



**NatWest**  
Group

# **NatWest Markets Plc**

**2024 Annual Report and Accounts**

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## Approval of Strategic report

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

By order of the Board

## Company Secretary

Sarah Beddows  
13 February 2025

## Chair

Frank Dangeard

## Executive Directors

Jonathan Peberdy, CEO  
Simon Lowe, CFO

## Non-Executive Directors

Tamsin Rowe  
Anne Simpson  
Sabrina Wilson

## Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly owned subsidiary of NatWest Group plc or 'the ultimate holding company'.

The NatWest Markets Group ('NWM Group') or 'we' comprises NWM Plc and its subsidiary and associated undertakings.

The term 'NatWest Group' comprises NatWest Group plc and its subsidiaries.

The term 'NatWest Markets' refers to the primary business activities for NWM Group. These activities form part of the NatWest Group Commercial & Institutional segment.

# Performance highlights

Throughout another year of geopolitical and macroeconomic volatility, we stayed focused on what mattered most to our customers, colleagues and key stakeholders. As part of the NatWest Group Commercial & Institutional segment, we made progress on our strategic priorities by exploring further opportunities for growth and strengthening our relationships with NatWest Group customers.

We maintained our robust capital and liquidity position during the year and reported an operating profit before tax for the year ended 31 December 2024 of £37 million, compared with a loss of £75 million for the year ended 31 December 2023. We delivered stronger year-on-year income across all our primary business lines – Capital Markets, Fixed Income and Currencies – partially offset by the impact of FX reserves recycling and lower income from the profit share arrangement with fellow NatWest Group subsidiaries. An increase in other operating expenses was largely driven by higher staff costs, offset by credits recognised in relation to property charges and VAT recoveries.

Refer to the Strategic progress section on page 5 and the Financial review section on page 14 for further details on the NWM Group performance for the period.

## Financial highlights

	2024	2023
<b>Performance (£m)</b>		
Total income	<b>1,237</b>	1,069
Other operating expenses (1)	<b>1,106</b>	1,082
Income excluding own credit adjustments	<b>1,246</b>	1,072
Operating profit/(loss) before tax	<b>37</b>	(75)
<b>Capital and leverage (2)</b>		
CET1 ratio (3)	<b>18.2%</b>	17.1%
MREL ratio (3)	<b>48.2%</b>	34.5%
Leverage ratio	<b>5.5%</b>	5.0%
Liquidity coverage ratio (LCR)	<b>195%</b>	183%
RWAs	<b>£20.8bn</b>	£22.1bn

(1) Excludes litigation and conduct costs.

(2) These metrics are shown for NWM Plc. Capital, leverage and risk-weighted assets (RWAs) are based on Prudential Regulation Authority (PRA) transitional arrangements for NWM Plc. Regulatory capital is monitored and reported at NWM Plc level.

(3) CET1 stands for Common Equity Tier 1 capital and MREL refers to the minimum requirement for own funds and eligible liabilities.

## Non-financial highlights

	2024	2023
<b>Climate</b>		
Climate and sustainable funding and financing (1)	<b>£17.7bn</b>	£14.8bn
Facilitated emissions (MtCO <sub>2</sub> e) (2)	<b>1.28</b>	0.50
<b>People</b>		
Culture index score (3)	<b>73%</b>	75%
Purposeful Leadership score (3)	<b>74%</b>	74%

(1) NatWest Group uses its climate and sustainable funding and financing inclusion criteria (CSFFI criteria) to determine the assets, activities and companies that are eligible to be included within its climate and sustainable funding and financing target. This includes both provision of committed (on and off-balance sheet) funding and financing, including provision of services for underwriting issuances and private placements.

(2) In 2024, the estimation of Facilitated emissions was updated to align to the latest Partnership for Carbon Accounting Financials (PCAF) guidance, which expanded the scope to include syndicated lending and financial institutions and prescribed the reporting of facilitated emissions at 33%. For 2023, facilitated emissions were reported for corporate bond underwriting at 100% (1.5MtCo<sub>2</sub>e). Refer to page 63 of the NWM Group ARA for the disclosure of estimated facilitated emissions including the PCAF methodology.

(3) NWM Group achieved the purposeful leadership target of 74% and a Culture index score of 73% against a target of 75%, as measured through the September 2024 Our View colleague engagement survey, which is conducted on a half-yearly basis. The Culture index and Purposeful Leadership scores consist of 10 Culture and 12 Purposeful Leadership questions, as defined and measured in Our View. All scores shown are for NWM Group. To enable like-for-like year-on-year comparisons, all scores shown are based on the Willis Towers Watson (WTW) calculation methodology. Over 1,200 or 82% of NWM Group colleagues across all countries and levels participated in our September 2024 Our View colleague engagement survey.

## Outlook<sup>(1,2)</sup>

### Medium-term outlook

Metric (3)	Estimate
CET1 ratio	~14%
MREL ratio (4)	>30%
Leverage ratio	>4%

(1) This supersedes all prior guidance.

(2) The guidance, targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in the 'Risk factors' section in this document. These statements constitute forward-looking statements. Refer to 'Forward-looking statements' in this document.

(3) All metrics presented relate to NWM Plc.

(4) Includes total regulatory capital, non-eligible capital and downstreamed internal MREL.

# Our business model: how we create value

NWM Group provides access to financial markets for NatWest Group customers, through an integrated corporate and institutional customer proposition, with full-service financing and risk management expertise.

<p><b>Our key strengths and resources</b></p>	<p><b>Our strengths</b></p> <ul style="list-style-type: none"> <li>– Strong specialist capabilities that our customers value.</li> <li>– Digital First-led Currencies and Fixed Income businesses that are connected across NatWest Group to support customers.</li> <li>– Innovative Capital Markets platform with industry-leading structuring and distribution expertise.</li> <li>– Recognised Climate and ESG capabilities, providing expertise and innovation in Sustainable Finance, ESG advisory and thought leadership.</li> </ul> <p><b>Our resources</b></p> <ul style="list-style-type: none"> <li>– Well positioned with national coverage and reach as part of one of the UK's largest banks.</li> <li>– Our ability to source funding and distribute risk means we can support our larger customers who operate in global markets.</li> <li>– A highly engaged, customer-focused, diverse workforce with significant expertise and experience.</li> <li>– Strong capital and liquidity positions.</li> </ul>
<p><b>What we do</b></p>	<p><b>Our customers</b></p> <p>As part of NatWest Group, we support corporate and institutional customers. We work in close collaboration with teams across the bank to provide capital markets and risk management solutions to its customers.</p> <p><b>Our operations</b></p> <p>NWM Group is headquartered in the UK with trading hubs in Asia, Europe and the US. Financial markets access is offered by NWM Group across NatWest Markets Plc (NWM Plc) and its subsidiaries, including NatWest Markets Securities Inc. and NatWest Markets N.V. (NWM N.V.).</p> <p><b>Our products and solutions</b></p> <p>We provide liquidity and risk management in our Currencies and Fixed Income businesses through a combination of voice and electronic distribution channels. Through our Capital Markets business, we provide an integrated proposition across financing, solutions and advisory services, which also incorporates Climate and ESG solutions and perspectives.</p> <p>Our strategists and content experts across Currencies, Fixed Income and Capital Markets offer industry and economic insights in the key economies where our customers do business.</p> <p>We have a sharp focus on digitisation and automation, and we offer a range of digital FX, fixed income, risk management and international payments options which use our applications or application programme interfaces (APIs), including Agile Markets, FXmicropay and Rate Manager.</p> <p><b>Fixed Income</b></p> <p>We have long-standing expertise in the fixed income markets and offer cash bond, repo and interest rate derivatives, with a focus on sterling, euros and US dollars, that supports our customers' financing and hedging needs. In addition, we provide liquidity and credit for investment-grade and high-yield bonds and loans for both financial institutions and corporate issuers.</p> <p><b>Currencies</b></p> <p>We are an award-winning foreign exchange service provider offering FX spot, forwards, cross-currency swaps and options, as well as an FX prime service and FX digital solutions.</p> <p><b>Capital Markets</b></p> <p>We help customers to access global debt capital markets across a wide variety of products and target markets, including bonds, loans, commercial paper, medium-term notes (MTNs) and private placements. We also provide bespoke financing solutions to customers, including structuring, distribution, on balance sheet financing and risk management products.</p>
<p><b>Creating value for our stakeholders</b></p>	<p><b>NatWest Group</b></p> <p>We provide access to financial markets for NatWest Group customers, through an integrated proposition and expertise. The benefit of combined capabilities of the Commercial &amp; Institutional segment enables NatWest Markets to unlock greater opportunities to meet more of our customer needs.</p> <p><b>NatWest Markets investors</b></p> <p>We maintained a robust capital base and liquidity positions, giving confidence to existing and future investors on the resilience of NWM Group.</p>

<p><b>Creating value for our stakeholders (continued)</b></p> <p>Also refer to Board engagement with key stakeholders on page 12.</p>	<p><b>Customers</b></p> <p>In 2024, we continued to focus on anticipating our customers' needs and providing excellent customer service and execution. Our support with financing and risk solutions has been recognised by a number of industry awards<sup>(1)</sup> including:</p> <ul style="list-style-type: none"> <li>– 'World's Best FX Prime Brokerage' and 'UK's Best FX Bank' for the fifth consecutive year at the Euromoney Foreign Exchange Awards 2024.</li> <li>– 'Best Prime Broker' for the fourth consecutive year and 'Best e-FX solution for corporates' for the first time at the e-FX Awards 2024.</li> <li>– 'Best Foreign Exchange Bank in the UK' for the fifth consecutive year at the Global Finance 2024 Awards.</li> <li>– 'Most Impressive Corporate MTN Dealer', which recognised performance in the international bond markets at the Global Capital Bond Awards 2024.</li> <li>– 'Best ESG SSA Bookrunner/Dealer', 'Best FIG MTN Private Placement Dealer' and 'Best GBP Bookrunner/Dealer' at the CMD Portal 2024 Awards.</li> <li>– 'Lead manager of the year, green bonds – financial institution' and 'Lead manager of the year, social bonds – supranational, sub-sovereign and agency' at the Environmental Finance's Bond Awards 2024.</li> </ul> <p><b>Colleagues</b></p> <p>We are focused on developing our talent and people proposition to facilitate greater franchise mobility and encouraging a culture of innovation, and enterprise-wide collaboration. In 2024, we reviewed the Commercial &amp; Institutional approach to aligning role sizes, grades, corporate titles and market data benchmarking to ensure consistency across the franchise, which was supported at NWM Plc Performance and Remuneration Committee. Our People policies and procedures are, wherever possible, aligned to NatWest Group. Information on NatWest Group-wide progress can be found in the 'Our Colleagues' section in the NatWest Group 2024 Annual Report and Accounts (NatWest Group ARA).</p> <p>We are also focused on creating a diverse, equitable and inclusive workplace. NWM Group aligns with NatWest Group's diversity, equity and inclusion (DE&amp;I) targets and strategy, and promotes NatWest Group-wide initiatives, such as the One Bank DE&amp;I Action Committee.</p> <p>As at 31 December 2024, we had 24% women in our top three layers globally, meeting the NWM Group agreed gender target<sup>(2)</sup>. The reported mean gender pay gap is 36.1% (median: 30.5%) and the mean gender bonus gap is 59.9% (median: 57.1%). Of the 78% of colleagues who disclosed their ethnicity, we have an aggregate 21% from ethnic minority groups in our top four layers in the UK, compared to the agreed ethnicity target of 22%.</p> <p><b>Regulators and industry bodies</b></p> <p>We provided insights via our active participation in trade associations and industry-wide forums on key topics such as the EMIR REFIT (Regulatory Fitness and Performance Programme).</p> <p>We actively participate in industry-wide climate-related and ESG forums, which contribute to the development of market standards and legislation. In 2024, we focused on the governance of sustainability-linked products by engaging with the Financial Markets Standards Board's ESG Committee and the EU Taxonomy usability by engaging with the Association for Financial Markets in Europe.</p> <p><b>Community and environment</b></p> <p>We continued to share ESG thought leadership with our Commercial &amp; Institutional customers and the wider public through events, webinars, podcasts and bespoke product solutions.</p> <p>In 2024, we hosted an event focused on the 'Decarbonisation of the UK Real Economy'. The day was opened by Chris Stark, who now leads the UK Government's Mission Control for Clean Power 2030 initiative, and Lord Stern, Chair of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics, followed by a plenary session and workshops focused on transition plans and sustainability disclosure requirements.</p> <p>We held the second annual 'Women Mobilising Sustainability' event during London Climate Action Week. The event hosted a panel of female leaders who shared their views on how sustainability can create business opportunities and enhance enterprise value, highlighting the economic benefits of sustainability strategies.</p>
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(1) The award submission may be submitted at the NatWest Group parent level, incorporating content from NWM Plc.

(2) The NWM Group gender target for 2024 was 24%, a decrease from the prior year's target by 5 percentage points. This adjustment reflects the ongoing Commercial & Institutional segment development and resulting organisational changes, including the transition of roles from NWM Group to the broader NatWest Group. These shifts were anticipated to impact NWM Group's ability to achieve a higher gender target.

(3) We will no longer be disclosing NWM Group's DE&I metrics from 2025 onwards, as the targets are set at the NatWest Group level. Refer to page 42 of the NatWest Group ARA for details on the Group level DE&I Targets and Gender / Ethnicity Pay Gap.

# Strategic progress

Our three strategic priorities unite our ambition to succeed with customers and a purpose that turns possibilities into progress.

We serve our chosen customers through a multi-specialist proposition aligned to our strengths		
Strategic priorities	Progress in 2024	Our priorities
<b>Disciplined growth</b> will support segments where our customers need us most and meet the evolving needs of our customers.	<ul style="list-style-type: none"> <li>We deepened relationships in our areas of specialism across fixed income, FX and capital markets: providing liquidity, products and solutions that support our customers' financing and risk management needs.               <ul style="list-style-type: none"> <li>We played a leading role in EDF's £500 million, 40-year bond issuance.</li> <li>We executed a £405 million hybrid mandate for Centrica plc, marking the issuer's return to the capital markets for the first time since 2015.</li> <li>More than 600 additional mid-corporate customers were onboarded in 2024 and are now using our FX service for the first time.</li> </ul> </li> <li>We continued to advance and demonstrate leadership across climate and ESG solutions by supporting:               <ul style="list-style-type: none"> <li>new instruments: sole structurer and lender of NatWest Markets' inaugural €240 million Green Net Asset Value Line facility for one of Clarion Partners Europe's commingled funds.</li> <li>the update of existing frameworks to new regulatory and market developments: structuring coordinator for Statnett's 2024 Green Finance framework update and alignment to the EU Taxonomy.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Be more customer-centric and develop a greater focus on our specialisms, by tailoring our services to meet the specific needs of clients in areas such as UK Debt Capital Markets.</li> <li>Enhance our competitive edge where we compete against global investment banks.</li> <li>Create relevance with our customers as a multi-specialist provider recognised for deep expertise (including structured finance, funds, climate and sustainable finance) that customers value.</li> </ul>
<b>Bank-wide simplification</b> will underpin our strategy of succeeding with customers by becoming a 'future-fit' platform and technology-driven bank.	<ul style="list-style-type: none"> <li>We continued to build cloud capability to enhance our computer processing, memory and storage to meet changing demands and support risk calculations.</li> <li>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.</li> <li>We integrated FXmicropay with Fiserv's OpenFX platform to deliver guaranteed FX rates in over 135 currencies to their point-of-sale terminals, simplifying trading and risk management for the customer.</li> <li>We have simplified and improved the customer user experience by removing the need for individual login details across two NatWest products. Users of both Agile Markets - our NatWest Markets platform, and Bankline - our main digital channel for mid-market and corporate customers, can now access both products through one single sign-on solution.</li> <li>We launched GlobalSend, our new digital product that lets customers make bulk payments internationally in 52 different currencies.</li> </ul>	<ul style="list-style-type: none"> <li>Simplify our products and services to clients so we can provide an improved customer experience and benefits at lower cost.</li> <li>Continue to develop a simpler, more technology-focused operating model for greater agility and scalability.</li> <li>Modernise and simplify core platforms.</li> <li>Improve colleague productivity by streamlining governance and resources.</li> </ul>
<b>Active balance sheet and risk management</b> will deliver improved capital management with better pricing, data and distribution capabilities.	<ul style="list-style-type: none"> <li>We remained acutely focused on managing our capital and financial resources across all business lines.</li> <li>We leveraged NWM Group's structuring and distribution expertise to help deliver NatWest Group's balance sheet and risk management priorities, most notably through significant risk transfer transactions which contributed to NWG's RWA management in 2024.</li> </ul>	<ul style="list-style-type: none"> <li>Be more agile in the way we deploy capital to customers who need our support and where we can most profitably use it. This means allocating capital dynamically and decisively.</li> <li>Continue to build risk management capabilities and broaden distribution capabilities.</li> <li>Improve returns through disciplined continuous review.</li> </ul>

# Operating environment

We continued to adapt to evolving market trends in 2024. The environment we operate in is constantly changing, so understanding the multiple influences on our business enables us to be prepared for change, to respond quickly and to create value for the long term.

## Competitive landscape

### Overview

We work in close collaboration with teams across NatWest Group to provide full-service risk management, trading and debt financing solutions to both financial institutions and UK, European, and US corporate customers. We operate in a highly competitive market with large domestic banks, a number of investment banks and universal banks that offer combined investment and commercial banking capabilities.

Competitive dynamics intensified across the principal markets we operated in during 2024 as the capital markets backdrop improved and peers looked to capture opportunities. That said, corporate and investment banks continued to face heightened geopolitical risks, elevated interest rates and changing financial regulation. Against this backdrop, peers responded with measures to improve operational efficiency, they implemented new technology - including the adoption of AI and machine learning to better manage risk and personalise banking services - and increased focus on their ESG offerings.

In 2024, Debt Capital Markets (DCM) sentiment turned more positive, with inflation steadying and central banks starting to cut interest rates. This led to refinancing volumes increasing on favourable market conditions. Fixed income, Currencies and Commodities (FICC) divisions delivered a robust yearly performance with a pick up in client activity and elevated volatility driving up broad FICC and equity markets trading volumes.

### Our response

The strategy we have developed over the years continued to ensure we were well positioned to respond to evolving threats from other players in the banking market during 2024. Furthermore, our expertise in Climate finance, ESG advisory, fixed income, FX and our debt capital markets proposition continued to support customers' core risk-management needs and provide capabilities from advisory, execution and distribution, to secondary market liquidity.

## Economy

### Overview

2024 saw inflation fall across many of the markets that we operate in, with CPI between 2% and 3% in the UK, US and Eurozone. This enabled central banks to reduce their policy rates - by 100bps in the US and Eurozone and by 50bps in the UK. Yields on government debt ended the year higher than they started and, in foreign exchange, the dollar strengthened against most major currencies, while the euro weakened. In equities, US markets outperformed with major indices such as the S&P500 up 23%, compared to 9% for the Eurostoxx 50 and 6% for the FTSE100.

### Our response

Our business risks and capital usage will vary as markets move in response to changing economic conditions and other geopolitical developments. These moves will also affect liquidity conditions, customer activity, market risks and pricing behaviour. This is normal for our business and we will remain focused on meeting the needs of all our customers.

## Regulation

### Overview

We operate in highly-regulated markets which continue to evolve in scope. We are primarily regulated by:

- the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) in the UK;
- the European Central Bank (ECB), the Autoriteit Financiële Markten (the Dutch Authority for the Financial Markets) and De Nederlandsche Bank (DNB) in the Netherlands, the host state regulators of the jurisdictions in which NWM N.V. has a branch office and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg in respect of RBSI Depositary Services S.A.;
- the Federal Financial Supervisory Authority ('BaFin') in Germany;
- the Securities and Exchange Commission, Commodity Futures Trading Commission, Federal Reserve Bank of New York, Financial Industry Regulatory Authority, and National Futures Association in the US; and
- the Monetary Authority of Singapore and the Japan Financial Services Agency in Asia.

### Our response

We have a global framework to identify, capture and implement new and changing regulations across our international footprint. This includes an established prudential programme which coordinates the regulatory changes encompassed by the finalised Basel III framework. The programme oversees required capital model changes, Internal Models Approach (IMA) eligibility and business readiness for the new and revised regulations, as well as required changes across trading, risk, finance and technology, and simulates the capital impact of the revised regulations.

In 2024, we also continued to work with the US Department of Justice-appointed monitor to embed a strong control environment for our business.

We also had direct engagement with regulatory bodies, as and when required, to keep them informed of ongoing compliance with regulations and market standards, as well as indirect contact through trade associations to help shape future regulatory requirements.

## Cyber threats and digital security

### Overview

Cyberattacks pose a constant risk to our operations through our digital estate and indirectly through our supply chain - reinforcing the importance of due diligence with the third parties we rely on.

### Our response

To provide service continuity for customers, and limit disruption, we continued to monitor and assess a diverse and evolving array of external and internal threats. We continue to invest significant resources in the development and evolution of cybersecurity controls. We perform due diligence and governance checks in relation to our third-party suppliers to ensure they are aligned to our security controls and practices.



## Climate change

### Overview

Climate-related risks have the potential to affect asset values, operational costs and business models, not only through increasing frequency and severity of extreme weather events and biodiversity loss, but also as the transition to a net-zero economy accelerates.

These risks, transmitted through the economy to NWM Group, continue to evolve, reflecting increasing regulatory, legislative, political and societal change. Likewise, our response continues to develop.

### Our response

Throughout 2024, we continued to play a key role in delivering NatWest Group's climate ambition and climate-related targets. This included supporting the continued implementation of NatWest Group's Climate transition plan, focusing on prioritising climate-related opportunities based on their relative commercial and decarbonisation potential to support our customers and the wider economy transition to net zero. We also recognise the power of partnerships and collaborations in the transition to net zero.

To this extent, we completed £17.7 billion of climate and sustainable funding and financing in 2024, contributing a cumulative £48.1 billion towards the NatWest Group target to provide £100 billion climate and sustainable funding and financing between 1 July 2021 and the end of 2025<sup>(1)</sup>.

During 2024, through our Dutch subsidiary NatWest Markets N.V. and driven by European environmental regulation, we continued to develop our approach to include nature.

NatWest Group's ability to achieve its strategy, including its climate ambitions and targets has a significant dependency on factors and uncertainties beyond its direct control, including timely and appropriate UK Government policies, technology developments, as well as supplier, customer and societal response.

For further detail on the NWM Group response, refer to Climate and nature risk on page 61 and Climate and sustainability-related risk factors on page 173.

## Technology, data and digital services

### Overview

The increasing demand for digital products and services, and the need to simplify complex, legacy technology to optimise investment and accelerate transformation, are key factors across the technology landscape impacting the market. Customer demand for digital products and services continues to grow, and innovative technology - like generative AI and blockchain - plays a key role in the distribution and development of these products. Complex, legacy technology and corresponding technical debt, coupled with the volume of change required to respond to regulatory demands, drives the need for simplification. This simplification will enable organisations to respond more effectively and efficiently to changing market, customer and regulatory demands.

### Our response

We continued to focus on how we can develop and distribute digital products to meet customer needs, partnering with other parts of the Commercial & Institutional segment to build connections to key customer channels. Building engineering excellence is key to unlocking speed and efficiency, and we partnered with our technology function, NatWest Digital X, to ensure we're achieving this while maintaining a safe and sustainable digital ecosystem for our customers. Simplification and modernisation of our technology estate continued to be an area of focus, an important enabler for increased pace of delivery and the agility required to respond to customer needs quickly.

## Human rights and modern slavery

### Overview

NatWest Group (including NWM Group) understands that it has an important role in promoting respect for human rights. Its approach is informed and guided by internationally recognised standards, including the United Nations Guiding Principles on Business and Human Rights.

### Our response

In 2024, we continued to enhance policies and practices covering colleagues, customers, investments and suppliers. We participated in benchmarks and monitored developments in regulatory frameworks, such as the EU's Corporate Sustainability Due Diligence Directive, which will guide us further.

Our ongoing programme of engagement with various stakeholders, including charities, investors and non-governmental organisations, continues to deepen our knowledge and understanding of human rights issues. We remain signatories of the UN Global Compact and continue to adhere to reporting requirements under a range of initiatives, including the Equator Principles.

In 2024, NatWest Group published its eighth Modern Slavery and Human Trafficking Statement, which sets out the steps that we are taking to identify and address modern slavery and human trafficking within our own operations and throughout our value chain. We continued to raise awareness of modern slavery and human trafficking and foster action with colleagues. To coincide with Anti-Slavery Day, we ran a week-long campaign which included a series of events with modern slavery charities. We also refreshed our online learning module for all colleagues on 'Preventing Modern Slavery and Human Trafficking in the financial service sector' and developed a mandatory, standalone learning module for colleagues in our Supply Chain Services business area.

For the sixth year, our NatWest Markets colleagues supported the TRIBE Freedom Foundation in 2024 and raised over £9,500 to assist in anti-slavery projects, which will contribute towards long-term support for survivors and prevention of modern slavery.

(1) Climate and sustainable funding and financing as defined in the NatWest Group Climate and Sustainable Funding and Financing Inclusion (CSFFI) criteria represents only a proportion of our overall funding and financing.



# Risk overview

## Our approach to risk management

NWM Group operates within NatWest Group's enterprise-wide risk management framework (EWRMF), which provides a common risk language to facilitate effective risk management. The framework applies to all subsidiary legal entities to help deliver NWM Group's strategy in a safe and sustainable way.

### Enterprise-wide risk management framework

01

The enterprise-wide risk management framework (EWRMF) sets out our approach to managing risk across NWM Group and provides a common risk language and framework to facilitate effective risk management.

02

The building blocks of the EWRMF are: risk appetite, risk governance, three lines of defence and risk culture.

#### Risk appetite

Risk appetite is defined as the type and aggregate level of risk NWM Group is willing to accept in pursuit of its strategic objectives and business plans.

#### Risk governance

NWM Group's governance structure facilitates sound risk management decision-making, in line with standards of good corporate governance.

#### Three lines of defence

NWM Group adopts a three lines of defence model of risk governance. Everyone has a responsibility for intelligent risk-taking.

#### Risk culture

The EWRMF is centred on the embedding of a strong risk culture that encompasses both prudential and conduct risk outcomes and prescribed behaviours.

03

The EWRMF sets out a common risk language and standard definitions to ensure consistency in the application of risk management terminology.

### Common risk language, architecture and approach

#### Risk directory and principal risks

The risk directory provides a common language to ensure that consistent terminology is used across NWM Group to describe the principal risks.

#### Principal risk policies

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.

#### Risk standards

Risk standards provide a more granular expression of the risk policies and provide the detail for the first line of defence to develop operational policies/procedures.

#### Risk toolkits

Risk toolkits define the approaches, tools and techniques for managing risk (split by all principal risks, financial and non-financial risks).

04

The risk toolkit cycle outlines the NWM Group-wide approach to identify, assess, mitigate, monitor and report risks.

05

Principal risks are used as the basis for setting risk appetite and risk identification.

Report	Identify and assess
Reporting of the risk profile, emerging themes, current issues and other key information.	Effective risk identification and assessment to understand the risk profile.
Monitor	Mitigate
Monitoring of the risk profile through principal risk indicators or other key metrics.	Determination of the appropriate action for how risks are managed or mitigated.

Principal risks	
Financial risks	Non-financial risks
Capital risk	Financial crime risk
Liquidity and funding risk	Model risk
Credit risk	Operational risk
Traded market risk	Reputational risk
Non-traded market risk	Compliance risk
Pension risk	Conduct risk
Climate and nature risk	

For further details on risk culture, risk governance (including the three lines of defence model) and risk appetite, refer to pages 19 to 22 of the Risk management framework.

## Principal risks

To ensure common language and a consistent approach across NWM Group, the risk directory defines and documents all principal risks that NWM Group may face, categorised into financial and non-financial. The risk directory is an important component of the EWRMF, underpinning the linkage between strategy, risk appetite, risk reporting and governance. Principal risks are the Board approved EWRMF categories that describe the highest-level financial and non-financial risks in the risk directory and are outlined in the table below. Refer to the Risk and capital management section for further details on each principal risk, including mitigation and key developments.

Principal risks – financial	Principal risks – non-financial
<p><b>Capital risk</b> – The risk that there 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.</p> <p><b>Liquidity and funding risk</b> – Liquidity risk is the risk of being unable to meet actual or potential financial obligations in a timely manner when they fall due in the short term. Funding risk is the risk that current or prospective financial obligations cannot be met as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably.</p> <p><b>Credit risk</b> – The risk that customers, counterparties or issuers fail to meet a contractual obligation to settle outstanding amounts.</p> <p><b>Traded market risk</b> – The risk of losses in trading book positions from fluctuations in market variables, such as interest rates, credit spreads, foreign exchange rates, equity prices, implied volatilities and asset correlations.</p> <p><b>Non-traded market risk</b> – 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.</p> <p><b>Pension risk</b> – The inability to meet contractual obligations and other liabilities to the established employee or related company pension scheme.</p> <p><b>Climate and nature risk</b> – 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.</p>	<p><b>Financial crime risk</b> – The risk that NWM 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.</p> <p><b>Model risk</b> – The potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.</p> <p><b>Operational risk</b> – 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.</p> <p><b>Reputational risk</b> – The risk of damage to stakeholder trust due to negative consequences arising from internal actions or external events.</p> <p><b>Compliance risk</b> – The risk that NWM Group fails to observe the letter and spirit of all relevant laws, codes, rules, regulations and standards of good market practice.</p> <p><b>Conduct risk</b> – The risk of inappropriate behaviour towards customers, or in the markets in which NWM Group operates, which leads to poor or inappropriate customer outcomes.</p>

## Risk profile

The overall financial risk profile remained within risk appetite, supported by stable economic conditions. Key developments in 2024 included:

- NWM Group retained robust capital, liquidity and funding positions.
- Total RWAs were £20.8 billion at 31 December 2024, compared with £22.1 billion at 31 December 2023. The decrease in the year was driven by lower counterparty credit risk, lower market risk, and a decrease from the annual update to operational risk RWAs. This was partially offset by an increase in credit risk.
- Credit risk performance remained stable with limited signs of deterioration.

The overall trend for non-financial risk improved in 2024. Areas of focus included:

- Implementing an enhanced model risk management framework and the continued embedding of the enhanced risk and control self-assessment approach with a focus on material operational risks across key processes.
- Continuing significant investment to support the delivery of the multi-year transformation plan across financial crime risk management. 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. New teams have been put in place within the Conduct and Compliance department. These teams will increase oversight and capability in the areas of training, policy, assurance, data analytics, communications and culture. Business areas also completed attestations against the level 1 conduct and regulatory compliance policies.

## Top and emerging risks

Top and emerging risks are future scenarios that could have a significantly negative impact on our ability to operate, or deliver, our strategy and are managed through the EWRMF toolkit. They usually combine elements of several principal risks and require a coordinated management response. Top risks could occur or require management action within two years, while emerging risks are evolving and/or could occur over a longer time horizon but have the potential to become a top risk. In 2024, the Executive Risk Committee, the Board Risk Committee and the Board received regular reporting on top and emerging risks.

Top risk scenarios in focus in 2024	Description	Mitigants
Increased competition	Competitive pressures could intensify, impeding NWM Group's ability to grow or retain market share, impacting revenues and profitability. Drivers of competition mainly relate to developments in technology, evolving incumbents, challengers, new entrants to the market, shifts in customer behaviour and changes in regulation. For example, increased competition from technology conglomerates, who may have competitive advantages in scale, technology and customer engagement (including brand recognition).	<ul style="list-style-type: none"> <li>NWM Group closely monitors the competitive environment and adapts its strategy as appropriate. This includes using scenario analysis and assessing how mega-trends will impact industry competitive dynamics. Strategic responses are focused on investing to deliver innovative and compelling propositions for customers.</li> </ul>
Cyberattack	There is a constantly evolving threat from cyberattacks which are increasing in terms of frequency, sophistication, impact and severity. This includes hostile attempts to gain access to and exploit potential vulnerabilities of IT systems including via malware. Any failure in NWM Group's cybersecurity policies, procedures or controls may result in significant financial losses, major business disruption, inability to deliver customer services, loss of data and associated reputational damage.	<ul style="list-style-type: none"> <li>NWM Group continues to invest in additional capability to defend against threats including developing and evolving cybersecurity policies, procedures and controls that are designed to minimise the potential effect of such attacks. The focus is to manage the impact of the attacks and maintain services for NWM Group's customers. This includes testing and proving cyber resilience capabilities via stress testing of NWM Group's important business services.</li> </ul>
Economic and interest rate volatility	Economic conditions could deteriorate, depending on factors including weak economic activity, volatility in interest rates, liquidity pressures, sharp falls in asset prices, escalating geopolitical tensions and concerns regarding sovereign debt or sovereign credit ratings. Any of these may have a materially adverse effect on NWM Group's future financial prospects.	<ul style="list-style-type: none"> <li>A range of complementary approaches is used to mitigate the risks, such as targeted scenario analysis, stress tests, targeted customer reviews and reviews of risk appetite. Stress tests included completion of regulatory stress tests such as the Bank of England 2023/24 system-wide exploratory scenario as well as a range of internal scenarios.</li> </ul>
Climate ambitions	NWM Group's strategy relating to climate change, ambitions, targets and transition planning entail significant financial and non-financial risks and is unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes.	<ul style="list-style-type: none"> <li>Recognising the delivery threats to some of NatWest Group's climate ambitions, which if they were to crystallise, would manifest themselves in the shape of financial and non-financial risks. NatWest Group plans to review its climate ambitions during 2025 in the context of the UK Committee on Climate Change's (UK CCC) Seventh Carbon Budget which is expected to be published on 26 February 2025 and the UK CCC's 2025 Progress Report which is due for release in the summer of 2025.</li> </ul>
Operational risk scenarios	Operational risks are inherent in NWM Group's businesses and a broad range of scenarios are considered. NWM Group could be adversely impacted by scenarios including a failure to access current, complete, and accurate data, or disruption to services if a third-party service provider experienced any interruptions. These scenarios could result in business and customer interruption and related reputational damage, significant compensation costs, regulatory sanctions and/or a breach of applicable regulations.	<ul style="list-style-type: none"> <li>NWM Group devotes significant resources to third-party risk management. Focus areas include identifying critical-service suppliers, developing robust exit and contingency plans in the event of supply chain disruption, and ensuring appropriate monitoring and oversight of third-party performance.</li> <li>Effective and ethical use of data is critical to NWM Group's goals, with continued focus on delivering our long-term data strategy alongside enhancing control and policy frameworks governing data usage.</li> </ul>
Evolving regulation	NWM Group's businesses are subject to substantial regulation and oversight, both of which are constantly evolving and may have an adverse impact on NWM Group. Areas of ongoing focus include evolving ECB regulations and Basel 3.1 standards implementation and potential global regulatory divergence, including the resulting effect on RWAs and models.	<ul style="list-style-type: none"> <li>NWM Group constantly monitors regulatory change and works with the regulators to help shape those developments that materially impact NWM Group, responding when necessary, either bilaterally or in partnership with one of the affiliated industry bodies. NWM Group implements new regulatory requirements where applicable and uses frequent engagement meetings with regulators to discuss key regulatory priorities.</li> </ul>

## Top and emerging risks continued

Emerging risk scenarios in focus in 2024	Description	Mitigants
Artificial intelligence	Innovations in artificial intelligence (AI), including generative AI, may rapidly transform and disrupt customer interactions, the industry and the economy. NWM Group's ability to continue to deploy AI solutions and integrate AI in systems and controls will become increasingly important to retaining and growing business. There can be no certainty that NWM Group's innovation strategy will be successful, and competitors may be more successful in implementing AI technologies, in turn, affecting industry competitive dynamics. Developments in AI may also result in increased model risk and rising levels of fraud.	<ul style="list-style-type: none"> <li>NWM Group closely monitors developments in disruptive technologies, including AI. Strategy is developed as appropriate to leverage AI across NWM Group with a focus on helping improve customer journeys, personalisation, colleague effectiveness and improved risk and capital management. Using AI safely and ethically is a key area of focus, alongside compliance with evolving AI regulation. This includes developing a robust set of controls for the use of AI models and tools across NWM Group.</li> </ul>
Biodiversity and nature loss	The risks arising from the loss and/or decline of the state of biodiversity and nature are uncertain but could negatively impact the global financial system. These risks may include the reduction of any aspect of biological diversity and other forms of environmental degradation such as air, water and land pollution, soil quality degradation and water stress. There is also increasing investor, regulatory and stakeholder scrutiny regarding how businesses address these risks.	<ul style="list-style-type: none"> <li>Using emerging industry guidance such as the Task Force on Nature-related Financial Disclosures framework, NWM Group is seeking to further its understanding of nature-related risks. This includes how its business activities impact nature, the dependencies NWM Group and its counterparties (including its suppliers) and customers have on nature, and the risks and opportunities nature can generate.</li> </ul>
Digital currency	NWM Group operates in markets which would be exposed to any developments in digital currency, including a UK central bank digital currency (CBDC). The Bank of England and His Majesty's Treasury are exploring the case and design for a CBDC, the digital pound. The introduction of new digital currencies, including a digital pound, could result in deposit outflows, higher funding costs, and/or other implications for UK banks including NWM Group.	<ul style="list-style-type: none"> <li>NatWest Group maintains an Executive Steering Group on digital assets including overseeing developments and engagement on digital currencies, such as CBDCs.</li> <li>NatWest Group engages with the UK Government and regulators on digital currency developments. This includes engagement with policymakers on a bilateral and industry level. For example, NatWest Group is represented on the Bank of England's CBDC Engagement Forum, and responds to relevant consultations, discussion papers and other publications.</li> </ul>
Geopolitical risk	NWM Group is exposed to risks arising from geopolitical events or political developments. Geopolitical tensions remain elevated and a range of potential scenarios and impacts are considered. This includes the potential impact of armed conflict, global trade and supply chain disruption, volatility in commodity prices, protectionist policies or trade barriers and state sponsored cyberattacks.	<ul style="list-style-type: none"> <li>NWM Group closely monitors the geopolitical risk outlook and undertakes regular scenario analysis to understand the potential impacts and takes mitigating actions as required. This includes second and third order analysis of impacts, for example, through customers' supply chain disruption or disruption to third-party providers.</li> </ul>
Physical climate risk	Intensifying physical climate-related risks, including climate events, materially increasing in frequency and/or severity, results in direct impacts on property, infrastructure, supply chains, geopolitics and economic activity. This could lead to significant credit, market and/or non-financial risks and, if those risks are not mitigated, losses.	<ul style="list-style-type: none"> <li>NWM Group continues to develop a range of climate scenario narratives that include increased focus on physical risks. These seek to explore the potential implications from the global warming already observed as a result of historical emissions and will inform short-term event driven physical risk modelling. The impact of possible climate tipping points, which could lead to large irreversible changes in the climate system, are also being explored.</li> </ul>
Shadow banking	NWM Group is exposed to vulnerabilities within shadow banking or market-based finance (MBF), given the interlinkages between UK banks and MBF. This includes the potential for stress events or shocks to financial markets.	<ul style="list-style-type: none"> <li>NWM Group closely monitors exposure to shadow banking or MBF. An internal framework for the identification, management, control and mitigation of the risks associated with exposure to shadow banking or MBF is maintained. This includes effective reporting and governance in respect of such exposure.</li> </ul>

## Section 172(1) statement

### Board engagement with key stakeholders

Here we highlight who our key stakeholders are, what matters to them, and how the NWM Plc Board (the 'Board') engages with them to create value.

