isolation.

2024	(Decrease)/ increase in value of assets £m	(Decrease)/ increase in value of liabilities £m	Increase in net pension (obligations)/ assets £m
0.5% increase in interest rates/discount rate	**(1,554)**	**(1,529)**	**(25)**
0.25% increase in inflation	**648**	**571**	**77**
0.5% increase in credit spreads	**(4)**	**(1,529)**	**1,525**
Longevity increase of one year	**295**	**832**	**(537)**
0.25% additional rate of increase in pensions in payment	**205**	**605**	**(400)**
Increase in equity values of 10% (1)	**199**	**na**	**199**
2023			
0.5% increase in interest rates/discount rate	(2,292)	(1,746)	(546)
0.25% increase in inflation	811	578	233
0.5% increase in credit spreads	(12)	(1,746)	1,734
Longevity increase of one year	na	902	(902)
0.25% additional rate of increase in pensions in payment	na	706	(706)
Increase in equity values of 10% (1)	229	na	229

(1) Includes both quoted and private equity.

The table below shows the combined change in defined benefit obligation from larger movements in these assumptions, assuming no changes in other assumptions.

		Change in life expectancies				
2024		- 2 years £bn	- 1 year £bn	No change £bn	+ 1 year £bn	+ 2 years £bn
Change in credit spreads	+50 bps	**(3.1)**	**(2.3)**	**(1.5)**	**(0.7)**	**-**
	No change	**(1.7)**	**(0.9)**	**-**	**0.8**	**1.7**
	-50 bps	**(0.2)**	**0.7**	**1.7**	**2.5**	**3.4**
2023						
Change in credit spreads	+50 bps	(3.5)	(2.6)	(1.7)	(0.9)	(0.1)
	No change	(1.9)	(0.9)	-	0.9	1.8
	-50 bps	-	1.0	2.0	2.9	3.9

The defined benefit obligation of the Main section is attributable to the different classes of scheme members in the following proportions:

Membership category	2024 %	2023 %
Active members	**6.9**	7.5
Deferred members	**40.7**	41.9
Pensioners and dependants	**52.4**	50.6
	100.0	100.0

The experience history of NWH Group schemes is shown below:

Experience history of defined benefit schemes	2024 £m	2023 £m	2022 £m	2021 £m
Fair value of plan assets	**31,486**	35,725	36,144	55,241
Present value of plan obligations	**(26,191)**	(28,387)	(26,440)	(44,804)
Net surplus	**5,295**	7,338	9,704	10,437
Experience gains/(losses) on plan liabilities	**13**	(1,567)	(2,051)	240
Experience (losses)/gains on plan assets	**(4,711)**	(1,081)	(19,262)	832
Actual return on plan assets	**(3,040)**	689	(18,267)	1,588
Actual return on plan assets	**(8.5)%**	1.9%	(33.1%)	2.9%

6 Auditor's remuneration

Amounts payable to NWH Group's auditor for statutory audit and other services are set out below:

	2024 £m	2023 £m
Fees payable for:		
- the audit of NWH Group's annual accounts	**2.0**	2.0
- the audit of NWH Ltd's subsidiaries	**17.4**	18.0
- audit-related assurance services	**1.4**	1.6
Total audit and audit-related service fees	**20.8**	21.6
Corporate finance services	**0.1**	0.1

Fees payable to the auditor for non-audit services are disclosed in the consolidated financial statements of NatWest Group plc.

7 Tax

Continuing operations	2024 £m	2023 £m
Current tax		
Charge for the year	**(1,331)**	(1,403)
Under provision in respect of prior years	**(118)**	(57)
	(1,449)	(1,460)
Deferred tax		
Charge for the year	**(401)**	(305)
Net increase in the carrying value of deferred tax assets in respect of UK and Ireland losses	**378**	373
Over/(under) provision in respect of prior years	**15**	(24)
Tax charge for the year	**(1,457)**	(1,416)

Current tax for the year ended 31 December 2024 is based on rates of 25% for the standard rate of UK corporation tax and 3% for the UK banking surcharge.

The actual tax charge differs from the expected tax charge, computed by applying the standard rate of UK corporation tax of 25% (2023 – 23.5%), as follows:

Continuing operations	2024 £m	2023 £m
Expected tax charge	**(1,477)**	(1,279)
Losses and temporary differences in year where no deferred tax asset recognised	**(15)**	(55)
Foreign profits and losses taxed at other rates	**(31)**	(55)
Items not allowed for tax:		
- foreign exchange recycling on UBIDAC capital reduction	**-**	(7)
- losses on disposals and write-downs	**(4)**	(63)
- UK bank levy	**(24)**	(23)
- regulatory and legal actions	**(22)**	(1)
- other disallowable items	**(52)**	(44)
Non-taxable items	**3**	22
Taxable foreign exchange movements	**-**	(1)
Unrecognised losses brought forward and utilised	**15**	-
Increase/(decrease) in the carrying value of deferred tax assets in respect of:		
- UK losses (2)	**378**	374
- Ireland losses	**-**	(1)
Banking surcharge	**(172)**	(250)
Tax on paid-in equity dividends	**47**	48
Adjustment in respect of prior years (1,2)	**(103)**	(81)
Actual tax charge	**(1,457)**	(1,416)

(1) Prior year tax adjustments incorporate refinements to tax computations made on submission and agreement with the tax authorities and adjustments to provisions in respect of uncertain tax positions.
(2) Includes a net £61 million benefit from UK group relief and loss relief claims at higher tax rates (refer to the Deferred Tax section below for details of the recent changes in UK tax rates).

7 Tax continued

Judgement: Tax contingencies

NWH Group's corporate income tax charge and its provisions for corporate income taxes necessarily involve a significant degree of estimation and judgement. The tax treatment of some transactions is uncertain and tax computations are yet to be agreed with the relevant tax authorities. NWH Group recognises anticipated tax liabilities based on all available evidence and, where appropriate, in the light of external advice. Any difference between the final outcome and the amounts provided will affect current and deferred income tax assets and charges in the period when the matter is resolved.

For accounting policy information refer to Accounting policies 2.1 and 3.8.

Deferred tax

	2024 £m	2023 £m
Deferred tax liability	**(94)**	(105)
Deferred tax asset	**1,679**	1,821
Net deferred tax asset	**1,585**	1,716

Net deferred tax asset comprised:

	Pension £m	Accelerated capital allowances £m	Expense provisions £m	Financial instruments (1) £m	Tax losses carried forward £m	Other £m	Total £m
1 January 2023	61	184	59	705	903	38	1,950
Credit/(charge) to income statement:							
- continuing operations	2	(32)	(6)	4	61	15	44
- discontinued operations	-	-	-	-	-	-	-
Charge to other comprehensive income	(31)	-	-	(217)	-	(13)	(261)
Currency translation and other adjustments	-	(17)	-	-	-	-	(17)
31 December 2023	32	135	53	492	964	40	1,716
Credit/(charge) to income statement:							
- continuing operations	**4**	**26**	**18**	**(71)**	**59**	**(44)**	**(8)**
- discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(Charge)/credit to other comprehensive income	**(31)**	**-**	**-**	**(105)**	**-**	**13**	**(123)**
Currency translation and other adjustments	**1**	**-**	**-**	**-**	**-**	**(1)**	**-**
31 December 2024	**6**	**161**	**71**	**316**	**1,023**	**8**	**1,585**

(1) The in-year movement predominantly relates to cash flow hedges.

Deferred tax assets in respect of unused tax losses are recognised if the losses can be used to offset probable future taxable profits after taking into account the expected reversal of other temporary differences. Recognised deferred tax assets in respect of tax losses are analysed further below.

	2024 £m	2023 £m
UK tax losses carried forward		
- NWB Plc	**333**	362
- RBS plc	**685**	597
Overseas tax losses carried forward		
- UBIDAC	**5**	5
	1,023	964

7 Tax continued

Critical accounting policy: Deferred tax

The deferred tax asset of £1,679 million as at 31 December 2024 (2023 - £1,821 million) principally comprises losses which arose in the UK, 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 main UK corporation tax increased from 19% to 25%, and the UK banking surcharge decreased from 8% to 3%, from 1 April 2023.

Judgement - NWH Group has considered the carrying value of deferred tax assets and concluded that, based on management's estimates, sufficient sustainable taxable profits will be generated in future years to recover recognised deferred tax assets.

Estimate - These estimates are partly based on forecast performance beyond the horizon for management's detailed plans. They have regard to inherent uncertainties. The deferred tax asset in UBIDAC is supported by way of future reversing taxable temporary differences on which deferred tax liabilities are recognised at 31 December 2024.

UK tax losses

Under UK tax rules, tax losses can be carried forward indefinitely. As the recognised tax losses in the NWH Group arose prior to 1 April 2015, credit in future periods is given against 25% of profits at the main rate of UK corporation tax, excluding the Banking Surcharge rate introduced by The Finance (No. 2) Act 2015.

NWB Plc – A deferred tax asset of £333 million (2023 - £362 million) has been recognised in respect of losses of £1,333 million of total losses of £2,195 million carried forward at 31 December 2024. The losses arose principally as a result of significant impairment and conduct charges between 2009 and 2012 during challenging economic conditions in the UK banking sector. NWB Plc returned to tax profitability during 2015, and based on a seven year recovery period, expects the deferred tax asset to be utilised against future taxable profits by the end of 2031.

RBS plc – A deferred tax asset of £685 million (2023 - £597 million) has been recognised in respect of losses of £2,740 million of total losses of £2,948 million carried forward at 31 December 2024. The losses were transferred from NatWest Markets Plc as a consequence of the ring fencing regulations. Based on a 7 year recovery period, RBS plc expects the deferred tax asset to be utilised against future taxable profits by the end of 2031.

Overseas tax losses

UBIDAC – A deferred tax asset of £5 million (2023 - £5 million) has been recognised in respect of losses of £40 million and is now entirely supported by way of future reversing taxable temporary differences on which deferred tax liabilities are recognised at 31 December 2024.

Unrecognised deferred tax

Deferred tax assets of £1,504 million (2023 - £1,708 million) have not been recognised in respect of tax losses and other deductible temporary differences carried forward of £10,868 million (2023 - £11,871 million) in jurisdictions where doubt exists over the availability of future taxable profits. These losses and other deductible temporary differences carried forward have no expiry date.

Deferred tax liabilities of £117 million (2023 - £104 million) on aggregate underlying temporary differences of £676 million (2023 - £463 million) have not been recognised in respect of retained earnings of overseas subsidiaries and held-over gains on the incorporation of certain overseas branches. Retained earnings of overseas subsidiaries are expected to be reinvested indefinitely or remitted to the UK free from further taxation. No taxation is expected to arise in the foreseeable future in respect of held-over gains on which deferred tax is not recognised. UK tax legislation largely exempts from UK tax overseas dividends.

8 Financial instruments - classification

Judgement: classification of financial assets

Classification of financial assets between amortised cost and fair value through other comprehensive income requires a degree of judgement 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 judgement is made in assessing terms that could change the contractual cash flows so that it would not meet the condition for solely payments of principal and interest, including contingent and leverage features, non-recourse arrangements and features that could modify the time value of money.

We originate loans that include features that change the contractual cash flows based on the borrower meeting certain contractually specified environmental, social and governance (ESG) targets. These are known as ESG-linked (or sustainability-linked) loans. As part of the terms of these loans, the contractual interest rate is reduced or increased if the borrower meets (or fails to meet) specific targets linked to the activity of the borrower for example reducing carbon emissions, increase the level of diversity at Board level, or achieving a sustainable supply chain. ESG features are first assessed to ascertain whether the adjustment to the contractual cash flows results in a de minimis exposure to risks or volatility in those contractual cash flows. If this is the case the classification of the loan is not affected. If the effect of the ESG feature is assessed as being more than de minimis, we apply judgement to ensure that the ESG features do not generate compensation for risks that are not in line with a basic lending arrangement. This includes amongst other aspects a review of the consistency of the ESG targets with the asset or activity of the borrower, and consideration of the targets within our risk appetite. Some of these loans are an integral part of NatWest Group's climate and sustainable funding and financing target.

For accounting policy information refer to Accounting policies 3.9, 3.10 and 3.12.

The following tables analyse NWH Group's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

Assets	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Cash and balances at central banks			**62,501**		**62,501**
Derivatives (1)	**1,369**				**1,369**
Loans to banks - amortised cost (2)			**3,923**		**3,923**
Loans to customers - amortised cost (3)			**366,865**		**366,865**
Amounts due from holding company and fellow subsidiaries	**340**	**-**	**67**	**239**	**646**
Other financial assets	**783**	**29,337**	**9,701**		**39,821**
Intangible assets				**7,024**	**7,024**
Other assets (4)				**6,859**	**6,859**
31 December 2024	**2,492**	**29,337**	**443,057**	**14,122**	**489,008**
Cash and balances at central banks			72,733		72,733
Derivatives (1)	1,137				1,137
Loans to banks - amortised cost (2)			4,423		4,423
Loans to customers - amortised cost (3)			354,028		354,028
Amounts due from holding company and fellow subsidiaries	40	-	62	189	291
Other financial assets	882	23,496	7,996		32,374
Intangible assets				7,060	7,060
Other assets (4)				8,179	8,179
31 December 2023	2,059	23,496	439,242	15,428	480,225

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

8 Financial instruments – classification continued

Judgement: classification of financial assets

Liabilities	Held-for-trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Bank deposits (5)			**25,701**		**25,701**
Customer deposits			**396,360**		**396,360**
Amounts due to holding company and fellow subsidiaries	**27**	**-**	**20,882**	**66**	**20,975**
Derivatives (1)	**830**				**830**
Other financial liabilities	**202**	**250**	**4,547**		**4,999**
Subordinated liabilities			**122**		**122**
Notes in circulation			**3,316**		**3,316**
Other liabilities (6)			**610**	**3,401**	**4,011**
31 December 2024	**1,059**	**250**	**451,538**	**3,467**	**456,314**
Bank deposits (5)			19,079		19,079
Customer deposits			391,454		391,454
Amounts due to holding company and fellow subsidiaries	17	-	20,346	245	20,608
Derivatives (1)	1,254				1,254
Other financial liabilities	13	-	8,998		9,011
Subordinated liabilities			122		122
Notes in circulation			3,237		3,237
Other liabilities (6)			666	3,770	4,436
31 December 2023	1,284	-	443,902	4,015	449,201

(1) Includes net hedging derivative assets of £14 million (2023 - £48 million) and net hedging derivative liabilities of £409 million (2023 - £405 million).
(2) Includes items in the course of collection from other third party banks of £14 million (2023 - £159 million).
(3) Includes finance lease receivables of £8,939 million (2023 - £8,664 million).
(4) Includes assets of disposal groups held at FVTPL of nil (2023 - £841 million). The portfolio is classified as level 3 in the fair value hierarchy.
(5) Includes items in the course of transmission to other third party banks of £34 million (2023 - £11 million).
(6) Includes lease liabilities of £560 million (2023 - £596 million), held at amortised cost.