What matters to them	Engagement
<b>Customers</b>	
The Board knows the importance of providing the right service to our customers at the right time and supporting them in managing their financial risks and achieving their short- and long-term goals.	<ul style="list-style-type: none"> <li>– The Board received regular updates on customer issues via reports from the NWM Plc CEO and business heads, as well as briefings on the operation of the Commercial &amp; Institutional segment.</li> <li>– The Board was updated on the nature and extent of financing activity provided to customers throughout the reporting period, during which there continued to be significant changes in macroeconomic conditions. The Board was also regularly updated on resource allocation between different customer products and segments.</li> <li>– The NWM Plc CEO continued to meet with customers throughout 2024 to understand their needs and how NWM Plc, as part of the Commercial &amp; Institutional segment, can best support them now and in the future.</li> </ul> <p><b>Outcome:</b> This approach allowed for informed decision-making that supported strategic objectives.</p>
<b>Colleagues</b>	
The Board appreciates the importance to our workforce of our implementing a wide range of meaningful initiatives - including diversity, equity and inclusion - to promote a positive workplace and deliver our strategy.	<ul style="list-style-type: none"> <li>– The Board asked colleagues to share thoughts on what it's like to work for NatWest Group, including in NWM Plc, by completing colleague opinion surveys.</li> <li>– The NatWest Group-level Colleague Advisory Panel provided a mechanism for directors to engage directly with colleagues on topics of strategic interest.</li> <li>– Colleagues were regularly encouraged to report any concerns relating to wrongdoing or misconduct using NatWest Group's whistleblowing service, Speak Up.</li> </ul> <p><b>Outcome:</b> By actively engaging with colleagues, the Board was able to prioritise fostering a more inclusive and supportive environment, promoting a positive organisational culture.</p>
<b>Community and environment</b>	
The Board recognises the growing importance of climate change and its potential impact on our society and aims to have a positive effect on our communities.	<ul style="list-style-type: none"> <li>– The Board received regular updates on the progress made on sustainable finance and relevant regulatory initiatives, along with dedicated sessions held in relation to the NWM Group strategy on climate and ESG, including nature and biodiversity, as well as the carbon markets.</li> </ul> <p><b>Outcome:</b> The Board was able to stay well informed about progress against climate goals, keep up with nature-related developments and carbon markets, and provide appropriate feedback to management.</p>
<b>Regulators</b>	
The Board promotes an ongoing, constructive and open dialogue with all relevant regulatory bodies. In 2024, the focus was on the impact of macroeconomic conditions on the market, the operation of the Commercial & Institutional segment and management changes.	<ul style="list-style-type: none"> <li>– The NWM Plc Chair, executive directors and non-executive directors had regular meetings with the PRA and FCA during 2024.</li> <li>– The Board received regular reports on regulatory matters and outcomes of engagement in the UK, Europe, US and Asia from the Corporate Governance and Regulatory Officer.</li> <li>– The Board played an active role in monitoring the delivery of important regulatory priorities.</li> <li>– The Board maintained a strong focus on compliance with international regulatory standards.</li> </ul> <p><b>Outcome:</b> The Board was able to stay well informed about regulatory expectations and developments and maintained a proactive approach to compliance and governance.</p>
<b>Suppliers</b>	
The Board is mindful of the role suppliers play in making sure a reliable service is delivered to customers. The Board supports maintaining a diverse and responsible supply chain and a target of net-zero greenhouse gas emissions by 2050.	<ul style="list-style-type: none"> <li>– The Board regularly received analytics, including updates on the support functions transferred to NatWest Group and the operation of the Commercial &amp; Institutional segment. This meant we were aware of and able to isolate any issues for remediation.</li> <li>– The Board received regular updates on the performance monitoring of critical internal service management services, provided under the now-embedded functionalised operating model and reviewed and approved risk standards for outsourcing.</li> </ul> <p><b>Outcome:</b> The Board had a heightened awareness of operational performance and challenges that enabled decision-making in line with strategic priorities, supporting the overall success of the company.</p>

In this statement we describe how our directors 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 NWM Plc Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually. For 2024, these remained: customers, colleagues, community and environment, regulators, and suppliers. Examples of how the NWM Plc Board has engaged with key stakeholders, including the impact of principal decisions, can be found in this statement and on page 12.

## Supporting effective NWM Plc Board discussions and decision-making

Our NWM Plc Board and committee paper template supports consideration of stakeholders and includes a section for authors to include an assessment of the relevant stakeholder impacts for the directors to consider.

Our directors are mindful that it is not always possible to achieve an outcome which meets the requirements, needs and/or expectations of all stakeholders who are, or may be, impacted. For decisions which are particularly challenging or complex, directors are given more detailed information to support decision-making.

## Principal decisions

Principal decisions are those decisions taken by the NWM Plc Board that are material, or of strategic importance to the company, or significant to NWM Plc's key stakeholders. Set out below is an example of a principal decision taken by the NWM Plc Board during 2024.

The factors considered were:

- 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: NWM CEO succession

### What was the decision-making process?

On 11 September 2024, the Board approved the appointment of Jonathan Peberdy as the CEO of NatWest Markets Plc, effective 1 October 2024.

Jonathan joined the Board as Executive Director and CEO on 1 October 2024.

The appointment followed a rigorous search process led by the Commercial & Institutional CEO, Robert Begbie and supported by an external search firm, with input from senior executives including NatWest Group CEO, Paul Thwaite and NatWest Group CRO, Keiran Foad. The process was overseen by the NatWest Group Nominations and Governance Committee, with the NWM Plc Board closely involved through regular updates and broader discussions.

To support the Board in its decision-making, it received detailed presentations during 2024 which described the process leading to Mr Peberdy being identified as the preferred candidate. This included presentations on role-specification criteria, how the candidate longlist and shortlist were compiled and reviewed, and directors' interview feedback on skills, experience and suitability. The Board also reviewed Mr Peberdy's external appointments and time commitments, and confirmed that it had no concerns about Mr Peberdy's ability to fulfil the role. The Board approved the appointment, noting that Mr Peberdy was a highly experienced people leader with a deep knowledge of both NatWest Group and financial services markets. It was also noted that he had a strong track record of managing customer relationships and working collaboratively across NatWest Group – skills he would be expected to continue to demonstrate in the CEO role.

### How did the directors fulfil their duties under section 172? How were stakeholder interests considered?

Regulators were updated at appropriate points during the CEO search process. The Board carefully considered Mr Peberdy's fitness and propriety, which he had consistently demonstrated in his previous role as Head of Capital Markets. The Board noted that Mr Peberdy's appointment would ensure a smooth and orderly handover of the CEO role, provide stability and ensure strong leadership with a high degree of cultural fit.

### Actions and outcomes

Mr Peberdy took up the NWM CEO role on 1 October 2024.



# Financial review

## Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly owned subsidiary of NatWest Group plc or 'the ultimate holding company'. The term 'NWM Group' or 'we' refers to NWM Plc and its subsidiary and associated undertakings.

The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NatWest Holdings Limited ('NWH') and its subsidiary and associated undertakings. The term 'NatWest Bank Plc' or 'NWB Plc' refers to National Westminster Bank Plc.

NWM 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 pound 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.

## Non-IFRS financial measures

NWM Group prepares its financial statements in accordance with generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP or non-IFRS performance measures. These measures are adjusted for certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. These non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. The non-IFRS measures also include the calculation of metrics that are used throughout the banking industry. These non-IFRS measures are not measures within the scope of IFRS and are not a substitute for IFRS measures. Refer to the section, 'non-IFRS financial measures', on page 158 for further information and calculations of non-IFRS financial measures included throughout this document, and, where relevant, the most directly comparable IFRS financial measures.

## Performance overview

NWM Group reported a profit for the year ended 31 December 2024 of £63 million compared with a loss of £98 million for the year ended 31 December 2023. Higher income largely reflected stronger performances across the primary business lines. Operating expenses increased in 2024, driven by higher litigation and conduct costs and other operating expenses.

## Financial performance

- Income of £1,237 million in 2024 was up by £168 million compared with £1,069 million in 2023. The increase was largely driven by stronger performances across the primary business lines, partially offset by FX reserves recycling and lower income from the profit share arrangement with fellow NatWest Group subsidiaries.
- Operating expenses of £1,208 million increased by £66 million compared with £1,142 million in 2023. Litigation and conduct costs of £102 million reflected ongoing progress in closing legacy matters, including any associated conduct remediation activity, and were up by £42 million compared with £60 million in 2023. Other operating expenses of £1,106 million were £24 million higher than £1,082 million in 2023, largely due to increases in staff costs, severance costs, bank levies and other smaller movements, offset by credits recognised in relation to property charges and VAT recoveries.

- Total assets and liabilities increased by £5.3 billion and £4.7 billion to £183.2 billion and £176.2 billion respectively at 31 December 2024, compared with the prior year. Funded assets were up by £6.5 billion, mainly driven by increases in loans to customers, trading assets, cash and balances at central banks and other financial assets, partially offset by a decrease in settlement balances.

## Capital and leverage

- Total NWM Plc RWAs were £20.8 billion at 31 December 2024, compared with £22.1 billion at 31 December 2023. The decrease in the year was driven by lower market risk, counterparty credit risk, and a decrease from the annual update to operational risk RWAs; partially offset by an increase in credit risk.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 18.2% at 31 December 2024, compared with 17.1% at 31 December 2023. The increase in the year was largely driven by the decrease in RWAs.
- Total MREL for NWM Plc at 31 December 2024 was £10.0 billion, or 48.2% of RWAs, compared with £7.6 billion or 34.5% of RWAs at 31 December 2023. The increase in total MREL in 2024 was largely due to the issuance of three new MREL instruments with NatWest Group plc amounting to \$2.15 billion, a new internal AT1 instrument of \$0.75 billion, and two new internal Tier 2 instruments amounting to \$1.16 billion, partially offset by the redemption of an internal €0.95 billion Tier 2 instrument.
- NWM Plc's leverage ratio was 5.5% at 31 December 2024 compared with 5.0% at 31 December 2023. The increase in 2024 reflected higher Tier 1 capital, largely due to the new internal AT1 instrument of \$0.75 billion, partially offset by an increase in leverage exposure.

## Liquidity and funding

- NWM Plc's liquidity portfolio increased by £6.3 billion to £21.0 billion at 31 December 2024, compared with £14.7 billion at 31 December 2023, largely driven by funding raised to support banking book growth. The LCR increased to 195% (31 December 2023 - 183%), mainly due to the increase in liquidity portfolio, partially offset by higher outflows. Stressed coverage ratio was 204% at 31 December 2024, compared with 162% at 31 December 2023.
- NWM Plc issued a total of £6.0 billion across a number of public benchmark transactions during 2024, comprised of €3.75 billion, CHF0.18 billion and £0.5 billion of notes under its EMTN programme and \$2.75 billion of notes under its US MTN programme. NWM Plc also raised funding in other formats throughout 2024 including, but not limited to, structured note issuance.
- NWM Plc 2025 funding plan currently anticipates £4-5 billion of public benchmark issuance. On 10 January 2025, NWM Plc issued a total of €1.0 billion of benchmark notes under the EMTN programme.



## NWM Group business review

The table below presents an analysis of key lines of NWM Group's income statement. Commentary refers to the table below as well as the statutory income statement presented on page 83.

	2024	2023	Variance	
	£m	£m	£m	%
<b>Income statement</b>				
Net interest income	432	355	77	22
Non-interest income	805	714	91	13
<b>Total income</b>	<b>1,237</b>	<b>1,069</b>	<b>168</b>	<b>16</b>
Litigation and conduct costs	(102)	(60)	(42)	70
Other operating expenses	(1,106)	(1,082)	(24)	2
<b>Operating expenses</b>	<b>(1,208)</b>	<b>(1,142)</b>	<b>(66)</b>	<b>6</b>
<b>Operating profit/(loss) before impairment releases/losses</b>	<b>29</b>	<b>(73)</b>	<b>102</b>	<b>(140)</b>
Impairment releases/(losses)	8	(2)	10	(500)
<b>Operating profit/(loss) before tax</b>	<b>37</b>	<b>(75)</b>	<b>112</b>	<b>(149)</b>
Tax credit/(charge)	26	(23)	49	(213)
<b>Profit/(loss) for the year</b>	<b>63</b>	<b>(98)</b>	<b>161</b>	<b>(164)</b>
<b>Income (1)</b>				
Fixed Income	190	153	37	24
Currencies	525	496	29	6
Capital Markets	666	463	203	44
Capital Management Unit and other (2)	(49)	(7)	(42)	600
Income including shared revenue before OCA	1,332	1,105	227	21
Transfer pricing arrangements with fellow NatWest Group subsidiaries (3)	(86)	(33)	(53)	161
Income excluding OCA	1,246	1,072	174	16
Own credit adjustments (OCA)	(9)	(3)	(6)	200
<b>Total income</b>	<b>1,237</b>	<b>1,069</b>	<b>168</b>	<b>16</b>

- (1) Product performance includes gross income earned on a NatWest Group-wide basis, including amounts contributed to other NatWest Group subsidiaries. Income including shared revenue before OCA includes revenue share from other NatWest Group subsidiaries but before revenue share is paid to or contributed to those subsidiaries.
- (2) Capital Management Unit was set up in Q3 2020 to manage capital usage and optimisation across all parts of NatWest Markets, with the income materially relating to legacy positions. In 2024, Other materially relates to FX reserves recycling.
- (3) Transfer pricing arrangements with fellow NatWest Group subsidiaries includes shared revenue paid to or contributed to those subsidiaries and a profit share arrangement with fellow NatWest Group subsidiaries. The profit share arrangement was introduced during 2023 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 profit share is not allocated to individual NatWest Markets product areas.

- **Net interest income** largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The increase of £77 million compared with 2023 largely reflects growth in lending activity.
- **Non-interest income** increased by £91 million in 2024, largely driven by stronger performances across the primary business lines reflecting strong customer demand in capital markets and robust trading income, partially offset by FX reserves recycling relating to legacy overseas operations closure activity completed during the year. In addition, the amount recognised under the profit share arrangement with fellow NatWest Group subsidiaries of £146 million was £31 million lower than the amount recognised in 2023.
- **Operating expenses** were up by £66 million compared with 2023. Litigation and conduct costs reflected ongoing progress in closing legacy matters, including any associated conduct remediation activity, and were up by £42 million compared with 2023. Other operating expenses increased by £24 million compared with 2023, largely due to increases in staff costs, severance costs, bank levies and other smaller movements, offset by credits recognised in 2024 in relation to property charges and VAT recoveries relating to earlier periods.

## NWM Group business review continued

### Balance sheet profile as at 31 December 2024

NWM Group's balance sheet profile is summarised below. Commentary refers to the tables below as well as the consolidated balance sheet on page 84.

Assets			Liabilities		
	2024	2023		2024	2023
	£bn	£bn		£bn	£bn
Cash and balances at central banks	16.2	13.8			
Securities	13.9	12.0		10.5	9.8
Reverse repos (1)	27.1	23.7		30.6	26.9
Derivative cash collateral posted (3)	7.3	8.9		12.3	15.1
Other trading assets	0.6	0.7		1.1	1.8
Total trading assets	48.9	45.3		54.5	53.6
Loans - amortised cost	19.1	14.2		9.4	9.3
Settlement balances	2.0	7.2		1.7	6.6
Amounts due from holding company and fellow subsidiaries	0.3	1.7		6.8	5.8
Other financial assets	17.9	15.7		31.3	23.6
Other assets	0.7	0.7		0.5	0.6
Funded assets	105.1	98.6		104.2	99.5
Derivative assets	78.1	79.3		72.0	72.0
Total assets	183.2	177.9		176.2	171.5
					of which:
				32.5	25.1
				16.8	9.9
				3.5	3.6
Net derivative assets (6)	2.4	2.9			

(1) Comprises bank reverse repos of £5.9 billion (2023 - £6.3 billion) and customer reverse repos of £21.2 billion (2023 - £17.4 billion).

(2) Comprises bank repos of £7.2 billion (2023 - £4.0 billion) and customer repos of £23.4 billion (2023 - £22.9 billion).

(3) Comprises derivative cash collateral posted relating to banks of £3.6 billion (2023 - £4.3 billion) and customers of £3.7 billion (2023 - £4.6 billion).

(4) Comprises derivative cash collateral received relating to banks of £5.3 billion (2023 - £6.8 billion) and customers of £7.0 billion (2023 - £8.3 billion).

(5) Predominantly comprises bank deposits (excluding repos), debt securities in issue and third-party subordinated liabilities.

(6) Refer to page 50 for further details.

- **Total assets and liabilities** increased by £5.3 billion and £4.7 billion respectively at 31 December 2024. Funded assets, which exclude derivatives, increased by £6.5 billion, largely driven by higher loans at amortised cost, trading assets, cash and balances at central banks and other financial assets, partially offset by a decrease in settlement balances. Derivative asset fair values were down by £1.2 billion compared with 31 December 2023, and derivative liabilities were unchanged.
- **Cash and balances at central banks** increased by £2.4 billion, mainly driven by funding raised to support planned banking book growth and liquidity requirements.
- **Trading assets** which primarily relate to client-led activity as well as derivative cash collateral posted, were up by £3.6 billion, driven by increases in reverse repos and securities, partially offset by a decrease in derivative cash collateral posted. **Trading liabilities** increased by £0.9 billion, as increases in repos and short positions were largely offset by a decrease in derivative cash collateral received.
- **Loans – amortised cost** increased by £4.9 billion, driven by higher loans to customers reflecting growth in Capital Markets.
- **Settlement balance assets and liabilities** were down by £5.2 billion and £4.9 billion respectively, largely due to comparatively higher levels of customer activity in the period leading up to 31 December 2023.
- **Other financial assets** increased by £2.2 billion mainly driven by an increase in held-to-collect securities purchased to support customer primary issuance.
- **Other financial liabilities** increased by £7.7 billion driven by new issuance in the year to support planned growth in the business, partially offset by maturities. The balance as at 31 December 2024 includes £21.9 billion of medium-term notes issued.
- **Derivative assets and derivative liabilities** were down by £1.2 billion and unchanged respectively, largely reflecting FX rate volatility across major currencies including the strengthening of USD in Q4 2024, and variations in interest rates across different currencies and tenors.

# Board of directors and secretary

## Board and committees

### Chair

Frank Dangeard<sup>(1)</sup>

*Chair of the Board and Chair of the Nominations and Governance Committee*

### Executive directors

Jonathan Peberdy

*Chief Executive Officer*

Simon Lowe

*Chief Financial Officer*

### Independent non-executive directors

Anne Simpson

*Chair of Audit Committee*

*Chair of Board Risk Committee* (interim basis until a permanent successor is appointed)

Tamsin Rowe

*Chair of the Performance and Remuneration Committee*

Sabrina Wilson

### Board changes in 2024

Jonathan Peberdy appointed as Chief Executive Officer on 1 October 2024.

Robert Begbie resigned as Chief Executive Officer on 1 October 2024.

Vivek Ahuja resigned as a Director and Chair of Board Risk Committee on 17 January 2025.

## Auditors

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

## Registered office

### NatWest Markets Plc

36 St Andrew Square  
Edinburgh  
EH2 2YB

Registered in Scotland No. SC090312

## Principal offices

### NatWest Markets Plc

250 Bishopsgate  
London EC2M 4AA

### NatWest Markets N.V.

Claude Debussylaan 94  
1082 MD Amsterdam, The Netherlands

### NatWest Markets Securities Inc.

600 Washington Boulevard, Stamford  
06901, CT, USA

(1) Frank Dangeard will continue to serve on the NWG plc Board and as Chair of NatWest Markets Plc, post May 2025, to support orderly succession planning for the Board of NatWest Markets Plc.

# Risk and capital management

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## Presentation of information

Where marked as audited in the section header, certain information in the Risk and capital management section (pages 18 to 68) 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 NWM Group.

## Risk management framework

### Introduction

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

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

This seeks to ensure a consistent approach to risk management across NWM Group. It aligns risk management with NWM 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 Board. The framework incorporates risk governance, the three lines of defence operating model and the Risk function's mandate.

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

While all NWM Group colleagues are responsible for managing risk, the Risk function provides oversight and monitoring of risk management activities, including the implementation of the framework and adherence to its supporting policies, standards and operational procedures. The Chief Risk Officer plays an integral role in providing the Board with advice on NWM 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 NWM 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 NWM Group to support better customer outcomes, develop a stronger and more sustainable business and deliver an improved cost base.

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

- Consistently role-model the values and behaviours in Our Code, based on strong ethical standards.
- Empower others to take risks aligned to NWM Group's strategy, explore issues from a fresh perspective, and tackle challenges in new and better ways across organisational boundaries.
- Manage risk in line with appropriate risk appetite.
- Ensure each decision made keeps NWM 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 NWM Group's learning strategy. NWM 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 NWM 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

NWM Group operates under NatWest Group's conduct guidance, Our Code, which 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.

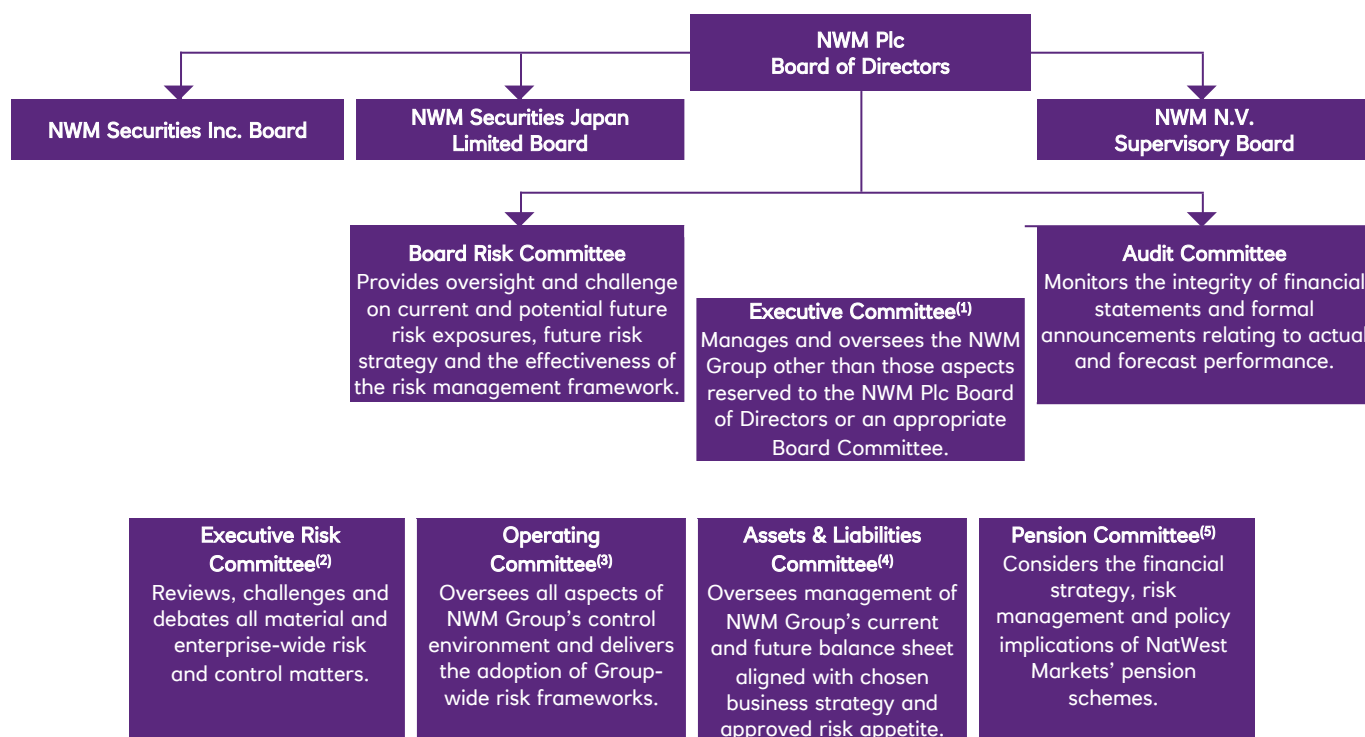
Any employee falling short of the expected standards would be subject to internal disciplinary policies and procedures and if appropriate, the relevant authority would be notified. The accountability review process is used to assess how this should be reflected in variable pay outcomes for the individuals 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 NWM Plc's risk governance structure in 2024 and the main purposes of each committee.



- (1) The NWM Chief Executive Officer has established the Executive Committee to support him in discharging his individual responsibilities in managing the day to day activities of NWM.
- (2) The Executive Risk Committee is chaired by the NWM Chief Risk Officer and supports him in discharging his risk management accountabilities.
- (3) The Operating Committee is chaired by the NWM Chief Operating Officer and supports him in discharging his individual accountabilities in accordance with the authority delegated to him by the NWM Chief Executive Officer.
- (4) The Assets & Liabilities Committee is chaired by the NWM Chief Financial Officer and supports him in discharging his individual accountabilities relating to treasury and balance sheet management.
- (5) The Pension Committee is chaired by the NWM Chief Financial Officer and supports him in discharging his individual accountabilities relating to the management of NatWest Markets' pension schemes.
- (6) The Climate & Sustainability Committee was retired on 10 July 2024. The committee's activities are being taken forward through the broader governance framework.
- (7) The Financial Crime Risk Committee, the NWM Electronic Trading Risk Committee, the Reputational Risk Committee, the Valuations Committee, the Policy Approval Committee, the NWM Model Risk Committee, the Provisions Committee and the Credit Risk Committee are not shown here. They support the Executive Risk Committee in discharging its risk management responsibilities.

#### The Board Risk Committee (BRC) is responsible for:

- Providing oversight and advice to the Board on current and potential future risk exposures and future risk profile. including risk appetite and the approval and effectiveness of internal controls required to manage risk.
- Reviewing the performance of NWM Group relative to risk appetite.
- Reviewing all material risk exposures and management's recommendations to monitor, control and mitigate such exposures, including all principal risks.
- Approving the Key Risk Policies.
- Providing input to remuneration decisions from a risk management perspective.
- Reviewing and recommending to the Board the assumptions, scenarios and metrics used for stress tests.

#### The Executive Risk Committee (ERC) is responsible for:

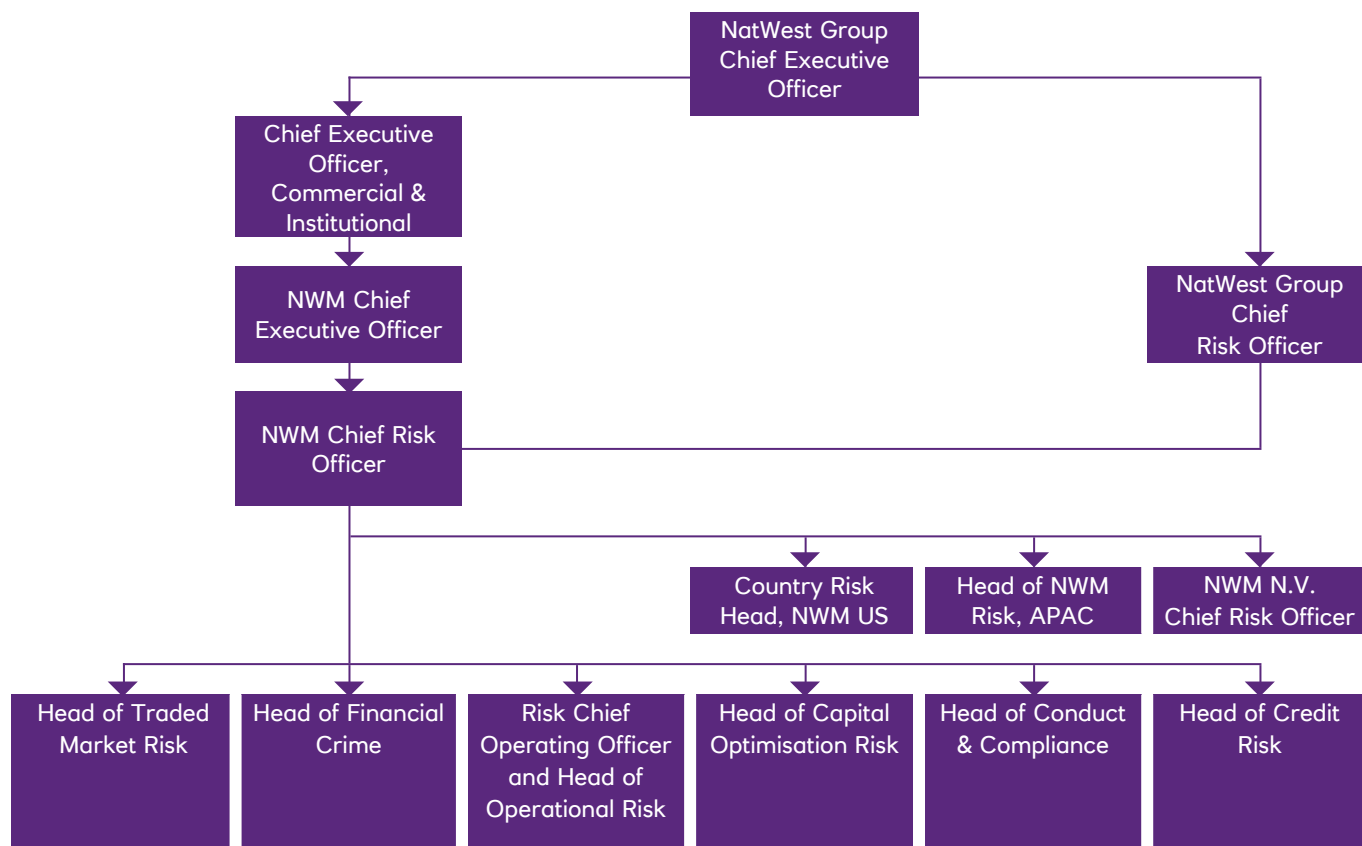
- Supporting the Chief Risk Officer and other accountable individuals in discharging their risk management accountabilities.
- Reviewing performance relative to risk appetite.
- Reviewing and debating all material risk exposures across NWM Group and management's recommendations to monitor and control such exposures.
- Reviewing the EWRMF, supporting its recommendation to BRC and overseeing its implementation across NWM Group.
- Reviewing the Key Risk Policies and supporting their recommendation to BRC.

## Risk management framework continued

### Governance

#### Risk management structure

The diagram shows NWM Group's risk management structure in 2024.



- (1) The NWM Chief Risk Officer reports directly to the NWM Chief Executive Officer and the NatWest Group Chief Risk Officer. The NWM Chief Risk Officer also has an additional reporting line to the chair of the NWM Board Risk Committee, and a right of access to the committee.
- (2) The NWM Group Risk function is independent and provides oversight of risk management activities to ensure risks are adequately monitored and controlled. The heads of risk work closely with the NWM N.V. Chief Risk Officer, the US Country Risk Head and the Head of NWM Risk, APAC to ensure consistency across the international businesses.
- (3) The NWH Group Risk function provides services across NatWest Group, including – where agreed – to the NWM Chief Risk Officer. These services are managed, as applicable, through service level agreements and resource augmentation agreements.



## Risk management framework continued

### Three lines of defence

NWM 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 NWM Group, including those in the customer-facing businesses, Technology and Services as well as support functions such as People and Transformation, Legal and Finance.

The first line of defence is empowered to take risks within the constraints of the risk management framework, policies, risk appetite statements set by NatWest Group and measures set by the NWM 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 NWM Group engages in permissible and sustainable risk-taking activities.

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

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

### Risk appetite

Risk appetite defines the type and aggregate level of risk NWM 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 NWM Group can assume before breaching constraints determined by regulatory capital and liquidity requirements, the operational environment, and from a conduct perspective. Establishing risk capacity helps determine where risk appetite should be set, ensuring there is a buffer between internal risk appetite and NWM 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 NWM 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 NWM Group is well placed to meet its priorities and long-term targets, even in challenging economic environments. This supports NWM Group in remaining resilient and secure as it pursues its strategic business objectives.

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

NWM 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.

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

### Mitigation

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

### Stress testing

#### Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of NWM 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 NWM Group, including its capital position.

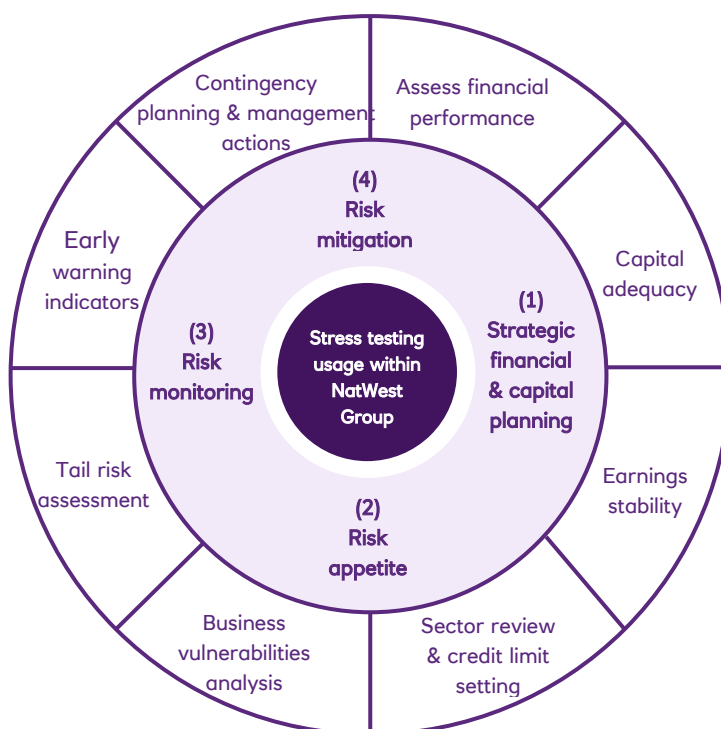
Stress testing includes:

- 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:

<b>Define scenarios</b>	<ul style="list-style-type: none"> <li>– Identify macro and NWM Group-specific vulnerabilities and risks.</li> <li>– Define and calibrate scenarios to examine risks and vulnerabilities.</li> <li>– Formal governance process to agree scenarios.</li> </ul>
<b>Assess impact</b>	<ul style="list-style-type: none"> <li>– Translate scenarios into risk drivers.</li> <li>– Assess impact to current and projected profit and loss and balance sheet across NWM Group.</li> </ul>
<b>Calculate results and assess implications</b>	<ul style="list-style-type: none"> <li>– Aggregate impacts into overall results.</li> <li>– Results form part of the risk management process.</li> <li>– Scenario results are used to inform NWM Group's business and capital plans.</li> </ul>
<b>Develop and agree management actions</b>	<ul style="list-style-type: none"> <li>– Stress scenario results are analysed by subject matter experts. Appropriate management actions are then developed.</li> <li>– Scenario results and management actions are reviewed by the Board Risk Committee and recommended to the Board for approval.</li> </ul>

Stress testing is used widely across NatWest Group, including at NWM Group level. The diagram below summarises key areas of focus.



## Risk management framework continued

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 NWM 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 NWM Group's recovery plan.

Reverse stress testing is also carried out in order to identify and assess scenarios that would cause NWM 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 NWM 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 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 NWM Group but also by the regulators to set specific capital buffers. NWM 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 NWM 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 NWM Group's specific capital requirements through the Pillar 2 framework.

### Capital allocation

NWM Group has mechanisms to allocate capital across its 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 Assets & Liabilities 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 Assets & Liabilities 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, NWM 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. Each scenario evaluates either an idiosyncratic, market-wide or combined stress event as described in the table below.

Type	Description
<b>Idiosyncratic scenario</b>	The market perceives NWM Group to be suffering from a severe stress event, which results in an immediate assumption of increased credit risk or concerns over solvency.
<b>Market-wide scenario</b>	A market stress event affecting all participants in a market through contagion, potential counterparty failure and other market risks. NWM Group is affected under this scenario but no more severely than any other participants with equivalent exposure.
<b>Combined scenario</b>	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.

NWM 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.

## Risk management framework continued

### Stress testing – recovery and resolution planning

Within NWM Group, both NWM Plc and RBSH N.V. each have a recovery plan explaining how they would identify and respond to a financial stress event and restore their financial position so that they remain 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 critical services and products to be maintained, as well as core business lines, while operating and restoring financial health. It is assessed for appropriateness on an ongoing basis. The NWM Plc plan is reviewed and approved by the Board prior to submission to the PRA.

Fire drill simulations of possible recovery events are used to test the effectiveness of the 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 the overall 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. These requirements include the development of contingency plans to wind-down parts of the trading book.

### 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.

#### Traded market risk

NWM Group carries out regular market risk stress testing to identify vulnerabilities and potential losses in excess of, or not captured in, value-at-risk. The calculated stresses measure the impact of changes in risk factors on the fair values of the trading portfolios.

NWM Group conducts historical, macroeconomic and vulnerability-based stress testing. Historical stress testing is a measure that is used for internal management. Using the historical simulation framework employed for value-at-risk, the current portfolio is stressed using historical data since 1 January 2005. This methodology simulates the impact of the 99.9 percentile loss that would be incurred by historical risk factor movements over the period, assuming variable holding periods specific to the risk factors and the businesses.

Historical stress tests form part of the market risk limit framework and their results are reported regularly to senior management. Macroeconomic stress tests are carried out periodically as part of the bank-wide, cross-risk capital planning process. The scenario narratives are translated into risk factor shocks using historical events and insights by economists, risk managers and the first line.

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 at least once a year, with a planning horizon of five years. The scenario narratives cover both regulatory scenarios and macroeconomic scenarios.

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 and nature

During 2024, NWM Group continued to review and refine its internal scenarios where appropriate, while building out the underlying tools at a granular level (climate decisioning framework and environmental decisioning framework).

In addition, NWM Group vulnerabilities are considered as part of the development of all NatWest Group-wide integrated scenarios and exercises.