Additional information on finance lease receivables

The following table shows the reconciliation of undiscounted finance lease receivables to net investment in finance leases which are presented under Loans to customers - amortised cost on the balance sheet.

Amounts receivable under finance leases	2024 £m	2023 £m
Within 1 year	**3,490**	3,332
1 to 2 years	**2,491**	2,351
2 to 3 years	**1,604**	1,617
3 to 4 years	**834**	892
4 to 5 years	**457**	382
After 5 years	**1,005**	1,042
Total lease payments	**9,881**	9,616
Unguaranteed residual values	**150**	169
Future drawdowns	**(12)**	(12)
Unearned income	**(988)**	(1,017)
Present value of lease payments	**9,031**	8,756
Impairments	**(92)**	(92)
Net investment in finance leases	**8,939**	8,664

8 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 on 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	IFRS offset	Balance sheet	Effect of master netting and similar agreements	Cash collateral	Securities collateral	Net amount after effect of netting agreements and related collateral	Instruments outside netting agreements	Balance sheet total
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m
Derivative assets	**17,388**	**(16,019)**	**1,369**	**(452)**	**(217)**	**(676)**	**24**	**-**	**1,369**
Derivative liabilities	**19,114**	**(18,300)**	**814**	**(452)**	**(346)**	**-**	**16**	**16**	**830**
Net position (1)	**(1,726)**	**2,281**	**555**	**-**	**129**	**(676)**	**8**	**(16)**	**539**
Non-trading reverse repos	**40,846**	**(7,466)**	**33,380**	**-**	**-**	**(33,380)**	**-**	**-**	**33,380**
Non-trading repos	**18,037**	**(7,466)**	**10,571**	**-**	**-**	**(10,571)**	**-**	**-**	**10,571**
Net position	**22,809**	**-**	**22,809**	**-**	**-**	**(22,809)**	**-**	**-**	**22,809**
2023									
Derivatives assets	16,492	(15,355)	1,137	(755)	(13)	(324)	45	-	1,137
Derivative liabilities	19,861	(18,627)	1,234	(755)	(241)	-	238	20	1,254
Net position (1)	(3,369)	3,272	(97)	-	228	(324)	(193)	(20)	(117)
Non trading reverse repos	34,682	(8,570)	26,112	-	-	(26,112)	-	-	26,112
Non trading repos	21,628	(8,570)	13,058	-	-	(13,058)	-	-	13,058
Net position	13,054	-	13,054	-	-	(13,054)	-	-	13,054

(1) The net IFRS offset balance of £2,281 million (2023 - £3,272 million) relates to variation margin netting reflected on other balance sheet lines.

9 Financial instruments – valuation

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.

NatWest Holdings 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 (refer to '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 2.2, 3.9 and 3.12.

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 judgement 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.

Valuation techniques

NatWest Holdings 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.

9 Financial instruments – valuation continued

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

NatWest Holdings 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.

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 oversee pricing, reserving and valuations issues. These committees meet monthly to review and ratify any methodology changes. The Executive Valuation 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.

9 Financial instruments – valuation continued

Key areas of judgement

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 NatWest Holdings Group means some products remain classified as level 3. Level 3 indicates a significant level of pricing uncertainty, where expert judgement is used. As such, extra disclosures are required in respect of level 3 instruments.

In general, the degree of expert judgement used and hence valuation uncertainty depends on the degree of liquidity of an instrument or input.

Where markets are liquid, little judgement is required. However, when the information regarding the liquidity in a particular market is not clear, a judgement 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.

The table below shows the assets and liabilities held by NatWest Holdings Group split by fair value hierarchy level. Level 1 are considered the most liquid instruments, and level 3 the most illiquid, valued using expert judgement and hence carrying the most significant price uncertainty.

	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Derivatives								
Interest rate	-	1,021	8	1,029	-	1,028	6	1,034
Foreign exchange	-	340	-	340	-	103	-	103
Amounts due from holding company and fellow subsidiaries	-	340	-	340	-	40	-	40
Other financial assets								
Loans	-	323	473	796	-	335	546	881
Securities	18,012	11,309	3	29,324	14,159	9,334	4	23,497
Total financial assets held at fair value	18,012	13,333	484	31,829	14,159	10,840	556	25,555
As % of total fair value assets	57%	41%	2%		55%	43%	2%	
Liabilities								
Derivatives								
Interest rate	-	693	3	696	-	998	7	1,005
Foreign exchange	-	124	-	124	-	249	-	249
Other	-	10	-	10	-	-	-	-
Amounts due from holding company and fellow subsidiaries	-	27	-	27	-	17	-	17
Other financial liabilities								
Deposits	-	452	-	452	-	13	-	13
Total financial liabilities held at fair value	-	1,306	3	1,309	-	1,277	7	1,284
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.

9 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	126	122
Credit valuation adjustments	1	-
Bid-offer	26	15
Product and deal specific	1	-
Total	154	137

Bid-offer increased during the year, primarily driven by bid-offer reserve taken on credit risk and additional liquidity reserves.

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 NatWest Holdings 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 NatWest Holdings 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.

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.

Financial instrument	Valuation technique	Unobservable inputs	Units	2024 Low	2024 High	2023 Low	2023 High
Other financial assets							
Loans	Price-based	Price	%	88	100	88	100
Derivative assets and liabilities							
Interest rate & FX derivatives	Discount cash flow	Conditional prepayment risk	%	4	5	3	5

(1) NWH Group does not have any material liabilities measured at fair value that are issued with an inseparable third party credit enhancement.

9 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 and FVA 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.

As such, the fair value levelling of the derivative portfolios is not determined by the observability of CVA or FVA 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	**Favourable**	**Unfavourable**	Level 3	Favourable	Unfavourable
	£m	**£m**	**£m**	£m	£m	£m
Assets						
Derivatives						
Interest rate	**8**	**-**	**-**	6	-	-
Other financial assets						
Loans	**473**	**-**	**(10)**	546	-	(40)
Securities	**3**	**-**	**-**	4	-	-
Total	**484**	**-**	**(10)**	556	-	(40)
Liabilities						
Derivatives						
Interest rate	**3**	**-**	**-**	7	-	-
Total	**3**	**-**	**-**	7	-	-

9 Financial instruments – valuation continued

Movement in Level 3 assets and liabilities over the reporting period

The following table shows the movement in level 3 assets and liabilities in the year.

2024	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
At 1 January	6	-	550	556	7	-	-	7
Amounts recorded in the income statement (3)	9	-	12	21	(4)	-	-	(4)
Level 3 transfers in	-	-	56	56	-	-	-	-
Level 3 transfers out	-	-	(240)	(240)	-	-	-	-
Purchases/originations	-	-	108	108	-	-	-	-
Settlements/other decreases	(7)	-	-	(7)	-	-	-	-
Foreign exchange and other adjustments	-	-	(10)	(10)	-	-	-	-
At 31 December	8	-	476	484	3	-	-	3
Amounts recorded in the income statement in respect of balances held at period end - unrealised	4	-	12	16	(4)	-	-	(4)

2023	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
At 1 January	20	-	571	591	3	-	-	3
Amounts recorded in the income statement (3)	(8)	-	(2)	(10)	4	-	-	4
Level 3 transfers in	-	-	16	16	-	-	-	-
Level 3 transfers out	-	-	(190)	(190)	-	-	-	-
Purchases/originations	2	-	246	248	-	-	-	-
Settlements/other decreases	(8)	-	(80)	(88)	-	-	-	-
Foreign exchange and other adjustments	-	-	(11)	(11)	-	-	-	-
At 31 December	6	-	550	556	7	-	-	7
Amounts recorded in the income statement in respect of balances held at period end - unrealised	(10)	-	(3)	(13)	4	-	-	4

(1) Net gains on trading assets and liabilities of £13 million (2023 - £12 million net losses) were recorded in income from trading activities. Net gains on other instruments of £12 million (2023 - £2 million net losses) were recorded in other operating income and interest income as appropriate.
(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.

9 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.

2024	Carrying value £bn	Fair value £bn	Fair value hierarchy level Level 1 £bn	Level 2 £bn	Level 3 £bn	Items where fair value approximates carrying value £bn
Financial assets						
Cash and balances at central banks	**62.5**	**62.5**	**-**	**-**	**-**	**62.5**
Loans to banks	**3.9**	**3.9**	**-**	**1.4**	**0.5**	**2.0**
Loans to customers	**366.9**	**362.1**	**-**	**31.8**	**330.3**	**-**
Amounts due from holding company and fellow subsidiaries	**0.1**	**0.1**	**-**	**-**	**0.1**	**-**
Other financial assets						
Securities	**9.7**	**9.7**	**2.7**	**6.7**	**0.3**	**-**
2023						
Financial assets						
Cash and balances at central banks	72.7	72.7	-	-	-	72.7
Loans to banks	4.4	4.4	-	1.9	0.5	2.0
Loans to customers	354.0	345.8	-	25.9	319.9	-
Amounts due from holding company and fellow subsidiaries	0.1	0.1	-	-	0.1	-
Other financial assets						
Securities	8.0	8.0	1.9	5.7	0.4	-
2024						
Financial liabilities						
Bank deposits	**25.7**	**25.5**	**-**	**21.5**	**-**	**4.0**
Customer deposits	**396.4**	**396.6**	**-**	**24.2**	**31.3**	**341.1**
Amounts due to holding company and fellow subsidiaries	**20.9**	**21.2**	**-**	**20.9**	**-**	**0.3**
Other financial liabilities						
Debt securities in issue	**4.5**	**4.5**	**-**	**0.8**	**3.7**	**-**
Subordinated liabilities	**0.1**	**0.2**	**-**	**0.2**	**-**	**-**
Notes in circulation	**3.3**	**3.3**	**-**	**-**	**-**	**3.3**
2023						
Financial liabilities						
Bank deposits	19.1	19.2	-	14.9	0.4	3.9
Customer deposits	391.5	391.2	-	30.3	31.3	329.6
Amounts due to holding company and fellow subsidiaries	20.3	20.4	-	17.2	2.8	0.4
Other financial liabilities						
Debt securities in issue	9.0	9.0	-	2.1	6.9	-
Subordinated liabilities	0.1	0.2	-	0.2	-	-
Notes in circulation	3.2	3.2	-	-	-	3.2

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, notes in circulation 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, NWH Group's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Two principal methods are used to estimate fair value:

(a) 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.

(b) Expected cash flows (unadjusted for credit losses) are discounted at the current offer rate for the same or similar products. The current methodology caps all loan values at par rather than modelling clients' option to repay loans early. This approach is adopted for lending portfolios in Retail Banking, Commercial & Institutional (SME loans) and Private Banking in order to reflect the homogeneous nature of these portfolios.

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 cashflows at current offer rates.

Bank and customer deposits

Fair values of deposits are estimated using discounted cash flow valuation techniques. Where required, methodologies can be revised as additional information and valuation inputs become available

10 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	**62,501**	**-**	**62,501**	72,733	-	72,733
Derivatives	**447**	**922**	**1,369**	142	995	1,137
Loans to banks - amortised cost	**3,272**	**651**	**3,923**	4,159	264	4,423
Loans to customers - amortised cost	**82,562**	**284,303**	**366,865**	75,713	278,315	354,028
Amounts due from holding company and fellow subsidiaries (1)	**407**	**-**	**407**	102	-	102
Other financial assets	**10,859**	**28,962**	**39,821**	8,526	23,848	32,374
Liabilities						
Bank deposits	**17,434**	**8,267**	**25,701**	7,079	12,000	19,079
Customer deposits	**393,881**	**2,479**	**396,360**	384,996	6,458	391,454
Amounts due to holding company and fellow subsidiaries (2)	**5,111**	**15,798**	**20,909**	7,344	13,019	20,363
Derivatives	**87**	**743**	**830**	441	813	1,254
Other financial liabilities	**3,370**	**1,629**	**4,999**	8,148	863	9,011
Subordinated liabilities	**2**	**120**	**122**	2	120	122
Notes in circulation	**3,316**	**-**	**3,316**	3,237	-	3,237
Lease liabilities	**81**	**479**	**560**	89	507	596

(1) Amounts due from holding companies and fellow subsidiaries relating to non-financial instruments of £239 million (2023 - £189 million) have been excluded from the table.
(2) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of £66 million (2023 - £245 million) have been excluded from the table.

10 Financial instruments - maturity analysis continued

Liabilities by contractual cash flows up to 20 years

The tables below show the timing of cash outflows to settle financial liabilities, prepared on the following basis:

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 liability is included at the earliest possible date that the conditions could be fulfilled without considering the probability of the conditions being met. For example, if a structured note automatically prepays 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 issued by certain securitisation vehicles consolidated by the 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.

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.

The maturity of guarantees and commitments is based on the earliest possible date they would be drawn in order to evaluate NWH Group's liquidity position.

Held-for-trading liabilities amounting to £0.7 billion (2023 - £0.9 billion) have been excluded from the tables.

2024	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
Liabilities by contractual maturity up to 20 years						
Bank deposits	**13,783**	**4,198**	**8,686**	**-**	**79**	**-**
Customer deposits	**363,767**	**30,342**	**2,467**	**15**	**-**	**-**
Amounts due to holding company and fellow subsidiaries (1)	**2,337**	**3,301**	**5,814**	**8,617**	**4,577**	**-**
Derivatives held for hedging	**121**	**115**	**207**	**173**	**110**	**2**
Other financial liabilities	**1,651**	**1,594**	**84**	**798**	**202**	**670**
Subordinated liabilities	**-**	**10**	**21**	**21**	**56**	**104**
Other liabilities- notes in circulation	**3,316**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**21**	**59**	**163**	**82**	**150**	**94**
	384,996	**39,619**	**17,442**	**9,706**	**5,174**	**870**
Guarantees and commitments notional amount (2)						
Guarantees (3)	**2,097**	**-**	**-**	**-**	**-**	**-**
Commitments (4)	**109,999**	**-**	**-**	**-**	**-**	**-**
	112,096	**-**	**-**	**-**	**-**	**-**
2023						
Liabilities by contractual maturity up to 20 years						
Bank deposits	6,992	738	4,833	8,307	-	-
Customer deposits	357,958	27,285	6,442	10	13	-
Amounts due to holding company and fellow subsidiaries (1)	3,732	4,136	4,883	7,157	3,500	-
Derivatives held for hedging	118	198	297	139	82	10
Other financial liabilities	3,618	4,635	297	378	110	79
Subordinated liabilities	-	10	21	21	55	104
Other liabilities- notes in circulation	3,237	-	-	-	-	-
Lease liabilities	27	71	155	91	153	120
	375,682	37,073	16,928	16,103	3,913	313
Guarantees and commitments notional amount (2)						
Guarantees (3)	1,742	-	-	-	-	-
Commitments (4)	101,354	-	-	-	-	-
	103,096	-	-	-	-	-

(1) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.
(2) Refer to Note 24 Memorandum items – Contingent liabilities and commitments.
(3) NWH Group is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. NWH Group expects most guarantees it provides to expire unused.
(4) NWH 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. The NWH Group does not expect all facilities to be drawn, and some may lapse before drawdown.