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>

In addition to its participation in NatWest Group's stress testing programme, NWM Group has a further regulatory commitment in relation to its traded risk model approvals for market risk (IMA) and counterparty credit risk (IMM). A robust stress testing framework is a regulatory requirement.

The purpose of this stress testing framework includes the identification of possible causes of large losses, an estimation of their size and potential impact on capital adequacy together with the identification of steps that could be taken to manage those exposures as required. Such risk management-led stress testing covers both traded market risk and counterparty credit risk and is used to monitor and set risk appetite.

The requirements of NWM Group's stress testing programme are codified in NWM Group's stress testing policy and associated mandatory procedures.



## Market risk (audited)

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

Pension-related activities also give rise to market risk. Refer to page 58 for more information on risk related to pensions.

## Traded market risk

### Definition (audited)

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

### Sources of risk (audited)

NWM Group is exposed to traded market risk through trading activities that it enters into where such risk arises from market-making activity and by facilitating customer-facing business that cannot be immediately offset with other customers or market participants. From a market risk perspective, activities are focused on rates; currencies; and traded credit. NWM Group undertakes transactions in financial instruments including debt securities, as well as securities financing and derivatives.

The key categories of traded market risk are interest rate risk, credit spread risk and foreign currency price risk.

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

### Key developments in 2024

- The year was marked by periods of increased market volatility reflecting UK political developments, global inflationary concerns, the ongoing Russia-Ukraine conflict and geopolitical tensions in the Middle East.
- The significant volatility in Gilts, sterling swaps and inflation entered the rolling window for the value-at-risk (VaR) calculation during 2024. However, traded VaR and stressed value-at-risk (SVaR) remained within appetite and, on an average basis, at similar levels compared to 2023, aided by NWM Group's continued disciplined approach to risk-taking.

### Governance (audited)

Traded market risk policy defines the key principles and approach to managing and reporting traded market risks across NWM Group. Responsibility for identifying, measuring, monitoring and controlling market risk arising from trading activities lies with the relevant trading business. The Market Risk function independently advises on, monitors and challenges the risk-taking activities undertaken by the trading business ensuring these are within the constraints of the market risk framework, policies, and risk appetite statements and measures.

## Risk appetite

NWM Group's qualitative appetite for traded market risk is set out in the traded market risk appetite statement. Quantitative appetite is expressed in terms of exposure limits. The limits at NWM Group level comprise VaR, SVaR and stress-testing. More details on these are provided on the following pages.

For each trading business, a document known as a dealing authority compiles details of all applicable limits and trading restrictions. The desk-level mandates comprise qualitative limits related to the product types within the scope of each desk, as well as quantitative metrics specific to the desk's market risk exposures. These additional limits and metrics aim to control various risk dimensions such as exposure size, aged inventory, currency and tenor.

The limits are reviewed to reflect changes in risk appetite, business plans, portfolio composition and the market and economic environments and recalibrated to ensure that they remain aligned to NWM Group RWA targets. Limit reviews focus on optimising the alignment between traded market risk exposure and capital usage.

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

The risk appetite statements and associated measures are reviewed 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. For more detail on risk appetite, refer to page 22.

## Monitoring and mitigation

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

Traded market risk exposures are monitored against limits and analysed daily. A daily report summarising the position of exposures against limits at desk, business and NWM Group levels is provided to senior management and market risk managers across the function. Limit reporting is supplemented with regulatory capital and stress testing information as well as ad-hoc reporting.

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

Business profit and loss performance is monitored automatically through loss triggers which, if breached, require a remedial action plan to be agreed between the Market Risk function and the business. The loss triggers are set using both a fall-from-peak approach and an absolute loss level. In addition, regular updates on traded market risk positions are provided to NWM Group's Executive Risk Committee and Board Risk Committee.

## Traded market risk continued

### Measurement (audited)

NWM Group uses VaR, SVaR and the incremental risk charge (IRC) to capitalise traded market risk. Risks that are not adequately captured by VaR or SVaR are captured by the Risks Not In VaR (RNIV) framework to ensure that NWM Group is adequately capitalised for market risk. In addition, stress testing is used to identify any vulnerabilities and potential losses.

The key inputs into these measurement methods are market data and risk factor sensitivities. Sensitivities refer to the changes in trade or portfolio value that result from small changes in market parameters that are subject to the market risk limit framework. Revaluation ladders are used in place of sensitivities to capture the impact of large moves in risk factors or the joint impact of two risk factors.

The suite of internal metrics used for risk management purposes at NWM Group level have been designed to capture correlation effects and to allow for an aggregated view of traded market risk across risk types, markets and business lines while also taking into account the characteristics of each risk type.

### Value-at-risk

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

The internal VaR model – which captures all trading book positions including those products approved by the regulator – is based on a historical simulation, utilising market data from the previous 500 days, and is sensitive to recent market conditions.

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

When simulating potential movements in such risk factors, a combination of absolute, relative and rescaled returns is used.

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

- Back-testing: Internal and regulatory back-testing is conducted on a daily basis. For further information on back-testing, refer to the following page.
- Ongoing model validation: VaR model performance is assessed both regularly and, on an ad-hoc basis if market conditions or portfolio profile change significantly.
- Model Risk Management review: As part of the model lifecycle, all risk models (including the VaR model) are independently reviewed to ensure the model is still fit for purpose given current market conditions and portfolio profile. For further detail on the independent model validation carried out by Model Risk Management, refer to page 67. More information relating to pricing and market risk models is presented in the NatWest Group Pillar 3 Report.

### One-day 99% traded internal VaR

The table below shows one-day 99% internal VaR for the trading portfolios of NWM Group, split by exposure type.

	2024				2023			
	Average £m	Maximum £m	Minimum £m	Period end £m	Average £m	Maximum £m	Minimum £m	Period end £m
<b>Traded internal VaR (1-day 99%)</b>								
Interest rate	6.6	12.1	3.0	3.8	9.8	19.3	4.3	7.4
Credit spread	7.7	10.1	5.6	5.6	6.2	7.1	4.9	6.8
Currency	2.0	6.7	0.5	1.3	2.3	7.0	0.9	1.8
Equity	0.1	0.3	-	-	-	0.1	-	0.1
Diversification (1)	(6.3)			(5.4)	(7.0)			(7.2)
<b>Total</b>	<b>10.1</b>	<b>16.2</b>	<b>5.3</b>	<b>5.3</b>	<b>11.3</b>	<b>20.0</b>	<b>6.6</b>	<b>8.9</b>

(1) NWM 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.

- On an average basis, traded VaR remained at similar levels in 2024 compared to 2023.
- The decrease in average total traded VaR and interest rate VaR reflected the decrease in curve risk in sterling and euro flow trading.



## Traded market risk continued

### VaR back-testing

The main approach employed to assess the VaR model's ongoing performance is back-testing, which counts the number of days when a loss exceeds the corresponding daily VaR estimate, measured at a 99% confidence level.

Two types of profit and loss (P&L) are used in back-testing comparisons: Actual P&L and Hypothetical P&L. For more details on the back-testing approach and the differences between internal and regulatory VaR, refer to the Market risk section of the NatWest Group Pillar 3 Report.

The table below shows regulatory back-testing exceptions in NWM Plc for the 250-business-day period to 31 December 2024 for one-day 99% traded regulatory VaR compared with Actual and Hypothetical (Hypo) P&L.

	Back-testing exceptions	
	Actual	Hypo
NWM Plc	-	-

- In the 250-day rolling window to 31 December 2024, there were no NWM Plc Actual or Hypothetical VaR P&L back-testing exceptions.

The table below shows internal back-testing exceptions in the major NWM businesses for the 250-business-day period to 31 December 2024. Internal back-testing compares one-day 99% traded internal VaR with Actual and Hypo P&L.

	Back-testing exceptions	
	Actual	Hypo
Rates	-	-
Currencies	-	3
Credit	-	-
xVA	-	-

- The back-testing exceptions were driven by losses in Currencies in February, July and December 2024 due to increased foreign exchange and rates market volatility.

### Stressed VaR (SVaR)

As with VaR, the SVaR methodology produces estimates of the potential change in the market value of a portfolio, over a specified time horizon, at a given confidence level. SVaR is a VaR-based measure using historical data from a one-year period of stressed market conditions. A simulation of 99% VaR is run on the current portfolio for each 250-day period from 2005 to the current VaR date, moving forward one day at a time. The SVaR is the worst VaR outcome of the simulated results.

This is in contrast with VaR, which is based on a rolling 500-day historical data set. A time horizon of ten trading days is assumed with a confidence level of 99%. NWM Group's internal traded SVaR model captures all trading book positions.

The table below analyses 10-day 99% internal SVaR for the trading portfolios of NWM Group.

	2024				2023			
	Average £m	Maximum £m	Minimum £m	Period end £m	Average £m	Maximum £m	Minimum £m	Period end £m
Total internal traded SVaR	56	136	31	41	56	140	28	36

- Traded SVaR, on an average basis, remained at similar levels in 2024 compared to 2023.

## Traded market risk continued

### Risks Not In VaR (RNIVs)

The RNIV framework is used to identify and quantify market risks that are not fully captured by the internal VaR and SVaR models.

RNIV calculations form an integral part of ongoing model and data improvement efforts to capture all market risks in scope for model approval in VaR and SVaR.

For further qualitative and quantitative disclosures on RNIVs, refer to the Market risk section of the NatWest Group Pillar 3 Report.

### Stress testing

For information on stress testing, refer to page 23.

### Incremental risk charge (IRC)

The IRC model quantifies the impact of rating migration and default events on the market value of instruments with embedded credit risk (in particular, bonds and credit default swaps) held in the trading book. It further captures basis risk between different instruments, maturities and reference entities. For further qualitative and quantitative disclosures on the IRC, refer to the Market risk section of the NatWest Group Pillar 3 Report.

## 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. The key sources of non-traded market risk are interest rate risk, credit spread risk, foreign exchange risk and equity risk.

### Key developments in 2024

- NWM Plc's non-traded market risk internal VaR decreased on an average and period-end basis compared to 2023. The decrease was driven by interest rate VaR.
- NWM Plc maintains a structural hedge of its common equity and reserves. At 31 December 2024 the notional amount of the structural hedge in place was £3.4 billion (£3.4 billion at 31 December 2023). NWM N.V. also maintains a structural hedge of its common equity and reserves; at 31 December 2024, the notional amount of this hedge, in sterling equivalent terms, was £1.2 billion (£1.4 billion at 31 December 2023).

### Governance (audited)

Responsibility for identifying, measuring, monitoring and controlling market risk arising from non-trading activities lies with the relevant business. Oversight is provided by NWM Group's Non-Traded Market Risk function.

Risk positions are reported regularly to NWM Group's Executive Risk Committee and the Board Risk Committee, as well as to the Assets & Liabilities Committee (ALCo). Non-traded market risk policy statements set out the governance and risk management framework.

Non-traded market risk is managed separately on both sides of the ring-fence. It is aggregated and monitored against risk appetite at both NWM Plc and NatWest Group levels.

### Risk appetite

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

Its quantitative appetite is expressed in terms of exposure limits set, where Board-approved, at legal entity level. At NWM Plc level, the Board limit comprises a VaR measure. This is supplemented with SVaR, sensitivities (including of the CET1 ratio), earnings-at-risk and economic-value-of-equity measures monitored at Executive governance level.

To ensure limits are not breached, triggers have been set such that if exposures exceed a specified level, action plans are developed by the business, Non-Traded Market Risk and Finance for implementation. Limits are reviewed regularly to reflect changes in risk appetite, business plans, portfolio composition and the external environment. For further information on risk appetite, refer to page 22.

## Non-traded market risk continued

### Non-traded internal VaR (one-day 99%)

The following table shows NWM Plc's one-day internal banking book 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. For NWM N.V. VaR, refer to the NWM N.V. ARA.

NWM Plc	2024				2023			
	Average £m	Maximum £m	Minimum £m	Period end £m	Average £m	Maximum £m	Minimum £m	Period end £m
Interest rate	3.4	4.9	1.3	2.3	5.2	7.4	3.0	5.6
Credit spread	5.1	6.3	4.2	4.2	5.6	7.3	3.8	7.3
Structural foreign exchange rate	2.9	3.4	2.5	2.9	3.5	4.8	2.8	4.8
Equity risk	1.0	1.2	0.8	0.9	1.2	1.2	1.1	1.1
Diversification (1)	(4.5)			(5.3)	(6.0)			(5.7)
Total	7.9	10.3	4.9	5.0	9.5	13.1	7.1	13.1

(1) NWM Plc 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.

- NWM Plc's total non-traded VaR decreased on an average and period-end basis compared to 2023.
- Interest rate VaR decreased, mainly driven by earlier periods of interest rate volatility falling out of the VaR calculation window.

### Interest rate risk

Non-traded interest rate risk (NTIRR) mainly arises from capital hedges, in portfolios held for liquidity purposes and from interest rate repricing mismatches between assets and liabilities in other portfolios. 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 the following three primary risk types:

- Gap risk: arises from the timing of rate changes in non-trading book instruments. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).
- Basis risk: captures the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices, or on the same interest rate indices but with different tenors.
- Option risk: arises from option derivative positions or from optional elements embedded in assets, liabilities and/or off-balance sheet items, where NWM Group or its customer can alter the level and timing of their cash flows.

NWM Group manages its interest rate positions within limits at legal entity level and hedges these positions externally using cash and derivatives (primarily interest rate swaps).

### Credit spread risk

Credit spread risk arises from the potential adverse economic impact of a change in the spread between bond (or other credit-sensitive instrument) yields and swap rates, where the portfolios are accounted at fair value through other comprehensive income. Credit risk also arises on loan portfolios classified at fair value.

To ensure NWM Group can continue to meet its obligations in the event that access to wholesale funding markets is restricted, it maintains a liquidity buffer in the form of bond portfolios – comprising primarily high-quality securities – and central bank cash.

Credit spread risk is monitored daily through sensitivities and VaR measures. Exposures and limit utilisations are reported to senior management on a regular basis. The dealing mandates in place for the bond portfolios further mitigate the risk by imposing constraints by duration, asset class and credit rating.

## Non-traded market risk continued

### Foreign exchange risk

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

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

Structural foreign exchange rate risk is assessed and managed by NWM Plc Treasury, with the aim of reducing NWM Plc's solo CET1 ratio sensitivity to unexpected movements in spot foreign exchange rates.

The position is managed within risk appetite levels under delegated authority from NWM Plc ALCo. The sensitivity of the CET1 ratio to exchange rates is reported to NWM Plc senior management monthly.

Gains or losses arising from the retranslation of net investments in overseas operations are recognised in equity reserves and reduce the sensitivity of capital ratios to foreign exchange rate movements primarily arising from the retranslation of non-sterling denominated RWAs.

Foreign exchange exposures arising from customer transactions are hedged by businesses on a regular basis in line with NatWest Group policy.

### Foreign exchange exposures

The table below shows NWM Group's structural foreign currency exposures.

	Net investments in foreign operations £m	Net investment hedges £m	Structural foreign currency exposures £m	Economic hedges £m	Residual structural foreign currency exposures £m
<b>2024</b>					
US dollar (1)	1,824	(598)	1,226	(1,226)	-
Euro	2,392	(355)	2,037	-	2,037
Swiss franc	180	(180)	-	-	-
Other non-sterling	313	(38)	275	-	275
	<b>4,709</b>	<b>(1,171)</b>	<b>3,538</b>	<b>(1,226)</b>	<b>2,312</b>
<b>2023</b>					
US dollar (1)	1,181	(228)	953	(902)	51
Euro	2,420	(420)	2,000	-	2,000
Swiss franc	192	(192)	-	-	-
Other non-sterling	355	(74)	281	-	281
	<b>4,148</b>	<b>(914)</b>	<b>3,234</b>	<b>(902)</b>	<b>2,332</b>

(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.

- Sterling weakened against the US dollar, to 1.25 at 31 December 2024 compared to 1.27 at 31 December 2023. It strengthened against the euro, to 1.20 at 31 December 2024 compared to 1.15 at 31 December 2023.
- 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 £0.2 billion in equity, respectively.

## Capital, liquidity and funding risk

NWM 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 capital, liquidity & funding risks. The framework ensures the tools and capability are in place to facilitate the management and mitigation of risk ensuring the 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 are set by applicable regulations to determine capital eligibility.

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 risk is defined as the risk that the Group or any of its subsidiaries or branches cannot meet its actual or potential financial obligations in a timely manner as they fall due in the short term.

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 (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 loss absorption. 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 perpetual in nature, with an initial call period of at least five years from issue and are written off or converted into CET1 capital if a pre-specified CET1 ratio is reached. The sum of CET1 and AT1 capital is referred to as Tier 1 capital.
- **Tier 2 capital** - Tier 2 capital is the bank entities' supplementary capital and provides loss absorption on a gone concern basis. 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 NWM Plc has failed. Tier 2 capital absorbs losses after Tier 1 capital. It typically consists of subordinated debt securities with a minimum initial maturity of five years.

### Minimum requirement for own funds and eligible liabilities (MREL)

In addition to capital, other specific loss absorbing instruments, including senior notes with a residual maturity of at least one year issued by NWM Plc, may be used to cover certain gone concern capital requirements.

### Liquidity

NWM 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 whole 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

NWM Group's primary funding sources are as follows:

Type	Description
Wholesale markets	Includes: <ul style="list-style-type: none"> <li>– Short-term (less than 1 year) unsecured money market funding.</li> <li>– Commercial paper and certificates of deposit.</li> <li>– Secured repo market funding.</li> </ul>
Term debt	Includes: <ul style="list-style-type: none"> <li>– Long-term (typically more than 1 year) senior unsecured and secured debt securities.</li> <li>– Long-term subordinated liabilities.</li> </ul>
Internal capital and MREL	Includes: <ul style="list-style-type: none"> <li>– Equity, AT1, Tier 2 capital instruments and MREL issued to NatWest Group plc (under the Single Point of Entry regime).</li> </ul>

### Managing capital, liquidity and funding requirements: regulated entities

In line with paragraph 135 of IAS 1 'Presentation of Financial Statements', NWM Group manages capital having regard to regulatory requirements. Regulatory capital, MREL, RWA and leverage is monitored and reported on an individual regulated bank legal entity basis ('bank entity'), which is the CRR transitional basis as relevant in the UK and EU.

Liquidity metrics including the LCR are presented for the solo legal entity as regulated by the PRA. Disclosures for funding sources and notes issued are presented for NWM Group rather than for NatWest Markets Plc.

## Capital, liquidity and funding risk continued

### Key developments in 2024

- NWM Plc's RWAs decreased by £1.3 billion to £20.8 billion at 31 December 2024, reflecting lower market risk, counterparty credit risk, and a decrease from the annual update to operational risk RWAs; partially offset by an increase in credit risk.
- NWM Plc's CET1 ratio increased by 110 basis points to 18.2% at 31 December 2024, from 17.1% at 31 December 2023, largely driven by the decrease in RWAs.
- NWM Plc issued a \$750 million Additional Tier 1 (AT1) instrument to NatWest Group plc in 2024.
- NWM Plc's MREL at 31 December 2024 was £10.0 billion, or 48.2% of RWAs, compared to £7.6 billion or 34.5% of RWAs at 31 December 2023. The increase in total MREL was due to a £0.7 billion increase in eligible capital and a £1.7 billion increase in senior unsecured debt. The increase in eligible capital was mainly due to the AT1 instrument issued to NatWest Group plc of \$0.75 billion and two new internal Tier 2 instruments amounting to \$1.16 billion, partially offset by the redemption of an internal €0.95 billion Tier 2 instrument. The increase in senior unsecured debt was driven by the issuance of three new MREL instruments with NatWest Group plc amounting to \$2.15 billion.
- NWM Plc's leverage ratio increased by 50 basis points to 5.5%. The increase was largely driven by a £0.6 billion increase in Tier 1 capital, primarily due to the AT1 instrument issued to NatWest Group plc, partially offset by a £2.9 billion increase in leverage exposure. The key drivers for the leverage exposure were an increase in other financial assets and net derivatives, partially offset by a decrease in trading assets and net settlement balances.
- The NWM Plc liquidity portfolio increased by £6.3 billion to £21.0 billion at 31 December 2024, compared with £14.7 billion at the prior year end, largely driven by funding raised to support banking book growth.
- The spot LCR for NWM Plc was 195% at 31 December 2024, compared with 183% at 31 December 2023. The average LCR was 192%, compared with 240% at 31 December 2023.

### Capital management

Capital management is the process by which banks ensure that they have sufficient capital and other loss absorbing instruments to operate effectively. This includes meeting minimum regulatory requirements, operating within Board-approved risk appetite, maintaining credit ratings and supporting strategic goals. Capital management is critical in supporting banks businesses. Capital management within NWM Group is executed in accordance with the NatWest Group-wide framework.

NWM Plc's capital plans are produced and updated by the bank on a monthly basis. This process includes integration into NatWest Group's wider annual budgeting process and is summarised below. Other elements of capital management, including risk appetite and stress testing, are set out on pages 22 and 23.

Produce capital plans	<ul style="list-style-type: none"> <li>– A capital plan is produced for NWM Plc using a five-year planning horizon under expected and stress conditions. Stressed capital plans are produced to support internal stress testing through the ICAAP or for regulatory purposes.</li> <li>– A shorter term (rolling 12 month) forecast is updated frequently in response to actual performance, changes in internal and external business environment and to manage risks and opportunities.</li> </ul>
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Assess capital adequacy	<ul style="list-style-type: none"> <li>– Capital plans are developed to ensure that capital of sufficient quantity and quality is planned to be available to support NWM Group's business and strategic plans over the planning horizon within approved risk appetite, as determined via stress testing, and minimum regulatory requirements.</li> <li>– Impact assessment captures input from across NWM Group including from businesses.</li> </ul>
Inform capital actions	<ul style="list-style-type: none"> <li>– Capital planning informs potential capital actions including managing capital through new issuance, redemptions or internal transactions.</li> <li>– Decisions on capital actions will be influenced by strategic and regulatory requirements, the cost and prevailing market conditions.</li> <li>– As part of capital planning, NWM Group will monitor its portfolio of capital securities and assess the optimal blend.</li> </ul>

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

### Liquidity and funding management

Liquidity and funding management follows a similar process to that outlined above for capital.

#### Liquidity portfolio management

The size of the portfolio is determined by reference to NWM Group's liquidity risk appetite. Consistent with NatWest Group, NWM Group retains a prudent approach to setting the composition of the liquidity portfolio, which is subject to internal policies and limits covering quality of counterparty, maturity mix and currency mix. NWM Group categorises its liquidity portfolio, including its locally managed liquidity portfolios, into primary and secondary liquid assets. The majority of the NWM Plc portfolio is managed by NatWest Holdings Treasury on behalf of NWM Plc, for which the NatWest Markets Treasurer is responsible.

NatWest Markets Securities Inc. and NatWest Markets N.V., both of which are significant operating subsidiaries of NWM Plc, hold locally managed liquidity portfolios to comply with local regulations that differ from PRA rules.

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

#### Funding risk management

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

The long-term obligations of NWM Group must be met with diverse and stable funding sources, the behavioural maturity of these liabilities must at a minimum equal those of the assets.

## Capital, liquidity and funding risk continued

### Minimum requirements

#### Capital ratios

NWM Plc is subject to minimum capital requirements relative to RWAs. The table below summarises the minimum Pillar 1 capital requirements and additional capital buffers that the entity is expected to have to meet.

Type	CET1	Total tier 1	Total capital
Minimum capital requirements	4.5%	6.0%	8.0%
Capital conservation buffer (1)	2.5%	2.5%	2.5%
Countercyclical capital buffer (1)	1.0%	1.0%	1.0%
Total	8.0%	9.5%	11.5%

(1) 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. The capital conservation buffer and the countercyclical capital buffer are required to be met with CET1 capital only.

(2) In addition, NWM Plc is subject to Pillar 2A requirements for CET1, AT1 and T2. Refer to the NWM Plc Pillar 3 report for further details on these additional capital requirements.

#### Leverage ratio

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

Type	CET1	Total tier 1
Minimum ratio	2.44%	3.25%
Countercyclical leverage ratio buffer (1)	0.3%	0.3%
Total	2.74%	3.55%

(1) The countercyclical leverage ratio buffer is set at 35% of NWM Plc's CCyB. The UK CCyB is currently being maintained at 2%. Foreign exposure may be subject to different CCyB rates depending on the rates set in those jurisdictions.

#### Liquidity ratio

NWM Plc has a minimum Liquidity Coverage Ratio (LCR) requirement under the PRA framework of 100%.

### Measurement

#### Capital, RWAs and leverage

Capital resources, RWAs and leverage based on the PRA transitional arrangements in respect of ECL provisions<sup>(2)</sup> for NWM Plc are set out below. Regulatory capital is monitored and reported at legal entity level for large subsidiaries of NatWest Group.

	2024	2023
Capital adequacy ratios	%	%
CET1	18.2	17.1
Tier 1	24.3	20.2
Total	27.8	23.0
Total MREL	48.2	34.5
Capital	£m	£m
CET1	3,779	3,776
Tier 1	5,067	4,455
Total	5,779	5,072
Total MREL (1)	10,038	7,627
RWAs		
Credit risk	8,908	7,895
Counterparty credit risk	5,797	6,516
Market risk	5,105	6,366
Operational risk	1,002	1,322
Total RWAs	20,812	22,099

(1) Includes senior debt instruments issued to NatWest Group plc with a regulatory value of £4.3 billion (2023 - £2.6 billion).

(2) The IFRS 9 transitional capital rules in respect to ECL provisions will no longer apply from 1 January 2025.

#### Leverage

	2024	2023
Tier 1 capital (£m)	5,067	4,455
Leverage exposure (£m) (1)	92,859	89,929
Leverage ratio (%)	5.5	5.0

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



## 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.

	2024	2023
	£m	£m
<b>Leverage</b>		
Cash and balances at central banks	11,069	8,607
Trading assets	26,186	28,411
Derivatives	74,982	75,832
Financial assets	37,408	32,930
Other assets	3,292	4,878
Total assets	152,937	150,658
Derivatives		
- netting	(72,159)	(73,927)
- potential future exposures	15,093	15,691
Securities financing transactions gross up	1,959	1,301
Undrawn commitments	8,638	8,493
Regulatory deductions and other adjustments	(2,266)	(3,373)
Exclusion of core UK-group exposures	(288)	(310)
Claims on central banks	(11,055)	(8,604)
Leverage exposure	92,859	89,929

### 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
	£m	£m
Cash and balances at central banks	10,965	8,547
High quality government/MDB/PSE and GSE bonds (1)	8,962	6,054
Extremely high quality covered bonds	-	1
<b>LCR Level 1 eligible assets</b>	<b>19,927</b>	<b>14,602</b>
<b>LCR Level 2 eligible assets (2)</b>	<b>1,031</b>	<b>104</b>
<b>Primary liquidity (HQLA) (3)</b>	<b>20,958</b>	<b>14,706</b>
<b>Secondary liquidity (4)</b>	<b>30</b>	<b>39</b>
<b>Total liquidity value</b>	<b>20,988</b>	<b>14,745</b>

(1) Multilateral development bank abbreviated to MDB, public sector entities abbreviated to PSE and government sponsored entities abbreviated to GSE.

(2) Includes Level 2A and Level 2B.

(3) High-quality liquid assets abbreviated to HQLA.

(4) Comprises assets eligible for discounting at the Bank of England and other central banks which do not form part of the LCR high-quality liquid assets.

The table below shows the liquidity value of the liquidity portfolio by currency.

	GBP	USD	EUR	Other	Total
	£m	£m	£m	£m	£m
<b>Total liquidity portfolio</b>					
2024	11,667	3,353	4,996	972	20,988
2023	5,153	3,350	6,150	92	14,745

## Capital, liquidity and funding risk continued

## Funding sources (audited)

The table below shows NWM Group's carrying values of the principal funding sources based on contractual maturity.

	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	4,056	509	4,565	1,622	645	2,267
<i>of which: repos (amortised cost)</i>	2,487	-	2,487	452	-	452
Customer deposits	4,784	56	4,840	6,990	8	6,998
<i>of which: repos (amortised cost)</i>	482	-	482	418	-	418
<b>Trading liabilities (1)</b>						
Repos (2)	29,752	810	30,562	26,634	268	26,902
Derivative cash collateral received	12,307	-	12,307	15,062	-	15,062
Other bank and customer deposits	627	268	895	768	382	1,150
Debt securities in issue	20	237	257	418	288	706
	42,706	1,315	44,021	42,882	938	43,820
<b>Other financial liabilities</b>						
Customer deposits (designated at fair value)	221	1,316	1,537	193	1,066	1,259
Debt securities in issue						
Commercial paper and certificates of deposits	7,228	377	7,605	4,228	205	4,433
Medium term notes (MTNs)	7,548	14,304	21,852	3,759	13,849	17,608
Subordinated liabilities	-	269	269	-	274	274
	14,997	16,266	31,263	8,180	15,394	23,574
<b>Amounts due to holding company and fellow subsidiaries (3)</b>						
Internal MREL	929	3,429	4,358	434	2,636	3,070
Other bank and customer deposits	1,204	-	1,204	1,620	-	1,620
Subordinated liabilities	-	1,115	1,115	839	183	1,022
	2,133	4,544	6,677	2,893	2,819	5,712
<b>Total funding</b>	<b>68,676</b>	<b>22,690</b>	<b>91,366</b>	<b>62,567</b>	<b>19,804</b>	<b>82,371</b>
<i>Of which: available in resolution (4)</i>			<b>4,813</b>			<b>3,093</b>

(1) Funding sources excludes short positions of £10,491 million (2023 - £9,803 million) reflected as trading liabilities on the balance sheet.

(2) Comprises Central and other bank repos of £7,174 million (2023 - £3,957 million), other financial institution repos of £20,398 million (2023 - £20,394 million) and other corporate repos of £2,990 million (2023 - £2,551 million).

(3) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments of £94 million (2023 - £90 million) have been excluded from the table.

(4) 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 in December 2021 (updating June 2018).

## Capital, liquidity and funding risk continued

## Senior notes and subordinated liabilities - residual maturity profile by instrument type (audited)

The table below shows NWM Group's debt securities in issue, subordinated liabilities and internal resolution instruments by residual maturity.

	Trading liabilities	Other financial liabilities				Amounts due to holding company and fellow subsidiaries			
	Debt securities in issue	Debt securities in issue							
	MTNs	Commercial paper and CDs	MTNs	Subordinated liabilities	Total	Internal MREL	Subordinated liabilities	Total notes in issue	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>2024</b>									
Less than 1 year	20	7,228	7,548	-	14,776	929	-	15,725	
1-3 years	35	377	9,959	-	10,336	1,751	-	12,122	
3-5 years	42	-	3,652	-	3,652	1,678	987	6,359	
More than 5 years	160	-	693	269	962	-	128	1,250	
<b>Total</b>	<b>257</b>	<b>7,605</b>	<b>21,852</b>	<b>269</b>	<b>29,726</b>	<b>4,358</b>	<b>1,115</b>	<b>35,456</b>	

<b>2023</b>									
Less than 1 year	418	4,228	3,759	-	7,987	434	839	9,678	
1-3 years	48	205	9,342	18	9,565	1,722	-	11,335	
3-5 years	-	-	3,851	-	3,851	914	-	4,765	
More than 5 years	240	-	656	256	912	-	183	1,335	
<b>Total</b>	<b>706</b>	<b>4,433</b>	<b>17,608</b>	<b>274</b>	<b>22,315</b>	<b>3,070</b>	<b>1,022</b>	<b>27,113</b>	

The table below shows the currency breakdown of total notes in issue.

	GBP	USD	EUR	Other	Total
	£m	£m	£m	£m	£m
<b>2024</b>					
Commercial paper and CDs	2,461	1,461	3,683	-	7,605
MTNs	2,306	5,069	11,804	2,930	22,109
External subordinated liabilities	18	17	234	-	269
Internal MREL due to NatWest Group plc	-	3,473	885	-	4,358
Subordinated liabilities due to NatWest Group plc	-	1,115	-	-	1,115
<b>Total</b>	<b>4,785</b>	<b>11,135</b>	<b>16,606</b>	<b>2,930</b>	<b>35,456</b>
<b>2023 total</b>	<b>2,948</b>	<b>8,153</b>	<b>13,017</b>	<b>2,995</b>	<b>27,113</b>

## 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 NWM Group are lending, off-balance sheet products, derivatives and securities financing, debt securities, and settlement risk through trading activities.

### Key developments in 2024 (audited)

- The credit profile remained stable and NWM Group has yet to see signs of financial stress materially affect customers' ability to repay.
- Current and potential credit exposure increased in the context of planned business growth.
- NWM Group continued to progress embedding climate change considerations in credit assessment and monitoring, including scenario analysis and development of second generation climate risk scorecards.

### Governance (audited)

The Credit Risk function provides oversight and challenge of frontline credit risk management activities. Authority is delegated to credit risk officers who operate within designated limits set at a customer level and a portfolio level.

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 provisions and model committees.
- Development and approval of credit grading models.
- Providing regular reporting on credit risk to the Board.

The Credit Risk Committee provides oversight of the overall credit risk profile and sector/product/asset class concentrations.

## Risk appetite

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

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

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

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

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

## Identification and measurement

### Credit stewardship (audited)

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

### Asset quality (audited)

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel 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. It is a material part of NWM Group's credit risk.

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

## Mitigation

Mitigation techniques, as set out in the appropriate credit risk toolkits and transactional acceptance standards, are used in the management of credit portfolios across NWM Group. These techniques mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset, the use of credit derivatives including credit default swaps, credit-linked debt instruments and securitisation structures, and the use of guarantees and similar instruments (for example, credit insurance) from related and third parties.

## Credit risk continued

### Assessment and monitoring

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

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

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

#### Early problem identification

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

### The Wholesale Problem Debt Management framework

This framework focuses on customers to provide early identification of credit deterioration, support intelligent risk-taking, ensure fair and consistent customer outcomes and provide key insights into lending portfolios. Expert judgement is applied by experienced credit risk officers to classify cases into categories that reflect progressively deteriorating credit risk to NWM 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 NWM Group's default criteria (AQ10 exposures). Defaulted exposures are categorised as Stage 3 impaired for provisioning purposes.

Customers classified in the Heightened Monitoring category are those who are still performing but have certain characteristics – such as trading issues, covenant breaches, material PD downgrades and past due facilities – that may affect the ability to meet repayment obligations. Heightened Monitoring customers require pre-emptive actions to return or maintain their facilities within risk appetite.

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

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

#### Restructuring

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

#### Forbearance (audited)

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

#### Provisioning for forbearance

Provisions for forbore loans are assessed in accordance with normal provisioning policies. The customer's financial position and prospects – as well as the likely effect of the forbearance, including any concessions granted, and revised PD or LGD gradings – are considered in order to establish whether an impairment provision increase is required.

Loans granted forbearance are individually credit assessed in most cases. Performing loans subject to forbearance treatment are categorised as Stage 2 and subject to a lifetime loss assessment.

## Credit risk continued

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

## Credit grading models

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

Credit grading models are designed to provide:

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

## Impairment, provisioning and write-offs (audited)

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

NWM 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 3.11.

## IFRS 9 ECL model design principles (audited)

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

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

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

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

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

### PD estimates

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

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

### LGD estimates

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

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

### EAD estimates

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

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



## 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.

### ECL post model adjustments (audited)

The table below shows ECL post model adjustments.

	2024	2023
	£m	£m
Deferred model calibrations	-	-
Economic uncertainty	10	13
Other adjustments	-	-
<b>Total</b>	<b>10</b>	<b>13</b>
Of which:		
- Stage 1	8	10
- Stage 2	2	3
- Stage 3	-	-

### SICR (audited)

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

The framework comprises the following elements:

- **IFRS 9 lifetime PD assessment (the primary driver)** – on modelled portfolios, the assessment is based on the relative deterioration in forward-looking lifetime PD and is assessed monthly. To assess whether credit deterioration has occurred, the residual lifetime PD at balance sheet date (which PD is established at date of initial recognition) is compared to the current PD. If the current lifetime PD exceeds the residual origination PD by more than a threshold amount, deterioration is assumed to have occurred and the exposure transferred into Stage 2 for a lifetime loss assessment. In broad terms, a doubling of PD would indicate a SICR. However, the PD uplift must be at least 0.1%.
- **Qualitative high-risk backstops** – the PD assessment is complemented with the use of qualitative high-risk backstops to further inform whether significant deterioration in lifetime risk of default has occurred. The qualitative high-risk backstop assessment includes the use of the mandatory 30+ days past due backstop, as prescribed by IFRS 9 guidance, and other features such as forbearance support and exposures managed within the Wholesale Problem Debt Management framework.

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

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

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

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

### Asset lifetimes (audited)

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

The date of initial recognition reflects the date that a transaction (or account) was first recognised on the balance sheet; the PD recorded at that time provides the baseline used for subsequent determination of SICR as detailed above.

For asset duration, the approach applied (in line with IFRS 9 requirements) is:

- **Term lending** – the contractual maturity date, reduced for behavioural trends where appropriate (such as, expected prepayment and amortisation).
- **Revolving facilities** – asset duration is based on annual customer review schedules and will be set to the next review date.

## 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 the UK portfolios include UK gross domestic product (GDP), world GDP, the unemployment rate, the house price index, and the Bank of England base rate. Similar metrics are used for other key country exposures in NWM Group.

#### 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.

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

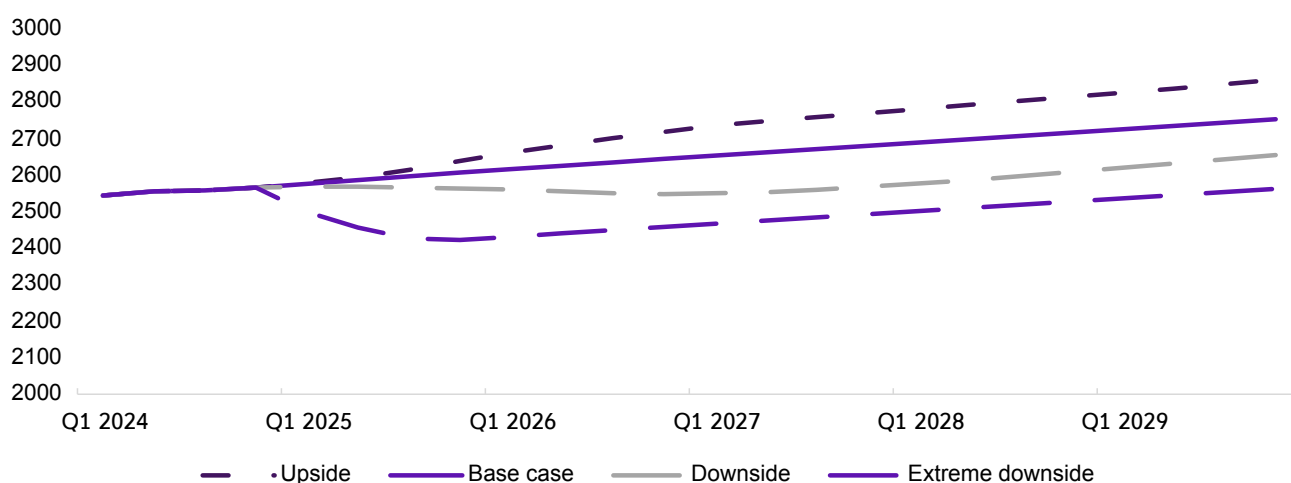
### Probability weightings of scenarios

NWM 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.