11 Derivatives

NWH Group uses derivatives to manage its own risk such as interest rate, foreign exchange, or credit risk in certain customer transactions.

	2024			2023		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
	£bn	£m	£m	£bn	£m	£m
Exchange rate contracts	28.3	340	124	22.2	103	249
Interest rate contracts	606.3	1,029	696	629.2	1,034	1,005
Credit derivatives	0.4	-	10	-	-	-
Equity and commodity contracts	1.5	-	-	-	-	-
Total	636.5	1,369	830	651.4	1,137	1,254

Hedge accounting using derivatives

For accounting policy information refer to Accounting policies 3.9 and 3.12.

Refer to Note 31 for amounts due from/to fellow NatWest Group subsidiaries.

NWH 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.

NWH Group's interest rate hedging relates to the management of NWH Group's non-trading structural interest rate risk, caused by the mismatch between fixed interest rates and floating interest rates on its financial instruments. NWH 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 SOFR, EURIBOR, SONIA and the Bank of England Official Bank 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 NWH 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, EURIBOR, ESTR and SONIA. These risk components are identified using the risk management systems of NWH Group and encompass the majority of the hedged item's fair value risk.

NWH Group hedges the exchange rate risk of its net investment in foreign currency denominated operations with currency borrowings and forward foreign exchange contracts.

NWH 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 NWH 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, NWH 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.

NWH 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 purposes 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 (2)	52.9	762	1,037	567	41.9	795	1,448	(60)
Cash flow hedging								
Interest rate contracts	153.0	1,354	2,675	486	127.7	1,848	4,259	795
Exchange rate contracts	2.0	1	2	-	2.6	2	3	(3)
Net investment hedging								
Exchange rate contracts (3)	0.2	2	-	9	0.1	-	7	(2)
	208.1	2,119	3,714	1,062	172.3	2,645	5,717	730
IFRS netting and clearing house settlements		(2,105)	(3,305)			(2,597)	(5,312)	
		14	409			48	405	

(1) The change in fair value used for hedge ineffectiveness includes instruments that were derecognised in the year.
(2) The hedged risk includes inflation risk.
(3) In addition to the derivative hedging instruments above, £748 million notional (2023 - £1,078 million) of non-derivative hedging instruments with a carrying value of £748 million (2023 - £1,078 million) were used in net investment hedges. The non-derivative instruments are other financial liabilities, specifically debt securities in issue.

Hedge ineffectiveness

Hedge ineffectiveness recognised in other operating income comprised.

	2024 £m	2023 £m
Fair value hedging		
(Loss)/gain on hedged items attributable to the hedged risk	(566)	93
Gain/(loss) on the hedging instruments	567	(60)
Fair value hedging ineffectiveness	1	33
Cash flow hedging		
Interest rate risk	(3)	1
Cash flow hedging ineffectiveness	(3)	1
Total	(2)	34

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 the notional of hedging contract ends.

2024	0-3 months £bn	3-12 months £bn	1-3 years £bn	3-5 years £bn	5-10 years £bn	Over 10 years £bn	Total £bn
Fair value hedging							
Interest rate risk (1)							
Hedging assets	**4.0**	**4.9**	**9.4**	**8.5**	**5.7**	**2.9**	**35.4**
Hedging liabilities	**1.2**	**0.5**	**4.0**	**7.8**	**4.0**	**-**	**17.5**
2023							
Fair value hedging							
Interest rate risk (1)							
Hedging assets	0.1	1.6	5.7	7.4	4.8	4.0	23.6
Hedging liabilities	2.6	1.7	4.0	6.8	3.2	-	18.3

2024	0-3 months £bn	3-12 months £bn	1-3 years £bn	3-5 years £bn	5-10 years £bn	Over 10 years £bn	Total £bn
Cash flow hedging							
Interest rate risk							
Hedging assets	**10.2**	**6.7**	**18.1**	**28.2**	**8.6**	**-**	**71.8**
Hedging liabilities	**2.5**	**17.1**	**49.7**	**10.0**	**1.5**	**0.4**	**81.2**
Exchange rate risk							
Hedging assets	**0.6**	**0.7**	**0.5**	**-**	**-**	**-**	**1.8**
Hedging liabilities	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**
2023							
Cash flow hedging							
Interest rate risk							
Hedging assets	4.5	13.3	27.7	19.9	7.1	-	72.5
Hedging liabilities	1.4	3.9	39.0	9.9	0.4	0.6	55.2
Exchange rate risk							
Hedging assets	0.3	0.7	0.5	-	-	-	1.5
Hedging liabilities	0.8	0.2	0.1	-	-	-	1.1

(1) The hedged risk includes inflation risk.

Average fixed interest rates

Average fixed rate for cash flow hedges, interest rate risk.

2024	0-3 months %	3-12 months %	1-3 years %	3-5 years %	5-10 years %	Over 10 years %	Total %
Average fixed interest rate							
Hedging assets	**3.97**	**0.74**	**2.63**	**3.48**	**2.74**	**3.12**	**2.99**
Hedging liabilities	**4.34**	**4.76**	**3.96**	**3.08**	**3.64**	**4.18**	**4.03**
2023							
Average fixed interest rate							
Hedging assets	0.88	2.54	1.16	3.42	1.84	3.12	3.70
Hedging liabilities	1.67	2.54	4.37	2.26	2.36	4.50	5.66

Average foreign exchange rate

For cash flow hedging of exchange rate risk, the average foreign exchange rates applicable across the relationships were as below for the main currencies hedged.

	2024	2023
INR/GBP	**109.07**	105.03
JPY/GBP	**179.88**	173.32
CHF/GBP	**1.08**	1.08

11 Derivatives continued

Analysis of hedged items and related hedging instruments

The table below analyses assets and liabilities, including intercompany, subject to hedging derivatives.

2024	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
Fair value hedging - interest rate (2)			
Loans to banks and customers - amortised cost	**4,771**	**(468)**	**(169)**
Other financial assets - securities	**30,476**	**103**	**(257)**
Total (3)	**35,247**	**(365)**	**(426)**
Other financial liabilities - debt securities in issue (5)	**12,890**	**(496)**	**(77)**
Subordinated liabilities	**4,463**	**(96)**	**(63)**
Total	**17,353**	**(592)**	**(140)**
2023			
Fair value hedging - interest rate (2)			
Loans to banks and customers - amortised cost	5,038	(318)	146
Other financial assets - securities	18,451	265	509
Total (3)	23,489	(53)	655
Other financial liabilities - debt securities in issue (5)	13,542	(600)	(426)
Subordinated liabilities	4,237	(142)	(136)
Total	17,779	(742)	(562)
2024			
Cash flow hedging - interest rate			
Loans to banks and customer - amortised cost (4)	**70,669**		**(99)**
Other financial assets - securities	**1,112**		**(2)**
Total	**71,781**		**(101)**
Bank and customer deposits	**81,267**		**(388)**
Total	**81,267**		**(388)**
Cash flow hedging - exchange rate			
Loans to banks and customer - amortised cost (4)	**223**		**-**
Other financial assets - securities	**1,598**		**-**
Total	**1,821**		**-**
Other	**195**		**-**
Total	**195**		**-**
2023			
Cash flow hedging - interest rate			
Loans to banks and customer - amortised cost (4)	72,063		(2,400)
Other financial assets - securities	393		(14)
Total	72,456		(2,414)
Bank and customer deposits	55,280		1,620
Total	55,280		1,620
Cash flow hedging - exchange rate			
Loans to banks and customer - amortised cost (4)	583		-
Other financial assets - securities	1,839		-
Total	2,422		-
Other	201		3
Total	201		3

(1) The change in fair value used for hedge ineffectiveness includes instruments that were derecognised in the year.
(2) The hedged risk includes inflation risk.
(3) Carrying values include £95 million (2023 - £117 million) adjustment for discontinued fair value hedges.
(4) Includes cash and balances at central banks.
(5) The carrying value include £3,974 million (2023 - £2,528 million) of debt securities held at amortised cost.

11 Derivatives continued

Analysis of cash flow and foreign exchange hedge reserve

The following table shows an analysis of the pre-tax cash flow hedge reserve and foreign exchange hedge reserve.

	2024		2023	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
Continuing				
Interest rate risk	(1,135)	-	(1,807)	-
Foreign exchange risk	(1)	10	(1)	(8)
De-designated				
Interest rate risk	(423)	-	(307)	-
Foreign exchange risk	-	28	-	(5)
Total	(1,559)	38	(2,115)	(13)

	2024		2023	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
Amount recognised in equity				
Interest rate risk	(634)	-	35	-
Foreign exchange risk	101	52	41	64
Total	(533)	52	76	64
Amount transferred from equity to earnings				
Interest rate risk to net interest income	1,188	-	814	-
Interest rate risk to non interest income	-	-	(8)	-
Foreign exchange risk to net interest income	(107)	-	(43)	-
Foreign exchange risk to non interest income	-	-	-	37
Foreign exchange risk to operating expenses	5	-	2	-
Total	1,086	-	765	37

12 Loan impairment provisions

Loan exposure and impairment metrics

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	**328,885**	319,890
Stage 2	**39,821**	36,696
Stage 3	**5,737**	5,407
Inter-group (1)	**66**	64
Total	**374,509**	362,057
ECL provisions (2)		
Stage 1	**562**	669
Stage 2	**776**	956
Stage 3	**1,980**	1,896
Inter-group (1)	**-**	1
Total	**3,318**	3,522
ECL provision coverage (3)		
Stage 1 (%)	**0.17**	0.21
Stage 2 (%)	**1.95**	2.61
Stage 3 (%)	**34.51**	35.07
Inter-group (%) (1)	**-**	1.56
Total	**0.89**	0.97
Continuing operations		
Impairment (releases)/losses		
ECL (release)/charge (4)		
Third party	**374**	562
Inter-group	**(1)**	-
Total	**373**	562
Amounts written off	**649**	312

(1) NWH Group's intercompany assets were classified in Stage 1.
(2) Includes £4 million (2023 – £8 million) related to assets at FVOCI.
(3) ECL provisions coverage is calculated as total ECL provisions divided by third party loans – amortised cost and FVOCI.
(4) Includes a £10 million charge (2023 – £10 million charge) related to other financial assets, of which £4 million charge (2023 – £6 million charge) related to assets at FVOCI, and a £4m million release (2023 – £8 million release) related to contingent liabilities.
(5) The table above shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to 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 £61.4 billion and debt securities of £39.1 billion (2023 – £76.1 billion and £31.5 billion respectively).

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.

Critical accounting policy: Loan impairment provisions

Accounting policy 2.3 sets out how the expected loss approach is applied. At 31 December 2024, impairment provisions amounted to £3,318 million (2023 - £3,522 million). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan was advanced.

Such evidence includes, changes in the credit rating of a borrower, the failure to make payments in accordance with the loan agreement, significant reduction in the value of any security, breach of limits or covenants, and observable data about relevant macroeconomic measures.

The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

The measurement of credit impairment under the IFRS expected loss model depends on management's assessment of any potential deterioration in the creditworthiness of the borrower, its modelling of expected performance and the application of economic forecasts. All three elements require judgements that are potentially significant to the estimate of impairment losses. For further information and sensitivity analysis, refer to Risk and capital management – measurement uncertainty and ECL sensitivity analysis 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

2024	Debt securities: Central and local government UK £m	US £m	Other £m	Other debt £m	Total £m	Equity shares £m	Loans £m	Settlement balances £m	Total £m
Mandatory fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**2**	**781**	**-**	**783**
Fair value through other comprehensive income	**10,711**	**1,942**	**5,357**	**11,308**	**29,318**	**4**	**15**	**-**	**29,337**
Amortised cost	**2,587**	**-**	**68**	**7,004**	**9,659**	**-**	**-**	**42**	**9,701**
Total	**13,298**	**1,942**	**5,425**	**18,312**	**38,977**	**6**	**796**	**42**	**39,821**
2023									
Mandatory fair value through profit or loss	-	-	-	-	-	1	881	-	882
Fair value through other comprehensive income	5,949	3,045	5,165	9,333	23,492	4	-	-	23,496
Amortised cost	1,728	-	-	6,264	7,992	-	-	4	7,996
Total	7,677	3,045	5,165	15,597	31,484	5	881	4	32,374

For accounting policy information refer to Accounting policy 3.9.

14 Intangible assets

	2024 Goodwill £m	2024 Other (1) £m	2024 Total £m	2023 Goodwill £m	2023 Other (1) £m	2023 Total £m
Cost						
At 1 January	**9,677**	**4,330**	**14,007**	9,677	3,708	13,385
Currency translation and other adjustments	**-**	**(71)**	**(71)**	-	-	-
Additions	**-**	**588**	**588**	-	737	737
Disposals and write-off of fully amortised assets	**-**	**(213)**	**(213)**	-	(115)	(115)
At 31 December	**9,677**	**4,634**	**14,311**	9,677	4,330	14,007
Accumulated amortisation and impairment						
At 1 January	**4,457**	**2,490**	**6,947**	4,456	2,160	6,616
Currency translation and other adjustments	**-**	**(30)**	**(30)**	-	-	-
Disposals and write-off of fully amortised assets	**-**	**(201)**	**(201)**	-	(116)	(116)
Amortisation charge for the year	**-**	**550**	**550**	-	424	424
Impairment of intangible assets	**1**	**20**	**21**	1	22	23
At 31 December	**4,458**	**2,829**	**7,287**	4,457	2,490	6,947
Net book value at 31 December	**5,219**	**1,805**	**7,024**	5,220	1,840	7,060

(1) Principally consists of internally generated software.

Intangible assets and goodwill are reviewed for indicators of impairment. Intangible assets were impaired by £21 million in 2024 (2023 - £23 million).

NatWest Holdings Group's goodwill acquired in business combinations is reviewed for impairment annually at 31 December by cash-generating unit (CGU): Retail Banking £2,607 million (2023 - £2,607 million), Ring-fenced bank Commercial & Institutional £2,604 million (2023 - £2,605 million); Other £9 million (2023 - £9 million). Analysis by reportable segment is in Note 4 Segmental analysis.

Impairment testing involves the comparison of the carrying value of each CGU with its recoverable amount. The carrying values of the segments reflect the equity allocations made by management, which are consistent with the Group's capital targets.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Value in use is the present value of expected future cash flows from the CGU.

The recoverable amounts for all CGUs at 31 December 2024 were based on value in use, using management's latest five-year revenue and cost forecasts. These are discounted cash flow projections over five years. The forecast is then extrapolated in perpetuity using a long-term growth rate to compute a terminal value, which comprises the majority of the value in use. The long-term growth rates have been based on expected growth of the CGUs: 2024 and 2023 -1.4%. The pre-tax risk discount rates are based on those observed to be applied to businesses regarded as peers of the CGUs: 2024 and 2023 - 16%.

For accounting policy information refer to Accounting policies 3.4 and 3.5.

15 Other assets

	2024 £m	2023 £m
Property, plant and equipment (Note 16)	**3,643**	3,869
Pension schemes in net surplus (Note 5)	**42**	45
Tax recoverable	**7**	40
Deferred tax (Note 7)	**1,679**	1,821
Assets of disposal groups	**64**	902
Other assets	**1,424**	1,502
	6,859	8,179

16 Property, plant and equipment

2024	Investment properties £m	Property, plant and equipment £m	Operating leases £m	Total £m
Cost or valuation				
At 1 January	**971**	**6,680**	**1,074**	**8,725**
Transfers to disposal groups	**-**	**(216)**	**-**	**(216)**
Transfers from fellow subsidiaries	**-**	**3**	**-**	**3**
Currency translation and other adjustments (1)	**(90)**	**(73)**	**-**	**(163)**
Additions	**69**	**376**	**118**	**563**
Disposals and write-off of fully depreciated assets	**(12)**	**(210)**	**(257)**	**(479)**
At 31 December	**938**	**6,560**	**935**	**8,433**
Accumulated impairment, depreciation and amortisation				
At 1 January	**-**	**4,281**	**575**	**4,856**
Transfers to disposal groups	**-**	**(108)**	**-**	**(108)**
Currency translation and other adjustments (2)	**-**	**(31)**	**-**	**(31)**
Disposals and write-off of fully depreciated assets	**-**	**(185)**	**(189)**	**(374)**
Charge for the year	**-**	**269**	**105**	**374**
Impairment of property, plant and equipment	**-**	**73**	**-**	**73**
At 31 December	**-**	**4,299**	**491**	**4,790**
Net book value at 31 December	**938**	**2,261**	**444**	**3,643**

2023	Investment properties £m	Property, plant and equipment £m	Operating leases £m	Total £m
Cost or valuation				
At 1 January	941	7,742	1,130	9,813
Transfers to disposal groups	-	(559)	-	(559)
Transfers from fellow subsidiaries	-	-	-	-
Currency translation and other adjustments (1)	(51)	(15)	-	(66)
Additions	81	642	155	878
Disposals and write-off of fully depreciated assets	-	(1,130)	(211)	(1,341)
At 31 December	971	6,680	1,074	8,725
Accumulated impairment, depreciation and amortisation				
At 1 January	-	5,334	612	5,946
Transfers to disposal groups	-	(431)	-	(431)
Currency translation and other adjustments (2)	-	(6)	-	(6)
Disposals and write-off of fully depreciated assets	-	(948)	(152)	(1,100)
Charge for the year	-	257	115	372
Impairment of property, plant and equipment	-	75	-	75
At 31 December	-	4,281	575	4,856
Net book value at 31 December	971	2,399	499	3,869

(1) Currency translation and other adjustments includes fair value adjustment in investment properties of £5 million (2023 - £6 million).
(2) Other adjustments include the effect of the purchase of freeholds for properties where NWH Group was the primary leaseholder.

16 Property, plant and equipment continued

Investment property valuations principally employ present value techniques that discount expected cash flows. Expected cash flows reflect rental income, occupancy and residual market values; valuations are sensitive to changes in these factors. The investment property fair value measurements are categorised as level 3. A 5% change in the most sensitive assumption, residual values, is £33 million (2023 - £32 million) on the value of Investment property. Valuations were carried out by qualified surveyors working within the Royal Institution of Chartered Surveyors framework; property with a fair value of £250 million (2023 - £109 million) was valued by independent valuers for the purpose of year end valuations.

For accounting policy information refer to Accounting policies 3.5 and 3.6.

17 Other financial liabilities

	2024 £m	2023 £m
Debt securities in issue		
- covered bonds	**749**	2,122
- commercial paper and certificates of deposit	**2,623**	6,009
- securitisation	**1,175**	863
Customer deposits including repos	**284**	7
Bank deposits	**168**	6
Settlement balances	**-**	4
Total	**4,999**	9,011

For accounting policy information refer to Accounting policies 3.9 and 3.11.

18 Subordinated liabilities

	2024 £m	2023 £m
Undated loan capital	**3**	3
Preference shares (2)	**119**	119
	122	122

(1) The table above excludes amounts due to holding company and fellow subsidiaries of £4,542 million (2023 - £4,836 million), refer Note 6 to Parent company financial statements and notes for further details.
(2) The preference shares issued by NWB Plc are classified as liabilities; these securities remain subject to the capital maintenance rules of the Companies Act 2006.

Undated loan capital		First call date	Maturity date	Capital treatment	2024 £m	2023 £m
Other subsidiaries	Other notes	-	-	Tier 2	**3**	3
					3	3
Preference shares						
NatWest Bank Plc						
£140 million	Non-cumulative preference shares of £1	-	-	Not applicable	**119**	119
					119	119
					122	122

For accounting policy information refer to Accounting policies 3.9 and 3.11.

19 Other liabilities

	2024 £m	2023 £m
Lease liabilities	**560**	596
Provisions for liabilities and charges	**700**	791
Retirement benefit liabilities (Note 5)	**41**	37
Accruals	**1,126**	1,189
Deferred income	**313**	314
Current tax	**332**	438
Deferred tax (Note 7)	**94**	105
Acceptances	**385**	495
Other liabilities (1)	**460**	471
Total	**4,011**	4,436

(1) Other liabilities include liabilities of disposal groups of nil (2023 - £3 million).

Provisions for liabilities and charges	Redress and other litigation (2) £m	Property £m	Financial commitments and guarantees £m	Other (1) £m	Total £m
At 1 January 2024	**490**	**86**	**70**	**145**	**791**
Expected credit losses impairment release	**-**	**-**	**(20)**	**-**	**(20)**
Currency translation and other movements	**(1)**	**(1)**	**-**	**(2)**	**(4)**
Charge to income statement	**197**	**47**	**-**	**281**	**525**
Release to income statement	**(137)**	**(36)**	**-**	**(44)**	**(217)**
Provisions utilised	**(118)**	**(19)**	**-**	**(238)**	**(375)**
At 31 December 2024	**431**	**77**	**50**	**142**	**700**

(1) Other materially comprises provisions relating to restructuring costs and provision for Bank of England Levy.
(2) Release of £105 million relating to mortgage redress in Ireland following Court of Appeal ruling in September2024.

Provisions are liabilities of uncertain timing or amount and are recognised when there is a present obligation as a result of a past event, the outflow of economic benefit is probable and the outflow can be estimated reliably. Any difference between the final outcome and the amounts provided will affect the reported results in the period when the matter is resolved.

For accounting policy information refer to Accounting policy 3.13.

Background information on all material provisions is given in Note 24.

20 Share capital and reserves

			Number of shares	
	2024	2023	2024	2023
Allotted, called up and fully paid	£m	£m	000s	000s
Ordinary shares of £1	3,263	3,263	3,263,386	3,263,386

Ordinary shares

No ordinary shares were issued during 2024 or 2023.

In 2024, NWH Ltd paid ordinary dividends of £3.1 billion to NatWest Group plc (2023 – £2.5 billion).

Paid-in equity

Comprises equity instruments issued by NWH Ltd other than those legally constituted as shares.

Additional Tier 1 instruments issued by NWH Ltd having the legal form of debt are classified as equity under IFRS. The coupons on these Instruments are non-cumulative and payable at NWH Ltd's discretion.

Reserves

NWH Ltd optimises capital efficiency by maintaining reserves in subsidiaries, including regulated entities. Certain preference shares and paid-in equity instruments are also included within regulatory capital. The remittance of reserves to NatWest Group plc or the redemption of shares or subordinated capital by regulated entities may be subject to maintaining the capital resources required by the relevant regulator.

For accounting policy information refer to Accounting policy 3.11.

	2024	2023
	£m	£m
Additional Tier 1 instruments		
US$2,000 million 5.4697% instruments callable February 2024	1,186	1,185
US$2,650 million 5.6964% instruments callable February 2024	-	556
US$750 million 4.3517% instruments callable June 2031	541	541
GBP£400 million 3.9438% instruments callable March 2028	400	400
GBP£1,000 million 6.8543% instruments callable May 2027	1,000	1,000
US$1,000 million 8.125% instruments callable November 2033	798	-
	3,925	3,682

Capital recognised for regulatory purposes cannot be redeemed without Prudential Regulation Authority consent. This includes ordinary shares and additional Tier 1 instruments.

21 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.

Securitisations

In a securitisation, assets, or interests in a pool of assets, are transferred, or the credit risk is transferred via a derivative or financial guarantee to a SE which then issues liabilities to third party investors.

NWH Group's involvement in client securitisations takes a number of forms. It may provide secured finance to, or purchase asset-backed notes from, client sponsored SEs secured on assets transferred by the client entity; or purchase asset backed securities issued by client sponsored SEs in the primary or secondary markets. In addition, NWH Group undertakes own-asset securitisations to transfer the credit risk on portfolios of financial assets.

Other credit risk transfers securitisations

NWH Group transfers credit risk on originated loans and mortgages without the transfer of the assets to a SE. As part of this, NWH Group enters into credit derivative and financial guarantee contracts with consolidated SEs. At 31 December 2024, debt securities in issue by such SEs (and held by third parties) were £1,175 million (2023 - £863 million). The associated loans and mortgages at 31 December 2024 were £13,226 million (2023 - £2,687 million). At 31 December, ECL in relation to non-defaulted assets was reduced by £43 million (2023 - £11 million) as a result of financial guarantee contracts with consolidated SEs.

Covered bond programme

Certain loans to banks and customers have been assigned to bankruptcy remote limited liability partnerships to provide security for issues of debt securities by NWH Group.

NWH Group retains all of the risks and rewards of these loans. The partnerships are consolidated by NWH Group, the loans retained on NWH Group's balance sheet and the related covered bonds included within debt securities in issue of the NWH Group. At 31 December 2024, £8,323 million (2023 - £9,784 million) of loans to customers have been assigned to bankruptcy remote limited liability partnership to provide security for issue of debt securities by NWH Group of £749 million (2023 - £2,122 million).

Lending of own issued securities

NWH Group has issued, retained, and lent debt securities under securities lending arrangements. Under standard terms in the UK and US markets, the recipient has an unrestricted right to sell or re-pledge collateral, subject to returning equivalent securities on maturity of the transaction. NWH Group retains all of the risks and rewards of own issued liabilities lent under such arrangements and does not recognise them. At 31 December 2024 £1,750 million (31 December 2023 - £1,750 million) of secured own issued liabilities have been retained and lent under securities lending arrangements. At 31 December 2024 £1,751 million (31 December 2023 - £1,754 million) of loans provided security for secured own issued liabilities that have been retained and lent under securities lending arrangements.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to structured entities not controlled by NWH Group, and which are established either by NWH 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 NWH 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 NWH Group, provision of lending and loan commitments, financial guarantees and investment management agreements. NWH 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. NWH 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 NWH 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 NWH 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						
Loans to customers	445	474	919	215	365	580
Other financial assets	3,601	-	3,601	2,621	-	2,621
Total	4,046	474	4,520	2,836	365	3,201
Off balance sheet						
Liquidity facilities/loan commitments	145	83	228	115	84	199
Guarantees	-	11	11	-	11	11
Total	145	94	239	115	95	210
Maximum exposure	4,191	568	4,759	2,951	460	3,411

22 Asset transfers

Transfers that do not qualify for derecognition

The NWH Group enters into securities repurchase agreements and securities lending transactions under which it transfers securities in accordance with normal market practice. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level.

Under standard terms for repurchase transactions in the UK and US markets, the recipient of collateral has an unrestricted right to sell or re-pledge it, subject to returning equivalent securities on settlement of the transaction.

Securities sold under repurchase transactions are not derecognised if the NWH Group retains substantially all the risks and rewards of ownership. The fair value (and carrying value) of securities transferred under such repurchase transactions included on the balance sheet, are set out below. All of these securities could be sold or re-pledged by the holder.

The following assets have failed derecognition (1)	2024 £m	2023 £m
Loans to bank - amortised cost	**70**	10
Loans to customers - amortised cost	**45**	281
Other financial assets	**8,984**	6,469
Total	**9,099**	6,760

(1) Associated liabilities were £8,103 million (2023 - £6,437 million).

Assets pledged as collateral

The NWH Group pledges collateral with its counterparties in respect of derivative liabilities, bank and stock borrowings and other transactions.

Assets pledged against liabilities	2024 £m	2023 £m
Loans to banks - amortised cost	**-**	63
Loans to customers - amortised cost	**19,030**	21,611
Other financial assets (1)	**534**	1,250
Total	**19,564**	22,924

(1) Includes assets pledged for pension derivatives and £499 million of debt securities under the continuing control of NWB Plc. This follows the agreement between NWB Plc and the Group Pension Fund to establish a bankruptcy remote reservoir trust to hold these assets. Refer to Note 5 for additional information.

As part of the covered bond programme £8,323 million of loans to customers (2023 – £9,784 million) have been transferred to a bankruptcy remote limited liability partnership within the NWH Group to provide collateral for issues of debt securities by the NWH Group of £749 million (2023 – £2,122 million). Refer to Note 21.

23 Capital resources

Regulatory capital is assessed against minimum requirements that are set out under the UK Capital Requirements Regulation on a legal entity and consolidated basis. Transitional arrangements on the phasing in of end-point capital resources are set by the relevant regulatory authority.

The capital resources under the PRA transitional basis are set out below.