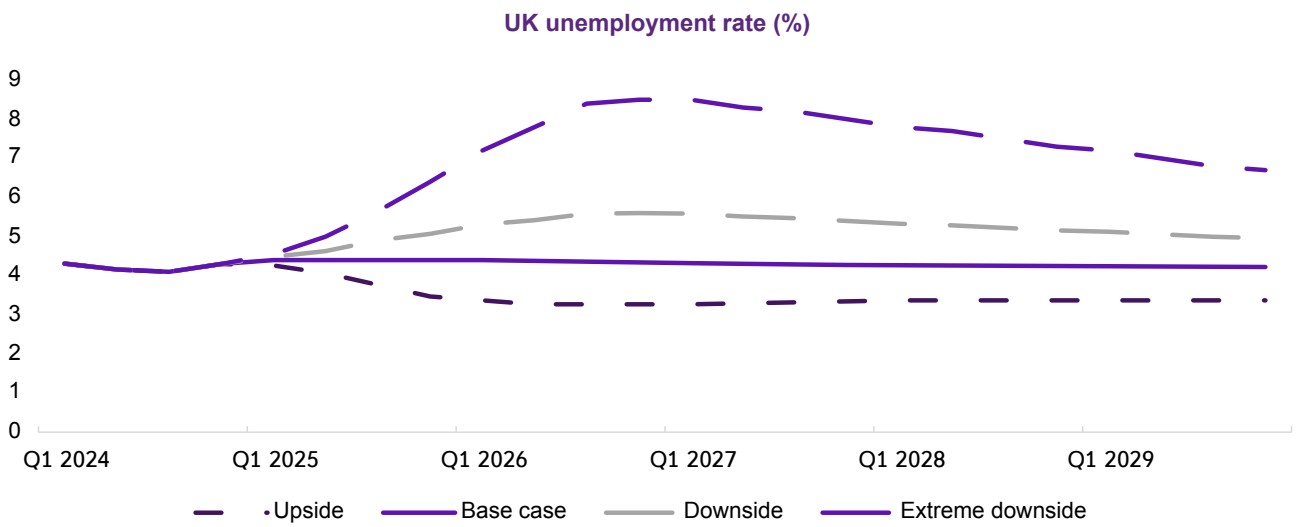
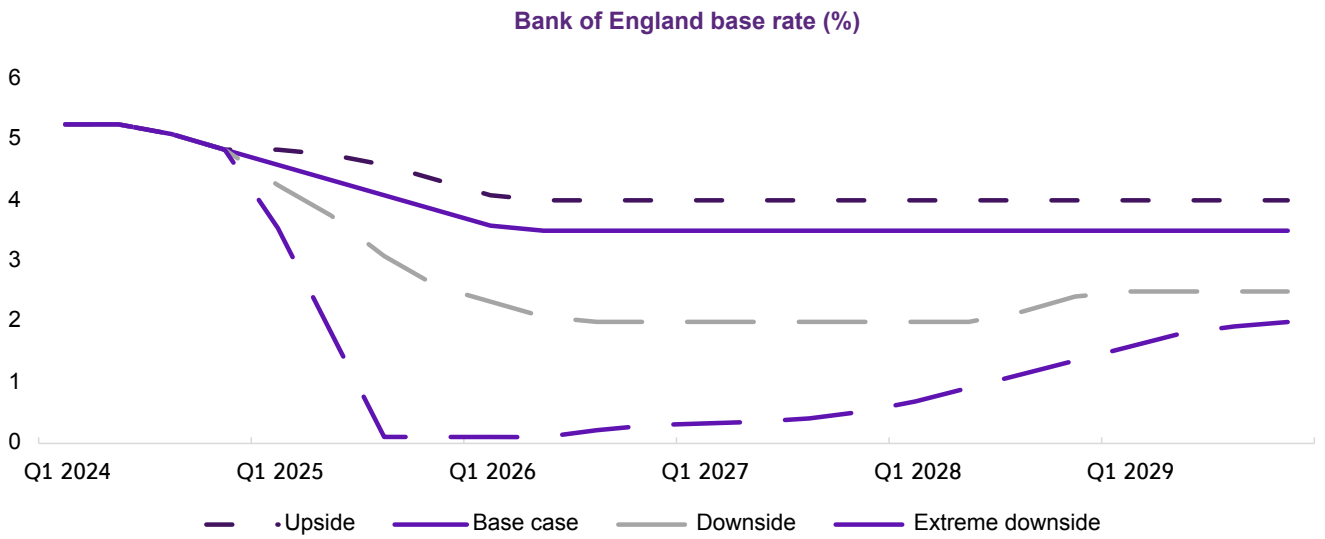
The approach involves comparing UK GDP paths for NWM Group's scenarios against a set of 1,000 model runs, following which a percentile in the distribution is established that most closely corresponded to the scenario. The probability weight for the base case is set first based on judgement, while probability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

The assigned probability weights were judged to be aligned with the subjective assessment of balance of the risks in the economy. The weights were marginally less downside skewed compared to those used at 31 December 2023. The downside risks associated with a materially high inflation have reduced, with inflation lower at the end of 2024 compared to a year ago. However, the economic outlook is still subject to considerable uncertainty especially with respect to persistence of inflation, restrictive trade policies and various geopolitical flashpoints. Given that backdrop, NWM 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.

UK gross domestic product (£bn)



Credit risk continued



## Credit risk continued

## Economic loss drivers (audited)

Annual figures

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
<b>GDP - annual growth</b>					
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

## Unemployment rate - annual 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

## House price index - four quarter change

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

## Commercial real estate price - four quarter change

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

## Consumer price index - four quarter change

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

## Bank of England base rate - annual 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

## Stock price index - four quarter change

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

## Credit risk continued

## Economic loss drivers (audited)

## 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.

## Measurement uncertainty and ECL sensitivity analysis (audited)

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

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

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

As expected, the scenarios create differing impacts on ECL by portfolio and the impacts are deemed reasonable. In this simulation, it is assumed that existing modelled relationships between key economic variables and loss drivers hold, but in practice other factors would also have an impact, for example, potential customer behaviour changes and policy changes by lenders that might impact on the wider availability of credit.

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

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

NWM 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

31 December 2024	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Stage 1 modelled loans (£m)	18,918	19,032	19,034	18,916	18,134
Stage 1 modelled ECL (£m)	25	22	20	26	46
Stage 1 coverage (%)	0.13%	0.12%	0.11%	0.14%	0.25%
Stage 2 modelled loans (£m)	347	233	231	349	1,131
Stage 2 modelled ECL (£m)	5	5	4	6	14
Stage 2 coverage (%)	1.44%	2.15%	1.73%	1.72%	1.24%
Stage 1 and Stage 2 modelled loans (£m)	19,265	19,265	19,265	19,265	19,265
Stage 1 and Stage 2 modelled ECL (£m)	30	27	24	32	60
Stage 1 and Stage 2 coverage (%)	0.16%	0.14%	0.12%	0.17%	0.31%
Variance – (lower)/higher to actual total Stage 1 and Stage 2 ECL (£m)		(3)	(6)	2	30
Reconciliation to Stage 1 and Stage 2 flow exposures (£m)					
Modelled loans	19,265	19,265	19,265	19,265	19,265
Other asset classes	33,558	33,558	33,558	33,558	33,558

- (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 NWM Group 2023 Annual Report and Accounts for 2023 comparatives.

## Measurement uncertainty and ECL adequacy (audited)

- Given the continued economic uncertainty, NWM Group utilised a framework of quantitative and qualitative measures to support the levels of ECL coverage. This included economic data, credit performance insights and problem debt trends. This was particularly important for consideration of post model adjustments.
- As the effects of these economic risks evolve into 2025, there is a risk of further credit deterioration. However, the income statement effect of this should be mitigated by the forward-looking provisions retained on the balance sheet at 31 December 2024.
- There are a number of key factors that could drive further downside to impairments, through deteriorating economic and credit metrics and increased stage migration as credit risk increases for more customers. Such factors which could impact the IFRS 9 models, include an adverse deterioration in unemployment, GDP and stock price index in the economies in which NWM Group operates.

## Credit risk – Trading activities

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

### Securities financing transactions and collateral (audited)

The table below shows securities financing transactions in NWM Group. Balance sheet captions include balances held at all classifications under IFRS.

	Reverse repos			Repos		
	Total	Of which: can be offset	Outside netting arrangements	Total	Of which: can be offset	Outside netting arrangements
	£m	£m	£m	£m	£m	£m
<b>2024</b>						
Gross	45,774	45,734	40	48,705	48,002	703
IFRS offset	(15,174)	(15,174)	-	(15,174)	(15,174)	-
Carrying value	30,600	30,560	40	33,531	32,828	703
Master netting arrangements	(1,549)	(1,549)	-	(1,549)	(1,549)	-
Securities collateral	(28,799)	(28,799)	-	(31,279)	(31,279)	-
Potential for offset not recognised under IFRS	(30,348)	(30,348)	-	(32,828)	(32,828)	-
Net	252	212	40	703	-	703
<b>2023</b>						
Gross	41,750	41,292	458	44,028	43,308	720
IFRS offset	(16,257)	(16,257)	-	(16,257)	(16,257)	-
Carrying value	25,493	25,035	458	27,771	27,051	720
Master netting arrangements	(669)	(669)	-	(669)	(669)	-
Securities collateral	(24,175)	(24,175)	-	(26,382)	(26,382)	-
Potential for offset not recognised under IFRS	(24,844)	(24,844)	-	(27,051)	(27,051)	-
Net	649	191	458	720	-	720

### Debt securities (audited)

The table below shows debt securities held at mandatory fair value through profit or loss by issuer as well as ratings based on the lowest of Standard & Poor's, Moody's and Fitch. Refer to Note 12 on Trading assets and trading liabilities for details on short positions.

	Central and local government			Financial institutions	Corporate	Total
	UK	US	Other			
	£m	£m	£m	£m	£m	£m
<b>2024</b>						
AAA	-	-	1,335	1,368	-	2,703
AA to AA+	-	3,734	74	569	2	4,379
A to AA-	2,077	-	1,266	381	519	4,243
BBB- to A-	-	-	831	562	885	2,278
Non-investment grade	-	-	-	108	167	275
Total	2,077	3,734	3,506	2,988	1,573	13,878
<b>2023</b>						
AAA	-	-	1,333	1,132	-	2,465
AA to AA+	-	2,600	19	762	4	3,385
A to AA-	2,729	-	1,017	251	283	4,280
BBB- to A-	-	-	693	295	489	1,477
Non-investment grade	-	-	-	198	149	347
Total	2,729	2,600	3,062	2,638	925	11,954

## Credit risk – Trading activities continued

## Derivatives (audited)

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

	2024							2023		
	Notional				Total	Assets	Liabilities	Notional	Assets	Liabilities
	GBP £bn	USD £bn	EUR £bn	Other £bn						
Gross exposure						79,894	74,421		83,276	76,879
IFRS offset						(2,727)	(2,727)		(5,242)	(5,242)
<b>Carrying value</b>	<b>3,106</b>	<b>3,334</b>	<b>5,417</b>	<b>1,150</b>	<b>13,007</b>	<b>77,167</b>	<b>71,694</b>	<b>12,773</b>	<b>78,034</b>	<b>71,637</b>
Of which:										
Interest rate (1)	2,801	1,886	4,768	285	9,740	36,582	31,276	9,656	43,767	37,974
Exchange rate	305	1,442	642	865	3,254	40,474	40,183	3,101	34,085	33,337
Credit	-	6	7	-	13	111	235	16	182	326
Equity and commodity	-	-	-	-	-	-	-	-	-	-
<b>Carrying value</b>					<b>13,007</b>	<b>77,167</b>	<b>71,694</b>	<b>12,773</b>	<b>78,034</b>	<b>71,637</b>
Counterparty mark-to-market netting						(61,531)	(61,531)		(59,827)	(59,827)
Cash collateral						(9,815)	(5,797)		(12,272)	(6,590)
Securities collateral						(3,396)	(896)		(3,084)	(1,663)
<b>Net exposure</b>						<b>2,425</b>	<b>3,470</b>		<b>2,851</b>	<b>3,557</b>
Banks (2)						204	342		333	556
Other financial institutions (3)						1,424	1,443		1,424	1,295
Corporate (4)						764	1,653		1,058	1,667
Government (5)						33	32		36	39
<b>Net exposure</b>						<b>2,425</b>	<b>3,470</b>		<b>2,851</b>	<b>3,557</b>
UK						1,041	1,744		1,277	1,884
Europe						874	977		800	1,209
US						443	605		607	381
RoW						67	144		167	83
<b>Net exposure</b>						<b>2,425</b>	<b>3,470</b>		<b>2,851</b>	<b>3,557</b>
<b>Asset quality of uncollateralised derivative assets</b>										
AQ1-AQ4						2,028			2,376	
AQ5-AQ8						394			471	
AQ9-AQ10						3			4	
<b>Net exposure</b>						<b>2,425</b>			<b>2,851</b>	

- (1) The notional amount of interest rate derivatives includes £6,733 billion (2023 – £6,677 billion) in respect of contracts cleared through central clearing counterparties.
- (2) Transactions with certain counterparties with which NWM Group has netting arrangements but collateral is not posted on a daily basis; certain transactions with specific terms that may not fall within netting and collateral arrangements; derivative positions in certain jurisdictions where the collateral agreements are not deemed to be legally enforceable.
- (3) Includes transactions with securitisation vehicles and funds where collateral posting is contingent on NWM Group's external rating.
- (4) Mainly large corporates with which NWM Group may have netting arrangements in place with no collateral posting.
- (5) Sovereigns and supranational entities with no collateral arrangements, collateral arrangements that are not considered enforceable, or one-way collateral agreements in their favour.

## Credit risk – Banking activities

### Introduction

This section details the credit risk profile of NWM Group's banking activities. Refer to Accounting policy 3.11 and Note 14 to the consolidated financial statements for policies and critical judgements relating to impairment loss determination.

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

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

### Financial assets

	31 December 2024			31 December 2023		
	Gross £bn	ECL £bn	Net £bn	Gross £bn	ECL £bn	Net £bn
Balance sheet total gross amortised cost and FVOCI	55.2			51.0		
In scope of IFRS 9 ECL framework	53.1			43.7		
% in scope	96%			86%		
Loans to customers - in scope - amortised cost	18.0	-	18.0	13.0	-	13.0
Loans to customers - in scope - FVOCI	-	-	-	0.1	-	0.1
Loans to banks - in scope - amortised cost	1.1	-	1.1	1.2	-	1.2
<b>Total loans - in scope</b>	<b>19.1</b>	<b>-</b>	<b>19.1</b>	<b>14.3</b>	<b>-</b>	<b>14.3</b>
Stage 1	18.7	-	18.7	13.7	-	13.7
Stage 2	0.4	-	0.4	0.6	-	0.6
Stage 3	-	-	-	-	-	-
Other financial assets - in scope - amortised cost	29.4	-	29.4	25.4	-	25.4
Other financial assets - in scope - FVOCI	4.6	-	4.6	4.0	-	4.0
<b>Total other financial assets - in scope</b>	<b>34.0</b>	<b>-</b>	<b>34.0</b>	<b>29.4</b>	<b>-</b>	<b>29.4</b>
Stage 1	34.0	-	34.0	29.3	-	29.3
Stage 2	-	-	-	0.1	-	0.1
Stage 3	-	-	-	-	-	-
Out of scope of IFRS 9 ECL framework	2.1	na	2.1	7.3	na	7.3
Loans to customers - out of scope - amortised cost	-	na	-	-	na	-
Loans to banks - out of scope - amortised cost	-	na	-	0.1	na	0.1
Other financial assets - out of scope - amortised cost	2.1	na	2.1	7.1	na	7.1
Other financial assets - out of scope - FVOCI	-	na	-	0.1	na	0.1

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 £2.1 billion (2023 – £7.3 billion). These were assessed as having no ECL unless there was evidence that they were defaulted.
- Equity shares of £0.1 billion (2023 – £0.1 billion) as not within the IFRS 9 ECL framework by definition.
- Fair value adjustments on loans and debt securities hedged by interest rate swaps, where the underlying loan was within the IFRS 9 ECL scope of nil (2023 – nil).

In-scope assets also include an additional £0.3 billion (2023 – £1.3 billion) of inter-Group assets not shown in the table above.

### Contingent liabilities and commitments

Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope of £14.8 billion (2023 – £15.6 billion) comprised Stage 1 £14.3 billion (2023 – £15.1 billion); Stage 2 £0.5 billion (2023 – £0.5 billion); and Stage 3 nil (2023 – nil).

## Credit risk – Banking activities continued

## Portfolio summary (audited)

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

	2024 £m	2023 £m
<b>Loans – amortised cost and FVOCI</b>		
Stage 1	18,759	13,686
Stage 2	352	558
Stage 3	52	25
<i>Of which: individual</i>	45	17
<i>Of which: collective</i>	7	8
Inter-Group (1)	260	1,264
<b>Total</b>	<b>19,423</b>	<b>15,533</b>
<b>ECL provisions</b>		
Stage 1	25	24
Stage 2	5	8
Stage 3	17	24
<i>Of which: individual</i>	10	16
<i>Of which: collective</i>	7	8
Inter-Group (1)	-	1
<b>Total</b>	<b>47</b>	<b>57</b>
<b>ECL provisions coverage (2)</b>		
Stage 1 (%)	0.13	0.18
Stage 2 (%)	1.42	1.43
Stage 3 (%)	32.69	96.00
<b>Total</b>	<b>0.25</b>	<b>0.39</b>
<b>Impairment losses</b>		
ECL charge/(releases)		
Stage 1	(3)	1
Stage 2	3	4
Stage 3	(8)	(3)
<i>Of which: individual</i>	(7)	(2)
<i>Of which: collective</i>	(1)	(1)
Third party	(8)	2
Inter-Group	-	-
<b>Total</b>	<b>(8)</b>	<b>2</b>
<b>Amounts written-off</b>	<b>2</b>	<b>5</b>
<i>Of which: individual</i>	2	4
<i>Of which: collective</i>	-	1

(1) NWM Group's intercompany assets were classified in Stage 1. The ECL for these loans was £0.2 million (2023 – £0.6 million).

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

(3) The table shows gross loans only and excludes amounts that are 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 £16.2 billion (2023 – £13.8 billion) and debt securities of £17.8 billion (2023 – £15.6 billion).

(4) The stage allocation of the ECL charge was aligned to the stage transition approach that underpins the analysis in the Flow statement section.

## Credit risk – Banking activities continued

## Sector analysis – portfolio summary (audited)

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

2024	Corporate and other (1) £m	FI (2) £m	Sovereign £m	Total £m
<b>Loans by geography</b>	<b>599</b>	<b>17,903</b>	<b>661</b>	<b>19,163</b>
- UK	199	6,446	-	6,645
- Other Europe	319	4,273	625	5,217
- RoW	81	7,184	36	7,301
<b>Loans by stage and asset quality</b>	<b>599</b>	<b>17,903</b>	<b>661</b>	<b>19,163</b>
<b>Stage 1</b>	<b>471</b>	<b>17,627</b>	<b>661</b>	<b>18,759</b>
- AQ1-AQ4	196	16,218	661	17,075
- AQ5-AQ8	275	1,409	-	1,684
- AQ9	-	-	-	-
<b>Stage 2</b>	<b>76</b>	<b>276</b>	<b>-</b>	<b>352</b>
- AQ1-AQ4	22	164	-	186
- AQ5-AQ8	54	112	-	166
- AQ9	-	-	-	-
<b>Stage 3</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>52</b>
- AQ10	52	-	-	52
of which: individual	45	-	-	45
of which: collective	7	-	-	7
<b>Weighted average life (3)</b>				
- ECL measurement (years)	3	3	-	3
<b>Weighted average 12 months PDs (3)</b>				
- IFRS 9 (%)	1.31	0.16	0.01	0.19
- Basel (%)	1.31	0.14	0.01	0.16
<b>ECL provisions by geography</b>	<b>23</b>	<b>23</b>	<b>1</b>	<b>47</b>
- UK	5	11	1	17
- Other Europe	11	5	-	16
- RoW	7	7	-	14
<b>ECL provisions by stage</b>	<b>23</b>	<b>23</b>	<b>1</b>	<b>47</b>
- Stage 1	4	20	1	25
- Stage 2	2	3	-	5
- Stage 3	17	-	-	17
of which: individual	10	-	-	10
of which: collective	7	-	-	7
<b>ECL provisions coverage (%)</b>	<b>3.84</b>	<b>0.13</b>	<b>0.15</b>	<b>0.25</b>
- Stage 1 (%)	0.85	0.11	0.15	0.13
- Stage 2 (%)	2.63	1.09	-	1.42
- Stage 3 (%)	32.69	-	-	32.69
<b>ECL (release)/charge - Third party</b>	<b>(9)</b>	<b>1</b>	<b>-</b>	<b>(8)</b>
Amounts written-off	2	-	-	2
<b>Other financial assets by asset quality (4)</b>	<b>117</b>	<b>13,967</b>	<b>19,913</b>	<b>33,997</b>
- AQ1-AQ4	114	13,659	19,913	33,686
- AQ5-AQ8	3	308	-	311
- AQ9	-	-	-	-
<b>Off-balance sheet</b>	<b>6,296</b>	<b>8,518</b>	<b>-</b>	<b>14,814</b>
- Loan commitments	6,272	7,829	-	14,101
- Financial guarantees	24	689	-	713
<b>Off-balance sheet by asset quality (4)</b>	<b>6,296</b>	<b>8,518</b>	<b>-</b>	<b>14,814</b>
- AQ1-AQ4	6,122	8,107	-	14,229
- AQ5-AQ8	171	411	-	582
- AQ9	-	-	-	-
- AQ10	3	-	-	3

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



## Credit risk – Banking activities continued

### Sector analysis – portfolio summary (audited)

	Corporate and other (1)	FI (2)	Sovereign	Total
	£m	£m	£m	£m
2023				
<b>Loans by geography</b>	1,113	12,798	358	14,269
- UK	578	4,049	59	4,686
- Other Europe	412	3,952	227	4,591
- RoW	123	4,797	72	4,992
<b>Loans by stage and asset quality</b>	1,113	12,798	358	14,269
<b>Stage 1</b>	941	12,387	358	13,686
- AQ1-AQ4	353	11,633	358	12,344
- AQ5-AQ8	588	753	-	1,341
- AQ9	-	1	-	1
<b>Stage 2</b>	147	411	-	558
- AQ1-AQ4	55	411	-	466
- AQ5-AQ8	72	-	-	72
- AQ9	20	-	-	20
<b>Stage 3</b>	25	-	-	25
- AQ10	25	-	-	25
of which: individual	17	-	-	17
of which: collective	8	-	-	8
<b>Weighted average life (3)</b>				
- ECL measurement (years)	4	2	-	2
<b>Weighted average 12 months PDs (3)</b>				
- IFRS 9 (%)	1.62	0.17	0.01	0.25
- Basel (%)	1.55	0.13	0.01	0.20
<b>ECL provisions by geography</b>	31	24	1	56
- UK	8	11	1	20
- Other Europe	15	7	-	22
- RoW	8	6	-	14
<b>ECL provisions by stage</b>	31	24	1	56
- Stage 1	4	19	1	24
- Stage 2	3	5	-	8
- Stage 3	24	-	-	24
of which: individual	16	-	-	16
of which: collective	8	-	-	8
<b>ECL provisions coverage (%)</b>	2.79	0.19	0.28	0.39
- Stage 1 (%)	0.43	0.15	0.28	0.18
- Stage 2 (%)	2.04	1.22	-	1.43
- Stage 3 (%)	96.00	-	-	96.00
<b>ECL (release)/charge - Third party</b>	(8)	10	-	2
Amounts written-off	4	1	-	5
<b>Other financial assets by asset quality (4)</b>	82	12,059	17,250	29,391
- AQ1-AQ4	82	11,709	17,250	29,041
- AQ5-AQ8	-	350	-	350
- AQ9	-	-	-	-
<b>Off-balance sheet</b>	6,728	8,897	-	15,625
- Loan commitments	6,695	8,150	-	14,845
- Financial guarantees	33	747	-	780
<b>Off-balance sheet by asset quality (4)</b>	6,728	8,897	-	15,625
- AQ1-AQ4	6,232	8,697	-	14,929
- AQ5-AQ8	473	200	-	673
- AQ9	-	-	-	-
- AQ10	23	-	-	23

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

(2) Financial institutions (FI) include transactions, such as securitisations, where the underlying assets may be in other sectors.

(3) Not within audit scope.

(4) 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

## Credit risk – Banking activities continued

## Sector analysis – portfolio summary (audited)

The table below shows gross loans and ECL by stage, for the portfolio including selected sectors in corporate and other.

	Loans - amortised cost and FVOCI				Off-balance sheet		ECL provisions			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Loan commitments	Contingent liabilities	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<b>2024</b>										
Financial institutions (1)	17,627	276	-	17,903	7,829	689	20	3	-	23
Sovereign	661	-	-	661	-	-	1	-	-	1
Corporate & Other (2)	471	76	52	599	6,272	24	4	2	17	23
Of which:										
Agriculture	-	-	-	-	-	-	-	-	-	-
Airlines and aerospace	-	-	-	-	155	-	-	-	-	-
Automotive	-	-	-	-	577	-	-	-	-	-
Building materials	2	-	-	2	163	1	-	-	-	-
Chemicals	8	-	-	8	62	-	-	-	-	-
Industrials	24	-	-	24	163	5	-	-	-	-
Land transport & logistics	53	26	-	79	732	-	-	-	-	-
Leisure	4	-	-	4	158	-	-	-	-	-
Mining and metals	-	-	3	3	-	-	-	-	3	3
Oil and gas	-	-	9	9	-	1	-	-	2	2
Power utilities	78	-	-	78	2,684	2	-	-	-	-
Property (3)	19	17	5	41	110	9	-	1	2	3
Retail	3	-	-	3	233	2	-	-	-	-
Shipping	2	-	-	2	-	-	-	-	-	-
Water and waste	29	-	-	29	32	-	-	-	-	-
<b>Total</b>	<b>18,759</b>	<b>352</b>	<b>52</b>	<b>19,163</b>	<b>14,101</b>	<b>713</b>	<b>25</b>	<b>5</b>	<b>17</b>	<b>47</b>
<b>2023</b>										
Financial institutions (1)	12,387	411	-	12,798	8,150	747	19	5	-	24
Sovereign	358	-	-	358	-	-	1	-	-	1
Corporate & Other (2)	941	147	25	1,113	6,695	33	4	3	24	31
Of which:										
Agriculture	1	-	-	1	1	-	-	-	-	-
Airlines and aerospace	23	-	-	23	279	-	-	-	-	-
Automotive	2	-	-	2	601	-	-	-	-	-
Building materials	4	-	4	8	171	1	-	-	2	2
Chemicals	11	-	-	11	67	-	-	-	-	-
Industrials	29	57	-	86	235	5	1	1	-	2
Land transport & logistics	51	5	-	56	311	2	-	-	-	-
Leisure	3	-	-	3	158	-	-	-	-	-
Mining and metals	-	-	3	3	-	-	-	-	3	3
Oil and gas	2	-	1	3	52	1	-	-	3	3
Power utilities	113	-	-	113	2,735	2	-	-	-	-
Property (3)	19	21	10	50	188	13	-	-	7	7
Retail	5	2	-	7	392	2	-	1	-	1
Shipping	2	-	-	2	-	-	-	-	-	-
Water and waste	30	14	-	44	35	-	-	-	-	-
<b>Total</b>	<b>13,686</b>	<b>558</b>	<b>25</b>	<b>14,269</b>	<b>14,845</b>	<b>780</b>	<b>24</b>	<b>8</b>	<b>24</b>	<b>56</b>

(1) Includes transactions such as securitisations, where the underlying assets 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.

(3) Property comprises commercial real estate, housing associations and construction.

## Credit risk – Banking activities continued

### Sector analysis – portfolio summary (audited)

#### Forbearance

The table below shows 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 and other	FI	Sovereign	Total
	£m	£m	£m	£m
<b>2024</b>				
Forbearance (flow)	8	-	-	8
Forbearance (stock)	13	-	-	13
Heightened Monitoring and Risk of Credit Loss	16	-	-	16
<b>2023</b>				
Forbearance (flow)	7	-	-	7
Forbearance (stock)	11	-	-	11
Heightened Monitoring and Risk of Credit Loss	4	-	-	4

### 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 exposure £bn	Maximum credit risk			CREM by type			CREM coverage		Exposure post CREM	
		ECL £bn	Total £bn	Stage 3 £bn	Financial (1) £bn	Property £bn	Other (2) £bn	Total £bn	Stage 3 £bn	Total £bn	Stage 3 £bn
<b>2024</b>											
<b>Financial assets</b>											
Cash and balances at central banks	16.2	-	16.2	-	-	-	-	-	-	16.2	-
Loans - amortised cost (3)	19.2	-	19.2	-	3.8	-	-	3.8	-	15.4	-
Debt securities	17.8	-	17.8	-	-	-	-	-	-	17.8	-
Total financial assets	53.2	-	53.2	-	3.8	-	-	3.8	-	49.4	-
Contingent liabilities and commitments	14.8	-	14.8	-	0.9	0.1	-	1.0	-	13.8	-
Total off-balance sheet	14.8	-	14.8	-	0.9	0.1	-	1.0	-	13.8	-
Total exposure	68.0	-	68.0	-	4.7	0.1	-	4.8	-	63.2	-
<b>2023</b>											
<b>Financial assets</b>											
Cash and balances at central banks	13.8	-	13.8	-	-	-	-	-	-	13.8	-
Loans - amortised cost (3)	14.3	0.1	14.2	-	2.2	-	-	2.2	-	12.0	-
Debt securities	15.6	-	15.6	-	-	-	-	-	-	15.6	-
Total financial assets	43.7	0.1	43.6	-	2.2	-	-	2.2	-	41.4	-
Contingent liabilities and commitments	15.6	-	15.6	-	1.3	0.1	-	1.4	-	14.2	-
Total off-balance sheet	15.6	-	15.6	-	1.3	0.1	-	1.4	-	14.2	-
Total exposure	59.3	0.1	59.2	-	3.5	0.1	-	3.6	-	55.6	-

(1) Includes cash and securities collateral.

(2) Includes guarantees and charges over trade debtors.

(3) NWM Group holds collateral in respect of individual loans – amortised cost to banks and customers. This collateral includes mortgages over property; charges over business assets such as plant and equipment, inventories and trade debtors; and guarantees of lending from parties other than the borrower. NWM Group obtains collateral in the form of securities in reverse repurchase agreements. Collateral values are capped at the value of the loan.

## Credit risk – Banking activities continued

### Flow statement (audited)

The flow statement that follows shows the main ECL and related income statement movements. It also shows the changes in ECL as well as the changes in related financial assets used in determining ECL. Due to differences in scope, exposures may differ from those reported in other tables, principally in relation to exposures in Stage 1 and Stage 2.

These differences do not have a material ECL 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 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.

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets £m	ECL £m	Financial assets £m	ECL £m	Financial assets £m	ECL £m	Financial assets £m	ECL £m
<b>NWM Group</b>								
<b>At 1 January 2024</b>	<b>49,168</b>	<b>24</b>	<b>687</b>	<b>8</b>	<b>24</b>	<b>24</b>	<b>49,879</b>	<b>56</b>
Currency translation and other adjustments	(539)	-	(8)	-	1	(5)	(546)	(5)
Transfers from Stage 1 to Stage 2	(594)	(1)	594	1	-	-	-	-
Transfers from Stage 2 to Stage 1	642	5	(642)	(5)	-	-	-	-
Transfers to Stage 3	(1)	-	(28)	(1)	29	1	-	-
Net re-measurement of ECL on stage transfer		(4)		6		-		2
Changes in risk parameters		(8)		(2)		1		(9)
Other changes in net exposure	3,798	9	(254)	(2)	1	(2)	3,545	5
Other (P&L only items)		-		1		(7)		(6)
<b>Income statement (releases)/charges</b>		<b>(3)</b>		<b>3</b>		<b>(8)</b>		<b>(8)</b>
Amounts written-off	-	-	-	-	(2)	(2)	(2)	(2)
<b>At 31 December 2024</b>	<b>52,474</b>	<b>25</b>	<b>349</b>	<b>5</b>	<b>53</b>	<b>17</b>	<b>52,876</b>	<b>47</b>
<b>Net carrying amount</b>	<b>52,449</b>		<b>344</b>		<b>36</b>		<b>52,829</b>	
<b>At 1 January 2023</b>	39,875	20	491	8	58	26	40,424	54
2023 movements	9,293	4	196	-	(34)	(2)	9,455	2
<b>At 31 December 2023</b>	<b>49,168</b>	<b>24</b>	<b>687</b>	<b>8</b>	<b>24</b>	<b>24</b>	<b>49,879</b>	<b>56</b>
<b>Net carrying amount</b>	<b>49,144</b>		<b>679</b>		<b>-</b>		<b>49,823</b>	

## 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

NWM Group has exposure to pension risk through its defined benefit schemes worldwide. The two largest NWM Group schemes are the AA and the NatWest Markets sections of The NatWest Group Pension Fund with a combined £0.8 billion of assets and £0.6 billion of liabilities at 31 December 2024 (2023 – £0.9 billion of assets and £0.6 billion of liabilities). Refer to Note 5 to the consolidated financial statements for further details on NWM 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. Pension scheme assets vary with changes in interest rates, inflation expectations, credit spreads, exchange rates, and equity and property prices.

However, as a result of the buy-in transaction executed in 2023, the AA section of the NatWest Group Pension Fund, which is NWM Group's largest scheme, is protected against all material longevity and investment risks.

Conversely, the scheme is exposed to the risk that the insurer defaults on payments due to the scheme.

NWM Group is also 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, NWM 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

- The 2023 triennial valuation for the AA section and NatWest Markets section of the NatWest Group Pension Fund was completed with no requirement for any deficit contributions.

### Governance

The NWM Pension Committee, chaired by the Chief Financial Officer, reviews and monitors risk management, asset and liability strategy and financing issues on behalf of NWM Group. As part of its remit, the Committee:

- Considers the financial strategy, risk management and policy implications of NWM Group pension schemes.
- Reviews and recommends NWM Group pension risk appetite to the NWM Group Executive Risk Committee and the NWM Group Board Risk Committee.

- Reviews the pension impact on the capital plan for NWM Group and escalates any concerns to the NWM Group Assets & Liabilities Committee.

The performance of NatWest Group's material pension funds (including those sponsored by NWM Group) is reviewed by NatWest Group's Assets & Liabilities Committee.

### Risk appetite

NWM Group maintains an independent view of the risk inherent in its pension funds. NWM 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.

### Monitoring and measurement

Pension risk is monitored by the NWM Group Executive Risk Committee and the NWM Group Board Risk Committee by way of the monthly risk management report, 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.

Stress tests are carried out each year on NWM Group's material defined benefit pension schemes. 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 NWM Group's balance sheet, income statement and capital position are incorporated into NWM Group's and overall NatWest Group stress test results.

### Mitigation

As a result of the buy-in transaction for NWM Group's largest scheme (the AA section of the NatWest Group Pension Fund), the scheme is now protected against all material longevity and investment risks.

If, in an extreme scenario, the insurer was unable to make payments due to the scheme under the buy-in insurance contract, NWM Group would continue to be responsible for financially supporting the scheme to meet pension benefits. However, there are significant mitigations in place against this risk, in particular the insurance regulatory regime and residual surplus assets retained within the scheme. The financial strength of the third-party insurer will also be monitored on a periodic basis by the Trustee and NatWest Group.

The NatWest Markets section of the NatWest Group Pension Fund is also well protected against interest rate and inflation risks and is being run on a low investment risk basis.

The potential impact of climate change is one of the factors considered in managing the assets of the pension schemes. 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.

## Pension risk continued

Further details regarding the NatWest Group Pension Fund 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 NWM Group fails to observe the letter and spirit of all relevant laws, codes, rules, regulations and standards of good market practice.

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

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

### Sources of risk

Compliance and conduct risks exist across all stages of NWM 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 25 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. New teams have been put in place within the Conduct and Compliance department. These teams will increase oversight and capability in the areas of training, policy, assurance, data analytics, communications and culture. 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. As a mainly wholesale entity, NWM is less impacted by Consumer Duty but has implemented for applicable client groups and remained closely involved with the group wide delivery.
- In line with a NWM plea agreement with the US Department of Justice (DoJ) regarding historical spoofing conduct by former employees, an independent monitor was appointed in 2022. Now into the second year of the Monitorship, work continues to implement the enhancements recommended by the Monitor.

## Governance

NWM Group defines appropriate standards of compliance and conduct and ensures adherence to those standards through its risk management framework. To support ongoing oversight of the management of the compliance and conduct risk profile, there are a number of committees in place across both the first and second line of defence. Relevant compliance and conduct matters are escalated through the Executive Risk Committee and Board Risk Committee.

### Risk appetite

The risk appetite statement and associated measures for compliance and conduct risks are approved at least annually by the Board on the 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 NWM Group including some NatWest Group policies and procedures. Ongoing monitoring and targeted assurance are carried out as appropriate.

### Monitoring and measurement

Compliance and conduct risks are measured and managed through continuous assessment and regular reporting to NWM 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 NWM Group's strategic planning cycle.

### Mitigation

Activity to mitigate the most material compliance and conduct risks is carried out across NWM 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 and market conduct focus across NWM Group.



## Financial crime risk

### Definition

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

### Sources of risk

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

### Key developments in 2024

- Continued significant investment was made to support the delivery of a multi-year transformation plan across financial crime risk management.
- Enhancements were made to technology, data quality, and data analytics to improve the effectiveness of systems used to monitor customers and transactions.
- Financial crime roadshows and events were held throughout the year to further embed financial crime risk management culture and behaviours.
- 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 Risk Committee (FCRC), which is chaired by the Head of Financial Crime, is NWM Group's second line of defence financial crime risk oversight forum. The committee reviews and monitors key financial crime risks providing guidance, challenge, recommendations and decisions on issues affecting NWM Group globally. Where appropriate, the committee escalates material financial crime risks and issues across NWM Group to the NWM Executive Risk Committee and NWM Group Board Risk Committee. The committee is an escalation point for the Financial Crime oversight committee, which is first line owned and the principal financial crime committee in NWM Group.

### Risk appetite

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

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

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

### Monitoring and measurement

Financial crime risks are identified and reported through continuous risk management and regular reporting to NWM Group's senior risk committees and both the NatWest Group and NWM Group Boards. 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 within NatWest Group is available to detect and disrupt threats to NWM 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<sup>(1)</sup> risk is the threat of financial loss or adverse non-financial impacts associated with climate change and nature loss respectively and the political, economic and environmental responses to it.

### Sources of risk

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

Transition risks may arise from the process of adjustment towards a low-carbon, nature restored economy. Changes in policy, technology and sentiment could prompt reassessment of customers' financial risk and may lead to falls in the value of a large range of assets. NWM 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 NWM 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.

### NWM Group business activities

NWM Group identified a number of climate-related risks that may affect its businesses and strategy.

Emissions resulting from NWM Group business activities include:

- Financing activities – financed and facilitated.
- Emissions attributable to the trading book (including fixed income and currencies).
- Emissions from NWM Group's own operations<sup>(2)</sup>.

### Financing activities

#### *Financed emissions – lending and investments<sup>(2)</sup>*

Given the smaller size of the banking book relative to NWM Group's underwriting activities and trading book, financed emissions currently play a limited role within NWM Group. On-balance sheet exposure, as defined by the Partnership for Carbon Accounting Financials (PCAF) standard, account for approximately 18% of NWM Group's total assets, as at 31 December 2024. The undrawn loan commitments are currently excluded by the PCAF standard, and therefore could potentially increase the financed emission estimations, for example, if called up by customers during challenging market conditions.

Due to a lack of granular availability of customer-level climate data, financial institutions are still developing measurement methodologies and capabilities to assess their Scope 3 emissions. Therefore, estimated financed emission figures linked to lending exposures for financial institutions is expected to increase once Scope 3 emissions data is incorporated.

#### *Facilitated emissions – bond underwriting and syndicated lending*

Facilitation activities differ from on-balance sheet lending financed emissions in two respects. They are off-balance sheet (representing services rather than financing) and they can take the form of a flow activity (temporary association with transactions) rather than a stock activity (recorded on the balance sheet).

NWM Group's capital markets underwriting and syndicated lending activities are generally driven by existing NatWest Group lending relationships. Facilitated emissions can fluctuate year-on-year subject to mandates and changes in those lending relationships. Refer to page 63 for the NWM Group estimate of facilitated emissions.

Estimating financed and facilitated emissions and assessing climate impact on NWM Group's business activities involves data limitations and other challenges, particularly as estimation methodologies evolve.

### Trading book

Trading book activities (which includes fixed income and currencies) are also impacted by climate-related risks.

NWM Group's scenario analysis work continued to build internal capability and benchmark against industry thinking in 2024. As it relates to market risk stress testing for issuer risk, counterparty risk and macro-parameters, NWM Group continues to be resilient to climate-driven market moves.

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

### Key developments in 2024

The effective management of climate and nature risk requires the full integration of climate and nature-related risk factors into strategic planning, transactions and decision-making. The risk management approach has evolved since 2021 alongside NWM Group and NatWest Group's ongoing, multi-year progressive pathway to mature climate risk management capabilities. NWM Group's capability to manage climate risks is more mature than its capability to manage nature-related risks.

- In January 2024, the scope of NatWest Group's (including NWM Group) climate risk policy was expanded to recognise nature-related risks beyond climate change.
- NWM Group in conjunction with 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 is phased on a test and learn basis and the output scores from these tools do not drive credit risk decision making as yet.

### Governance

The NWM Plc Board is responsible for monitoring and overseeing climate and nature-related risk within NWM Group's overall business strategy and risk appetite. This includes progress towards delivering on NatWest Group's strategy, including climate ambitions and targets.

- (1) NWM Group use the terms 'nature' and 'environment' interchangeably in recognition of both the NWG climate and nature policy and also European Central Bank (ECB) terminology.
- (2) NatWest Group report emissions at a consolidated group level. NWM Group own operations and NWM Group financed emissions are therefore subsumed into NatWest Group's estimation of own operational footprint and estimated financed emissions for the consolidated group.

## Climate and nature risk continued

The NWM Plc Board Risk Committee is responsible for the oversight of NWM Group's risk profile. As part of the integrated cross-bank approach, the NWM Plc CEO is designated to support the NatWest Group CEO in discharging the Senior Management Function (SMF) 1 accountability for identifying and managing the risk and opportunities arising from climate change. The NWM Executive Committee and broader governance framework support the assessment and management of climate-related risks and opportunities across NWM Group.

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

### Risk appetite

Work continued in 2024 to mature NWM Group's climate-related risk management capabilities, while building out nature-related awareness. NWM Group has operational limits and a suite of key risk indicators. These measures provide management with information, including balance sheet exposure to heightened climate risk sectors, financed and facilitated emissions.

In January 2024, the scope of NatWest Group's (including NWM Group) climate risk policy was expanded to recognise nature-related risks beyond climate change. Nature elements apply to EU legal entities subject to ECB prudential regulation, i.e. NWM N.V. Group and will underpin the maturing approach to nature-related risks beyond climate change.

### Identification, assessment, monitoring and mitigation

NWM Group in conjunction with NatWest Group continues to enhance its processes to effectively identify and assess the potential size and scope of climate-related risks, through the approaches detailed below. The approach to nature-related risks is not as mature as the approach to climate-related risks.

### Scenario analysis

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

NatWest Group leads the development of credit risk scenario modelling capabilities for NatWest Group as a whole, as well as including other legal entities within NatWest Group, such as NWM Group. This includes both the developed capability and the execution of scenario analysis for NWM Group.

In 2024, NWM Group, as part of NatWest Group, partnered with climate experts from the University of Exeter to create bespoke climate risk scenario narratives that explored the range of physical and transition risks which could impact NatWest Group and its customers over the next five to ten years. These narratives are being used to inform the scenarios used by NWM Group and 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.

Scenario analysis was undertaken in 2023 and further developed in 2024 to test the resilience of NWM Group's control environment to potential greenwashing risks

The greenwashing scenario is a stylised example of conduct failures in the green and sustainable finance markets. The key outcome of this forward-looking assessment of potential extreme but plausible events on our customers and the bank, was assessed as improved, against our 2023 assessment.

NatWest Group, including NWM Group, continued to develop its specialist climate data capabilities, including bringing in new data sets to increase the granularity for which climate risks are assessed. NWM Group, as part of NatWest Group, continues to work with industry and customers to develop solutions.

### Credit risk: portfolio level assessment

The heightened climate-related risk sector assessment seeks to identify sectors that are likely to see increased credit risks for NatWest Group because of climate-related factors, over a 10 to 15-year horizon. NWM Group exposure to selected heightened climate-related risk sectors is summarised on page 55 (loans, loan commitments and contingent obligations by sector).

### Credit risk: transaction level assessment

In 2024, CDF tools were rolled out on a test and learn basis, replacing the initial suite of climate risk scorecards for the in-scope population. NWM Group uses these tools to engage with its customers to support them in better understanding climate-related risks for their business and conduct climate transition plan assessments. Through this process, NWM 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.

### Traded market risk

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

### Liquidity risk

Within NWM Group, climate risk is included in liquidity stress testing which assesses potential outflows under a range of extreme but plausible stress scenarios. Climate risk, which falls within the market-wide scenario theme, is captured in the form of major climate-related disruption in the UK and northern Europe.

This leads to widespread disruption and a temporary fall in economic output, with higher demand for cash from certain impacted business sectors due to the uncertainty. Volatility in financial markets impacts sterling, UK bonds and asset prices, while non-UK/European depositors re-evaluate their exposure to the UK/European financial sector. For 2024 reporting, climate is not the most severe scenario within the wider scenario suite used for calculating the stressed outflow coverage ratio disclosed on page 14.

### Stress testing and ICAAP

Climate risk is explicitly considered under one of the 2024 ICAAP scenarios. Starting with a metric for transition difficulty, the approach differentially widens counterparty credit spreads to reflect relative risks arising from specific sector membership. The approach aligns to internal traded market risk transition risk assessments.

### Nature including environmental assessment

Activity in 2024 focused on the identification and assessment of environmental factors, including physical and transition risks within the NWM N.V. Group corporate portfolio.

## Climate and nature risk continued

An Environmental Decisioning Framework (EDF) was trialled in 2024. The first-generation environmental scorecard focused on a limited number of counterparties, using internal and external data. Developed on a test and learn basis, insight gained from EDF will be used to inform future activity.

NWM N.V. Group completed a scenario in 2024 on its power and utility sector customers, evaluating the impact of sizeable copper price increases on underlying credit risk. Findings from the stress test revealed that the sector exposure was resilient to copper price shocks, with immaterial impact on credit quality.

### Materiality assessment

In 2024, NatWest Group including NWM Group, enhanced its understanding of nature risks by completing a pilot Locate, Evaluate, Assess and Prepare assessment as recommended by the Taskforce on Nature-related Financial Disclosures.

NWM Group, through its Dutch subsidiary NWM N.V. Group, continues to monitor sustainability-related disclosure obligations and started to set up activities to perform materiality assessments. This includes exploration of enhancements required to address future applicable materiality assessment expectations. During 2024, an assessment was conducted with support from an external service provider which sought to develop our thinking on sustainability topics and inform future potential approaches to conducting materiality assessments under incoming reporting regulations.

### Estimate of facilitated emissions on bond underwriting and syndicated lending

Banks play a key role as facilitators between issuers and investors, and borrowers and lenders, by offering and conducting financial intermediation activities critical to the functioning of capital markets.

Following the issuance of the PCAF Part B Global Greenhouse Gas Accounting and Reporting Standard for Facilitated Emissions in December 2023<sup>(1)</sup>, and further guidance received in September

2024, NWM Group updated the estimation of absolute Scope 1 and Scope 2 facilitated emissions for capital market activities to include:

- Capital markets bond underwriting activities, including green bonds as defined by the International Capital Market Association's Green Bond Principles<sup>(2,4)</sup> and the role of co-manager<sup>(5)</sup>. This constituted 60% of NWM Group's capital markets bond underwriting including financial institutions with the balance being securitisations, sovereigns, supranational and agencies (SSA) which are out of scope for PCAF.
- Capital markets syndicated lending activities<sup>(6,7)</sup> of £6.4 billion, including the syndication of green loans as defined by the Loan Markets Association.

NWM Group absolute Scope 1 and Scope 2 facilitated emissions weighted at 33%, were 1.28 MtCO<sub>2</sub>e for 2024.

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

With reference to the table below:

- The expansion in scope for syndicated lending has contributed to an increase in facilitated emissions for Airlines and Aerospace and Chemicals where total facilitated emissions were 0.20 MtCO<sub>2</sub>e and 0.19 MtCO<sub>2</sub>e respectively each being 15% of total emissions.
- Oil and gas represented 1% of the total NWM Group attributable bond underwriting and syndicated lending and constitutes 3% of the facilitated emissions in 2024.
- For Power Utilities, NWM Group attributable bond underwriting and syndicated lending increased by 34% between 2023 and 2024 resulting in an increase of facilitated emissions to 0.58 MtCO<sub>2</sub>e. However, 82% of the attributable bond underwriting and syndicated lending was green <sup>(2,4)</sup> relative to 60% of green corporate bonds in 2023.

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

Sector	2024						2023
	Facilitated emissions from bond underwriting and syndicated lending (33% weighting) MtCO <sub>2</sub> e						Facilitated emissions from corporate bond underwriting <sup>(9)</sup>
	Attributable bond underwriting and syndicated lending <sup>(9)</sup>		Sector % of total emissions		Green % of sector emissions	PCAF data quality score	Sector % of total emissions
	£m	%	MtCO <sub>2</sub> e				
Power utilities	4,329	5%	0.58	45%	82%	2.7	36%
Airlines and aerospace	1,624	2%	0.20	15%	-	2.9	-
Chemicals	1,065	1%	0.19	15%	-	3.6	18%
Leisure	2,007	2%	0.04	3%	-	3.4	-
Oil and gas	812	1%	0.04	3%	-	3.3	2%
Land transport and logistics	716	1%	0.04	3%	-	3.4	10%
Retail	3,103	3%	0.03	2%	-	2.5	1%
Water and waste	1,103	1%	0.02	2%	11%	2.0	5%
Manufacturing	3,031	3%	0.02	1%	-	2.9	5%
Financial institutions	63,777	68%	0.02	1%	1%	2.9	-
Automotive	2,679	3%	0.02	1%	-	3.0	1%
Commercial real estate	872	1%	0.01	1%	90%	3.0	-
Other	9,249	9%	0.10	8%	35%	3.3	22%
Of which: business and professional services	2,123	2%	0.07	6%	43%	3.0	1%
technology, media and telecoms	5,317	6%	0.01	1%	7%	3.1	1%
Total	94,367	100%	1.28	100%		3.0	100%

For the footnotes refer to the following page.

## Climate and nature risk continued

### NWM Group methodology used for estimation

- In 2024, NWM Group applied a 33% weighting factor for emissions estimations in line with the PCAF Standard<sup>(1)</sup>. In 2023, NWM Group applied a 100% weighting factor<sup>(9)</sup> (1.5 MtCO<sub>2</sub>e).
- NWM Group followed the PCAF published standard<sup>(1)</sup> guidance to define an issuer as an organisation that issues debt or equity capital markets instruments<sup>(3)</sup>. SSA issuers, as well as securitised products, are out of scope for the standard published by PCAF<sup>(1)</sup>.
- For syndicated lending, NWM Group included the roles of active and passive underwriting and best efforts, the role of coordination is not in scope by PCAF<sup>(1,6,7)</sup>.
- For 2024 reporting, NWM Group included financial institutions within estimates for facilitated emissions. Own issuances are included in financed emissions and therefore excluded from facilitated emissions.
- Currently, there is no commonly agreed methodology for measuring the carbon footprint of green bonds and loans<sup>(2)</sup>. NWM Group shows the breakdown of conventional versus green bonds and loans to highlight the expected difference of facilitated emissions associated with the conventional versus green activities<sup>(2,4)</sup>. Sustainability linked and sustainable bond and loan activities are treated as conventional for the purpose of estimating and reporting on facilitated emissions.
- The 2023 PCAF standard<sup>(1)</sup> allows splitting the responsibility among the transaction facilitators (passive and active) use of either league tables based on fees or the value of the volume. For bond underwriting, NWM Group used league tables based on volumes for active and passive roles and actual allocation for co-manager roles, to align with the NatWest Group sustainable funding and financing inclusion criteria. For loan syndication, NWM Group used both league tables based on volumes and deal information.
- In line with the PCAF published standard<sup>(1)</sup>, to estimate greenhouse gas emissions, NWM Group sourced customer-level emissions data, where possible. If customer-level data was unavailable, emission sector averages (with a PCAF data quality score of five) were used for emission intensities from 2023 and applied against 2024 volumes<sup>(8)</sup>.
- Scope 3 emissions have not yet been estimated for facilitated emissions. PCAF recommends that Scope 3 emissions for all sectors are disclosed in climate reporting from the beginning of 2025. NWM Group continues to review Scope 3 estimation methodologies and the availability of appropriate data for inclusion in future reporting.
- PCAF scores are categorised between 1-5. PCAF scores of 1 or 2 are typically considered to have a higher degree of confidence in the estimation of facilitated emissions, as these are directly sourced from reports published by the customer. A PCAF score of 5 is typically considered to have a lower degree of confidence, as these are estimated by the reporting entity. The PCAF data quality score is based on the PCAF approach taken to estimate Scope 1 and Scope 2 emissions within a given sector. Where estimation methodologies differ between Scope 1 and Scope 2, NWM Group use the least favourable of a customers' PCAF scores in the weighted average calculation.

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

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

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

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

[https://www.natwestgroup.com/content/dam/natwestgroup\\_com/natwestgroup/pdf/Climate-and-Sustainable-Finance-Inclusion-Criteria.pdf](https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/Climate-and-Sustainable-Finance-Inclusion-Criteria.pdf)

(5) Co-managers are not captured by the PCAF standard. We include transactions where we act as a co-manager in alignment with the GHG accounting 'follow the money approach' and with NatWest Group's climate and sustainable funding and financing inclusion criteria<sup>(6)</sup>.

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

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

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

(9) The 2024 scope for the estimated facilitated emissions was expanded when compared to 2023, to include syndicated lending, financial institutions and co-managers, and reported at 33%. In 2023, the scope was limited to corporate bond underwriting only, with the estimated facilitated emissions reported at a 100% i.e. 1.5 MtCO<sub>2</sub>. The equivalent of this reported estimated emissions at 33% is 0.5 MtCO<sub>2</sub>.

(10) The table should be read in conjunction with the NWM Group Climate and sustainability risk factors included on pages 173 to 176 and cautionary statements on pages 92 to 97 of the NatWest Group plc Sustainability Report 2024.



## 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 NWM 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.

The Operating Committee discusses operational risk matters relating to the control environment, NWM Group's implementation of the enterprise-wide risk management framework, risk identification and oversight of return-to-appetite plans. Significant issues are escalated to the Board Risk Committee.

### Risk appetite

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

The risk appetite statement and associated measures for operational risk are reviewed and approved at least annually by the NWM Group Board on the NWM Group Board Risk Committee's recommendation to ensure they remain appropriate and aligned to strategy.

## Mitigation

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

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

Supporting our understanding of control is the CEC process. This is a bi-annual process, which requires senior members of the executive and management to assess the adequacy and effectiveness of their internal control frameworks which supports certification that their business or function is compliant with 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 NWM 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 NWM 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 operational risks, financial crime, conduct risks and key controls. All risks and controls are mapped to NatWest Group's risk directory. Risk assessments are refreshed at least every two years or sooner in response to internal and external events via a triggers process to ensure they remain relevant and that they capture any emerging risks.

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

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

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

Scenario analysis is used to assess how severe but plausible operational risks will affect NWM 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

### Event and loss data management

The operational risk event and loss data management process ensures NWM Group captures and records operational risk 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. NWM 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.

### Operational resilience and cybersecurity

NWM 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.

NWM 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<sup>(1)</sup>, standards, processes and procedures.

Throughout 2024, NWM 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.

## Cybersecurity Risk Management Processes

Our cybersecurity risk management forms an integral part of NatWest Group's overall enterprise-wide risk management framework (EWRMF) that is designed around a three lines of defence model. Specifically, management of cybersecurity risk is a subset of the NatWest Group's wider operational risk management. To support our cybersecurity risk management, NatWest Group has a cyber security Board level risk appetite measure and policies. These policies are reviewed at least annually and benchmarked against industry best practice standards, including the "Information Security Forum: Standard Of Good Practice" (ISF: SOGP), and relevant publications by competent authorities such as the National Cyber Security Centre (NCSC), to help us identify and remediate any gaps in our controls and procedures. In addition, NWM has a number of legal entity specific cybersecurity operational limits which inform internal risk monitoring.

Our cybersecurity risk management framework is designed to mitigate the impact of cybersecurity threats and incidents. The framework also includes a structured approach for identifying and managing both internal cybersecurity incidents and external incidents impacting our third-party suppliers.

### Cybersecurity threats for 2024

NatWest Group is continuously exposed to cybersecurity threats across its business and supply chain, which are closely monitored by NatWest Group. In the year ended 31 December 2024, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect NatWest Group. However, given the nature of cybersecurity threats, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see "Risk Factors – NatWest Group is subject to increasingly sophisticated and frequent cyberattacks." in this annual report.

### Board cybersecurity risk oversight

The NatWest Group Board ensures there is a framework of prudent and effective controls which enables risks – including information and cyber security risk – to be assessed and managed.

NatWest Group's first line of defence is responsible for setting NatWest Group's information and cybersecurity risk management strategy, including: delivering effective and efficient cybersecurity products, policies and services and identifying, considering and assessing material cybersecurity threats on an ongoing basis.

## Model risk

### Definition

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

### Sources of risk

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

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

### Key developments in 2024

- NWM 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.

The NWM Group model management committee is used to escalate model risk matters to senior management where required.

The committee also supports model risk owners in their approvals of models for use. Models used for regulatory reporting may additionally require regulatory approval before implementation. Further escalation can also be made to the NatWest Group Model Risk Oversight Committee. 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. NWM Group is considered in scope of the NatWest Group Model Risk Oversight committee.

### Risk appetite

Model risk appetite is set in order to limit the level of model risk that NWM Group is willing to accept in the course of its business activities. NWM Group risk appetite and associated measures are reviewed and approved by the NWM Group Board on recommendation of the Board Risk Committee at least annually and aligns to the NatWest Group's model risk appetite statement. The first line is responsible for monitoring performance against appetite, reporting on the model population and remediating models outside appetite.

### 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 NWM Group's business activities, safety and/or soundness.

Validation of material models is conducted by an independent risk function comprising of skilled, well-informed subject matter experts. This is completed for new models or material amendments to existing models and as part of an ongoing periodic programme to assess model performance. The frequency of periodic revalidation is aligned to the tier of the model. The independent validation focuses on a variety of model features, including model inputs, model processing, model outputs, the implementation of the model and the quality of the ongoing performance monitoring. Independent validation also focuses on the quality and accuracy of the development documentation and the model's compliance with regulation.

The model materiality combined with the validation rating provides the basis for model risk appetite measures and enables model risk to be robustly monitored and managed across NWM 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; NWM Group's actions materially conflicting with stakeholder expectations; and contagion (when NWM Group's reputation is damaged by failures in key sectors including NWM 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 NWM Group. Reputational risk registers are used to manage reputational risks identified within relevant business areas. These are reported to the relevant NWM Group business risk committee.

Material reputational risks to NWM 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 Executive and Board Risk Committees oversee the identification and reporting of reputational risk.

### Risk appetite

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

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

### Monitoring and measurement

Relevant internal and external factors are monitored through regular reporting via reputational risk registers at NWM Group business level. They are escalated, where appropriate, to the relevant NWM Group executive 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 NWM 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 NWM Group's top and emerging risks process (where sufficiently material) as well as through the NatWest Group and business-level reputational risk registers.

NatWest Group has in recent years been the subject of investigations and reviews by a number of regulators and governmental authorities, some of which have resulted in past fines, settlements and public censure. Refer to the Litigation and regulatory matters section of Note 25 to the consolidated financial statements for details of material matters currently affecting NWM Group.

# Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2024. The statements in this report are correct as of 31 December 2024, subsequent changes to Board membership are detailed in Board of directors and secretary on page 17.

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

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## Group structure

NatWest Markets Plc ('NWM Plc') is a wholly-owned subsidiary of NatWest Group plc ('NWG plc' or 'the ultimate holding company'). The NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' comprises NatWest Group plc and its subsidiaries. NatWest Group plc is incorporated in the UK and has its registered office at 36 St Andrew Square, Edinburgh, EH2 2YB.

Details of NWM Plc's principal subsidiary undertakings and their activities are shown in Note 16 to the consolidated financial statements. A full list of related undertakings of NWM Plc is shown in Note 34 to the consolidated financial statements.

The financial statements of NWG plc can be obtained from NatWest Group Corporate Governance, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or at natwestgroup.com.

## Activities

NWM Group offers debt financing, risk management and trading solutions to customers.

## Results and dividends

The loss attributable to the ordinary shareholders of NWM Group for the year ended 31 December 2024 was £20 million compared with a loss of £168 million for the year ended 31 December 2023, as set out in the consolidated income statement on page 83.

No dividends were paid to NatWest Group plc during the year.

## Employees

At 31 December 2024, NWM Group employed 1,700 people (excluding temporary staff). Details of all related costs are included in Note 3 to the consolidated financial statements.

## Corporate Governance statement

For the financial year ended 31 December 2024, the company has chosen to report against the Wates Corporate Governance Principles for Large Companies (the Wates Principles) and the disclosures below explain how the company has applied the Wates Principles in the context of its corporate governance arrangements.

## 1. Purpose and leadership

### Strategy

NatWest Group's strategy is set and approved by the NatWest Group plc Board. The NWM Plc Board ('the Board') reviews and sets the strategic direction of NWM Plc and, as appropriate, the strategies for each of its businesses within the parameters set by the NatWest Group plc Board. It subsequently oversees the execution of the strategy and holds management to account for its delivery.

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

### Culture

The NatWest Group plc Board is supported in monitoring culture across NatWest Group by the Group Sustainable Banking Committee and the Group Board Risk Committee. NatWest Group is on a journey towards a generative risk culture whereby risk is simply part of the way people work and think.

Building a healthy culture that embodies Our Values is a core priority for NatWest Group.

Our Values, which guide the way NatWest Group identifies the right people to serve customers well, and how to manage, engage and reward colleagues, are at the heart of Our Code (the NatWest Group-wide Code of Conduct).

There is regular reporting to the Board on culture, so as to provide appropriate oversight of culture matters. More specifically, with regards to risk culture, continued progress has been made towards addressing historical conduct issues, including risk appetite enhancements and increased monitoring of conduct risk and surveillance remediation. This supports our ambition to create a positive culture and strengthen 'good conduct' outcomes for clients.

## 2. Board Composition

### The Board

The Board is structured to ensure that the directors provide NatWest Markets Plc with the appropriate combination of skills, experience, knowledge, and diversity, as well as independence. The Board has seven directors comprising: the Chair, two executive directors (being the Chief Executive Officer and Chief Financial Officer) and four independent non-executive directors. The size of the Board is considered appropriate, taking into account the size and scale of NWM Plc's business.

### The Chair

The role of the Chair is to lead the Board and ensure its overall effectiveness. This is distinct and separate from that of the Chief Executive Officer who manages the business day-to-day.

### Non-Executive Directors

The majority of the Board comprises independent non-executive Directors. Their role is to challenge and scrutinise the performance of management and to help develop proposals on strategy. They also review the performance of management in meeting agreed goals and objectives and monitor the firm's risk profile. The non-executive directors combine broad business and commercial expertise and bring experience from a wealth of areas including audit, banking, finance, human resources, technology, and telecommunications.

The Board periodically undertakes an independence assessment of the non-executive directors. With the exception of the Chair, who is a member of the NatWest Group plc Board, all non-executive directors are considered to be independent and there are no relationships or circumstances that are likely to affect their judgement.

### Induction Training

All new directors undergo a formal induction programme upon joining the Board which is coordinated by the Company Secretary and tailored to their individual needs. This includes meetings with other directors, senior executives and business heads. Meetings with the external auditor, legal counsel and other key stakeholders are arranged as appropriate. Directors also receive comprehensive guidance from the Company Secretary on NWM Plc's corporate governance framework and associated policies, including their duties as directors.

### Continuous Development

Non-executive directors discuss their professional development periodically with the Chair. Directors maintain their knowledge and familiarity with NWM Plc through regular meetings with senior management (including representatives of NatWest Group) and participate in scheduled Board training and other external sessions as appropriate.

During 2024, teach-in sessions on Nature and Biodiversity, Basel 3.1 and Balance Sheet Management amongst others were arranged for the directors. Directors may also request individual in-depth briefings from time to time on areas of particular interest.

### Board Diversity

The Board is committed to promoting diversity and inclusion in the boardroom and aims to meet industry targets and recommendations wherever possible. The Board has a Boardroom Inclusion Policy which aims to promote diversity and inclusion in the composition of the Board of Directors and in the nomination and appointment process. The Policy reflects the values of the wider NatWest Group, its Inclusion Policy and relevant legal, regulatory or best practice requirements.

### Committees

The responsibilities of the Board are executed, in part, through its committees (namely, the Audit Committee, the Board Risk Committee, the Performance and Remuneration Committee and the Nominations Committee). All matters that the Board has specifically delegated to these committees are set out in their terms of reference (ToRs). All other matters, including responsibility for the day-to-day operation of NWM Plc (that are not specifically reserved for the Board or delegated to a committee) are delegated to the NWM Plc Chief Executive Officer (CEO) in accordance with such policies and directions as the Board determines appropriate, including the NWM Plc CEO's role profile.

### Succession

The Board is responsible for ensuring that NWM Plc has in place succession plans for the Board and senior management so as to maintain an appropriate balance of skills and experience. The NatWest Group Nominations and Governance Committee is also required to approve all appointments to the Board, reflecting the company's position as a subsidiary of NatWest Group.

### Board Effectiveness

The effectiveness of the Board, including the Chair, individual directors and committees, is assessed periodically. The Board considers such assessments to play an important role in the identification of areas for further improvement, focus and for strengthening its overall performance.

### The Company Secretary

In fulfilling its role, the Board is supported by the Company Secretary. The Company Secretary is responsible for ensuring good information flows between the Board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development of non-executive directors, as required. The directors may also seek independent, professional advice, where necessary, at NWM Plc's expense.

## 3. Director Responsibilities

### Policy & Framework

NatWest Group has in place a Corporate Governance Framework, including a Corporate Governance Policy. All directors of NWM Plc are required to ensure that they are familiar with the Corporate Governance Framework and that NWM Plc complies with it. NWM Plc also produces and maintains a document called 'Our Governance' which sets out the high-level governance framework for NWM Plc at both regional and global levels.

The Board has a programme of seven scheduled meetings every year. The Board ToRs include a formal schedule of matters specifically reserved for the Board which are reviewed at least annually. Each director has a role profile which clearly articulates their responsibilities and accountabilities. Similarly, any additional regulatory responsibilities and accountabilities where any of the directors undertake a Senior Manager Function (as defined under the Prudential Regulation Authority's and Financial Conduct Authority's 'Senior Manager Regimes') are set out in their Statement of Responsibilities.

To support them in the discharge of their duties, all directors receive regular and timely information on all key aspects of the business including financial performance, strategy, key risks, and market conditions.

### Conflicts of Interest

The Board follows NatWest Group's guidance relating to directors' conflicts of interest.

The Board has the power to authorise any actual or potential conflicts of interest in accordance with the Companies Act 2006 and NWM Plc's Articles of Association. The company maintains a register of directors' interests and appointments and there is discussion of directors' conflicts in Board meetings, as required. During the year, none of the directors declared any material interest, directly or indirectly, in any contract of significance with any company within NatWest Group.

All directors were reminded of their obligations in respect of transacting in NWM Plc securities (Personal Account Dealing) and all directors have confirmed that they have complied with their obligations.



## Board Committees

In order to provide effective oversight and leadership, the Board has established a number of committees with particular responsibilities:

**The Audit Committee** comprises at least two independent non-executive directors, one of whom is the Chair of the Board Risk Committee. The Committee assists the Board in discharging its responsibilities for monitoring the integrity of the financial statements. It reviews the accounting policies, financial reporting and regulatory compliance practices of NWM Plc, its system and standards of internal controls, and monitors the processes for internal audit and external audit.

**The Board Risk Committee** comprises at least two independent non-executive directors, one of whom is the Chair of the Audit Committee and one of whom is a member of the NWM RemCo. The Committee provides oversight and advice to the Board in relation to current and potential future risk exposures and future risk profile, including determination of risk appetite, the effectiveness of the risk management framework and (in conjunction with the Audit Committee) internal controls required to manage risk. The Committee also reviews compliance with NatWest Group Policy Framework and reviews the performance of NWM Plc relative to risk appetite.

**The Performance and Remuneration Committee (RemCo)** comprises at least four independent non-executive directors and oversees the implementation of the Group-wide Remuneration Policy within NWM. It also considers and makes recommendations on remuneration arrangements for senior executives of NWM Plc.

**The Nominations Committee** comprises the Chair and at least two other independent non-executive directors. 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 chairship of Board committees.

## 4. Opportunity and risk

The role of the Board is to promote the long-term success of NWM Plc and the delivery of sustainable value to its shareholder.

The Board reviews and approves risk appetite for strategic and material risks in accordance with NatWest Group's risk appetite framework; monitors performance against risk appetite for NWM Plc; and considers any material risks and approves (as appropriate) recommended actions escalated by the NWM Plc Board Risk Committee.

NWM Plc's risk strategy is informed and shaped by an understanding of the risk landscape including a range of significant risks and uncertainties in the external economic, political and regulatory environments.

NWM Plc complies with NatWest Group's risk appetite framework, which is approved annually by the NWG plc Board, in line with NatWest Group's risk appetite statements, frameworks and policies. NatWest Group risk appetite is set in line with overall strategy.

NatWest Group operates an integrated risk management framework, which is centred on the embedding of a strong risk culture. The framework ensures the tools and capability are in place to facilitate sound risk management and decision-making across the organisation.

NWM Plc also complies with the NatWest Group Policy Framework, the purpose of which is to ensure that NatWest Group establishes and maintains NatWest Group-wide policies that adequately address the risks inherent in its business activities.

Further information on NWM Plc's risk management framework including risk culture, risk governance, risk appetite, risk controls and limits, and risk identification and measurement can be found in the Risk overview section of this report.

## 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 the company. 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 Performance and Remuneration Committee (RemCo) reviews remuneration for executives of the company 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 at NWM Plc level.

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.

The approach to performance management provides clarity for colleagues on how their contribution links to NatWest Group's purpose and colleagues are set goals across a balanced scorecard of financial and non-financial measures. 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. This clarity and certainty on how pay is delivered is also helping to improve employees' financial wellbeing, which is a core priority in NatWest Group's wellbeing plans. In the UK, NatWest Group's rates of pay continue to exceed the Living Wage Foundation benchmarks and NatWest Group ensure employees performing the same role are paid fairly.

NatWest Group ensures colleagues have a common awareness of the financial and economic factors affecting its performance through quarterly 'Results Explained' communications and Workplace Live events with the Group Chief Executive Officer and Chief Financial Officer.

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

## 6. Stakeholder relationships and engagement

NWM Plc is committed to managing the wider social, environmental and economic impacts of its operations which includes the way it deals with its customers and manages the sustainability of its supply chain.

The Board recognises the importance of engaging with stakeholders and discussions at Board meetings are focused around the impact that NWM Plc's activities may have on key stakeholder groups. The Board reporting style has a specific section focussing on the stakeholder impacts to support decision-making.

For further details on the Board's engagement with employees, customers, suppliers and others, and how these stakeholders' interests have influenced one of the Board's principal decisions, refer to pages 12 to 13 of the Strategic report.

### Internal control over financial reporting

The internal controls over financial reporting for NWM Group are consistent with those at NatWest Group level. NWM Group has designed and assessed the effectiveness of its internal control over financial reporting as of 31 December 2023 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 publication of 'Internal Control – Integrated Framework'. As part of the assessment, management have considered the additional activities required for its internal control over financial reporting during the year, such as oversight on controls performed on NWM Group's behalf, to better reflect the size, scale and overall materiality of the business profile compared to the NatWest Group framework. Any deficiencies identified are reported to NWM Group Audit Committee along with management's remediation plans.

### Directors' interests

Where directors of NWM Plc are also directors of NWG plc, their interests in the shares of the ultimate holding company at 31 December 2024 are shown in the Annual report on remuneration section of the NatWest Group plc 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 NWM Plc 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 NWM Plc directors, individuals authorised by the PRA/FCA and certain directors and/or officers of NatWest Group's subsidiaries and all trustees of NatWest Group pension schemes.

### Going concern

NWM Plc'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 Financial review. The risk factors which could materially affect NWM Plc's future results are set out on pages 159 to 176. NWM Plc's regulatory capital resources and significant developments in 2024, and anticipated future developments are detailed in the Capital, liquidity and funding section on pages 33 to 38. This section also describes NWM Plc's funding and liquidity profile, including changes in key metrics and the build-up of liquidity reserves.

Having reviewed NWM Plc's principal risks, forecasts, projections and other relevant evidence, the directors have a reasonable expectation that NWM Plc will continue in operational existence for a period of 12 months from the date of this report. Accordingly, the financial statements of NWM Plc have been prepared on a going concern basis.

### 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 NWM Plc's auditors are unaware; and
- (b) the director has taken all the steps that they ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that NWM Plc'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 the auditors and have indicated their willingness to continue in office. A resolution to re-appoint EY LLP as NWM Plc's auditors will be proposed at the forthcoming NatWest Group Annual General Meeting.

PricewaterhouseCoopers LLP (PwC) will be appointed as auditors from 2026. External audit services will transition from EY LLP to PwC for the 2026 year-end external audit. PwC will shadow the 2025 year-end audit, which will be completed by EY LLP, and will attend NWM Audit Committee meetings during 2025, as appropriate.

By order of the Board

Sarah Beddows  
Company Secretary  
13 February 2025  
NatWest Markets Plc  
is registered in Scotland No. SC090312



# Statement of directors' responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on pages 75 to 82.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required to prepare Group financial statements, and as permitted by the Companies Act 2006 have elected to prepare company financial statements, for each financial year in accordance with UK adopted International Accounting Standards, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of NWM Group and NWM Plc. 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 NWM 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 NWM Plc and NWM 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 Report of the directors, 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, IFRS as issued by the International Accounting Standards Board and IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of NWM Plc and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Report of the directors (incorporating the Financial review) includes a fair review of the development and performance of the business and the position of NWM Plc 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

Anne Simpson  
Non-executive director

Jonathan Peberdy  
Chief Executive Officer

Simon Lowe  
Chief Financial Officer

13 February 2025

## Board of directors

**Chair**  
Frank Dangeard

**Executive directors**  
Jonathan Peberdy  
Simon Lowe

**Non-executive directors**  
Tamsin Rowe  
Anne Simpson  
Sabrina Wilson

# Financial statements

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# Independent auditors' report to the members of NatWest Markets plc

## Opinion

In our opinion:

- The financial statements of NatWest Markets Plc (the 'Bank') and its subsidiaries (together, the 'Group') give a true and fair view of the state of the Group's and of the Bank'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 adopted by the European Union and IFRS as issued by the International Accounting Standards Board ('IASB');
- The Bank's financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006, and IFRS as issued by the IASB;
- The financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements (see table below) of the Group and the Bank for the year ended 31 December 2024 which comprise:

Group	Bank
<ul style="list-style-type: none"><li>– Consolidated balance sheet as at 31 December 2024</li><li>– Consolidated income statement for the year then ended</li><li>– Consolidated statement of comprehensive income for the year then ended</li><li>– Consolidated statement of changes in equity for the year then ended</li><li>– Consolidated cash flow statement for the year then ended</li><li>– Related Notes 1 to 34 to the financial statements, including accounting policy information; and</li><li>– Risk and capital management sections identified as 'audited'</li></ul>	<ul style="list-style-type: none"><li>– Balance sheet as at 31 December 2024</li><li>– Statement of changes in equity for the year then ended</li><li>– Cash flow statement for the year then ended</li><li>– Related Notes 1 to 34 to the financial statements, including accounting policy information; and</li><li>– Risk and capital management sections identified as 'audited'</li></ul>

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards to the Group financial statements, IFRS as adopted by the European Union and IFRS as issued by the IASB, and as regards the Bank's 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group and the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## 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 Bank'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 the directors' going concern assessment process. We engaged with management to determine if key factors were considered in the assessment.
- We evaluated the directors' going concern assessment which included assessing their evaluation of business and strategic plans on future capital adequacy, liquidity and funding positions of the Group and Bank. The assessment of these positions considered the results of internal stress tests and other factors including non-financial risks.
- We evaluated the directors' going concern assessment by considering the Group and Bank's ability to continue as a going concern under different scenarios considering the current uncertain geopolitical and economic outlook.
- We reviewed the Group's going concern disclosures included in the Annual Report and Accounts in order to assess that the disclosures were appropriate and in 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 Bank's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

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

## Overview of our audit approach

<b>Audit scope</b>	– We performed an audit of the complete financial information of two components, audit procedures on specific balances for one component, specified procedures for one component, and a combination of specific and specified procedures on Central functions. We performed central procedures for certain audit areas and balances as outlined in the Tailoring the scope section of our report.
<b>Key audit matter</b>	– Valuation of financial instruments with higher risk characteristics – Provisions for litigation – IT systems and controls impacting financial reporting
<b>Materiality</b>	– Overall Group and Bank materiality of £59m which represents 1% of shareholder's equity of the Bank adjusted for Additional Tier 1 instruments maturing in 2025 as disclosed in Note 21 Share capital and reserves.