	2024 £m	2023 £m
Shareholders' equity (excluding non-controlling interests)		
Shareholders' equity	**32,669**	30,989
Other equity instruments	**(3,925)**	(3,682)
	28,744	27,307
Regulatory adjustments and deductions		
Defined benefit pension fund adjustment	**(36)**	(39)
Cash flow hedging reserve	**793**	1,192
Deferred tax assets	**(1,001)**	(924)
Prudential valuation adjustments	**(28)**	(60)
Goodwill and other intangible assets	**(6,980)**	(7,060)
Foreseeable dividends	**(1,938)**	(1,130)
Adjustment for trust assets (1)	**(365)**	(365)
Adjustment under IFRS 9 transition arrangements	**38**	207
Other adjustments for regulatory purposes	**-**	(65)
	(9,517)	(8,244)
CET1 capital	**19,227**	19,063
Additional Tier 1 (AT1) capital		
Qualifying instruments and related share premium	**3,925**	3,682
AT1 Capital	**3,925**	3,682
Tier 1 capital	**23,152**	22,745
Qualifying Tier 2 capital		
Qualifying instruments and related share premium	**4,504**	4,805
Other regulatory adjustments	**-**	121
Tier 2 Capital	**4,504**	4,926
Total regulatory capital	**27,656**	27,671

(1) Prudent deduction in respect of agreement with the pension fund to establish legal structure to remove dividend linked contribution. Refer to Notes 5 and 32 in the NatWest Group 2024 Annual Report and Accounts.

In the management of capital resources, NWH Ltd is governed by NatWest Group's policy to maintain a strong 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, NatWest Group has regard to the supervisory requirements of the PRA. The PRA uses capital ratios as a measure of capital adequacy in the UK banking sector, comparing a bank's capital resources with its risk-weighted assets (the assets and off-balance sheet exposures are weighted to reflect the inherent credit and other risks); by international agreement, the Pillar 1 capital ratios, excluding capital buffers should be not less than 8% with a common equity Tier 1 component of not less than 4.5%.

NWH Ltd has complied with the PRA's capital requirements throughout the year.

A number of subsidiaries and sub-groups within NWH Group, principally banking entities, are subject to various individual regulatory capital requirements in the UK and overseas. Furthermore, the payment of dividends by subsidiaries and the ability of members of NatWest Group to lend money to other members of NatWest Group may be subject to restrictions such as local regulatory or legal requirements, the availability of reserves and financial and operating performance.

24 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 NWH 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 NWH Group's expectation of future losses.

	2024 £m	2023 £m
Contingent liabilities and commitments		
Guarantees	**2,097**	1,732
Other contingent liabilities	**1,457**	1,578
Standby facilities, credit lines and other commitments	**111,400**	102,698
Total	**114,954**	106,008

(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. NWH Group's maximum exposure to credit loss, in the event of its obligation crystallising and all counterclaims, collateral or security proving valueless, is represented by the contractual nominal amount of these instruments included in the table above. These commitments and contingent obligations are subject to NWH Group's normal credit approval processes.

Guarantees - NWH Group gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that the Group will meet a customer's specified obligations to a third party if the customer fails to do so. The maximum amount that NWH Group could be required to pay under a guarantee is its principal amount as disclosed in the table above. The 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 NWH 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 NWH 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.

Capital Support Deed

NWH Group, together with certain other subsidiaries of NatWest Holdings Limited, is party to a Capital Support Deed (CSD). Under the terms of the CSD, NWH Group may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to NWH Group's capital resources in excess of the capital and financial resources needed to meet its regulatory requirements. NWH Group may also be obliged to make onward distribution to its ordinary shareholders of dividends or other capital distributions received from subsidiaries that are party to the CSD. The CSD also provides that, in certain circumstances, funding received by NWH Group from other parties to the CSD becomes immediately repayable, such repayment being limited to NWH Group's available resources.

Contractual obligations for future expenditure not provided for in the accounts

The following table shows contractual obligations for future expenditure not provided for in the accounts at the year end.

	2024 £m	2023 £m
Capital expenditure on other property, plant and equipment	**13**	36
Contracts to purchase goods or services (1)	**1,160**	1,117
	1,173	1,153

(1) Of which due within 1 year: £356 million (2023 - £376 million).

24 Memorandum items continued

Trustee and other fiduciary activities

In its capacity as trustee or other fiduciary role, the NWH Group may hold or place assets on behalf of individuals, trusts, companies, pension schemes and others. The assets and their income are not included in the NWH Group's financial statements. The NWH Group earned fee income of £236 million (2023 - £210 million) from these activities.

The Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort for customers of authorised financial services firms, pays compensation if a firm is unable to meet its obligations. The FSCS funds compensation for customers by raising management expenses levies and compensation levies on the industry. In relation to protected deposits, each deposit-taking institution contributes towards these levies in proportion to their share of total protected deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March), subject to annual maxima set by the Prudential Regulation Authority. In addition, the FSCS has the power to raise levies on a firm that has ceased to participate in the scheme and is in the process of ceasing to be authorised for the costs that it would have been liable to pay had the FSCS made a levy in the financial year it ceased to be a participant in the scheme.

Litigation and regulatory matters

NatWest Holdings Limited and its subsidiary and associated undertakings ('NWH 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 United Kingdom (UK), the United States (US), the European Union (EU) and other jurisdictions.

NWH 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.

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 NWH 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. NWH 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 NWH 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 NWH 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 NWH 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. NWH Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NWH Group will be necessary, in amounts that are expected to be substantial in some instances. Refer to Note 19 for information on material provisions.

Matters which are, or could be, material, either individually or in aggregate, having regard to NWH Group, considered as a whole, in which NWH 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.

Litigation

London Interbank Offered Rate (LIBOR) and other rates litigation

In August 2020, a complaint was filed in the United States District Court for the Northern District of California by several United States retail borrowers against the USD ICE LIBOR panel banks and their affiliates (including NatWest Group plc, NatWest Markets Plc, NatWest Markets Securities Inc. and NWB Plc), alleging (i) that the very process of setting USD ICE LIBOR amounts to illegal price-fixing; and (ii) that banks in the United States have illegally agreed to use LIBOR as a component of price in variable retail loans. In September 2022, the district court dismissed the complaint. In December 2024, the United States Court of Appeals for the Ninth Circuit affirmed the district court's decision.

Offshoring VAT assessments

HMRC, as part of an industry-wide review, issued protective tax assessments in 2018 against NatWest Group plc totalling £143 million relating to unpaid VAT in respect of the UK branches of two NatWest Group companies registered in India for the period from 1 January 2014 until 31 December 2017 inclusive. NatWest Group formally requested reconsideration by HMRC of their assessments, and this process was completed in November 2020. HMRC upheld their original decision and, as a result, NatWest Group plc lodged an appeal with the Tax Tribunal and an application for judicial review with the High Court of Justice of England and Wales, both in December 2020. In order to lodge the appeal with the Tax Tribunal, NatWest Group plc was required to pay amounts totalling £153 million (including statutory interest) to HMRC in December 2020 and May 2022. The appeal and the application for judicial review have both been stayed pending further discussion with HMRC in relation to a separate case involving another bank. The amount of £153 million continues to be recognised as an asset that NatWest Group plc expects to recover. Since 1 January 2018, NatWest Group plc has paid VAT on intra-group supplies from the India-registered NatWest Group companies.

Regulatory matters

NWH Group's financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, the US, the EU and elsewhere. NWH Group and/or NatWest Group have engaged, and will continue to engage, in discussions with relevant governmental and regulatory authorities, including in the UK, the US, the EU 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

24 Memorandum items continued

regimes. NWH Group expects government and regulatory intervention in financial services to be high for the foreseeable future, including increased scrutiny from competition and other regulators in the retail and SME business sectors. 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 NWH Group, remediation of systems and controls, public or private censure, restriction of NWH Group's business activities and/or fines. Any of the events or circumstances mentioned in this paragraph or below could have a material adverse effect on NWH 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.

NWH Group is co-operating fully with the matters described below.

Investment advice review
In October 2019, the FCA notified NatWest Group of its intention to appoint a Skilled Person under section 166 of the Financial Services and Markets Act 2000 to conduct a review of whether NatWest Group's past business review of investment advice provided during 2010 to 2015 was subject to appropriate governance and accountability and led to appropriate customer outcomes. The Skilled Person's review has concluded and, after discussion with the FCA, NatWest Group is undertaking additional review / remediation work.

Review and investigation of treatment of tracker mortgage customers in Ulster Bank Ireland DAC
In December 2015, correspondence was received from the Central Bank of Ireland setting out an industry examination framework in respect of the sale of tracker mortgages from approximately 2001 until the end of 2015. The redress and compensation process has now largely concluded, although a small number of cases remain outstanding relating to uncontactable customers.

UBIDAC customers have lodged tracker mortgage complaints with the Financial Services and Pensions Ombudsman (FSPO). UBIDAC challenged three FSPO adjudications in the Irish High Court. In June 2023, the High Court found in favour of the FSPO in all matters. UBIDAC appealed that decision to the Court of Appeal. In September 2024, the Court of Appeal allowed UBIDAC's appeal and set aside certain findings of the FSPO. The Court of Appeal directed one aspect of the FSPO decisions to be remitted to the FSPO for its consideration following an oral hearing, and UBIDAC is following up with the FSPO in that regard.

Other customer remediation in Ulster Bank Ireland DAC
UBIDAC identified other legacy issues leading to the establishment of remediation requirements and progress is ongoing to conclude activities.

25 Analysis of the net investment in business interests and intangible assets

	2024 £m	2023 £m
Additional investment in associates	-	(5)
Net assets and liabilities purchased	(2,296)	-
Net outflow of cash in respect of purchases	(2,296)	(5)
Disposal of net assets and liabilities	1,003	5,560
Loss on disposal of net assets and liabilities	(8)	(87)
Net inflow of cash in respect of disposals	995	5,473
Dividend received from associate	1	-
Net cash expenditure on intangible assets	(588)	(719)
Net (outflow)/inflow of cash	(1,888)	4,749

26 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 losses	**373**	556
Depreciation and amortisation	**1,015**	894
Change in fair value taken to profit or loss on other financial assets	**274**	(541)
Change in fair value taken to profit or loss on other financial liabilities and subordinated liabilities	**154**	530
Elimination of foreign exchange differences	**569**	120
Other non-cash items	**1,113**	861
Income receivable on other financial assets	**(1,339)**	(731)
Loss on sale of other financial assets	**20**	43
(Gain)/loss on sale of other assets and net assets and liabilities	**(23)**	125
Interest payable on MRELs and subordinated liabilities	**704**	633
Gain on redemption of own debt	**(2)**	(1)
Charges and releases on provisions	**308**	310
Defined benefit pension schemes	**100**	124
Non-cash and other items	**3,266**	2,923
Change in operating assets and liabilities		
Change in derivative assets	**(763)**	466
Change in loans to banks	**296**	490
Change in loans to customers	**(11,129)**	(14,643)
Change in amounts due from holding company and fellow subsidiaries	**(397)**	157
Change in other financial assets	**(80)**	7
Change in other assets	**46**	(272)
Change in assets of disposal groups	**106**	412
Change in bank deposits	**6,622**	2,034
Change in customer deposits	**4,906**	(20,626)
Change in amounts due to holding company and fellow subsidiaries	**(1,267)**	(821)
Change in derivative liabilities	**(424)**	(554)
Change in other financial liabilities	**(4,013)**	3,626
Change in notes in circulation	**79**	19
Change in other liabilities	**(875)**	(780)
Change in operating assets and liabilities	**(6,893)**	(30,485)

27 Analysis of changes in financing during the year

	Called-up share capital and paid-in equity		Subordinated liabilities (1)		MRELs (2)	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
At 1 January	**6,945**	6,945	**4,843**	4,877	**11,399**	10,400
Issue of paid-in equity	**799**	-				
Redemption of paid-in equity	**(559)**	-				
Issue of subordinated liabilities			**1,146**	1,263		
Redemption of subordinated liabilities			**(1,374)**	(1,359)		
Interest paid on subordinated liabilities			**(234)**	(224)		
Issue of MRELs					**3,377**	2,223
Maturity and redemption of MRELs					**(1,587)**	(1,112)
Interest paid on MRELs					**(423)**	(349)
Net cash flows from financing activities	**240**	-	**(462)**	(320)	**1,367**	762
Effects of foreign exchange			**(79)**	(158)	**(48)**	(481)
Changes in fair value of subordinated liabilities and MRELs			**45**	191	**109**	339
Interest payable on subordinated liabilities and MRELs			**240**	254	**464**	379
Gain on redemption of own debt			**(2)**	(1)	**-**	-
Other	**3**	-	**-**	-	**-**	-
At 31 December	**7,188**	6,945	**4,585**	4,843	**13,291**	11,399

(1) Subordinated liabilities include intercompany subordinated liabilities.
(2) MREL balances are included in amounts due to holding company and fellow subsidiaries.

28 Analysis of cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and loans to banks 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	2023
	£m	£m
Cash and balances at central banks	**62,501**	72,733
Other financial assets	**2**	129
Loans to banks including intragroup balances (1)	**2,914**	3,162
Cash and cash equivalents	**65,417**	76,024

(1) Includes cash collateral posted with bank counterparties in respect of derivative liabilities of £2 million (2023 - £129 million).

29 Directors' and key management remuneration

The executive and non-executive directors of NWH Ltd are aligned with its sub-group's boards (NWB Plc, RBS plc and UBL). The directors were remunerated for their services to NWH Group as a whole and NWH Ltd did not remunerate them, nor could their remuneration be apportioned, in respect of their services to these subsidiaries.

Directors' remuneration	2024 £000	2023 £000
Non-executive directors emoluments	**1,787**	1,852
Chair and executive directors emoluments	**6,425**	6,408
	8,212	8,260
Amounts receivable under long-term incentive plans and share option plans	**1,471**	2,708
	9,683	10,968

The total emoluments and amounts receivable under long-term incentive plans and share option plans of the highest paid director were £3,873,000 (2023 - £2,930,000).

The executive directors may participate in NatWest Group's long-term incentive plans, executive share option and sharesave schemes. Where directors of NWH Ltd are also directors of NatWest Group plc, details of their share interests can be found in the 2024 Annual Report and Accounts of NatWest Group plc, in line with regulations applying to NatWest Group plc as a premium listed company.

Compensation of key management

The aggregate remuneration of directors and other members of key management(1) during the year was as follows:

	2024 £000	2023 £000
Short-term benefits	**19,729**	17,244
Post-employment benefits	**614**	601
Share-based payments	**5,250**	6,104
	25,593	23,949

(1) Key management comprises members of the NWH Ltd Executive Committee.