## An overview of the scope of the Bank 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 auditors, 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
NatWest Markets Plc	Full	United Kingdom, India, Poland and Singapore
NatWest Markets N.V.	Full	United Kingdom, India, Netherlands and Poland
NatWest Markets Securities Inc.	Specific	United States
NatWest Markets Securities Japan	Specified procedures	Japan
Limited Central functions*	Specific/specified procedures	United Kingdom, India

\*Central functions comprise EY functional component teams focused on the audit of specific balances and/or specified procedures including aspects of treasury, credit, operating costs, and financial reporting processes across in scope legal entity components.

In addition to the scope of the Central functions above, we determined that centralised audit procedures can be performed across the identified components in the following audit areas:

Key audit area on which procedures were performed centrally	Component subject to central procedures
Valuation of financial instruments of financial instruments with higher risk characteristics	NatWest Markets Plc and NatWest Markets N.V.
Certain procedures relating to provisions for litigation	All components
IT systems and controls impacting financial reporting	All components

We identified two components as individually relevant to the Group due to materiality or financial size of the components relative to the Group and significant risks 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 this risk. In addition, the Central functions component teams assist in auditing specific balances across in scope legal entity components.

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	Specific scope	Specified procedures	Total
Total assets	98%	1%	0%	99%
Total equity	96%	2%	>1%	100%
Total income (absolute)	76%	18%	>5%	100%

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 engagement team.

The audit scope of the specific scope components may not have included testing of all significant accounts within the components. However, the testing will have contributed to the total coverage of significant accounts tested for the overall Group.

### Involvement with component 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 auditors 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 audit, reviewing key working papers and taking responsibility for the scope and direction of the audit process. The Group audit engagement team continued to follow a programme of virtual or in person oversight visits that have been designed to ensure that the Senior Statutory Auditor, or another Group audit partner, has ongoing interactions with all in scope locations. During the current year's audit cycle, visits were undertaken by the Group audit engagement team to India and Poland. These visits involved meetings with local management, discussions with our teams on the audit approach and significant issues arising from their work. The Group audit engagement 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 engagement team were fully aware of their progress and results of their procedures.

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. NWM Group has determined that the most significant future impacts from climate change on its operations will be from physical risk, transition risk and liability risk. These are explained in the Climate and nature risk section within the Risk and capital management section in the Annual Report and Accounts, 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 the 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 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.

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 disclosed in the Accounting policies, and whether these have been appropriately reflected in forward looking accounting estimates following the requirements of UK adopted International Accounting Standards, IFRS as adopted by the European Union and IFRS as issued by the IASB. As part of this evaluation, we performed our own risk assessment 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. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

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 on the following key audit matter, valuation of financial instruments with higher risk characteristics. Details of the impact, our procedures and findings are included in our explanation of the key audit matter 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.

Risk	Our response to the risk
<b>Valuation of financial instruments with higher risk characteristics</b>	
<p>As at 31 December 2024 the Group held financial instruments with higher risk characteristics. These included, but are not limited to, reported level 3 assets of £1.1 billion (2023: £1.3 billion) and level 3 liabilities of £0.5 billion (2023: £0.7 billion) whose value is dependent upon unobservable inputs. Refer to the Accounting policies and Note 10 to the financial statements.</p> <p>The valuation of those financial instruments with higher risk characteristics can include significant judgement as outlined below. The fair value of these instruments can involve complex valuation models and significant fair value adjustments, both of which may be reliant on inputs where there is limited market observability.</p> <p>Management's estimates which required significant judgement include:</p> <ul style="list-style-type: none"> <li>– <b>Complex models:</b> complex model-dependent valuations of financial instruments, which include interest rate swaps linked to pre-payment behaviour and interest rate options with exotic features;</li> <li>– <b>Illiquid inputs:</b> Pricing inputs and calibrations for illiquid instruments, including fair value loan exposures for which there is no active market. Additionally, derivative instruments whose valuation is dependent on discount rates associated with complex collateral arrangements; and</li> <li>– <b>Fair value adjustments:</b> The appropriateness of fair value adjustments made to derivative valuations including Funding Valuation Adjustments (FVA) and Credit Valuation Adjustments (CVA) relating to counterparties whose credit spread may not be observable, and material product and deal specific valuation adjustments on long dated derivative portfolios.</li> </ul>	<p><b>Controls testing:</b></p> <p>We evaluated the design and operating effectiveness of controls relating to financial instrument valuation including independent price verification, valuation models governance, collateral management, income statement analysis and the associated controls over relevant information technology systems. We also observed the Valuation Committees where valuation inputs, assumptions and adjustments were discussed and approved.</p> <p><b>Overall assessment:</b> We involved our financial instrument valuation and modelling specialists to assist us in performing procedures including the following:</p> <ul style="list-style-type: none"> <li>– <b>Complex models:</b> Testing a sample of complex model-dependent valuations by performing independent revaluation to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group;</li> <li>– <b>Illiquid inputs:</b> Independently re-pricing a sample of financial instruments that had been valued using illiquid pricing inputs, using alternative pricing sources where available, to evaluate management's valuation; and</li> <li>– <b>Fair value adjustments:</b> Comparing fair value adjustment methodologies to current market practice and assessing the appropriateness and adequacy of the valuation adjustment framework in light of emerging market practice and changes in the risk profile of the underlying portfolio; and revaluing a sample of counterparty level FVA and CVA, comparing funding spreads to third party data, independently challenging illiquid CVA inputs, and testing material product and deal specific adjustments on the long-dated derivatives portfolio.</li> </ul> <p>Throughout our audit procedures we considered the current uncertain geopolitical and economic outlook, including market volatility and the impact of climate change on the valuation of financial instruments. We performed analysis focusing on long-dated illiquid positions to understand if there were indicators that pricing did not appropriately capture climate related risks.</p> <p>In addition, we assessed whether there were any indicators of aggregate bias in financial instrument marking and methodology assumptions.</p> <p>We performed back-testing analysis of recent trade activity and asset disposals to evaluate the drivers of significant differences between book value and trade value to assess the impact on the fair value of similar instruments within the portfolio. We performed an analysis of significant collateral discrepancies with counterparties to assess the potential impact on the fair value of the underlying (and similar) financial instruments.</p>

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

We performed a risk assessment to identify financial instruments with higher risk of valuation characteristics. We performed procedures centrally across all components for which this risk is relevant.

### Key observations communicated to the Group Audit Committee

We are satisfied that the assumptions used by management to reflect the fair value of financial instruments with higher risk characteristics are in accordance with IFRS. We highlighted the following to the Group Audit Committee:

- Complex model-dependent valuations were appropriate based on the output of our independent revaluations, analysis of trade activity, assessment of the output of the independent price verification process, inspection of collateral disagreements and peer benchmarking;
- The fair value estimates of financial instruments with illiquid inputs appropriately reflected pricing information available at 31 December 2024; and
- Valuation adjustments applied to derivative portfolios for credit, funding and other risks were recorded in accordance with the requirements of IFRS considering trade activity for positions with common risk characteristics, analysis of market data and peer benchmarking.

Risk	Our response to the risk
<b>Provisions for litigation</b> <p>At 31 December 2024, the Group has reported £108 million (2023: £141 million) of provisions for conduct, litigation and other regulatory matters. Refer to the Accounting policies and Notes 20 and 25 to the financial statements.</p> <p>Regulatory scrutiny and the continued litigious environment give rise to a high level of management judgement in determining the appropriate provision for each case. Management judgement is needed to determine whether a present obligation existed, and a provision should be recorded as at 31 December 2024 in accordance with the accounting criteria set out under IAS 37.</p> <p>We identified certain significant legal matters where management's estimates required significant judgement including:</p> <ul style="list-style-type: none"> <li>– <b>IAS 37 assessment:</b> Determination of whether an outflow in respect of these legal matters is probable and can be estimated reliably.</li> </ul>	
<b>How we scoped our audit to respond to the risk and involvement with component teams</b>	
<p>We performed a risk assessment to identify significant legal matters where management's estimates required significant judgement. We performed centralised procedures to address the risk and we instructed our NatWest Markets Securities Inc. component team to perform certain additional procedures under our supervision.</p>	
<b>Key observations communicated to the Group Audit Committee</b>	
<p>We are satisfied that provisions for significant legal matters were reasonable and recognised in accordance with IAS 37.</p>	



Risk	Our response to the risk
<b>IT systems and controls impacting financial reporting</b>	
<p>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.</p> <p>The Group has implemented user access management controls across IT applications, databases and operating systems. We continue to identify user access-related deficiencies and thus the risk of inappropriate access remains.</p>	<p>We evaluated the design and operating effectiveness of IT general controls, including access over the applications, operating systems and databases relevant to financial reporting.</p> <p>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.</p> <p>For systems outsourced to third party service providers, we tested IT general controls through evaluating the relevant Service Organisation Controls ('SOC') reports (where available). This included assessing the timing of the reporting, the controls tested by the service auditor and whether they 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.</p> <p>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.</p>
<b>How we scoped our audit to respond to the risk and involvement with component teams</b>	
All audit work performed to address this risk was undertaken by the Group audit engagement team.	
<b>Key observations communicated to the Group Audit Committee</b>	
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. Where issues were noted in relation to IT general controls, these were remediated by 31 December 2024 or mitigated by compensating controls.	

In the prior year, our auditor's report included a key audit matter in relation to Expected Credit Loss provisions ('ECL') under IFRS 9. During the current year we reassessed this risk and concluded that it was no longer significant due to the ECL remaining below our materiality, the historic low levels of default and an economic environment with lower inflation and interest rates.

### 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 and Bank to be £59 million (2023: £63 million), which is 1% (2023: 1%) of shareholder's equity of the Bank adjusted for Additional Tier 1 instruments maturing in 2025 as disclosed in Note 21 Share capital and reserves.

## 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 50% (2023: 50%) of our planning materiality, namely £29.5m (2023: £31.5m). We have set performance materiality at this percentage (which is at the lowest end of the acceptable range of our audit methodology) based on various considerations including the past history of misstatements.

Audit work was undertaken at component locations 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 between £18m to £29.5m (2023: £16m to £31.5m).

## Reporting threshold

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

We agreed with the Group Audit Committee that we would report to them all uncorrected audit differences in excess of £3m (2023: £3m), 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, Financial review, Risk and capital management sections not identified as 'audited', Report of the directors, Statement of directors' responsibilities, Risk factors, Forward-looking statements and Non-IFRS financial measures, 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 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 Bank 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 Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank 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 Bank'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 Bank 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 Group and the Bank, 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 of the Prudential Regulation Authority, the Financial Conduct Authority and the 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 regulatory bodies; reviewed minutes of the Board and other key committees; and gained an understanding of the Group's governance framework.
- 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 made and judgements required in determining these estimates. Our procedures also involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business.
- We designed our audit procedures to identify non-compliance with laws and regulations. Our procedures involved inquiries of legal counsel, management and Internal Audit. 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 engagement team and component teams with oversight from the Group audit engagement team.
- 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 NatWest Group Audit Committee we were appointed by NatWest Group Plc at its annual general meeting on 4 May 2016 to audit the financial statements of the Group and the Bank for the year ended 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is nine 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 Bank and we remain independent of the Group and the Bank in conducting the audit.
- The audit opinion is consistent with the additional report to the Group Audit Committee.

## Use of our report

This report is made solely to the Group's and the Bank'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 Group's and the Bank'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 Group and the Bank, and the Group's and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Manprit Dosanjh (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		2,720	2,186
Interest payable		(2,288)	(1,831)
<b>Net interest income</b>	1	<b>432</b>	<b>355</b>
Fees and commissions receivable		476	377
Fees and commissions payable		(213)	(175)
Income from trading activities		585	477
Other operating income		(43)	35
<b>Non-interest income</b>	2	<b>805</b>	<b>714</b>
<b>Total income</b>		<b>1,237</b>	<b>1,069</b>
Staff costs		(452)	(418)
Premises and equipment		(75)	(66)
Other administrative expenses		(671)	(642)
Depreciation and amortisation		(10)	(16)
<b>Operating expenses</b>	3	<b>(1,208)</b>	<b>(1,142)</b>
<b>Profit/(loss) before impairment releases/losses</b>		<b>29</b>	<b>(73)</b>
Impairment releases/(losses)	14	8	(2)
<b>Operating profit/(loss) before tax</b>		<b>37</b>	<b>(75)</b>
Tax credit/(charge)	7	26	(23)
<b>Profit/(loss) for the year</b>		<b>63</b>	<b>(98)</b>
<b>Attributable to:</b>			
Ordinary shareholders		(20)	(168)
Paid-in equity holders		73	70
Non-controlling interests		10	-
		<b>63</b>	<b>(98)</b>

# Consolidated statement of comprehensive income

For the year ended 31 December 2024

	2024 £m	2023 £m
<b>Profit/(losses) for the year</b>	<b>63</b>	<b>(98)</b>
<b>Items that do not qualify for reclassification</b>		
Remeasurement of retirement benefit schemes	(13)	(113)
Changes in fair value of credit in financial liabilities designated at FVTPL	(33)	(39)
FVOCI financial assets	14	7
Tax	23	42
	<b>(9)</b>	<b>(103)</b>
<b>Items that do qualify for reclassification</b>		
FVOCI financial assets	5	5
Cash flow hedges (1)	(29)	178
Currency translation	(14)	(132)
Tax	16	(48)
	<b>(22)</b>	<b>3</b>
<b>Other comprehensive loss after tax</b>	<b>(31)</b>	<b>(100)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>32</b>	<b>(198)</b>
<b>Attributable to:</b>		
Ordinary shareholders	(50)	(268)
Paid-in equity holders	73	70
Non-controlling interests	9	-
	<b>32</b>	<b>(198)</b>

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

# Balance sheet

As at 31 December 2024

		NWM Group		NWM Plc	
	Note	2024 £m	2023 £m	2024 £m	2023 £m
<b>Assets</b>					
Cash and balances at central banks	9	16,229	13,831	11,069	8,607
Trading assets	12	48,883	45,324	26,186	28,411
Derivatives	13	78,105	79,332	74,982	75,832
Settlement balances	9	2,043	7,227	550	2,168
Loans to banks - amortised cost	9	1,171	1,246	897	910
Loans to customers - amortised cost	9	17,921	12,986	17,089	12,104
Amounts due from holding company and fellow subsidiaries	31	343	1,730	3,341	6,472
Other financial assets	15	17,850	15,723	16,081	13,444
Investments in group undertakings	16	-	-	2,263	2,320
Other assets	17	621	518	479	390
<b>Total assets</b>		<b>183,166</b>	<b>177,917</b>	<b>152,937</b>	<b>150,658</b>
<b>Liabilities</b>					
Bank deposits	9	4,565	2,267	4,069	1,909
Customer deposits	9	4,840	6,998	2,350	3,060
Amounts due to holding company and fellow subsidiaries	31	6,771	5,802	10,757	14,385
Settlement balances	9	1,729	6,641	444	400
Trading liabilities	12	54,512	53,623	30,130	34,079
Derivatives	13	72,036	71,981	70,016	69,404
Other financial liabilities	18	31,263	23,574	27,966	20,655
Other liabilities	20	521	653	386	453
<b>Total liabilities</b>		<b>176,237</b>	<b>171,539</b>	<b>146,118</b>	<b>144,345</b>
Owners' equity	21	6,929	6,380	6,819	6,313
Non-controlling interests		-	(2)	-	-
<b>Total equity</b>		<b>6,929</b>	<b>6,378</b>	<b>6,819</b>	<b>6,313</b>
<b>Total liabilities and equity</b>		<b>183,166</b>	<b>177,917</b>	<b>152,937</b>	<b>150,658</b>

Owners' equity of NWM Plc as at 31 December 2024 includes the loss for the year of £33 million (2023 loss - £169 million).

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

Anne Simpson  
Non-executive director

Jonathan Peberdy  
Chief Executive Officer

Simon Lowe  
Chief Financial Officer

NatWest Markets Plc  
Registration No. SC090312

# Statement of changes in equity

For the year ended 31 December 2024

	Note	NWM Group		NWM Plc	
		2024 £m	2023 £m	2024 £m	2023 £m
<b>Called-up share capital - at 1 January and 31 December</b>	21	<b>400</b>	400	<b>400</b>	400
<b>Paid-in equity - at 1 January</b>		<b>904</b>	904	<b>904</b>	904
Issued		592	-	592	-
At 31 December	21	1,496	904	1,496	904
<b>Share premium account - at 1 January and 31 December</b>		<b>1,946</b>	1,946	<b>1,946</b>	1,946
<b>Merger reserve - at 1 January</b>		<b>(14)</b>	-	-	-
Additions		-	(14)	-	-
Amortisation		3	-	-	-
At 31 December		(11)	(14)	-	-
<b>FVOCI reserve - at 1 January</b>		<b>13</b>	3	-	(2)
Unrealised gains		20	11	14	6
Realised (gains)/losses		(5)	3	(2)	-
Tax		(3)	(4)	(3)	(4)
At 31 December		25	13	9	-
<b>Cash flow hedging reserve - at 1 January</b>		<b>(164)</b>	(294)	<b>(187)</b>	(284)
Amount recognised in equity (3)		(299)	(29)	(290)	(56)
Amount transferred from equity to earnings (4)		270	207	257	201
Tax		16	(48)	16	(48)
At 31 December		(177)	(164)	(204)	(187)
<b>Foreign exchange reserve - at 1 January</b>		<b>100</b>	232	<b>(157)</b>	(78)
Retranslation of net assets		(98)	(143)	(14)	(85)
Foreign currency gains/(losses) on hedges of net assets		15	19	(7)	5
Recycled to profit or loss on disposal of businesses		70	(8)	36	1
At 31 December		87	100	(142)	(157)
<b>Retained earnings - at 1 January</b>		<b>3,195</b>	3,374	<b>3,407</b>	3,632
Profit/(loss) attributable to ordinary shareholders and other equity owners		53	(98)	(33)	(169)
Paid-in equity dividends paid		(73)	(70)	(73)	(70)
Capital contribution (2)		-	115	-	115
Realised gains/(losses) in period on FVOCI equity shares					
- gross		4	(2)	1	-
- tax		8	-	8	-
Remeasurement of the retirement benefit schemes					
- gross		(13)	(113)	(13)	(113)
- tax		16	40	16	40
Changes in fair value of credit in financial liabilities designated at FVTPL					
- gross		(33)	(39)	(8)	(16)
- tax		2	6	2	6
Share-based payments					
- gross		(3)	(14)	(3)	(14)
- tax		10	(4)	10	(4)
Amortisation of merger reserve		(3)	-	-	-
At 31 December		3,163	3,195	3,314	3,407
<b>Owners' equity at 31 December</b>		<b>6,929</b>	6,380	<b>6,819</b>	6,313

## Statement of changes in equity for the year ended 31 December 2024 continued

	NWM Group		NWM Plc	
	2024	2023	2024	2023
Note	£m	£m	£m	£m
Non-controlling interests - at 1 January	(2)	(2)	-	-
Currency translation adjustments and other movements	(1)	-	-	-
Profit attributable to non-controlling interests	10	-	-	-
Dividends paid	(7)	-	-	-
At 31 December	-	(2)	-	-
Total equity at 31 December	6,929	6,378	6,819	6,313
Attributable to:				
Ordinary shareholders	5,433	5,476	5,323	5,409
Paid-in equity holders	1,496	904	1,496	904
Non-controlling interests	-	(2)	-	-
	6,929	6,378	6,819	6,313

- (1) The total distributable reserves for NWM Plc is £2,968 million (2023 – £3,063 million).
- (2) During H1 2023, NatWest Markets invoked a claim against the parent, NatWest Group plc, in respect of a legacy (non-trading) matter which was covered by an indemnity agreement. This resulted in a capital contribution.
- (3) 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
- (4) As referred in Note 13, 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 and balances at central banks.



# Cash flow statement

For the year ended 31 December 2024

	Note	NWM Group		NWM Plc	
		2024 £m	2023 £m	2024 £m	2023 £m
<b>Cash flows from operating activities</b>					
Operating profit/(loss) before tax		37	(75)	(32)	(141)
<b>Adjustments for:</b>					
Non-cash and other items	26	143	173	(104)	21
Changes in operating assets and liabilities	26	(226)	2,617	(51)	(672)
Income taxes (paid)/received		(89)	99	(81)	116
<b>Net cash flows from operating activities (1)</b>		<b>(135)</b>	<b>2,814</b>	<b>(268)</b>	<b>(676)</b>
<b>Cash flows from investing activities</b>					
Sale and maturity of other financial assets		5,711	5,399	4,622	3,752
Purchase of other financial assets		(8,020)	(9,253)	(7,364)	(6,771)
Income received on other financial assets		971	632	882	573
Fair value given for businesses acquired		-	(27)	-	-
Additional investment in associates		(1)	-	(1)	-
Dividends received from subsidiaries		-	-	94	349
Sale of property, plant and equipment		8	1	-	1
Purchase of property, plant and equipment		(2)	(3)	(1)	-
<b>Net cash flows from investing activities</b>		<b>(1,333)</b>	<b>(3,251)</b>	<b>(1,768)</b>	<b>(2,096)</b>
<b>Cash flows from financing activities</b>					
Issue of paid-in equity		592	-	592	-
Issue of subordinated liabilities		918	-	918	-
Redemption of subordinated liabilities		(814)	(676)	(814)	(595)
Interest paid on subordinated liabilities		(91)	(71)	(82)	(57)
Issue of MRELS		1,680	1,699	1,680	1,699
Maturity of MRELS		(433)	(1,744)	(433)	(1,744)
Interest paid on MRELS		(179)	(175)	(179)	(175)
Dividends paid		(80)	(70)	(73)	(70)
Capital Contribution		-	115	-	115
<b>Net cash flows from financing activities</b>		<b>1,593</b>	<b>(922)</b>	<b>1,609</b>	<b>(827)</b>
Effects of exchange rate on cash and cash equivalents		(532)	(526)	(291)	(336)
<b>Net decrease in cash and cash equivalents</b>		<b>(407)</b>	<b>(1,885)</b>	<b>(718)</b>	<b>(3,935)</b>
Cash and cash equivalents at 1 January		24,943	26,828	16,988	20,923
<b>Cash and cash equivalents at 31 December</b>	28	<b>24,536</b>	<b>24,943</b>	<b>16,270</b>	<b>16,988</b>

(1) NWM Group includes interest received of £2,658 million (2023 - £1,981 million) and interest paid of £2,233 million (2023 - £1,738 million), and NWM Plc includes interest received of £2,397 million (2023 - £1,836 million) and interest paid of £2,056 million (2023 - £1,611 million).

# Accounting policies

## 1. Presentation of financial statements

NatWest Markets Plc (NWM Plc) is incorporated in the UK and registered in Scotland. 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 94 to 157 and the audited sections of the Risk and capital management section on pages 18 to 68 which together form 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 (see the Report of the directors) and in accordance with UK-adopted International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and IFRS as adopted by the European Union. 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 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 from the accounting requirements for deferred taxes in IAS 12 Income taxes in respect of Pillar 2 income taxes issued by the IASB in May 2023. 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 NWM Plc 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.

A subsidiary is included in the consolidated financial statements at fair value on acquisition from the date it is controlled by us until the date we cease to control it through a sale or a significant change in circumstances. Changes in our interest in a subsidiary that do not result in us ceasing to control that subsidiary are accounted for as equity transactions.

## 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 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.

## 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, 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
Provisions for liabilities and charges	Determination of whether a present obligation exists in respect of customer redress, litigation and other regulatory, property and other provisions. Legal proceedings often require a high degree of judgement and these are likely to change as the matter progresses.	Provisions remain sensitive to the assumptions used in the estimate. We consider a wide range of possible outcomes. It is often not practical to meaningfully quantify ranges of possible outcomes, given the uncertainties involved.	Note 20

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 offsetable deferred tax liabilities we have and of our future taxable profits. These future taxable profits are based on our five-year revenue and cost forecasts and the expectation of long-term economic growth beyond this period. The five-year forecast takes account of management's current expectations of 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 (see 'Valuation Adjustments').

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

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

### 2.3. 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.

### 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.

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value and is reported in income from trading activities or other operating income as relevant. Fees in respect of customer 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. Fees in respect of services to fellow subsidiaries reflect relative contribution determined using a share of profits, and the most likely value is recognised throughout the year taking account of whether a reversal of cumulative income may occur.

#### 3.2. Staff costs

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

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 cancellation 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.

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 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 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.

#### 3.3. Foreign currencies

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

#### 3.4. 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. Material accounting policies continued

#### 3.5. 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.

#### 3.6. Financial guarantee contracts

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

#### 3.7. 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.

#### 3.8. Capital instruments

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

#### 3.9. Derivatives and hedging

Derivatives are reported on the balance sheet at fair value.

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

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

#### Hedge accounting

Hedge accounting relationships are designated and documented at inception in line with the requirements of IAS 39 Financial instruments – Recognition and Measurement. The documentation identifies the hedged item, the hedging instrument and details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge.



### 3. Material accounting policies continued

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.

### 3.10. Investment in Group undertakings

Our investments in Group undertakings (subsidiaries) are stated at cost less any impairment.

### 3.11. Loan impairment provisions: expected credit losses (ECL)

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

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

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

The measurement of expected credit loss considers the ability of borrowers to make payments as they fall due. Future cashflows are discounted, so long-dated cashflows are less likely to affect current expectations on credit loss. Our assessment of sector-specific risks, and whether additional adjustments are required, includes 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.
- **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.



### 3. Material accounting policies continued

Impaired financial assets are written off and therefore derecognised from the balance sheet when we conclude that there is no longer any realistic prospect of recovery of part, or all, of the loan. For financial assets that are individually assessed for impairment, the timing of the write-off is determined on a case-by-case basis. Such financial assets are reviewed regularly, and write-off will be prompted by bankruptcy, insolvency, re-negotiation, and similar events.

Uncollateralised impaired business loans are generally written off within five years.

### 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
Balances at central banks and loans to banks - amortised cost	640	759
Loans to customers - amortised cost	1,005	672
Amounts due from holding company and fellow subsidiaries	9	30
Other financial assets	1,066	725
Interest receivable	2,720	2,186
Bank deposits	163	120
Customer deposits	302	312
Amounts due to holding company and fellow subsidiaries	369	319
Other financial liabilities	1,454	1,080
Interest payable	2,288	1,831
Net interest income	432	355

Interest income on financial instruments measured at amortised cost and debt instruments classified as FVOCI is measured using the effective interest rate method, which allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

For accounting policy information refer to Accounting policy 3.1.

## 2 Non-interest income

	2024 £m	2023 £m
<b>Analysis of net fees and commissions</b>		
<b>Fees and commissions receivable</b>		
- Lending and financing	118	91
- Brokerage	45	42
- Underwriting fees	154	122
- Other	159	122
<b>Total</b>	<b>476</b>	<b>377</b>
Fees and commissions payable	(213)	(175)
<b>Net fees and commissions</b>	<b>263</b>	<b>202</b>
<b>Income from trading activities</b>		
Foreign exchange	204	166
Interest rate	542	385
Credit	(152)	(72)
Changes in fair value of own debt and derivative liabilities attributable to own credit risk		
- debt securities in issue and derivative liabilities	(9)	(2)
	585	477
<b>Other operating income</b>		
Loss on redemption of own debt	-	(14)
Changes in fair value of financial assets and liabilities designated at fair value through profit or loss (1)	(132)	(154)
Dividend income	9	5
Foreign exchange recycling (losses)/gains (2)	(70)	8
Other income (3)	150	190
	(43)	35
<b>Total</b>	<b>805</b>	<b>714</b>

(1) Includes related derivatives.

(2) Foreign exchange reserves recycling relating to legacy overseas operations closure activity completed during the year.

(3) Other income includes a profit share agreement with fellow NatWest Group subsidiaries that commenced in 2023. The profit share arrangement was introduced during the year 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.

For accounting policy information refer to Accounting policy 3.1 and 3.3.

### 3 Operating expenses

	2024 £m	2023 £m
Wages, salaries and other staff costs	289	264
Temporary and contract costs	11	7
Social security costs	43	40
Bonus awards	105	93
Pension costs	4	14
- defined benefit schemes (see Note 5)	(19)	(6)
- defined contribution schemes	23	20
Staff costs	452	418
Premises and equipment	75	66
Depreciation and amortisation	10	16
Other administrative expenses (1,2)	671	642
Administrative expenses	756	724
	1,208	1,142

(1) Includes £543 million (2023 – £540 million) recharges from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.

(2) Includes litigation and other regulatory costs. Further details are provided in Note 20.

For accounting policy information refer to Accounting policy 3.2.

The average number of persons employed, rounded to the nearest hundred, during the year, excluding temporary staff, was 1,700 (2023 – 1,600). The number of persons employed by NWM Group at 31 December 2024, excluding temporary staff, was as follows:

	2024	2023
UK	1,000	900
USA	300	300
Rest of the World	400	500
Total	1,700	1,700

#### Bonus awards

The following tables analyse NWM Group's bonus awards.

	2024 £m	2023 £m	Change %
March awards (1)	4	3	33%
Deferred cash awards	82	67	22%
Deferred share awards	29	23	26%
Total deferred bonus awards	111	90	23%
<b>Total bonus awards (2)</b>	<b>115</b>	<b>93</b>	<b>24%</b>

	2024 £m	2023 £m
<b>Reconciliation of bonus awards to income statement charge</b>		
Bonuses awarded	115	93
Less: deferral of charge for amounts awarded for current year	(44)	(35)
<b>Income statement charge for amounts awarded in current year</b>	<b>71</b>	<b>58</b>
Add: current year charge for amounts deferred from prior years	35	36
Less: forfeiture of amounts deferred from prior years	(1)	(1)
<b>Income statement charge for amounts deferred from prior years</b>	<b>34</b>	<b>35</b>
<b>Income statement charge for bonus awards (2)</b>	<b>105</b>	<b>93</b>

(1) March cash awards are limited to £2000 for all employees.

(2) Excludes other performance related compensation.

## 4 Geographical segment analysis

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	USA £m	Europe £m	RoW £m	Total £m
Total revenue	2,725	297	625	91	3,738
Interest receivable	2,238	32	438	12	2,720
Interest payable	(1,900)	(63)	(323)	(2)	(2,288)
Fees and commissions receivable	73	134	213	56	476
Fees and commissions payable	(161)	(26)	(25)	(1)	(213)
Income from trading activities	414	135	13	23	585
Other operating income	-	(4)	(39)	-	(43)
Total income	664	208	277	88	1,237
Operating (loss)/profit before tax	(195)	75	112	45	37
Total assets	123,458	25,793	32,984	931	183,166
Total liabilities	128,675	23,495	23,449	618	176,237
Contingent liabilities and commitments (1)	8,356	-	6,453	1	14,810
2023					
Total revenue	2,273	167	545	90	3,075
Interest receivable	1,729	39	406	12	2,186
Interest payable	(1,548)	(1)	(280)	(2)	(1,831)
Fees and commissions receivable	68	72	180	57	377
Fees and commissions payable	(133)	(22)	(20)	-	(175)
Income from trading activities	394	66	(2)	19	477
Other operating income	82	(10)	(39)	2	35
Total income	592	144	245	88	1,069
Operating (loss)/profit before tax	(235)	44	91	25	(75)
Total assets	119,783	23,724	32,539	1,871	177,917
Total liabilities	125,058	22,106	22,853	1,522	171,539
Contingent liabilities and commitments (1)	8,855	-	6,744	21	15,620

(1) Refer to Note 25 Memorandum items – Contingent liabilities and commitments.

## 5 Pensions

### Defined contribution schemes

NWM Group sponsors a number of defined contribution pension schemes in different territories, which new employees are offered the opportunity to join.

### Defined benefit schemes

NWM Group sponsors a number of pension schemes in the UK and overseas, including the AA and NatWest Markets (NWM) sections of the NatWest Group Pension Fund which operate under UK trust law and are managed and administered on behalf of their 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 a 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 NWM Group.

The corporate trustee is NatWest Pension Trustee Limited (the Trustee), a wholly owned subsidiary of NWB Plc. The Board of the Trustee includes member trustee directors selected from eligible active 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).

### Investment strategy

The assets of the AA section represent 79% of all plan assets at 31 December 2024 (2023 – 79% of plan assets) and are invested as shown below.

During 2023, the Trustee completed a buy-in insurance transaction for the AA section covering 99% of the section's defined benefit obligation. In exchange for an upfront premium paid to the insurer, the buy-in insurance contract provides a stream of cashflows to the Trustee replicating payments due to members.

The premium 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. The value of the buy-in insurance contract moves in line with movements in the defined benefit obligations covered, meaning that the scheme is protected against demographic and market risk.

The NWM section employs physical, derivative and non-derivative instruments to achieve a desired asset class exposure and to reduce the scheme'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, the Trustee hedges movements in interest rates and inflation.

Swaps have been executed at prevailing market rates and within standard market bid/offer spreads with a number of counterparty banks, including NWB Plc.

Major classes of plan assets as a percentage of total plan assets of the AA section	2024			2023		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Corporate and other bonds	1.6	1.9	3.5	1.6	2.7	4.3
Buy-in insurance contracts	-	77.5	77.5	-	79.4	79.4
Cash and other assets	-	19.0	19.0	-	16.3	16.3
	1.6	98.4	100.0	1.6	98.4	100.0

## 5 Pensions continued

The schemes do not invest directly in NWM Group but can have exposure to NWM Group. The trustees are responsible for ensuring that indirect investments in NWM Group do not exceed the 5% regulatory limit.

	AA section			All schemes <sup>(3)</sup>			
	Fair value of plan assets	Present value of defined benefit obligation <sup>(1)</sup>	Net pension asset/(liability)	Fair value of plan assets	Present value of defined benefit obligation <sup>(1)</sup>	Asset ceiling/minimum funding <sup>(2)</sup>	Net pension asset/(liability)
	£m	£m	£m	£m	£m	£m	£m
<b>Changes in value of net pension asset/(liability)</b>							
At 1 January 2023	766	(531)	235	940	(693)	(69)	178
Currency translation and other adjustments	-	-	-	-	3	-	3
Income statement - operating expenses	38	(27)	11	47	(38)	(3)	6
Other comprehensive income	(88)	(21)	(109)	(95)	(25)	7	(113)
Contributions by employer	3	-	3	9	-	-	9
Benefits paid	(28)	28	-	(31)	31	-	-
Assets and liabilities extinguished on settlements	-	-	-	-	-	-	-
Transfers to/from fellow subsidiaries	-	-	-	-	-	-	-
At 1 January 2024	<b>691</b>	<b>(551)</b>	<b>140</b>	<b>870</b>	<b>(722)</b>	<b>(65)</b>	<b>83</b>
Currency translation and other adjustments	-	-	-	-	-	-	-
<b>Income statement - operating expenses</b>							
Net interest expense	32	(26)	6	41	(33)	(3)	5
Gain on curtailments	-	-	-	-	17	-	17
Current service cost	-	(1)	(1)	-	(3)	-	(3)
	<b>32</b>	<b>(27)</b>	<b>5</b>	<b>41</b>	<b>(19)</b>	<b>(3)</b>	<b>19</b>
<b>Other comprehensive income</b>							
Return on plan assets excluding recognised interest income	(58)	-	(58)	(83)	-	-	(83)
Experience gains and losses	-	5	5	-	(9)	-	(9)
Effect of changes in actuarial financial assumptions	-	40	40	-	51	-	51
Effect of changes in demographic assumptions	-	6	6	-	7	-	7
Asset ceiling adjustments	-	-	-	-	-	21	21
	<b>(58)</b>	<b>51</b>	<b>(7)</b>	<b>(83)</b>	<b>49</b>	<b>21</b>	<b>(13)</b>
Contributions by employer <sup>(5)</sup>	3	-	3	8	-	-	8
Benefits paid	(26)	26	-	(26)	36	-	10
Transfers to/from fellow subsidiaries	-	-	-	(1)	1	-	-
At 31 December 2024 <sup>(4)</sup>	<b>642</b>	<b>(501)</b>	<b>141</b>	<b>809</b>	<b>(655)</b>	<b>(47)</b>	<b>107</b>

(1) Defined benefit obligations are subject to annual valuation by independent actuaries.

(2) In recognising the net surplus or deficit of a pension scheme, the funded status of each scheme is adjusted to reflect any minimum funding requirement imposed on the sponsor and any ceiling on the amount that the sponsor has an unconditional right to recover from a scheme.

(3) Includes the NWM Section which has a net pension asset of £nil at 31 December 2024 (2023 - net pension asset of £nil). This scheme has plan assets of £149 million, a defined benefit obligation of £101 million and an asset ceiling of £48 million (2023 - £162 million, £96 million and £66 million respectively).

(4) 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 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) NWM Group expects to make contributions to the AA section of £1 million and to the NWM section of £1 million in 2025.

	All schemes	
	2024	2023
	£m	£m
<b>Amounts recognised on the balance sheet</b>		
Fund asset at fair value	<b>809</b>	870
Present value of fund liabilities	<b>(655)</b>	(722)
Funded status	<b>154</b>	148
Assets ceiling/minimum funding	<b>(47)</b>	(65)
	<b>107</b>	83
<b>Net pension asset/(liability) comprises</b>		
	2024	2023
	£m	£m
Net assets of schemes in surplus (included in Other assets, Note 17)	<b>146</b>	145
Net liabilities of schemes in deficit (included in Other liabilities, Note 20)	<b>(39)</b>	(62)
	<b>107</b>	83



## 5 Pensions continued

### Funding and contributions by NWM Group

In the UK, the trustees of defined benefit pension schemes are required to perform funding valuations at least every three years. The trustees and the sponsoring company, with the support of the Scheme Actuary, agree the assumptions used to value the liabilities and determine future funding 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 NWM Group sponsors defined benefit pension schemes.

The triennial funding valuation of the AA and NWM sections as at 31 December 2023 was completed during 2024. This determined the funding level to be 121% and 129% respectively, based on pension liabilities of £641 million and £125 million.

The key assumptions used to determine the uninsured funding liabilities were the discount rate, which is determined based on a gilt yield curve plus 0.4% per annum, and mortality assumptions, which result in life expectancies of 27.8/29.9 years for AA section male/female pensioners who were age 60 and 29.8/31.5 years from age 60 for AA section males/females who were aged 40 at the valuation date.

### Accounting assumptions

Placing a value on NWM Group's defined benefit pension schemes' liabilities require NWM 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.

The most significant assumptions used for the AA section are shown below:

	Principal IAS 19 actuarial assumptions	
	2024	2023
	%	%
Discount rate	5.6	4.8
Inflation assumption (RPI)	3.2	3.1
Rate of increase in deferred pensions	2.7	2.5
Rate of increase in pensions in payment	2.9	2.9
Lump sum conversion rate at retirement	15.0	15.0
Longevity at age 60:	years	years
Current pensioners		
Males	27.2	27.4
Females	29.3	29.4
Future pensioners, currently aged 40		
Males	28.9	29.0
Females	30.6	30.7

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 determines 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.

## 5 Pensions continued

The table below shows how the present value of the net pension asset of the AA section would change if the key assumptions used were changed independently. In practice the variables have a degree of correlation and do not move completely in isolation.

	(Decrease) increase in value of assets £m	(Decrease) increase in value of liabilities £m	Increase in net pension (obligations)/ assets £m
<b>2024</b>			
0.5% increase in interest rates/discount rate	(28)	(28)	-
0.25% increase in inflation	10	10	-
0.5% increase in credit spreads	(28)	(28)	-
Longevity increase of one year	18	18	-
0.25% additional rate of increase in pensions in payment	13	13	-
Increase in equity values of 10% (1)	1	na	1
<b>2023</b>			
0.5% increase in interest rates/discount rate	(35)	(35)	-
0.25% increase in inflation	12	12	-
0.5% increase in credit spreads	(35)	(35)	-
Longevity increase of one year	19	19	-
0.25% additional rate of increase in pensions in payment	15	15	-
Increase in equity values of 10% (1)	1	na	1

(1) Includes both quoted and private equity.

Note the longevity sensitivities quoted above reflect the impact of a one-year increase to single life annuities. As can be seen from the table above, the funded status of the AA section is no longer sensitive to credit spreads and longevity, because the insured asset value moves in line with the underlying liabilities.

The defined benefit obligation is attributable to the different classes of AA section members in the following proportions:

	<b>2024</b>	2023
<b>Membership category</b>	<b>%</b>	<b>%</b>
Active members	-	-
Deferred members	<b>47.8</b>	51.4
Pensioners and dependants	<b>52.2</b>	48.6
	<b>100.0</b>	100.0

The experience history of the AA section is shown below:

	<b>2024</b>	2023
<b>Experience history of defined benefit schemes</b>	<b>£m</b>	<b>£m</b>
Fair value of plan assets	<b>642</b>	691
Present value of plan obligations	<b>(501)</b>	(551)
Net surplus	<b>141</b>	140
Experience gains/(losses) on plan liabilities	<b>5</b>	(16)
Experience losses on plan assets	<b>(58)</b>	(88)
Actual return on plan assets	<b>(26)</b>	(50)
Actual return on plan assets	<b>(3.6%)</b>	(6.6%)

## 6 Auditor's remuneration

Amounts payable to the NWM Group's auditors for statutory audit and other services are set out below:

	2024 £m	2023 £m
Fees payable for:		
- the audit of the NWM Group's annual accounts	7.2	7.1
- the audit of NWM Plc's subsidiaries	4.6	3.9
- audit-related assurance services	1.5	1.5
Total audit and audit-related assurance services fees	13.3	12.4
Other assurance services	-	0.1
Corporate finance services	0.3	0.3
Total other services	0.3	0.4

Fees payable to the auditor for non-audit services are disclosed in the consolidated financial statements of NatWest Group plc.

## 7 Tax

	2024 £m	2023 £m
<b>Current tax</b>		
Charge for the year	(56)	(2)
Under provision in respect of prior years	(19)	(67)
	(75)	(69)
<b>Deferred tax</b>		
Credit for the year	54	52
Net increase in the carrying value of deferred tax assets in respect of UK and Netherlands losses	50	12
Under provision in respect of prior years	(3)	(18)
<b>Tax credit/(charge) for the year</b>	<b>26</b>	<b>(23)</b>

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 credit, computed by applying the standard rate of UK corporation tax of 25% (2023 – 23.5%), as follows:

	2024 £m	2023 £m
<b>Expected tax (charge)/credit</b>	<b>(9)</b>	<b>18</b>
Losses and temporary differences in year where no deferred tax asset recognised	(3)	-
Foreign profits and losses taxed at other rates	(7)	(15)
Items not allowed for tax:		
- losses on disposal and write-downs	(17)	-
- UK bank levy	(6)	(3)
- regulatory and legal actions	(25)	1
- other disallowable items	-	(10)
Non-taxable RPI related uplift on index linked gilts	18	6
Other non-taxable items	9	(2)
Unrecognised losses brought forward and utilised	18	27
Increase/(decrease) in the carrying value of deferred tax assets in respect of:		
- UK losses	-	(3)
- Netherlands losses	50	15
Banking surcharge	2	11
Tax on paid-in equity dividends	18	17
Adjustments in respect of prior years (1)	(22)	(85)
<b>Actual tax credit/(charge)</b>	<b>26</b>	<b>(23)</b>

(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.

## 7 Tax continued

### Judgement: tax contingencies

NWM Group's corporate income tax credit 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. NWM 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 corporate income tax charges in the period when the matter is resolved.

For accounting policy information refer to Accounting policies 2.1 and 3.4.

### Deferred tax

	NWM Group		NWM Plc	
	2024 £m	2023 £m	2024 £m	2023 £m
Deferred tax asset (included in Other assets, Note 17)	172	55	87	-
Deferred tax liability (included in Other liabilities, Note 20)	(37)	(54)	(35)	(49)
Net deferred tax asset/(liability)	135	1	52	(49)

Net deferred tax asset/(liability) comprised:

	NWM Group						
	Pension £m	Accelerated capital allowances £m	Expense provisions £m	Financial instruments (1) £m	Tax losses carried forward £m	Other £m	Total £m
<b>At 1 January 2023</b>	(82)	(108)	23	66	49	(3)	(55)
(Charge)/credit to income statement	(3)	33	(15)	8	6	17	46
Credit/(charge) to other comprehensive income	38	-	-	(41)	-	(4)	(7)
Currency translation and other adjustments	-	17	-	-	-	-	17
<b>At 31 December 2023</b>	(47)	(58)	8	33	55	10	1
(Charge)/credit to income statement	(1)	59	(2)	12	31	2	101
Credit to other comprehensive income	15	-	-	14	-	8	37
Currency translation and other adjustments	(1)	-	-	-	(3)	-	(4)
<b>At 31 December 2024</b>	(34)	1	6	59	83	20	135

	NWM Plc						
	Pension £m	Accelerated capital allowances £m	Expense provisions £m	Financial instruments (1) £m	Tax losses carried forward £m	Other £m	Total £m
<b>At 1 January 2023</b>	(82)	(102)	23	66	3	-	(92)
(Charge)/credit to income statement	(3)	29	(15)	10	(3)	15	33
Credit/(charge) to other comprehensive income	38	-	-	(41)	-	(4)	(7)
Currency translation and other adjustments	-	17	-	-	-	-	17
<b>At 31 December 2023</b>	(47)	(56)	8	35	-	11	(49)
(Charge)/credit to income statement	(1)	57	(1)	9	-	(1)	63
Credit to other comprehensive income	15	-	-	15	-	8	38
<b>At 31 December 2024</b>	(33)	1	7	59	-	18	52

(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 below.

	2024 £m	2023 £m
UK tax losses carried forward		
- NWM Plc	-	-
Total	-	-
Overseas tax losses carried forward		
- NWM N.V.	83	55
Total	83	55

## 7 Tax continued

### Critical accounting policy: Deferred tax

The deferred tax asset of £172 million as at 31 December 2024 (2023 - £55 million) principally comprises losses which arose in the Netherlands, 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** - NWM Group has considered the carrying value of deferred tax assets and management considers that sufficient sustainable taxable profits will be generated in future years to recover the remaining deferred tax asset.

**Estimate** – These estimates are partly based on forecast performance. They have regard to inherent uncertainties. The deferred tax asset in NWM Plc is supported substantially 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 NWM Plc 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.

**NWM Plc** - A deferred tax asset of £0 million (2023 - £0 million) has been recognised at 31 December 2024. The basis of recognition in NWM plc is by way of future reversing taxable temporary differences on which deferred tax liabilities are recognised at 31 December 2024. Losses of £5,520 million have not been recognised in the deferred tax balance at 31 December 2024.

### Overseas tax losses

**NWM N.V.** – A deferred tax asset of £83 million (2023 - £55 million) has been recognised in respect of losses of £322 million of total losses of £2,308 million carried forward at 31 December 2024. NWM N.V. Group considers it to be probable, based on its 5 year budget forecast, that future taxable profit will be available against which the tax losses and tax credits can be partially utilised. The tax losses and the tax credits have no expiry date.

### Unrecognised deferred tax

Deferred tax assets of £3,455 million (2023 - £3,460 million) have not been recognised in respect of tax losses and other deductible temporary differences carried forward of £12,365 million (2023 - £12,567 million) in jurisdictions where doubt exists over the availability of future taxable profits. Of these losses and other deductible temporary differences, £4,535 million expire after ten years. The balance of tax losses and other deductible temporary differences carried forward has no expiry date.

There are no unrecognised deferred tax liabilities in respect of retained earnings of overseas subsidiaries and held-over gains on the incorporation of certain overseas branches.

## 8 Profit/(loss) dealt with in the accounts of NWM Plc

As permitted by section 408(3) of the Companies Act 2006, no income statement for NWM Plc has been presented as a primary financial statement.

## 9 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 SPPI, 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 3.5, 3.7 and 3.9.

The following tables analyse NWM Group's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

	NWM Group					
	MFVTPL £m	DFV £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
<b>Assets</b>						
Cash and balances at central banks				16,229		16,229
Trading assets	48,883					48,883
Derivatives (1)	78,105					78,105
Settlement balances				2,043		2,043
Loans to banks - amortised cost (2)				1,171		1,171
Loans to customers - amortised cost				17,921		17,921
Amounts due from holding company and fellow subsidiaries	29	-	-	260	54	343
Other financial assets	49	5	4,611	13,185		17,850
Other assets					621	621
<b>31 December 2024</b>	<b>127,066</b>	<b>5</b>	<b>4,611</b>	<b>50,809</b>	<b>675</b>	<b>183,166</b>
Cash and balances at central banks				13,831		13,831
Trading assets	45,324					45,324
Derivatives (1)	79,332					79,332
Settlement balances				7,227		7,227
Loans to banks - amortised cost (2)				1,246		1,246
Loans to customers - amortised cost				12,986		12,986
Amounts due from holding company and fellow subsidiaries	273	-	-	1,263	194	1,730
Other financial assets	48	5	4,115	11,555		15,723
Other assets					518	518
<b>31 December 2023</b>	<b>124,977</b>	<b>5</b>	<b>4,115</b>	<b>48,108</b>	<b>712</b>	<b>177,917</b>



## 9 Financial instruments – classification continued

Liabilities	NWM Group				
	Held-for-trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Bank deposits (3)			4,565		4,565
Customer deposits			4,840		4,840
Amounts due to holding company and fellow subsidiaries	613	-	6,075	83	6,771
Settlement balances			1,729		1,729
Trading liabilities	54,512				54,512
Derivatives (1)	72,036				72,036
Other financial liabilities	-	3,507	27,756		31,263
Other liabilities (4)			44	477	521
31 December 2024	127,161	3,507	45,009	560	176,237
Bank deposits (3)			2,267		2,267
Customer deposits			6,998		6,998
Amounts due to holding company and fellow subsidiaries	1,028	-	4,696	78	5,802
Settlement balances			6,641		6,641
Trading liabilities	53,623				53,623
Derivatives (1)	71,981				71,981
Other financial liabilities	-	3,106	20,468		23,574
Other liabilities (4)			48	605	653
31 December 2023	126,632	3,106	41,118	683	171,539

(1) Includes net hedging derivative assets of £110 million (2023 - £118 million) and net hedging derivative liabilities of £474 million (2023 - £267 million).

(2) Includes items in the course of collection from other banks of £44 million (2023 - £92 million).

(3) Includes items in the course of transmission to other banks of £102 million (2023 - £81 million).

(4) Includes lease liabilities of £41 million (2023 - £41 million), held at amortised cost.

The following tables show the bank's financial assets and financial liabilities in accordance with the categories of financial instruments in IFRS 9.

Assets	NWM Plc				
	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Cash and balances at central banks			11,069		11,069
Trading assets	26,186				26,186
Derivatives (1)	74,982				74,982
Settlement balances			550		550
Loans to banks - amortised cost (2)			897		897
Loans to customers - amortised cost			17,089		17,089
Amounts due from holding company and fellow subsidiaries	1,080	-	2,176	85	3,341
Other financial assets	48	4,106	11,927		16,081
Investment in group undertakings				2,263	2,263
Other assets				479	479
31 December 2024	102,296	4,106	43,708	2,827	152,937
Cash and balances at central banks			8,607		8,607
Trading assets	28,411				28,411
Derivatives (1)	75,832				75,832
Settlement balances			2,168		2,168
Loans to banks - amortised cost (2)			910		910
Loans to customers - amortised cost			12,104		12,104
Amounts due from holding company and fellow subsidiaries	3,313	-	2,925	234	6,472
Other financial assets	47	3,756	9,641		13,444
Investment in group undertakings				2,320	2,320
Other assets				390	390
31 December 2023	107,603	3,756	36,355	2,944	150,658

## 9 Financial instruments – classification continued

Liabilities	NWM Plc				
	Held-for-trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Bank deposits (3)			4,069		4,069
Customer deposits			2,350		2,350
Amounts due to holding company and fellow subsidiaries	3,899	-	6,761	97	10,757
Settlement balances			444		444
Trading liabilities	30,130				30,130
Derivatives (1)	70,016				70,016
Other financial liabilities	-	2,426	25,540		27,966
Other liabilities (4)			8	378	386
31 December 2024	104,045	2,426	39,172	475	146,118
Bank deposits (3)			1,909		1,909
Customer deposits			3,060		3,060
Amounts due to holding company and fellow subsidiaries	7,810	-	6,456	119	14,385
Settlement balances			400		400
Trading liabilities	34,079				34,079
Derivatives (1)	69,404				69,404
Other financial liabilities	-	2,176	18,479		20,655
Other liabilities (4)			7	446	453
31 December 2023	111,293	2,176	30,311	565	144,345

(1) Includes net hedging derivative assets of £110 million (2023 - £118 million) and net hedging derivative liabilities of £474 million (2023 - £267 million).

(2) Includes items in the course of collection from other banks of £28 million (2023 - £90 million).

(3) Includes items in the course of transmission to other banks of £97 million (2023 - £68 million).

(4) Includes lease liabilities of £5 million (2023 - £2 million), held at amortised cost.

## 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.

	NWM Group								
	Instruments which can be offset			Potential for offset not recognised by IFRS					Balance sheet total
	Gross £m	IFRS offset £m	Balance sheet £m	Effect of master netting and similar agreements £m	Cash collateral £m	Securities collateral £m	Net amount after effect of netting agreements and related collateral £m	Instruments outside netting agreements £m	
<b>2024</b>									
Derivative assets	80,313	(2,727)	77,586	(61,849)	(10,421)	(3,396)	1,920	519	78,105
Derivative liabilities	74,293	(2,727)	71,566	(61,849)	(5,821)	(896)	3,000	470	72,036
Net position	6,020	-	6,020	-	(4,600)	(2,500)	(1,080)	49	6,069
Trading reverse repos	42,261	(15,174)	27,087	(1,469)	-	(25,406)	212	40	27,127
Trading repos	45,033	(15,174)	29,859	(1,469)	-	(28,390)	-	703	30,562
Net position	(2,772)	-	(2,772)	-	-	2,984	212	(663)	(3,435)
Non trading reverse repos	3,473	-	3,473	(80)	-	(3,393)	-	-	3,473
Non trading repos	2,969	-	2,969	(80)	-	(2,889)	-	-	2,969
Net position	504	-	504	-	-	(504)	-	-	504
<b>2023</b>									
Derivative assets	84,096	(5,242)	78,854	(60,165)	(13,233)	(3,084)	2,372	478	79,332
Derivative liabilities	76,721	(5,242)	71,479	(60,165)	(6,590)	(1,663)	3,061	502	71,981
Net position	7,375	-	7,375	-	(6,643)	(1,421)	(689)	(24)	7,351
Trading reverse repos	39,573	(16,257)	23,316	(664)	-	(22,461)	191	378	23,694
Trading repos	42,441	(16,257)	26,184	(664)	-	(25,520)	-	718	26,902
Net position	(2,868)	-	(2,868)	-	-	3,059	191	(340)	(3,208)
Non trading reverse repos	1,718	-	1,718	(5)	-	(1,713)	-	81	1,799
Non trading repos	867	-	867	(5)	-	(862)	-	2	869
Net position	851	-	851	-	-	(851)	-	79	930

## 9 Financial instruments - classification continued

NWM Plc									
	Instruments which can be offset			Potential for offset not recognised by IFRS				Instruments outside netting agreements	Balance sheet total
	Gross £m	IFRS offset £m	Balance sheet £m	Effect of master netting £m	Cash collateral £m	Securities collateral £m	Net amount after effect of netting agreements and related collateral £m		
<b>2024</b>									
Derivative assets	85,300	(10,801)	74,499	(61,961)	(8,304)	(2,660)	1,574	483	74,982
Derivative liabilities	79,339	(9,717)	69,622	(61,961)	(4,205)	(798)	2,658	394	70,016
Net position (1)	5,961	(1,084)	4,877	-	(4,099)	(1,862)	(1,084)	89	4,966
Trading reverse repos	12,213	(2,130)	10,083	(283)	-	(9,789)	11	16	10,099
Trading repos	11,719	(2,130)	9,589	(283)	-	(9,306)	-	704	10,293
Net position	494	-	494	-	-	(483)	11	(688)	(194)
Non trading reverse repos	3,473	-	3,473	(80)	-	(3,393)	-	-	3,473
Non trading repos	2,969	-	2,969	(80)	-	(2,889)	-	-	2,969
Net position	504	-	504	-	-	(504)	-	-	504
<b>2023</b>									
Derivative assets	89,762	(14,325)	75,437	(59,881)	(10,752)	(2,688)	2,116	395	75,832
Derivative liabilities	82,553	(13,544)	69,009	(59,881)	(5,376)	(1,141)	2,611	395	69,404
Net position (1)	7,209	(781)	6,428	-	(5,376)	(1,547)	(495)	-	6,428
Trading reverse repos	12,858	(1,898)	10,960	(130)	-	(10,830)	-	355	11,315
Trading repos	13,306	(1,898)	11,408	(130)	-	(11,278)	-	717	12,125
Net position	(448)	-	(448)	-	-	448	-	(362)	(810)
Non trading reverse repos	1,718	-	1,718	(5)	-	(1,713)	-	81	1,799
Non trading repos	867	-	867	(5)	-	(862)	-	2	869
Net position	851	-	851	-	-	(851)	-	79	930

(1) The net IFRS offset balance of £1,084 million (2023 - £781 million) relates to variation margin netting reflected on other balance sheet lines.

## 10 Financial instruments - valuation

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(D) = Descriptive; (T) = Table

### Critical accounting policy: Fair value - financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement considers the characteristics of the asset or liability and the assumptions that a market participant would consider when pricing the asset or liability.

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

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

For accounting policy information refer to Accounting policies 2.2, 3.5 and 3.9.

## 10 Financial instruments – valuation continued

### 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

NWM Group derives the fair value of its instruments differently depending on whether the instrument is a non-modelled or a modelled product.

**Non-modelled products** are valued directly from a price input, typically on a position-by-position basis. Examples include equities and most debt securities.

Non-modelled products can fall into any fair value levelling hierarchy depending on the observable market activity, liquidity, and assessment of valuation uncertainty of the instruments. The assessment of fair value and the classification of the instrument to a fair value level is subject to the valuation controls discussed in the Valuation control section.

**Modelled products** valued using a pricing model range in complexity from comparatively vanilla products such as interest rate swaps and options (e.g., interest rate caps and floors) through to more complex derivatives (e.g., balance guaranteed swaps).

For modelled products the fair value is derived using the model and the appropriate model inputs or parameters, as opposed to a cash price equivalent. Model inputs are taken either directly or indirectly from available data, where some inputs are also modelled.

Fair value classification of modelled instruments is either level 2 or level 3, depending on the product/model combination, the observability and quality of input parameters and other factors. All these must be assessed to classify a position. The modelled product is assigned to the lowest fair value hierarchy level of any significant input used in that valuation.

Most derivative instruments, for example vanilla interest rate swaps, foreign exchange swaps and liquid single name credit derivatives, are classified as level 2. This is because they are vanilla products valued using standard market models and with observable inputs. Level 2 products range from vanilla to more complex products, where the more complex products remain classified as level 2 due to the low materiality of any unobservable inputs.

### Inputs to valuation models

When using valuation techniques, the fair value can be significantly affected by the choice of valuation model and underlying assumptions. Factors considered include the cashflow amounts and timing of those cash flows, and application of appropriate discount rates, incorporating both funding and credit risk. Values between and beyond available data points are obtained by interpolation and extrapolation. The principal inputs to these valuation techniques are as follows:

**Bond prices** – quoted prices are generally available for government bonds, certain corporate securities, and some mortgage-related products.

**Credit spreads/margins** – these reflect credit default swap levels or the return required over a benchmark rate or index to compensate for the referenced credit risk. Where available, these are derived from the price of credit default swaps or other credit-based instruments, such as debt securities. When direct prices are not available; credit spreads/margins are determined with reference to available prices of entities with similar characteristics.

**Interest rates** – these are principally based on interest rate swap prices referencing Interbank Offered Rates (IBOR) and overnight interest rates, including SONIA (Sterling Overnight Interbank Average Rate). Other quoted interest rates may also be used from both the bond, and futures markets.

**Foreign currency exchange rates** – there are observable prices both for spot and forward contracts and futures in the world's major currencies.

**Equity and equity index prices** – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares.

**Price volatilities and correlations** – volatility is a measure of the tendency of a price to change with time. Correlation measures the degree which two or more prices or variables are observed to move together. Variables that move in the same direction show positive correlation; those that move in opposite directions are negatively correlated.

**Prepayment rates** – rates used to reflect how fast a pool of assets prepay. The fair value of a financial instrument that can be prepaid by the issuer or borrower differs from that of an instrument that cannot be prepaid. When valuing prepayable instruments, the value of this prepayment option is considered.

**Recovery rates/loss given default** – these are used as an input to valuation models and reserves for asset-backed securities and other credit products as an indicator of severity of losses on default. Recovery rates are primarily sourced from market data providers or the value of the underlying collateral.

## 10 Financial instruments – valuation continued

### Valuation control

NWM 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, a NatWest Group committee, meets quarterly to address key material and subjective valuation issues, to review items escalated by Valuation Committees and to discuss other relevant industry matters.

The Group model risk policy sets the policy for model documentation, testing and review. Governance of the model risk policy is carried out by the Group model risk oversight committee, which comprises model risk owners and independent model experts. All models are required to be independently validated in accordance with the Model Risk Policy.

### Key areas of 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 NWM 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.



## 10 Financial instruments – valuation continued

The table below shows the assets and liabilities held by NWM 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 so carry the most significant price uncertainty.

	NWM Group							
	2024				2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>								
Trading assets								
Loans	-	34,727	278	35,005	-	33,161	209	33,370
Securities	8,772	5,106	-	13,878	8,447	3,493	14	11,954
Derivatives								
Interest rate	-	37,019	483	37,502	1	44,272	670	44,943
Foreign exchange	-	40,382	110	40,492	-	34,143	65	34,208
Other	-	64	47	111	-	73	108	181
Amounts due from holding company and fellow subsidiaries	-	29	-	29	-	273	-	273
Other financial assets								
Loans	-	1	93	94	-	-	111	111
Securities	3,163	1,313	95	4,571	2,905	1,058	94	4,057
<b>Total financial assets held at fair value</b>	<b>11,935</b>	<b>118,641</b>	<b>1,106</b>	<b>131,682</b>	<b>11,353</b>	<b>116,473</b>	<b>1,271</b>	<b>129,097</b>
<b>As % of total fair value assets</b>	<b>9%</b>	<b>90%</b>	<b>1%</b>		<b>9%</b>	<b>90%</b>	<b>1%</b>	
<b>Liabilities</b>								
Amounts due to holding company and fellow subsidiaries	-	613	-	613	-	1,028	-	1,028
Trading liabilities								
Deposits	-	43,764	-	43,764	-	43,113	1	43,114
Debt securities in issue	-	257	-	257	-	706	-	706
Short positions	8,766	1,724	1	10,491	7,936	1,865	2	9,803
Derivatives								
Interest rate	-	31,223	287	31,510	-	37,838	454	38,292
Foreign exchange	-	40,225	66	40,291	-	33,306	58	33,364
Other	-	115	120	235	-	137	188	325
Other financial liabilities								
Deposits	-	1,537	-	1,537	-	1,259	-	1,259
Debt securities in issue	-	1,733	3	1,736	-	1,607	3	1,610
Subordinated liabilities	-	234	-	234	-	237	-	237
<b>Total financial liabilities held at fair value</b>	<b>8,766</b>	<b>121,425</b>	<b>477</b>	<b>130,668</b>	<b>7,936</b>	<b>121,096</b>	<b>706</b>	<b>129,738</b>
<b>As % of total fair value liabilities</b>	<b>7%</b>	<b>93%</b>	<b>0%</b>		<b>6%</b>	<b>93%</b>	<b>1%</b>	

## 10 Financial instruments – valuation continued

	NWM Plc							
	2024				2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>								
Trading assets								
Loans	-	15,921	181	16,102	-	19,030	193	19,223
Securities	5,134	4,950	-	10,084	5,804	3,370	14	9,188
Derivatives								
Interest rate	-	33,827	443	34,270	-	40,594	643	41,237
Foreign exchange	-	40,492	110	40,602	-	34,350	65	34,415
Other	-	63	47	110	-	72	108	180
Amounts due from holding company and fellow subsidiaries	-	1,080	-	1,080	-	3,313	-	3,313
Other financial assets								
Loans	-	1	93	94	-	-	111	111
Securities	2,750	1,220	90	4,060	2,604	1,001	87	3,692
<b>Total financial assets held at fair value</b>	<b>7,884</b>	<b>97,554</b>	<b>964</b>	<b>106,402</b>	<b>8,408</b>	<b>101,730</b>	<b>1,221</b>	<b>111,359</b>
<b>As % of total fair value assets</b>	<b>7%</b>	<b>92%</b>	<b>1%</b>		<b>8%</b>	<b>91%</b>	<b>1%</b>	
<b>Liabilities</b>								
Amounts due to holding company and fellow subsidiaries	-	3,899	-	3,899	-	7,810	-	7,810
Trading liabilities								
Deposits	-	21,137	-	21,137	-	25,706	1	25,707
Debt securities in issue	-	257	-	257	-	706	-	706
Short positions	7,089	1,646	1	8,736	5,859	1,805	2	7,666
Derivatives								
Interest rate	-	29,151	219	29,370	-	35,225	352	35,577
Foreign exchange	-	40,351	66	40,417	-	33,450	58	33,508
Other	-	109	120	229	-	131	188	319
Other financial liabilities								
Deposits	-	1,146	-	1,146	-	1,015	-	1,015
Debt securities in issue	-	1,280	-	1,280	-	1,161	-	1,161
<b>Total financial liabilities held at fair value</b>	<b>7,089</b>	<b>98,976</b>	<b>406</b>	<b>106,471</b>	<b>5,859</b>	<b>107,009</b>	<b>601</b>	<b>113,469</b>
<b>As % of total fair value liabilities</b>	<b>7%</b>	<b>93%</b>	<b>0%</b>		<b>5%</b>	<b>94%</b>	<b>1%</b>	

(1) Transfers between levels are deemed to have occurred at the beginning of the quarter in which the instrument was transferred.

(2) For an analysis of debt securities held at mandatory fair value through profit or loss by issuer as well as ratings and derivatives, by type and contract, refer to Risk and capital management – Credit risk.

## 10 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:

	NWM Group	
	2024 £m	2023 £m
Funding valuation adjustments	(3)	9
Credit valuation adjustments	190	236
Bid-offer	49	70
Product and deal specific	156	104
Total	392	419

	NWM Plc	
	2024 £m	2023 £m
Funding valuation adjustments	8	23
Credit valuation adjustments	88	126
Bid-offer	45	66
Product and deal specific	129	105
Total	270	320

The decrease in FVA was driven by net exposures switching from positive to negative, primarily due to interest rates increasing. The decrease in CVA was driven by a reduction in exposures, primarily due to interest rates increasing and trade unwinds. The decrease in bid-offer was driven by risk reduction. New trading activity was the driver of the increase in product and deal specific, partially offset by trade unwinds.

### Funding valuation adjustments (FVA)

FVA represents an estimate of the adjustment that a market participant would make to incorporate funding costs and benefits that arise in relation to derivative exposures. FVA is calculated as a portfolio level adjustment and can result in either a funding charge (positive) or funding benefit (negative).

Funding levels are applied to estimated potential future exposures. For uncollateralised derivatives, the exposure reflects the future valuation of the derivative. For collateralised derivatives, the exposure reflects the difference between the future valuation of the derivative and the level of collateral posted.

### Credit valuation adjustments (CVA)

CVA represents an estimate of the adjustment to fair value that is made to incorporate the counterparty credit risk inherent in derivative exposures. CVA is calculated on a portfolio basis reflecting an estimate of the amount a third party would charge to assume the credit risk.

Collateral held under a credit support agreement is factored into the CVA calculation. In such cases where NWM Group holds collateral against counterparty exposures, CVA is held to the extent that residual risk remains.

FVA and CVA are actively managed by a credit and market risk hedging process, and therefore movements in CVA and FVA are partially offset by trading revenue on the hedges.

### Bid-offer

Fair value positions are required to be marked to exit levels, represented by bid (long positions) or offer (short positions) levels. Non-derivative positions are typically marked directly to bid or offer prices. However derivative exposures are adjusted to exit levels by taking bid-offer reserves calculated on a portfolio basis. The reserving approach is based on current market bid-offer spreads and standard market bucketing of risk.

Bid-offer spreads vary by maturity and risk type to reflect different spreads in the market. For positions where there is no observable quote, the bid-offer spreads are widened in comparison to proxies to reflect reduced liquidity or observability.

Netting is applied on a portfolio basis to reflect the value at which NWM 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. On 31 December 2024, net gains of £139 million (2023 - £78 million) were carried forward. During the year, net gains of £218 million (2023 - £119 million) were deferred and £157 million (2023 - £115 million) were recognised in the income statement.

Where system generated valuations do not accurately reflect market prices, manual valuation adjustments are applied either at a position or portfolio level. Manual adjustments are subject to the scrutiny of independent control teams and are subject to monthly review by senior management.

### Own Credit

NWM Group considers the effect of its own credit standing when valuing financial liabilities recorded at fair value. Own credit spread adjustments are made when valuing issued debt held at fair value, including issued structured notes. An own credit adjustment is applied to positions where it is believed that counterparties would consider NWM Group's creditworthiness when pricing trades. Accumulated changes in fair value due to credit risk are £44 million (2023 - nil).

## 10 Financial instruments – valuation continued

### Level 3 additional information

For illiquid assets and liabilities, classified as level 3, additional information is provided on the valuation techniques used and price sensitivity of the products to those inputs. This is to enable the reader to gauge the level of uncertainty that arises from positions with significant unobservable inputs or modelling parameters.

### Level 3 ranges of unobservable inputs

The table below provides additional information on level 3 instruments and inputs. This shows the valuation technique used for the fair value calculation, the unobservable inputs and input range.

				NWM Group			
Financial instrument	Valuation technique	Unobservable inputs	Units	2024		2023	
				Low	High	Low	High
Trading assets and Other financial assets							
Loans	Price-based	Price	%	-	123	-	123
	Discount cash flow	Credit spreads	bps	36	93	49	119
Debt securities	Price-based	Price	%	-	116	-	119
Equity Shares	Price-based	Price	GBP	-	47,312	-	32,142
	Net asset valuation	Fund NAV	%	80	120	80	120
Derivative assets and liabilities							
Credit derivatives	Credit derivative pricing	Credit spreads	bps	15	86	13	600
	Option pricing	Correlation	%	(15)	95	(15)	95
		Volatility	%	30	80	30	80
		Upfront points	%	-	99	-	99
		Recovery rate	%	-	60	-	60
Interest rate & FX derivatives	Option pricing	Correlation	%	(50)	98	(50)	99
		Volatility	%	3	99	30	111
		Constant					
		prepayment rate	%	2	20	2	22
		Mean reversion	%	-	20	-	20
		Inflation volatility	%	1	2	2	2
		Inflation rate	%	2	2	2	3

				NWM Plc			
				2024		2023	
Financial instrument	Valuation technique	Unobservable inputs	Units	Low	High	Low	High
Trading assets and Other financial assets							
Loans	Price-based	Price	%	-	123	-	123
	Discount cash flow	Credit spreads	bps	36	93	49	119
Debt securities	Price-based	Price	%	-	104	-	104
Equity Shares	Price-based	Price	GBP	-	6,675	-	6,744
Derivative assets and liabilities							
Credit derivatives	Credit derivative pricing	Credit spreads	bps	15	86	13	600
	Option pricing	Correlation	%	(15)	95	(15)	95
		Volatility	%	30	80	30	80
		Upfront points	%	-	99	-	99
		Recovery rate	%	-	60	-	60
Interest rate & FX derivatives	Option pricing	Correlation	%	(50)	98	(50)	99
		Volatility	%	3	99	30	111
		Constant					
		prepayment rate	%	2	20	2	22
		Mean reversion	%	-	20	-	20
		Inflation volatility	%	1	2	2	2
		Inflation rate	%	2	2	2	3

(1) Valuation: for private equity investments, values may be estimated by looking at past prices of similar stocks and from valuation statements where valuations are usually derived from earnings measures such as EBITDA or net asset value (NAV). Similarly for equity or bond fund investments, prices may be estimated from valuation or credit statements using NAV or similar measures.

(2) NWM Group and NWM Plc do not have any material liabilities measured at fair value that are issued with an inseparable third party credit enhancement.

## 10 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 below figures, this correlation impact cannot be displayed. As such, the actual potential downside sensitivity of the total portfolio may be less than the non-correlated sum of the additive figures as shown in the below table.

### Alternative assumptions

Reasonably plausible alternative assumptions of unobservable inputs are determined based on a specified target level of certainty of 90%.

Alternative assumptions are determined with reference to all available evidence including consideration of the following: quality of independent pricing information considering consistency between different sources, variation over time, perceived tradability or otherwise of available quotes; consensus service dispersion ranges; volume of trading activity and market bias (e.g. one-way inventory); day 1 profit or loss arising on new trades; number and nature of market participants; market conditions; modelling consistency in the market; size and nature of risk; length of holding of position; and market intelligence.

### Other considerations

Whilst certain inputs used to calculate CVA, FVA and own credit adjustments are not based on observable market data, the uncertainty of these inputs is not considered to have a significant effect on the net valuation of the related derivative portfolios and issued debt.

As such, the fair value levelling of the derivative portfolios and issued debt is not determined by CVA, FVA or own credit inputs. In addition, any fair value sensitivity driven by these inputs is not included in the level 3 sensitivities presented.

## 10 Financial instruments – valuation continued

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.