Short term benefits include benefits expected to be settled wholly within twelve months of the balance sheet date. Post-employment benefits include defined benefit contributions for active members and pension funding to support contributions to the defined contribution schemes. Share-based payments include awards vesting under rewards schemes.

30 Transactions with directors and key management

For the purposes of IAS 24 Related Party Disclosures, key management comprises directors of NWH Ltd and members of the NWH Ltd Executive Committee. Key management have banking relationships with NatWest Group entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features. Key management had no reportable transactions or balances with the ultimate holding company.

Amounts in the table below are attributed to each person at their highest level of NatWest Group key management and relate to those who were key management at any time during the financial period.

	At 31 December	
	2024 £000	2023 £000
Loans to customers - amortised cost	**3,538**	10,579
Customer deposits	**36,936**	48,595

At 31 December 2024, amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in NWH Group, as defined in UK legislation, were £2,581,500 in respect of loans to eight persons who were directors of NWH Ltd at any time during the financial period (2023 - £8,408,984).

31 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.

NWH Group enters into transactions with many of these bodies. Transactions include the payment of: taxes principally UK corporation tax (Note 7) and value added tax; national insurance contributions; local authority rates; and regulatory fees and levy; together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

Bank of England facilities

NWH Group may participate in a number of schemes operated by the Bank of England in the normal course of business.

In March 2024 Bank of England Levy replaced the Cash Ratio Deposit scheme. Members of NatWest Group that are UK authorised institutions are required to pay the levy having eligible liabilities greater than £600 million. They also have access to Bank of England reserve accounts: sterling current accounts that earn interest at the Bank of England Base rate.

NWH Group provides guarantees for certain subsidiaries liabilities to the Bank of England.

Other related party

(a) In accordance with IAS 24, transactions or balances between NWH Group entities that have been eliminated on consolidation are not reported.
(b) The primary financial statements include transactions and balances with its subsidiaries which have been further disclosed in the relevant parent company notes.

Associates, joint ventures and equity investments

In their roles as providers of finance, NWH Group companies provide development and other types of capital support to businesses. These investments are made in the normal course of business.

To further strategic partnerships, NWH Group may seek to invest in third parties or allow third parties to hold a minority interest in a subsidiary of NatWest Group. We disclose as related parties for associates and joint ventures and where equity interest are over 10%. Ongoing business transactions with these entities are on normal commercial terms.

31 December 2024	Associates and joint ventures £m	Equity shares (1) £m	Total £m
Investments	**1**	**-**	**1**
Loans to customers - amortised cost	**-**	**4**	**4**
Customer deposits	**1**	**1**	**2**
Other operating income	**(2)**	**-**	**(2)**
31 December 2023			
Investments	4	1	5
Loans to customers - amortised cost	-	11	11
Customer deposits	2	10	12
Other operating income	(3)	-	(3)

(1) Investments in entities where ownership is more than 10%

Post employment benefits

NatWest Group recharges NatWest Group Pension Fund with the cost of pension management services incurred by it.

31 Related parties continued

Holding company and fellow subsidiaries

Transactions NWH Group enters with its holding company and fellow subsidiaries also meet the definition of related party transactions. The table below discloses transactions between NWH 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	**11**	**10**	**21**	-	18	18
Interest payable	**(584)**	**(783)**	**(1,367)**	(718)	(637)	(1,355)
Fees and commissions receivable	**-**	**59**	**59**	-	43	43
Fees and commissions payable	**-**	**(46)**	**(46)**	-	(44)	(44)
Other operating income (1)	**37**	**665**	**702**	11	674	685
Other administration expenses (2)	**-**	**(146)**	**(146)**	-	(177)	(177)
Impairment (losses)/releases	**-**	**1**	**1**	-	(1)	(1)
	(536)	**(240)**	**(776)**	(707)	(124)	(831)

(1) Includes internal service recharges of £702 million (2023 - £685 million).
(2) Other administration expense relates to profit share arrangement with fellow NatWest Group subsidiaries that commenced in 2023. The profit share arrangement was introduced to reward NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment, 2023 being the first full year with the Commercial & Institutional segment in place.

The following tables include amounts due from/to the holding company and fellow subsidiaries.

	2024			2023		
	Holding company	**Fellow subsidiaries**	**Total**	Holding company	Fellow subsidiaries	Total
	£m	**£m**	**£m**	£m	£m	£m
Assets						
Loans to banks - amortised cost	**-**	**55**	**55**	-	54	54
Loans to customers - amortised cost	**4**	**8**	**12**	-	8	8
Other financial assets	**338**	**2**	**340**	-	40	40
Other assets	**123**	**116**	**239**	100	89	189
Amounts due from holding companies and fellow subsidiaries	**465**	**181**	**646**	100	191	291
Derivatives (1)	**72**	**67**	**139**	175	96	271
Liabilities						
Bank deposits	**-**	**384**	**384**	-	1649	1649
Customer deposits	**2,707**	**37**	**2,744**	2,442	115	2,557
Other financial liabilities	**-**	**27**	**27**	-	17	17
Subordinated liabilities	**4,463**	**-**	**4,463**	4,721	-	4,721
MREL instruments issued to NatWest Group plc	**13,291**	**-**	**13,291**	11,419	-	11,419
Other liabilities	**1**	**65**	**66**	51	194	245
Amounts due to holding company and fellow subsidiaries	**20,462**	**513**	**20,975**	18,633	1975	20,608
Derivatives (1)	**401**	**46**	**447**	374	129	503

(1) Intercompany derivatives are included within derivative classification on the balance sheet.

32 Holding company

NWH Group's holding company is NatWest Group plc which is incorporated in the United Kingdom and registered in Scotland.

As at 31 December 2024, NatWest Group plc heads the largest group in which NWH Group is consolidated. Copies of the consolidated accounts of both companies may be obtained from Legal, Governance & Regulatory Affairs, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ, the Registrar of Companies or at natwestgroup.com.

33 Post balance sheet events

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 in the accounts.

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Parent company financial statements and notes

Balance sheet as at 31 December 2024

	Note	2024 £m	2023 £m
Assets			
Derivatives		**269**	309
Amounts due from holding company and fellow subsidiaries	3	**18,523**	16,702
Investment in group undertakings	7	**42,366**	39,051
Other assets		**13**	37
Total assets		**61,171**	56,099
Liabilities			
Amounts due to holding company and fellow subsidiaries	3	**18,052**	16,428
Derivatives		**485**	565
Other liabilities		**5**	4
Total liabilities		**18,542**	16,997
Owners' equity		**42,629**	39,102
Total liabilities and equity		**61,171**	56,099

Owners' equity of NWH Ltd as at 31 December 2024 includes the profit for the year of £6,665 million (2023 - £501 million).

As permitted by section 408(3) of the Companies Act 2006, the primary financial statements of the parent company do not include an income statement or a statement of comprehensive income.

The accompanying notes on pages 159 to 167 form an integral part of these financial statements.

The accounts were approved by the Board of directors on 13 February 2025 and signed on its behalf by:

Richard Haythornthwaite Chair	John-Paul Thwaite Chief Executive Officer	Katie Murray Chief Financial Officer	NatWest Holdings Limited Registered No. 10142224

Statement of changes in equity for the year ended 31 December 2024

	2024 £m	2023 £m
Called-up share capital - at 1 January and 31 December	**3,263**	3,263
Paid-in equity - at 1 January	**3,682**	3,682
Redeemed	**(556)**	-
Issued	**799**	-
At 31 December	**3,925**	3,682
Cash flow hedging reserve - at 1 January	**-**	1
Amount recognised in equity	**-**	(1)
Amount transferred from equity to earnings	**-**	-
Tax	**-**	-
At 31 December	**-**	-
Retained earnings - at 1 January	**32,157**	34,346
Profit attributable to ordinary shareholders and other equity owners	**6,665**	501
Paid-in equity dividends paid	**(241)**	(208)
Ordinary dividends paid	**(3,137)**	(2,482)
Redemption of paid-in equity		
- gross	**(3)**	-
At 31 December	**35,441**	32,157
Owners' equity at 31 December	**42,629**	39,102
Total equity at 31 December	**42,629**	39,102
Attributable to:		
Ordinary shareholders	**38,704**	35,420
Paid-in equity holders	**3,925**	3,682
	42,629	39,102

(1) The total distributable reserves for NWH Ltd is £35,441 million (2023 – £32,157 million).

Cash flow statement for the year ended 31 December 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Operating profit before tax		**6,652**	482
Adjustments for:			
Non-cash and other items	8	**(6,300)**	(682)
Change in operating assets and liabilities	8	**(2,688)**	(1,256)
Income taxes received		**37**	-
Net cash flows from operating activities (1)		**(2,299)**	(1,456)
Cash flows from investing activities			
Additional investments in Group undertakings		**(799)**	-
Disposals of investments in Group undertakings		**-**	504
Dividends received from subsidiaries		**4,187**	4,012
Net cash flows from investing activities		**3,388**	4,516
Cash flows from financing activities			
Issue of paid-in equity		**799**	-
Redemption of paid-in equity		**(559)**	-
Issue of subordinated liabilities		**1,146**	1,263
Redemption of subordinated liabilities		**(1,376)**	(1,211)
Interest paid on subordinated liabilities		**(222)**	(205)
Issue of MRELs		**2,071**	791
Redemption of MRELs assets		**2,100**	157
Redemption of MRELs liabilities		**(1,587)**	(1,112)
Interest paid on MRELs		**(101)**	(20)
Dividends paid		**(3,378)**	(2,690)
Net cash flows from financing activities		**(1,107)**	(3,027)
Effects of exchange rate changes on cash and cash equivalents		**(2)**	(5)
Net (decrease)/increase in cash and cash equivalents		**(20)**	28
Cash and cash equivalents at 1 January		**264**	236
Cash and cash equivalents at 31 December (2)		**244**	264

(1) Includes interest received of £418 million (2023 - £337 million) and interest paid of £496 million (2023 - £436 million).
(2) Cash and cash equivalents is comprised of intragroup loans and advances to banks with maturity of less than 3 months for 2024 and 2023.

1 Presentation of financial statements

The accounting policies applied to the parent company financial statements are the same as those applied in the consolidated financial statements except investment in group undertaking (subsidiaries) are stated at cost less impairment and that it has no policy regarding consolidation.

The directors have prepared the financial statements on a going concern basis based on the directors' assessment that the parent company will continue in operational existence for a period of twelve months from the date the financial statements are approved (refer to the Report of the directors).

2 Critical accounting policies and sources of estimation uncertainty

The reported results of the parent company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The judgements and assumptions involved in the parent company's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are those involved in assessing the impairment, if any, in its investment in group undertakings, refer to Note 7.

3 Financial instruments - classification

The following tables analyse NWH Ltd's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9. Instruments held at fair value are held within level 2 of the fair value hierarchy for both periods. Refer to Note 9 for information on the valuation of fair value instruments.

Assets	MFVTPL £m	Amortised cost £m	Other assets £m	Total £m
Derivatives (1)	**269**			**269**
Amounts due from holding company and fellow subsidiaries	**8,233**	**10,290**	**-**	**18,523**
Investment in group undertakings			**42,366**	**42,366**
Other assets			**13**	**13**
31 December 2024	**8,502**	**10,290**	**42,379**	**61,171**
Derivatives (1)	309			309
Amounts due from holding company and fellow subsidiaries	8,602	8,048	52	16,702
Investment in group undertakings			39,051	39,051
Other assets			37	37
31 December 2023	8,911	8,048	39,140	56,099

Liabilities	Held-for-trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Amounts due to holding company and fellow subsidiaries	**-**	**7,971**	**10,077**	**4**	**18,052**
Derivatives (1)	**485**				**485**
Other liabilities				**5**	**5**
31 December 2024	**485**	**7,971**	**10,077**	**9**	**18,542**
Amounts due to holding company and fellow subsidiaries	-	8,058	8,314	56	16,428
Derivatives (1)	565				565
Other liabilities				4	4
31 December 2023	565	8,058	8,314	60	16,997

(1) Includes net hedging derivatives assets of £28 million (2023 - £3 million) and net hedging derivative liabilities of £209 million (2023 - £215 million).

For accounting policy information refer to Accounting policies 3.9, 3.10 and 3.11.

3 Financial instruments – classification continued

The following table shows amounts due to/from fellow group companies.

	2024				2023			
	Holding companies	Fellow subsidiaries	Subsidiaries	Total	Holding companies	Fellow subsidiaries	Subsidiaries	Total
Assets	£m	£m	£m	£m	£m	£m	£m	£m
Loans to banks - amortised cost	**-**	**-**	**10,290**	**10,290**	-	-	8,048	8,048
Loans to customers - amortised cost	**-**	**-**	**-**	**-**	-	-	-	-
Other financial assets	**260**	**2**	**7,971**	**8,233**	-	40	8,562	8,602
Other assets	**-**	**-**	**-**	**-**	-	-	52	52
Amounts due from holding company and fellow subsidiaries	**260**	**2**	**18,261**	**18,523**	-	40	16,662	16,702
Derivatives (1)	**65**	**3**	**201**	**269**	120	3	186	309
Liabilities								
Other financial liabilities - subordinated liabilities	**4,542**	**-**	**-**	**4,542**	4,836	-	-	4,836
MREL instruments issued to NatWest Group plc	**13,506**	**-**	**-**	**13,506**	11,536	-	-	11,536
Other liabilities	**-**	**-**	**4**	**4**	52	-	4	56
Amounts due to holding company and fellow subsidiaries	**18,048**	**-**	**4**	**18,052**	16,424	-	4	16,428
Derivatives (1)	**319**	**5**	**161**	**485**	302	42	221	565

(1) Intercompany derivatives are included within derivative classification on the balance sheet.

4 Financial instruments - fair value of financial instruments measured at amortised cost

The following table shows the carrying value and fair value of financial instruments measured at amortised cost on the balance sheet.

			Fair value hierarchy level	
	Carrying value	Fair value	Level 2	Level 3
2024	£bn	£bn	£bn	£bn
Financial assets				
Amounts due from holding company and fellow subsidiaries	**10.3**	**10.3**	**4.3**	**6.0**
Financial liabilities				
Amounts due to holding company and fellow subsidiaries	**10.1**	**10.1**	**10.1**	**-**
2023				
Financial assets				
Amounts due from holding company and fellow subsidiaries	8.0	7.9	4.1	3.8
Financial liabilities				
Amounts due to holding company and fellow subsidiaries	8.3	8.2	8.2	-

5 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						
Derivatives	**-**	**269**	**269**	55	254	309
Amounts due from holding company and fellow subsidiaries	**6,382**	**12,141**	**18,523**	4,040	12,610	16,650
Liabilities						
Amounts due to holding company and fellow subsidiaries	**1,965**	**16,083**	**18,048**	3,145	13,227	16,372
Derivatives	**5**	**480**	**485**	87	478	565

(1) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of £4 million (2023 - £56 million) have been excluded from the table.

Assets and liabilities by contractual cash flow maturity

2024	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						
Derivatives held for hedging	**(15)**	**16**	**12**	**6**	**14**	**-**
Amounts due from holding company and fellow subsidiaries (1)	**360**	**5,928**	**391**	**391**	**4,474**	**585**
	345	**5,944**	**403**	**397**	**4,488**	**585**
Liabilities by contractual maturity						
Amounts due to holding company and fellow subsidiaries (2)	**1,470**	**986**	**5,814**	**8,617**	**4,577**	**-**
Derivatives held for hedging	**55**	**7**	**82**	**43**	**39**	**-**
	1,525	**993**	**5,896**	**8,660**	**4,616**	**-**
2023						
Assets by contractual maturity						
Derivatives held for hedging	(3)	17	(5)	8	(16)	-
Amounts due from holding company and fellow subsidiaries (1)	306	3,731	344	737	3,685	643
	303	3,748	339	745	3,669	643
Liabilities by contractual maturity						
Amounts due to holding company and fellow subsidiaries (2)	1,811	1,777	4,883	7,157	3,500	-
Derivatives held for hedging	34	61	71	56	3	-
	1,845	1,838	4,954	7,213	3,503	-

For further information on the timing of cash flows to settle financial liabilities, refer to Note 11 to the consolidated financial statements.

(1) Amounts due from holding company and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.
(2) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.

6 Subordinated liabilities

Amounts due to the holding company and fellow subsidiaries include £4,542 million (2023 - £4,836 million) of subordinated liabilities. The following tables analyse these intercompany subordinated liabilities:

For accounting policy information refer to Accounting policies 3.9 and 3.11.

Dated loan capital		First call date	Maturity date	Capital treatment	2024 £m	2023 £m
$2,000 million	6.071% notes	Dec-2023	Dec-2028	Tier 2	**-**	333
£1,000 million	2.105% notes	Aug-2026	Nov-2031	Tier 2	**1,002**	1,002
€750 million	1.043% notes	Jun-2027	Sep-2032	Tier 2	**607**	627
$750 million	3.754% notes	Nov-2024	Nov-2029	Tier 2	**-**	592
€700 million	5.763% notes	Nov-2028	Feb-2034	Tier 2	**609**	638
$690 million	6.258% notes	Aug-2030	Nov-2035	Tier 2	**553**	-
£650 million	7.536% notes	Jun-2028	Jun-2033	Tier 2	**654**	653
$615 million	6.073% notes	Dec-2023	Dec-2028	Tier 2	**-**	484
£600 million	5.642% notes	Oct-2029	Oct-2034	Tier 2	**610**	-
£500 million	3.622% notes	May-2025	Aug-2030	Tier 2	**507**	507
					4,542	4,836

7 Investments in Group undertakings

Critical accounting policy: Investments in Group undertakings

At each reporting date, NatWest Holdings Limited assesses whether there is any indication that its investment in its Group undertakings is impaired. If any such indication exists, NatWest Holdings Limited undertakes an impairment test by comparing the carrying value of the investment in its Group undertakings with its estimated recoverable amount. The key judgement is in determining the recoverable amount. The recoverable amount of an investment in its Group undertakings is the higher of its fair value less cost to sell and its value in use, being an assessment of the discounted future cash flows of the entity. Impairment testing inherently involves a number of judgements: the five-year cash flow forecast, the choice of appropriate discount and growth rates, and the estimation of fair value.

For accounting policy information refer to Accounting policy 3.5.

Investments in Group undertakings are carried at cost less impairment losses. Movements during the year were as follows:

	2024 £m	2023 £m
At 1 January	**39,051**	43,058
Currency translation and other adjustments	**(19)**	(44)
Additional investments in Group undertakings	**799**	321
Disposals of investments in Group undertakings	**-**	(782)
Net reversal of impairment/(impairment) of investments	**2,535**	(3,502)
As at 31 December	**42,366**	39,051

The recoverable amount of investments in Group undertakings is the higher of net asset value as a proxy for fair value less cost to sell or value in use. Where recoverable value is based on net asset value, the fair value measurement is categorised as Level 3 of the fair value hierarchy. The carrying value of Investments in Group undertakings at 31 December 2024 is supported by the respective recoverable values of the entities.

In 2024 NatWest Holdings Limited issued £799 million of contingent convertible AT1 notes to its subsidiary NatWest Bank Plc. The additions and disposals in 2023 were related to the additional capital invested in NatWest Bank Europe GmbH, the redemption of a previous AT1 issuance to RBS plc and the disposal of UBIDAC.

In 2024, net reversal of impairment of investments was primarily related to a £2.5 billion reversal of impairment of NatWest Holdings Limited's investment in NatWest Bank Plc as an improvement in the five-year cash flow forecast increased its value in use. Net impairments in 2023 were mainly related to the impairment of NatWest Bank Plc and UBIDAC.

The impact of reasonably possible changes to the more significant variables in the value in use calculations for NatWest Bank Plc are presented below. This reflects the sensitivity of the value in use to each variable on its own. The carrying value of NatWest Holdings Limited's investment in NatWest Bank Plc remains recoverable in all cases. It is possible that more than one change may occur at the same time.

		Assumptions			Impact of adverse movement		
31 December 2024	Carrying value £bn	Pre-tax discount rate %	Terminal growth rate %	Recoverable amount exceeded carrying value £bn	1% increase in discount rate £bn	1% decrease in terminal growth rate £bn	5% decrease in forecast income (1) £bn
NatWest Bank Plc	**37.1**	**16.0**	**1.4**	**5.7**	**(3.9)**	**(1.8)**	**(4.8)**
31 December 2023							
NatWest Bank Plc	33.8	16.0	1.4	-	(3.1)	(1.3)	(4.1)

(1) 5% income sensitivity has been applied to each year in the value in use calculation. The impact on the value in use shown above is however nonlinear as the majority of the value in use is derived in the terminal year.

The principal subsidiary undertakings of NatWest Holdings Limited are shown below. All of these subsidiaries are included in NatWest Holdings Limited's consolidated financial statements and have an accounting reference date of 31 December. Their capital consists of ordinary shares, preference shares and additional Tier 1 notes which are unlisted with the exception of certain preference shares issued by NatWest Bank Plc.

Name of subsidiary	Nature of business	Country of incorporation and principal area of operation	Company's interest %
National Westminster Bank Plc (1)	Banking	Great Britain	100%
The Royal Bank of Scotland plc (1)	Banking	Great Britain	100%
Coutts & Company (2,3)	Private Banking	Great Britain	100%
Lombard North Central PLC (2)	Leasing	Great Britain	100%

(1) Directly owned by NatWest Holdings Limited.
(2) Owned by NatWest Holdings Limited through NatWest Bank Plc.
(3) Coutts & Company is incorporated with unlimited liability.

8. 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 losses	**1**	-
Net (reversal) of impairment/impairment of investments in group undertakings	**(2,535)**	3,502
Change in fair value taken to profit or loss on other financial liabilities and subordinated liabilities	**196**	(155)
Elimination of foreign exchange differences	**(143)**	(228)
Dividends receivable from subsidiaries	**(4,187)**	(4,012)
Profit on sale of subsidiaries and associates	**-**	(43)
Interest payable on MRELs and subordinated liabilities	**368**	254
Non-cash and other items	**(6,300)**	(682)
Change in operating assets and liabilities		
Change in derivative assets	**40**	191
Change in amounts due from holding company and fellow subsidiaries	**(2,596)**	(1,164)
Change in other assets	**1**	7
Change in amounts due to holding company and fellow subsidiaries	**(52)**	(4)
Change in derivative liabilities	**(80)**	(286)
Change in other liabilities	**(1)**	-
Change in operating assets and liabilities	**(2,688)**	(1,256)

9. Analysis of changes in financing during the year

	Called-up share capital and paid-in equity		Subordinated liabilities (1)		MRELs (2)	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
At 1 January	**6,945**	6,945	**4,836**	4,854	**2,668**	3,166
Issue of paid-in equity	**799**	-				
Redemption of paid-in equity	**(559)**	-				
Issue of subordinated liabilities			**1,146**	1,263		
Redemption of subordinated liabilities			**(1,376)**	(1,211)		
Interest paid on subordinated liabilities			**(222)**	(205)		
Issue of MRELs					**2,071**	791
Redemption of MRELs assets					**2,100**	157
Redemption of MRELs liabilities					**(1,587)**	(1,112)
Interest paid on MRELs					**(101)**	(20)
Net cash flows from financing activities	**240**	-	**(452)**	(153)	**2,483**	(184)
Effects of foreign exchange			**(79)**	(157)	**(86)**	(121)
Changes in fair value of subordinated liabilities and MRELs			**10**	57	**186**	(212)
Interest payable on subordinated liabilities and MRELs			**227**	235	**141**	19
Other	**3**	-	**-**	-	**-**	-
At 31 December	**7,188**	6,945	**4,542**	4,836	**5,392**	2,668

(1) Subordinated liabilities include intercompany subordinated liabilities.
(2) MREL balances are shown net of the effect of down streaming funding to subsidiary companies.

10. Directors' and key management remuneration

Directors' remuneration is disclosed in Note 29 to the consolidated accounts. The directors had no other reportable related party transactions or balances with the company.

11 Related undertakings

Legal entities and activities at 31 December 2024

In accordance with the Companies Act 2006, NWH Ltd's related undertakings and the accounting treatment for each are listed below. All undertakings are wholly-owned by NWH Ltd or subsidiaries of NWH Ltd and are consolidated by reason of contractual control (Section 1162(2) CA 2006), unless otherwise indicated. NWH Group interest refers to ordinary shares of equal values and voting rights unless further analysis is provided in the notes. Activities are classified in accordance with Annex I to the Capital Requirements Directive (CRD V) and the definitions in Article 4 of the UK Capital Requirements Regulation.

Active related undertakings incorporated in the UK which are 100% owned by NWH Group and fully consolidated for accounting purposes

Entity name	Activity	Regulatory treatment	Notes
Caledonian Sleepers Rail Leasing Ltd	BF	FC	1
Coutts & Company	CI	FC	11
Coutts Finance Company	BF	FC	11
Esme Loans Ltd	BF	FC	1
FreeAgent Central Ltd	SC	FC	19
FreeAgent Holdings Ltd	SC	FC	19
Gatehouse Way Developments Ltd	INV	DE	1
ITB1 Ltd	BF	FC	3
KUC Properties Ltd	BF	DE	3
Land Options (West) Ltd	INV	DE	3
Lombard & Ulster Ltd	BF	FC	10
Lombard Business Leasing Ltd	BF	FC	1
Lombard Corporate Finance (December 3) Ltd	BF	FC	1
Lombard Corporate Finance (June 2) Ltd	BF	FC	1
Lombard Discount Ltd	BF	FC	1
Lombard Finance Ltd	BF	FC	1
Lombard Industrial Leasing Ltd	BF	FC	1
Lombard Lease Finance Ltd	BF	FC	1
Lombard Leasing Company Ltd	BF	FC	1
Lombard Leasing Contracts Ltd	BF	FC	1
Lombard Lessors Ltd	BF	FC	1
Lombard Maritime Ltd	BF	FC	1
Lombard North Central Leasing Ltd	BF	FC	1
Lombard North Central PLC	BF	FC	1
Lombard Property Facilities Ltd	BF	FC	1
Lombard Technology Services Ltd	BF	FC	1
Mettle Ventures Ltd	OTH	FC	1

Entity name	Activity	Regulatory treatment	Notes
National Westminster Bank Plc	CI	FC	1
National Westminster Home Loans Ltd	BF	FC	1
NatWest Property Investments Ltd	INV	DE	1
NatWest RT Holdings Ltd	OTH	FC	1
Pittville Leasing Ltd	BF	FC	1
Premier Audit Company Ltd	BF	FC	1
R.B. Capital Leasing Ltd	BF	FC	1
R.B. Leasing (September) Ltd	BF	FC	1
R.B. Quadrangle Leasing Ltd	BF	FC	1
RBS Asset Management Holdings	BF	FC	11
RBS Collective Investment Funds Ltd	BF	FC	9
RBS Invoice Finance Ltd	BF	FC	1
RBSG Collective Investments Holdings Ltd	BF	FC	9
RBSSAF (2) Ltd	BF	FC	1
RBSSAF (25) Ltd	BF	FC	1
Royal Bank Leasing Ltd	BF	FC	3
Royal Bank of Scotland (Industrial Leasing) Ltd	BF	FC	3
Royal Scot Leasing Ltd	BF	FC	3
RoyScot Trust Plc	BF	FC	1
Silvermere Holdings Ltd	BF	FC	3
The One Account Ltd	BF	FC	1
The Royal Bank of Scotland Group Independent Financial Services Ltd	BF	FC	3
The Royal Bank of Scotland plc	CI	FC	16
Ulster Bank Ltd	CI	FC	10
Ulster Bank Pension Trustees Ltd	TR	DE	10
Walton Lake Developments Ltd	INV	DE	1
World Learning Limited	BF	FC	1

Active related undertakings incorporated outside the UK which are 100% owned by NWH Group and fully consolidated for accounting purposes

Airside Properties AB	BF	FC	2
Arenarena AS	BF	FC	35
Arkivborgen KB	BF	FC	2
Artul Koy	BF	FC	4
BD Lagerhus AS	BF	FC	5
Bilfastighet i Akalla AB	BF	FC	2
Bilfastighet i Avesta AB	BF	FC	2
Bilfastighet i Bollnas AB	BF	FC	2
Bilfastighet i Hemlingby AB	BF	FC	2
Bilfastighet i Hudiksvall AB	BF	FC	2
Bilfastighet i Ludvika AB	BF	FC	2
Bilfastighet i M!rsta AB	BF	FC	2
Bilfastighet i Mora AB	BF	FC	2
Bilfastighet i Uppsala KB	BF	FC	2
Bilfastighet Kista AB	BF	FC	2
Brodmagasinet KB	BF	FC	2

Entity name	Activity	Regulatory treatment	Notes
Espeland Naering AS	BF	FC	5
Eurohill 4 KB	BF	FC	2
Fab Ekenäs Formanshagen 4	BF	FC	4
Fastighets AB Flojten i Norrkoping	BF	FC	2
Fastighets Aktiebolaget Sambiblioteket	BF	FC	2
Fastighetsbolaget Elmotorgatan AB	BF	FC	2
First Active Ltd	BF	FC	7
Forskningshöjden KB	BF	FC	2
Forvaltningsbolaget Dalkyrkan KB	BF	FC	2
Forvaltningsbolaget Kloverbacken Skola KB	BF	FC	2
Fyrs!te Fastighets AB	BF	FC	2
Grinnhagen KB	BF	FC	2
Hatros 1 AS	BF	FC	5
Horrsta 4:38 KB	BF	FC	2
IR Fastighets AB	BF	FC	2
IR IndustriRenting AB	BF	FC	2

11 Related undertakings continued

Entity name	Activity	Regulatory treatment	Notes
Kallebäck Institutfastigheter AB	BF	FC	2
KB Eurohill	BF	FC	2
KB Lagermannen	BF	FC	2
KB Likriktaren	BF	FC	2
Kiinteist Oy Turun Mustionkatu 6	BF	FC	13
Koy Harkokuja 2	BF	FC	13
Kiinteisto Oy Lohjan Ojamonharjuntie 61	BF	FC	13
Koy Pennalan Johtotie 2	BF	FC	4
Kiinteisto Oy Vantaan Rasti IV	BF	FC	13
Kobbervikdalen 2 Utvikling AS	OTH	FC	5
Koy Helsingin Mechelininkatu 1	BF	FC	4
Koy Helsingin Osmontie 34	BF	FC	4
Koy Helsingin Panuntie 11	BF	FC	4
Koy Helsingin Panuntie 6	BF	FC	4
Koy Iisalmen Kihlavirta	BF	FC	4
Koy Jamsan Keskushovi	BF	FC	4
Koy Jasperintie 6	BF	FC	13
Koy Kokkolan Kaarlenportti Fab	BF	FC	4
Koy Kouvolan Oikeus ja Poliisitalo	BF	FC	4
Koy Kuopion Volttikatu 1	OTH	FC	13
Koy Millennium	BF	FC	4
Koy Nummelan Portti	BF	FC	4
Koy Nuolialan päiväkoti	BF	FC	4
Koy Peltolantie 27	BF	FC	13
Koy Porkkanakatu 2	BF	FC	13
Koy Puotikuja 2 Vaasa	BF	FC	4
Koy Raision Kihlakulma	BF	FC	4
Koy Ravattulan Kauppakeskus	BF	FC	4
Koy Tapiolan Louhi	BF	FC	4
Koy Turun Mustionkatu 6	BF	FC	13
Koy Vapaalan Service-Center	BF	FC	4
Kvam Eiendom AS	BF	FC	5
Lakten 1 KB	BF	FC	2
Leiv Sand Eiendom AS	BF	FC	5
LerumsKrysset KB	BF	FC	2
Limstagården KB	BF	FC	2
Lundbyfilen 5 AB	BF	FC	2
Narmovegen 455 AS	BF	FC	5

Entity name	Activity	Regulatory treatment	Notes
National Westminster International Holdings B.V.	BF	FC	3
NatWest Bank Europe GmbH	BF	FC	20
NatWest Digital Services India Private Limited	SC	FC	23
NatWest Services (Switzerland) Ltd	SC	FC	27
Nordisk Renting AB	BF	FC	2
Nordisk Renting AS	BF	FC	25
Nordisk Renting OY	BF	FC	4
Nordisk Specialinvest AB	BF	FC	2
Nordiska Strategifastigheter Holding AB	BF	FC	2
Nybergflata 5 AS	BF	FC	5
OFH Eiendom AS	BF	FC	36
Optimus KB	BF	FC	2
RBS Deutschland Holdings GmbH	BF	FC	20
Rigedalen 44 Eiendom AS	BF	FC	5
Ringdalskogen Utvikling AS	OTH	FC	5
Ringdalveien 20 AS	BF	FC	5
Sandmoen Naeringsbygg AS	BF	FC	5
SFK Kommunfastigheter AB	BF	FC	2
Sjöklockan KB	BF	FC	2
Skinnarängen KB	BF	FC	2
Sletta Eiendom II AS	BF	FC	5
Smista Park AB	OTH	FC	2
Snipetjernveien 1 AS	BF	FC	5
Solbanken KB	BF	FC	2
Solnorvika AS	BF	FC	5
Strand European Holdings AB	BF	FC	2
Svenskt Fastighetskapital AB	BF	FC	2
Svenskt Energikapital AB	BF	FC	2
Svenskt Fastighetskapital Holding AB	BF	FC	2
The RBS Group Ireland Retirement Savings Trustee Ltd	TR	DE	7
Tygverkstaden 1 KB	BF	FC	2
Ulster Bank Dublin Trust Company Unlimited Company	TR	FC	7
Ulster Bank Holdings (ROI) Ltd	BF	FC	7
Ulster Bank Ireland Designated Activity Company	CI	FC	7
Ulster Bank Pension Trustees (R.I.) Ltd	TR	DE	7
Ulydien Trust Company Limited	OTH	DE	7
Nordisk Renting Facilities Management AB	BF	FC	2

Active related undertakings which are 100% owned by NWH Group but are not consolidated for accounting purposes

Entity name	Activity	Regulatory treatment	Notes
Bioenergie Dargun Immobilien GmbH	OTH	DE	37
Bioenergie Jessen Immobilien GmbH	OTH	DE	37
Bioenergie Wiesenburg GmbH & Co. KG	INV	DE	37
Bioenergie Wiesenburg Verwaltungs GmbH	OTH	DE	37
Bioenergie Zittau GmbH	OTH	DE	37
Bioenergie Zittau Immobilien GmbH	OTH	DE	37
Capulet Homes Florida LLC	OTH	DE	6
Crook Hill Properties Limited	OTH	DE	31
DBV Deutsche Bioenergie Verbinder GmbH	OTH	DE	37
East Grove Holding Limited	INV	DE	30
European Investments (Crook Hill) Limited	OTH	DE	32
German Biogas Holdco Limited	INV	DE	29
Montague Homes Florida LLC	OTH	DE	6
Reaps Moss Limited	OTH	DE	31
Reppinichen Dritte Biogas Betriebs GmbH	OTH	DE	37
Reppinichen Erste Biogas Betriebs GmbH	OTH	DE	37
Reppinichen Zweite Biogas Betriebs GmbH	OTH	DE	37
Romeo Homes Florida LLC	OTH	DE	6
Romeo Homes Georgia LLC	OTH	DE	6
Romeo Homes Indiana LLC	OTH	DE	6

Entity name	Activity	Regulatory treatment	Notes
Romeo Homes Kansas LLC	OTH	DE	6
Romeo Homes Nevada LLC	OTH	DE	6
Romeo Homes North Carolina LLC	OTH	DE	6
Romeo Homes Oklahoma LLC	OTH	DE	6
Romeo Homes Tennessee LLC	OTH	DE	6
Romeo Homes Texas LLC	OTH	DE	6
Ventus Investments Limited	OTH	DE	32
West Granite Homes Inc.	INV	DE	6
WGH Development LLC	OTH	DE	6
WGH Florida LLC	OTH	DE	6
WGH Georgia LLC	OTH	DE	6
WGH Indiana LLC	OTH	DE	6
WGH Kansas LLC	OTH	DE	6
WGH Nevada LLC	OTH	DE	6
WGH North Carolina LLC	OTH	DE	6
WGH Oklahoma LLC	OTH	DE	6
WGH Texas LLC	OTH	DE	6
Wiesenburg Dritte Biogas Betriebs GmbH	OTH	DE	37
Wiesenburg Erste Biogas Betriebs GmbH	OTH	DE	37
Wiesenburg Zweite Biogas Betriebs GmbH	OTH	DE	37
Wiesenburger Marktfrucht GmbH	OTH	DE	37

11 Related undertakings continued

Active related undertakings incorporated in the UK where NWH Group ownership is less than 100%

Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes
Falcon Wharf Ltd	OTH	EAJV	PC	50	18
GWNW City Developments Ltd	BF	EAJV	DE	50	18
Jaguar Cars Finance Ltd	BF	FC	FC	50	1
JCB Finance Ltd	BF	FC	FC	75	15
London Rail Leasing Ltd	BF	EAJV	PC	50	24
NatWest Boxed Limited	OTH	FC	FC	82	1
NatWest Covered Bonds LLP	BF	FC	FC	60	1
NatWest Covered Bonds (LM) Limited	BF	IA	PC	20	12
Oaxaca Ltd	OTH	IA	PC	22.88	38
Pollinate Networks Limited	OTH	AHC	DE	25	38

Active related undertakings incorporated outside the UK where NWH Group ownership is less than 100%

Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes
Nightingale 2024-1 Ltd	BF	FC	DE	0	8
NIGHTINGALE 2024-2 Ltd	BF	FC	DE	0	8
NIGHTINGALE 2024-3 Ltd	BF	FC	DE	0	8
Nightingale CRE 2018-1 Ltd	BF	FC	DE	0	8
Nightingale LF 2021-1 Ltd	BF	FC	DE	0	8
Nightingale Project Finance 2019 1 Ltd	BF	FC	DE	0	8
Nightingale Project Finance II 2023-1 Limited	BF	FC	DE	0	8
Nightingale Securities 2017-1 Limited	BF	FC	DE	0	8
Nightingale UK Corp 2020 2 Ltd	BF	FC	DE	0	8
Pharos Estates Ltd	OTH	AHC	DE	49	22

Related undertakings that are not active (actively being dissolved)

Entity name	Accounting treatment	Regulatory treatment	Group %	Notes
Belfast Bankers' Clearing Company Ltd	AHC	PC	25	34
Lombard Ireland Group Holdings Unlimited	FC	FC	100	17
Lombard Ireland Ltd	FC	FC	100	17
RBS Asset Management (Dublin) Ltd	FC	FC	100	28
The RBS Group Ireland Retirement Savings Trustee Ltd	FC	DE	100	7
UB SIG (ROI) Ltd	FC	FC	100	14

Related undertakings that are dormant

Entity name	Accounting treatment	Regulatory treatment	Group %	Notes
Coutts Scotland Nominees Limited	FC	FC	100	9
Custom House Docks Basement Management No. 2 Ltd	AHC	DE	25	33
JCB Finance Pension Ltd	FC	DE	88	10
Natwest FIS Nominees Ltd	FC	FC	100	1
NatWest Group Retirement Savings Trustee Limited	FC	FC	100	1
Natwest Group Secretarial Services Ltd	FC	FC	100	3
Natwest Pension Trustee Ltd	NC	DE	100	1
Natwest Pep Nominees Ltd	FC	FC	100	1
NatWest Strategic Investments Limited	FC	FC	100	1
Nordisk Renting A/S	FC	FC	100	5
Nordisk Renting HB	FC	FC	100	2
R.B. Leasing (March) Ltd	FC	FC	100	1
RBS Investment Executive Ltd	NC	DE	100	3
RBSG Collective Investments Nominees Ltd	FC	FC	100	9
Strand Nominees Ltd	FC	FC	100	11
Syndicate Nominees Ltd	FC	FC	100	1
The Royal Bank Of Scotland Group Ltd	FC	FC	100	1

Overseas regulated branches of the Group

Subsidiary	Geographic location
National Westminster Bank Plc	Germany

11 Related undertakings continued

Key:
Activity

BF	Banking and financial institution
CI	Credit institution
INV	Investment (shares or property) holding company
SC	Service company
TR	Trustee
OTH	Other

Accounting/Regulatory treatment

DE	Deconsolidated
FC	Full consolidation
PC	Pro-rata consolidation
AHC	Associate held at cost
EAJV	Equity accounting – Joint venture
IA	Investment accounting
NC	Not consolidated

Notes	Registered addresses	Country of incorporation
1	250 Bishopsgate, London, EC2M 4AA, England	UK
2	Jakobsbergsgatan 13, 8th Floor, Box 14044, Stockholm, SE-111 44	Sweden
3	Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ, Scotland	UK
4	Mikonkatu 9, 6th Floor, Helsinki, 00100	Finland
5	Postboks 1400, 0115 Oslo	Norway
6	251 Little Falls Drive, Wilmington, DE, 19808	USA
7	Ulster Bank Head Office, Block B Central Park, Leopardstown, Dublin 18, D18 N153, Ireland	RoI
8	44 Esplanade, St Helier, JE4 9WG	Jersey
9	6-8 George Street, Edinburgh, EH2 2PF, Scotland	UK
10	11-16 Donegall Square East, Belfast, Co Antrim, BT1 5UB, Northern Ireland	UK
11	440, Strand, London, England, WC2R OQS	UK
12	1 Bartholomew Lane, London EC2N 2AX, England	UK
13	c/o Nordisk Renting Oy, Mikonkatu 9, 00100 Helsinki	Finland
14	One Spencer Dock, Dublin, D01 X9R7, Ireland	RoI
15	The Mill, High Street, Rocester, Staffordshire, ST14 5JW, England	UK
16	36 St Andrew Square, Edinburgh, EH2 2YB, Scotland	UK
17	Block A Georges Quay Plaza, Georges Quay, Dublin 2	RoI
18	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR	UK
19	One Edinburgh Quay, 133 Fountainbridge, Edinburgh, EH3 9QG, Scotland	UK
20	Roßmarkt 10, Frankfurt am Main, 60311	Germany
21	13-18 City Quay, Dublin 2, Dublin, Ireland	RoI
22	24 Demostheni Severi, 1st Floor, Nicosia, 1080	Cyprus
23	6th Floor, Building 2, Tower A, GIL IT/ITES SEZ, Candor TechSpace, Sector 21, Dundahera, Gurugram, Haryana, 122016	India
24	99 Queen Victoria Street, London, EC4V 4EH	UK
25	H. Heyerdahlsgate 1, Postboks 2020 Vika, Oslo, 0125y	Norway
26	Ilzecka 26 Street, Warsaw, 02-135	Poland
27	Lerchenstrasse 16, Zurich, CH 8022	Switzerland
28	One Dockland Central, Guild Street, IFSC, Dublin 1	RoI
29	Greencoat Capital, 5 The Peak, Wilton Road, London, Greater London, SW1V 1AN, England	UK
30	8 Sackville Street, London, W1S 3DG, England	UK
31	2nd floor, Palm Grove House, Road Town, Tortola	British Virgin Islands
32	18 Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston, PR2 2YP	UK
33	Landscape House, Landscape Road, Churchtown, DUBLIN 14	RoI
34	Scottish Provident Building, 7 Donegall Square West, Belfast, BT1 6JH	UK
35	Postboks 1400, Oslo, 0115	Norway
36	Dokkveien 1, No-0250, Oslo	Norway
37	Walther-Nernst-Straße 1, Berlin, 12489	Germany
38	222 Bishopsgate, London, EC2M 4QD	UK
38	5 Little Portland Street, London, W1W 7JD	UK