	NWM Group					
	2024			2023		
	Level 3 £m	Favourable £m	Unfavourable £m	Level 3 £m	Favourable £m	Unfavourable £m
<b>Assets</b>						
Trading assets						
Loans	278	-	-	209	-	-
Securities	-	-	-	14	-	-
Derivatives						
Interest rate	483	20	(20)	670	20	(20)
Foreign exchange	110	-	-	65	-	-
Other	47	-	-	108	10	(10)
Other financial assets						
Loans	93	-	-	111	-	-
Securities	95	10	(10)	94	10	(10)
<b>Total</b>	<b>1,106</b>	<b>30</b>	<b>(30)</b>	<b>1,271</b>	<b>40</b>	<b>(40)</b>
<b>Liabilities</b>						
Trading liabilities						
Deposits	-	-	-	1	-	-
Short positions	1	-	-	2	-	-
Derivatives						
Interest rate	287	10	(10)	454	10	(10)
Foreign exchange	66	-	-	58	-	-
Other	120	10	(10)	188	10	(10)
Other financial liabilities						
Debt securities in issue	3	-	-	3	-	-
<b>Total</b>	<b>477</b>	<b>20</b>	<b>(20)</b>	<b>706</b>	<b>20</b>	<b>(20)</b>

	NWM Plc					
	2024			2023		
	Level 3 £m	Favourable £m	Unfavourable £m	Level 3 £m	Favourable £m	Unfavourable £m
<b>Assets</b>						
Trading assets						
Loans	181	-	-	193	-	-
Securities	-	-	-	14	-	-
Derivatives						
Interest rate	443	20	(20)	643	20	(20)
Foreign exchange	110	-	-	65	-	-
Other	47	-	-	108	10	(10)
Other financial assets						
Loans	93	-	-	111	-	-
Securities	90	10	(10)	87	10	(10)
<b>Total</b>	<b>964</b>	<b>30</b>	<b>(30)</b>	<b>1,221</b>	<b>40</b>	<b>(40)</b>
<b>Liabilities</b>						
Trading liabilities						
Deposits	-	-	-	1	-	-
Short positions	1	-	-	2	-	-
Derivatives						
Interest rate	219	-	-	352	10	(10)
Foreign exchange	66	-	-	58	-	-
Other	120	10	(10)	188	10	(10)
<b>Total</b>	<b>406</b>	<b>10</b>	<b>(10)</b>	<b>601</b>	<b>20</b>	<b>(20)</b>

## 10 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.

	NWM Group							
	Derivatives assets	Other trading assets (2)	Other financial assets (3)	Total assets	Derivatives liabilities	Other trading liabilities (2)	Other financial liabilities	Total liabilities
	£m	£m	£m	£m	£m	£m	£m	£m
<b>2024</b>								
<b>At 1 January</b>	<b>843</b>	<b>223</b>	<b>205</b>	<b>1,271</b>	<b>700</b>	<b>3</b>	<b>3</b>	<b>706</b>
Amounts recorded in the income statement (1)	(131)	(16)	1	(146)	(124)	-	-	(124)
Amount recorded in the statement of comprehensive income	-	-	3	3	-	-	-	-
Level 3 transfers in	7	1	-	8	1	2	-	3
Level 3 transfers out	(3)	(19)	(1)	(23)	(2)	(2)	-	(4)
Purchases/originations	148	117	3	268	121	1	-	122
Settlements/other decreases	(44)	(27)	(18)	(89)	(31)	-	-	(31)
Sales	(179)	-	(4)	(183)	(186)	(2)	-	(188)
Foreign exchange and other adjustments	(1)	(1)	(1)	(3)	(6)	(1)	-	(7)
<b>At 31 December</b>	<b>640</b>	<b>278</b>	<b>188</b>	<b>1,106</b>	<b>473</b>	<b>1</b>	<b>3</b>	<b>477</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	73	2	-	75	53	-	-	53
<b>2023</b>								
<b>At 1 January</b>	<b>1,023</b>	<b>396</b>	<b>237</b>	<b>1,656</b>	<b>999</b>	<b>1</b>	<b>-</b>	<b>1,000</b>
Amounts recorded in the income statement (1)	(150)	(89)	3	(236)	(323)	-	-	(323)
Amount recorded in the statement of comprehensive income	-	-	20	20	-	-	-	-
Level 3 transfers in	6	15	-	21	7	2	-	9
Level 3 transfers out	(5)	(32)	-	(37)	(9)	(2)	-	(11)
Purchases/originations	178	8	3	189	195	2	3	200
Settlements/other decreases	(70)	(8)	(7)	(85)	(51)	-	-	(51)
Sales	(137)	(66)	(52)	(255)	(116)	-	-	(116)
Foreign exchange and other adjustments	(2)	(1)	1	(2)	(2)	-	-	(2)
<b>At 31 December</b>	<b>843</b>	<b>223</b>	<b>205</b>	<b>1,271</b>	<b>700</b>	<b>3</b>	<b>3</b>	<b>706</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	67	(39)	3	31	(130)	-	-	(130)



## 10 Financial instruments – valuation continued

	NWM Plc							
	Derivatives	Other	Other	Total	Derivatives	Other	Other	Total
	assets	trading	financial	assets	liabilities	trading	financial	liabilities
2024	assets	assets (2)	assets (3)	assets	liabilities	liabilities (2)	liabilities	liabilities
	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January</b>	<b>816</b>	<b>207</b>	<b>198</b>	<b>1,221</b>	<b>598</b>	<b>3</b>	<b>-</b>	<b>601</b>
Amounts recorded in the income statement (1)	(136)	(18)	-	(154)	(77)	-	-	(77)
Amount recorded in the statement of comprehensive income	-	-	3	3	-	-	-	-
Level 3 transfers in	7	-	-	7	1	2	-	3
Level 3 transfers out	(3)	(19)	-	(22)	(2)	(2)	-	(4)
Purchases/originations	138	23	3	164	103	1	-	104
Settlements/other decreases	(44)	(12)	(18)	(74)	(32)	-	-	(32)
Sales	(179)	-	(3)	(182)	(185)	(2)	-	(187)
Foreign exchange and other adjustments	1	-	-	1	(1)	(1)	-	(2)
<b>At 31 December</b>	<b>600</b>	<b>181</b>	<b>183</b>	<b>964</b>	<b>405</b>	<b>1</b>	<b>-</b>	<b>406</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	12	1	-	13	38	-	-	38
<b>2023</b>								
<b>At 1 January</b>	988	348	205	1,541	857	1	-	858
Amounts recorded in the income statement (1)	(142)	(92)	3	(231)	(251)	-	-	(251)
Amount recorded in the statement of comprehensive income	-	-	21	21	-	-	-	-
Level 3 transfers in	6	15	-	21	5	2	-	7
Level 3 transfers out	(5)	(7)	-	(12)	(6)	(2)	-	(8)
Purchases/originations	178	2	-	180	151	2	-	153
Settlements/other decreases	(70)	(1)	(7)	(78)	(43)	-	-	(43)
Sales	(137)	(60)	(26)	(223)	(116)	-	-	(116)
Foreign exchange and other adjustments	(2)	2	2	2	1	-	-	1
<b>At 31 December</b>	<b>816</b>	<b>207</b>	<b>198</b>	<b>1,221</b>	<b>598</b>	<b>3</b>	<b>-</b>	<b>601</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	62	(39)	3	26	(108)	-	-	(108)

(1) For NWM Group, net losses on trading assets and liabilities of £23 million (2023 – £84 million net gains) were recorded in income from trading activities. Net gains on other instruments of £1 million (2023 – £3 million net gains) were recorded in other operating income and interest income as appropriate. For NWM Plc, net losses on trading assets and liabilities of £77 million (2023 – £17 million net gains) were recorded in income from trading activities. Net losses on other instruments of nil (2023 – £3 million net gains) 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.

## 10 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.

	NWM Group				
	Carrying value	Fair value	Fair value hierarchy level		Items where fair value approximates carrying value
	£bn	£bn	Level 2 £bn	Level 3 £bn	£bn
2024					
Financial assets					
Cash and balances at central banks	16.2	16.2	-	-	16.2
Settlement balances	2.0	2.0	-	-	2.0
Loans to banks	1.2	1.2	0.5	-	0.7
Loans to customers	17.9	17.9	3.1	14.8	-
Amounts due from holding company and fellow subsidiaries	0.3	0.3	-	0.2	0.1
Other financial assets - securities	13.2	13.3	5.6	7.7	-
2023					
Financial assets					
Cash and balances at central banks	13.8	13.8	-	-	13.8
Settlement balances	7.2	7.2	-	-	7.2
Loans to banks	1.2	1.2	0.2	0.1	0.9
Loans to customers	13.0	13.0	1.6	11.4	-
Amounts due from holding company and fellow subsidiaries	1.3	1.3	-	1.2	0.1
Other financial assets - securities	11.6	11.5	0.9	10.6	-
2024					
Financial liabilities					
Bank deposits	4.6	4.6	2.5	2.0	0.1
Customer deposits	4.8	4.8	0.5	4.2	0.1
Amounts due to holding company and fellow subsidiaries	6.1	6.1	5.5	0.6	-
Settlement balances	1.7	1.7	-	-	1.7
Other financial liabilities					
Debt securities in issue	27.7	27.7	22.8	4.9	-
2023					
Financial liabilities					
Bank deposits	2.3	2.3	0.5	1.7	0.1
Customer deposits	7.0	7.0	0.4	6.5	0.1
Amounts due to holding company and fellow subsidiaries	4.7	4.7	4.1	0.6	-
Settlement balances	6.6	6.6	-	-	6.6
Other financial liabilities					
Debt securities in issue	20.4	20.2	16.5	3.7	-

## 10 Financial instruments – valuation continued

### Fair value of financial instruments measured at amortised cost on the balance sheet continued

	NWM Plc				
	Carrying value	Fair value	Fair value hierarchy level		Items where fair value approximates carrying value
	£bn	£bn	Level 2 £bn	Level 3 £bn	£bn
2024					
Financial assets					
Cash and balances at central banks	11.1	11.1	-	-	11.1
Settlement balances	0.6	0.6	-	-	0.6
Loans to banks	0.9	0.9	0.4	-	0.5
Loans to customers	17.1	17.1	3.1	14.0	-
Amounts due from holding company and fellow subsidiaries	2.2	2.2	-	2.0	0.2
Other financial assets - securities	11.9	12.0	5.5	6.5	-
2023					
Financial assets					
Cash and balances at central banks	8.6	8.6	-	-	8.6
Settlement balances	2.2	2.2	-	-	2.2
Loans to banks	0.9	0.9	0.2	0.1	0.6
Loans to customers	12.1	12.1	1.6	10.5	-
Amounts due from holding company and fellow subsidiaries	2.9	2.8	-	2.6	0.2
Other financial assets - securities	9.6	9.6	0.7	8.9	-
2024					
Financial liabilities					
Bank deposits	4.1	4.1	2.5	1.5	0.1
Customer deposits	2.4	2.4	0.5	1.8	0.1
Amounts due to holding company and fellow subsidiaries	6.8	6.8	5.5	1.2	0.1
Settlement balances	0.4	0.4	-	-	0.4
Other financial liabilities					
Debt securities in issue	25.5	25.5	21.5	4.0	-
2023					
Financial liabilities					
Bank deposits	1.9	2.0	0.5	1.4	0.1
Customer deposits	3.1	3.1	0.4	2.6	0.1
Amounts due to holding company and fellow subsidiaries	6.5	6.5	4.1	1.4	1.0
Settlement balances	0.4	0.4	-	-	0.4
Other financial liabilities					
Debt securities in issue	18.5	18.2	15.2	3.0	-

The assumptions and methodologies underlying the calculation of fair values of financial instruments at the balance sheet date are as follows:

#### Short-term financial instruments

For certain short-term financial instruments, including but not limited to; cash and balances at central banks, settlement balances, loans with short-term maturities and customer demand deposits, carrying value is deemed a reasonable approximation of fair value.

#### Loans to banks and customers

In estimating the fair value of net loans to customers and banks measured at amortised cost, NWM Group's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Loans are valued using contractual cashflows that are discounted using a market discount rate that incorporates the current spread for the borrower or where this is not observable, the spread for borrowers of a similar credit standing.

#### Debt securities and subordinated liabilities

Most debt securities are valued using quoted prices in active markets or from quoted prices of similar financial instruments. The remaining population is valued using discounted cashflows at current offer rates.

#### Bank and customer deposits

Fair values of deposits are estimated using contractual cashflows using a market discount rate incorporating the current spread.

## 11 Financial instruments - maturity analysis

### Remaining maturity

The following table shows the residual maturity of financial instruments, based on contractual date of maturity:

	NWM Group					
	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
<b>Assets</b>						
Cash and balances at central banks	16,229	-	16,229	13,831	-	13,831
Trading assets	37,134	11,749	48,883	36,496	8,828	45,324
Derivatives	33,968	44,137	78,105	29,995	49,337	79,332
Settlement balances	2,043	-	2,043	7,227	-	7,227
Loans to banks - amortised cost	1,152	19	1,171	1,246	-	1,246
Loans to customers - amortised cost	8,157	9,764	17,921	5,032	7,954	12,986
Amounts due from holding company and fellow subsidiaries (1)	271	18	289	1,462	74	1,536
Other financial assets	1,239	16,611	17,850	1,453	14,270	15,723
<b>Liabilities</b>						
Bank deposits	4,056	509	4,565	1,622	645	2,267
Customer deposits	4,784	56	4,840	6,990	8	6,998
Amounts due to holding company and fellow subsidiaries (2)	2,136	4,553	6,689	2,897	2,827	5,724
Settlement balances	1,729	-	1,729	6,641	-	6,641
Trading liabilities	44,481	10,031	54,512	45,336	8,287	53,623
Derivatives	34,172	37,864	72,036	30,433	41,548	71,981
Other financial liabilities	14,997	16,266	31,263	8,181	15,393	23,574
Lease liabilities	9	32	41	8	33	41

	NWM Plc					
	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
<b>Assets</b>						
Cash and balances at central banks	11,069	-	11,069	8,607	-	8,607
Trading assets	17,697	8,489	26,186	21,047	7,364	28,411
Derivatives	33,889	41,093	74,982	29,990	45,842	75,832
Settlement balances	550	-	550	2,168	-	2,168
Loans to banks - amortised cost	878	19	897	910	-	910
Loans to customers - amortised cost	7,730	9,359	17,089	4,745	7,359	12,104
Amounts due from holding company and fellow subsidiaries (1)	2,363	893	3,256	5,145	1,093	6,238
Other financial assets	736	15,345	16,081	916	12,528	13,444
<b>Liabilities</b>						
Bank deposits	3,601	468	4,069	1,351	558	1,909
Customer deposits	2,305	45	2,350	3,059	1	3,060
Amounts due to holding company and fellow subsidiaries (2)	5,796	4,864	10,660	11,439	2,827	14,266
Settlement balances	444	-	444	400	-	400
Trading liabilities	21,797	8,333	30,130	27,341	6,738	34,079
Derivatives	34,081	35,935	70,016	30,234	39,170	69,404
Other financial liabilities	13,383	14,583	27,966	6,149	14,506	20,655
Lease liabilities	2	3	5	2	-	2

(1) Amounts due from holding company and fellow subsidiaries relating to non-financial instruments of £54 million (2023 - £194 million) for NWM Group and £85 million (2023 - £234 million) for NWM Plc have been excluded from the tables.

(2) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments of £82 million (2023 - £78 million) for NWM Group and £97 million (2023 - £119 million) for NWM Plc have been excluded from the tables.

## 11 Financial instruments - maturity analysis continued

### Assets and liabilities by contractual cash flows up to 20 years

The tables below show the contractual undiscounted cash flows receivable and payable, up to a period of 20 years, including future receipts and payments of interest of financial assets and liabilities by contractual maturity. The balances in the following tables do not agree directly with the consolidated balance sheet, as the tables include all cash flows relating to principal and future coupon payments, presented on an undiscounted basis. The tables have been prepared on the following basis:

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by NWM Group. Financial liabilities are included at the earliest date on which the counterparty can require repayment, regardless of whether or not such early repayment results in a penalty. If repayment is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the time band that contains the latest date on which it can be repaid, regardless of early repayment. The liability is included in the time band that contains the earliest possible date on which the conditions could be fulfilled, without considering the probability of the conditions being met. For example, if a structured note is automatically prepaid when an equity index exceeds a certain level, the cash outflow will be included in the less than three months' period whatever the level of the index at the year end.

The settlement date of debt securities in issue, issued by certain securitisation vehicles consolidated by NWM Group depends on when cash flows are received from the securitised assets. Where these assets are prepayable, the timing of the cash outflow relating to securities assumes that each asset will be prepaid at the earliest possible date. As the repayments of assets and liabilities are linked, the repayment of assets in securitisations is shown on the earliest date that the asset can be prepaid, as this is the basis used for liabilities.

The principal amounts of financial liabilities that are repayable after 20 years or where the counterparty has no right to repayment of the principal, are excluded from the table along with interest payments after 20 years.

The maturity of guarantees and commitments is based on the earliest possible date they would be drawn in order to evaluate NWM Group's liquidity position.

MFVTPL assets of £127 billion (2023 - £125 billion) for NWM Group, £102 billion (2023 - £107 billion) for NWM Plc, HFT liabilities of £127 billion (2023 - £126 billion) for NWM Group and £104 billion (2023 - £111 billion) for NWM Plc have been excluded from the following tables.

## 11 Financial instruments - maturity analysis continued

	NWM Group					
	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
<b>2024</b>						
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	16,229	-	-	-	-	-
Derivatives held for hedging	(9)	28	51	28	5	8
Settlement balances	2,043	-	-	-	-	-
Loans to banks - amortised cost	1,148	5	20	-	-	-
Loans to customers - amortised cost	3,221	5,741	3,790	4,093	3,781	283
Amounts due from holding company and fellow subsidiaries (1)	242	-	-	-	-	-
Other financial assets (2)	1,226	948	3,862	1,621	4,769	4,940
Finance lease	-	-	-	-	-	-
	<b>24,100</b>	<b>6,722</b>	<b>7,723</b>	<b>5,742</b>	<b>8,555</b>	<b>5,231</b>
<b>2024</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	2,945	1,117	429	81	-	-
Customer deposits	3,483	1,332	51	-	-	14
Amounts due to holding company and fellow subsidiaries (3)	339	1,184	1,757	2,667	128	-
Settlement balances	1,729	-	-	-	-	-
Derivatives held for hedging	31	290	271	155	2	-
Other financial liabilities	4,733	8,498	12,496	4,582	501	550
Lease liabilities	2	7	16	10	6	-
	<b>13,262</b>	<b>12,428</b>	<b>15,020</b>	<b>7,495</b>	<b>637</b>	<b>564</b>
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	696	-	-	-	-	-
Commitments (6)	13,107	-	-	-	-	-
	<b>13,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	NWM Group					
	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
<b>2023</b>						
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	13,831	-	-	-	-	-
Derivatives held for hedging	(1)	(13)	47	63	7	2
Settlement balances	7,227	-	-	-	-	-
Loans to banks - amortised cost	1,228	19	-	-	-	-
Loans to customers - amortised cost	2,189	3,924	4,926	2,111	1,799	93
Amounts due from holding company and fellow subsidiaries (1)	1,189	-	1	-	8	65
Other financial assets (2)	1,109	1,039	2,334	1,606	4,266	4,765
Finance lease	-	-	1	-	-	-
	<b>26,772</b>	<b>4,969</b>	<b>7,309</b>	<b>3,780</b>	<b>6,080</b>	<b>4,925</b>
<b>2023</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	1,087	541	645	-	-	-
Customer deposits	5,317	1,708	3	1	2	19
Amounts due to holding company and fellow subsidiaries (3)	1,434	435	1,730	915	183	-
Settlement balances	6,641	-	-	-	-	-
Derivatives held for hedging	28	110	199	84	14	-
Other financial liabilities	2,400	6,183	10,075	4,166	348	505
Lease liabilities	1	4	9	15	12	-
	<b>16,908</b>	<b>8,981</b>	<b>12,661</b>	<b>5,181</b>	<b>559</b>	<b>524</b>
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	754	-	-	-	-	-
Commitments (6)	13,789	-	-	-	-	-
	<b>14,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## 11 Financial instruments - maturity analysis continued

	NWM Plc					
	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
<b>2024</b>						
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	11,069	-	-	-	-	-
Derivatives held for hedging	(9)	28	51	28	5	8
Settlement balances	550	-	-	-	-	-
Loans to banks - amortised cost	879	1	20	-	-	-
Loans to customers - amortised cost	3,156	5,343	3,605	3,908	3,695	283
Amounts due from holding company and fellow subsidiaries (1)	1,001	283	520	372	-	-
Other financial assets (2)	894	835	3,800	1,572	4,528	4,565
	17,540	6,490	7,996	5,880	8,228	4,856
<b>2024</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	2,741	862	387	81	-	-
Customer deposits	1,604	722	47	-	-	-
Amounts due to holding company and fellow subsidiaries (3)	581	1,318	1,857	2,878	128	-
Settlement balances	444	-	-	-	-	-
Derivatives held for hedging	31	290	271	155	2	-
Other financial liabilities	4,002	7,605	11,742	4,271	298	116
Lease liabilities	1	2	3	-	-	-
	9,404	10,799	14,307	7,385	428	116
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	272	-	-	-	-	-
Commitments (6)	7,384	-	-	-	-	-
	7,656	-	-	-	-	-

	NWM Plc					
	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
<b>2023</b>						
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	8,607	-	-	-	-	-
Derivatives held for hedging	(1)	(13)	46	62	6	2
Settlement balances	2,168	-	-	-	-	-
Loans to banks - amortised cost	892	19	-	-	-	-
Loans to customers - amortised cost	2,136	3,632	4,505	1,932	1,751	93
Amounts due from holding company and fellow subsidiaries (1)	1,692	132	742	277	8	65
Other financial assets (2)	956	816	2,186	1,596	3,986	3,914
	16,450	4,586	7,479	3,867	5,751	4,074
<b>2023</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	1,075	280	558	-	-	-
Customer deposits	1,911	1,172	3	1	2	3
Amounts due to holding company and fellow subsidiaries (3)	3,194	435	1,729	915	183	-
Settlement balances	400	-	-	-	-	-
Derivatives held for hedging	29	109	199	84	14	-
Other financial liabilities	1,702	4,703	9,920	3,898	340	167
Lease liabilities	-	1	-	-	-	-
	8,311	6,700	12,409	4,898	539	170
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	296	-	-	-	-	-
Commitments (6)	7,798	-	-	-	-	-
	8,094	-	-	-	-	-

(1) Amounts due from holding company and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.

(2) Other financial assets excludes equity shares.

(3) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.

(4) Refer to Note 25 Memorandum items – Contingent liabilities and commitments.

(5) NWM Group is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. NWM Group expects most guarantees it provides to expire unused.

(6) NWM Group has given commitments to provide funds to customers under undrawn formal facilities, credit lines and other commitments to lend subject to certain conditions being met by the counterparty. NWM Group does not expect all facilities to be drawn, and some may lapse before drawdown.



## 12 Trading assets and liabilities

Trading assets and liabilities comprise assets and liabilities held at fair value in trading portfolios.

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
<b>Assets</b>				
Loans				
Reverse repos	27,127	23,694	10,099	11,315
Collateral given	7,333	8,914	5,606	7,263
Other loans	545	762	397	645
Total loans	35,005	33,370	16,102	19,223
Securities				
Central and local government				
- UK	2,077	2,729	2,077	2,729
- US	3,734	2,600	186	33
- Other	3,506	3,062	3,506	3,062
Financial institutions and Corporate	4,561	3,563	4,315	3,364
Total securities	13,878	11,954	10,084	9,188
Total	48,883	45,324	26,186	28,411
<b>Liabilities</b>				
Deposits				
Repos	30,562	26,902	10,293	12,125
Collateral received	12,307	15,062	9,993	12,455
Other deposits	895	1,150	851	1,127
Total deposits	43,764	43,114	21,137	25,707
Debt securities in issue	257	706	257	706
Short positions				
Central and local government				
- UK	2,680	1,893	2,680	1,893
- US	1,677	2,071	14	17
- Other	4,755	4,049	4,755	4,033
Financial institutions and Corporate	1,379	1,790	1,287	1,723
Total short positions	10,491	9,803	8,736	7,666
Total	54,512	53,623	30,130	34,079

For accounting policy information refer to Accounting policy 3.5.

## 13 Derivatives

NWM Group uses derivatives as part of its trading activities or to manage its own risk such as interest rate, foreign exchange, or credit risk.

	NWM Group								
	Notional			Asset			Liability		
	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total
	£bn	£bn	£bn	£m	£m	£m	£m	£m	£m
<b>2024</b>									
Interest rate	1,067	8,706	9,773	20	37,482	37,502	2	31,508	31,510
- Swaps	-	6,452	6,452	-	28,952	28,952	-	23,091	23,091
- Options	737	1,492	2,229	20	8,530	8,550	2	8,417	8,419
- Forwards and futures	330	762	1,092	-	-	-	-	-	-
Exchange rate	1	3,260	3,261	6	40,486	40,492	15	40,276	40,291
- Swaps	-	453	453	-	8,407	8,407	-	8,162	8,162
- Options	1	851	852	6	5,385	5,391	15	5,561	5,576
- Spot, forwards and futures	-	1,956	1,956	-	26,694	26,694	-	26,553	26,553
Credit	-	13	13	-	111	111	-	235	235
Equity and commodity	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,068</b>	<b>11,979</b>	<b>13,047</b>	<b>26</b>	<b>78,079</b>	<b>78,105</b>	<b>17</b>	<b>72,019</b>	<b>72,036</b>
<b>2023</b>									
Interest rate	819	8,870	9,689	48	44,895	44,943	34	38,258	38,292
- Swaps	-	5,952	5,952	-	34,181	34,181	-	27,191	27,191
- Options	510	1,676	2,186	48	10,714	10,762	34	11,067	11,101
- Forwards and futures	309	1,242	1,551	-	-	-	-	-	-
Exchange rate	1	3,108	3,109	-	34,208	34,208	-	33,364	33,364
- Swaps	-	449	449	-	8,150	8,150	-	7,355	7,355
- Options	1	674	675	-	4,181	4,181	-	4,197	4,197
- Spot, forwards and futures	-	1,985	1,985	-	21,877	21,877	-	21,812	21,812
Credit	-	16	16	-	181	181	-	325	325
Equity and commodity	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>820</b>	<b>11,994</b>	<b>12,814</b>	<b>48</b>	<b>79,284</b>	<b>79,332</b>	<b>34</b>	<b>71,947</b>	<b>71,981</b>

## 13 Derivatives continued

	NWM Plc								
	Notional			Asset			Liability		
	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total
2024	£bn	£bn	£bn	£m	£m	£m	£m	£m	£m
Interest rate	1,048	8,204	9,252	20	34,250	34,270	2	29,368	29,370
- Swaps	-	6,003	6,003	-	25,964	25,964	-	21,141	21,141
- Options	736	1,495	2,231	20	8,286	8,306	2	8,227	8,229
- Forwards and futures	312	706	1,018	-	-	-	-	-	-
Exchange rate	1	3,273	3,274	6	40,596	40,602	15	40,402	40,417
- Swaps	-	454	454	-	8,444	8,444	-	8,174	8,174
- Options	1	851	852	6	5,386	5,392	15	5,561	5,576
- Spot, forwards and futures	-	1,968	1,968	-	26,766	26,766	-	26,667	26,667
Credit	-	13	13	-	110	110	-	229	229
Equity and commodity	-	-	-	-	-	-	-	-	-
Total	1,049	11,490	12,539	26	74,956	74,982	17	69,999	70,016
2023									
Interest rate	794	8,473	9,267	48	41,189	41,237	34	35,543	35,577
- Swaps	-	5,607	5,607	-	30,760	30,760	-	24,769	24,769
- Options	511	1,679	2,190	48	10,429	10,477	34	10,774	10,808
- Forwards and futures	283	1,187	1,470	-	-	-	-	-	-
Exchange rate	-	3,116	3,116	-	34,415	34,415	-	33,508	33,508
- Swaps	-	449	449	-	8,154	8,154	-	7,360	7,360
- Options	-	673	673	-	4,184	4,184	-	4,194	4,194
- Spot, forwards and futures	-	1,994	1,994	-	22,077	22,077	-	21,954	21,954
Credit	-	15	15	-	180	180	-	319	319
Equity and commodity	-	-	-	-	-	-	-	-	-
Total	794	11,604	12,398	48	75,784	75,832	34	69,370	69,404

Included in the tables above is the notional amount of £6,733 billion (2023 - £6,677 billion) for NWM Group and £6,057 billion (2023 - £6,063 billion) for NWM Plc of interest rate derivatives that are traded over the counter and settled through central clearing. NWM Group and NWM Plc has no other type of derivatives that are settled through central counterparties.

## 13 Derivatives continued

### Hedge accounting using derivatives

For accounting policy information refer to Accounting policies 3.5 and 3.9.

Refer to Note 31 for amounts due from/to fellow NatWest Group subsidiaries.

NWM Group applies hedge accounting to reduce the accounting mismatch caused in the income statement by using derivatives to hedge the following risks: interest rate, foreign exchange and the foreign exchange risk associated with net investment in foreign operations.

NWM Group's interest rate hedging relates to the management of NWM Group's non-trading structural interest rate risk, caused by the mismatch between fixed interest rates and floating interest rates on its financial instruments. NWM 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, European Central Bank deposit rate, 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 NWM 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 and SONIA. These risk components are identified using the risk management systems of NWM Group and encompass the majority of the hedged item's fair value risk.

NWM Group hedges the exchange rate risk of its net investment in foreign currency denominated operations with currency borrowings and forward foreign exchange contracts.

NWM Group reviews the value of the investments' net assets, executing hedges where appropriate to reduce the sensitivity of capital ratios to foreign exchange rate movement. Hedge accounting relationships will be designated where required.

Exchange rate risk also arises in NWM Group where payments are denominated in currencies other than the functional currency. Residual risk positions are hedged with cross currency basis swaps fixing the exchange rate the payments will be settled in. The derivatives are documented as cash flow hedges.

For all cash flow hedging, fair value hedge relationships and net investment hedging, NWM Group determines that there is an economic relationship between the hedged item and hedging instrument via assessing the initial and ongoing effectiveness by comparing movements in the fair value of the expected highly probable forecast interest cash flows/ fair value of the hedged item attributable to the hedged risk with movements in the fair value of the expected changes in cash flows from the hedging instrument. The method used for comparing movements is either regression testing, or the dollar offset method. The method for testing effectiveness and the period over which the test is performed depends on the applicable risk management strategy and is applied consistently to each risk management strategy. Hedge effectiveness is assessed on a cumulative basis and the determination of effectiveness is in line with the requirements of IAS 39.

NWM 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.

## 13 Derivatives continued

### Derivatives in hedge accounting relationships

Included in the table below are derivatives held for hedging as follows.

	NWM Group							
	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
<b>Fair value hedging</b>								
Interest rate contracts (2)	22.7	215	472	241	18.9	260	611	372
<b>Cash flow hedging</b>								
Interest rate contracts	6.2	27	355	3	5.7	45	368	206
Exchange rate contracts	8.3	110	455	3	5.5	104	251	-
<b>Net investment hedging</b>								
Exchange rate contracts (2)	0.1	-	-	-	0.1	2	-	(2)
	37.3	352	1,282	247	30.2	411	1,230	576
IFRS netting and clearing house settlements		(242)	(808)			(293)	(963)	
		110	474			118	267	

	NWM Plc							
	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
<b>Fair value hedging</b>								
Interest rate contracts (2)	22.5	214	471	242	18.7	261	609	371
<b>Cash flow hedging</b>								
Interest rate contracts	5.1	5	354	(2)	4.3	23	364	173
Exchange rate contracts	8.3	110	455	3	5.5	104	251	-
<b>Net investment hedging</b>								
Exchange rate contracts	0.1	-	-	-	0.1	2	-	(2)
	36.0	329	1,280	243	28.6	390	1,224	542
IFRS netting and clearing house settlements		(219)	(806)			(272)	(957)	
		110	474			118	267	

(1) The change in fair value per hedge ineffectiveness includes instruments that were derecognised in the year.

(2) In addition to the derivative hedging instruments above, £1,134 million notional (2023 - £840 million) of non-derivative hedging instruments with a carrying value of £1,152 million (2023 - £846 million) were used in net investment hedges. The non-derivative instruments are other financial liabilities, specifically debt securities in issue.

## 13 Derivatives continued

### Hedge ineffectiveness

Hedge ineffectiveness recognised in other operating income in continuing operations comprised.

	NWM Group	
	2024	2023
	£m	£m
<b>Fair value hedging</b>		
Loss on hedged items attributable to the hedged risk	(241)	(370)
Gain on the hedging instruments	241	372
Fair value hedging ineffectiveness	-	2
<b>Cash flow hedging</b>		
Interest rate risk	-	1
Cash flow hedging ineffectiveness	-	1
Total	-	3

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).

## 13 Derivatives continued

### Maturity of notional hedging contracts

The following table shows the period in which notional of the hedging contract ends.

NWM Group							
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
<b>2024</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	0.4	2.7	0.6	0.2	0.2	4.1
Hedging liabilities	0.8	3.3	6.7	6.8	1.0	-	18.6
<b>2023</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	-	1.2	1.4	0.7	0.2	3.5
Hedging liabilities	0.9	1.3	7.0	4.5	1.5	0.2	15.4
<b>2024</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	0.1	1.5	1.1	0.9	2.6	-	6.2
Exchange rate risk							
Hedging liabilities	-	2.3	2.7	3.3	-	-	8.3
<b>2023</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	0.1	0.6	2.1	0.9	2.0	-	5.7
Exchange rate risk							
Hedging liabilities	-	0.5	2.3	2.5	0.2	-	5.5
NWM Plc							
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
<b>2024</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	0.4	2.7	0.5	0.3	0.2	4.1
Hedging liabilities	0.8	3.2	6.7	6.7	1.0	-	18.4
<b>2023</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	-	1.2	1.4	0.7	0.2	3.5
Hedging liabilities	0.9	1.0	7.0	4.5	1.6	0.2	15.2
<b>2024</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	-	1.4	0.7	0.7	2.3	-	5.1
Exchange rate risk							
Hedging liabilities	-	2.3	2.7	3.3	-	-	8.3
<b>2023</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	0.1	0.4	1.6	0.7	1.5	-	4.3
Exchange rate risk							
Hedging liabilities	-	0.5	2.3	2.5	0.2	-	5.5



## 13 Derivatives continued

### Average fixed interest rates

Average fixed rate for cash flow hedges, interest rate risk.

		NWM Group					
		0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years
		%	%	%	%	%	%
2024							
Average fixed interest rate							
Hedging assets		2.65	1.33	1.77	1.50	3.65	-
							2.44
2023							
Average fixed interest rate							
Hedging assets		2.03	1.77	1.48	1.49	2.03	-
							1.72

		NWM Plc					
		0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years
		%	%	%	%	%	%
2024							
Average fixed interest rate							
Hedging assets		-	1.15	1.28	1.24	3.81	-
							2.38
2023							
Average fixed interest rate							
Hedging assets		1.37	1.35	1.12	1.10	1.80	-
							1.38

### Average foreign exchange rates

For cash flow hedging of exchange rate risk, the average foreign exchange rates applicable across the relationships for NWM Group and NWM Plc were as below for the main currencies hedged.

	2024	2023
USD/GBP	1.27	1.25
JPY/GBP	132.89	132.89
JPY/USD	130.79	129.75
NOK/USD	9.21	9.21

## 13 Derivatives continued

### Analysis of hedged items and related hedging instruments

The table below analyses assets and liabilities including intercompany, subject to hedging derivatives.

	NWM Group		
	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
<b>2024</b>			
<b>Fair value hedging - interest rate (2)</b>			
Other financial assets - securities	4,091	(51)	(35)
Bank and customer deposits	382	-	(3)
Other financial liabilities - debt securities in issue (4)	18,379	(99)	(197)
Subordinated liabilities	1,130	(19)	(6)
<b>Total</b>	<b>19,891</b>	<b>(118)</b>	<b>(206)</b>
<b>2023</b>			
<b>Fair value hedging - interest rate (2)</b>			
Other financial assets - securities	3,661	(40)	84
Bank and customer deposits	745	(3)	(6)
Other financial liabilities - debt securities in issue (4)	15,198	(307)	(402)
Subordinated liabilities	1,040	(24)	(46)
<b>Total</b>	<b>16,983</b>	<b>(334)</b>	<b>(454)</b>
<b>2024</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (3)	5,891		(5)
Other financial assets - securities	346		2
<b>Total</b>	<b>6,237</b>		<b>(3)</b>
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	4,212		(3)
<b>2023</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (3)	5,684		(200)
Other financial assets - securities	102		(5)
<b>Total</b>	<b>5,786</b>		<b>(205)</b>
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	2,736		-

Refer to the following page for footnotes.

## 13 Derivatives continued

### Analysis of hedged items and related hedging instruments - continued

	NWM Plc		
	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
<b>2024</b>			
<b>Fair value hedging - interest rate (2)</b>			
Other financial assets - securities	4,006	(52)	(36)
Bank and customer deposits	382	-	(3)
Other financial liabilities - debt securities in issue (4)	18,363	(98)	(198)
Subordinated liabilities	1,130	(19)	(6)
<b>Total</b>	<b>19,875</b>	<b>(117)</b>	<b>(207)</b>
<b>2023</b>			
<b>Fair value hedging - interest rate (2)</b>			
Other financial assets - securities	3,661	(40)	84
Bank and customer deposits	745	(3)	(6)
Other financial liabilities - debt securities in issue (4)	14,940	(306)	(401)
Subordinated liabilities	1,040	(24)	(46)
<b>Total</b>	<b>16,725</b>	<b>(333)</b>	<b>(453)</b>
<b>2024</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (3)	4,725		1
Other financial assets - securities	346		1
<b>Total</b>	<b>5,071</b>		<b>2</b>
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	4,212		(3)
<b>2023</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (3)	4,240		(167)
Other financial assets - securities	102		(5)
<b>Total</b>	<b>4,342</b>		<b>(172)</b>
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	2,736		-

(1) The change in fair value per hedge ineffectiveness includes instruments that were derecognised in the year.

(2) The hedged risk includes inflation risk.

(3) Includes cash and balances at central banks.

(4) The carrying value include £658 million (2023 - £429 million) of debt securities held at amortised cost.

## 13 Derivatives continued

### Analysis of cash flow and foreign exchange hedge reserve

The following table shows a pre-tax analysis of the cash flow hedge reserve and foreign exchange hedge reserve.

	NWM Group			
	2024		2023	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Continuing</b>				
Interest rate risk	(261)	-	(260)	-
Foreign exchange risk	(9)	(5)	(4)	(13)
<b>De-designated</b>				
Interest rate risk	17	-	41	-
Foreign exchange risk	-	(142)	-	(170)
<b>Total</b>	<b>(253)</b>	<b>(147)</b>	<b>(223)</b>	<b>(183)</b>

	NWM Plc			
	2024		2023	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Continuing</b>				
Interest rate risk	(287)	-	(284)	-
Foreign exchange risk	(9)	(7)	(4)	1
<b>De-designated</b>				
Interest rate risk	17	-	41	-
Foreign exchange risk	-	1	-	27
<b>Total</b>	<b>(279)</b>	<b>(6)</b>	<b>(247)</b>	<b>28</b>

	NWM Group			
	2024		2023	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Amount recognised in equity</b>				
Interest rate risk	(175)	-	62	-
Foreign exchange risk	(124)	15	(91)	19
<b>Total</b>	<b>(299)</b>	<b>15</b>	<b>(29)</b>	<b>19</b>
<b>Amount transferred from equity to earnings</b>				
Interest rate risk to net interest income	151	-	121	-
Foreign exchange risk to net interest income	119	-	86	-
Foreign exchange risk to non interest income	-	21	-	-
<b>Total</b>	<b>270</b>	<b>21</b>	<b>207</b>	<b>-</b>

	NWM Plc			
	2024		2023	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Amount recognised in equity</b>				
Interest rate risk	(166)	-	36	-
Foreign exchange risk	(124)	(7)	(92)	5
<b>Total</b>	<b>(290)</b>	<b>(7)</b>	<b>(56)</b>	<b>5</b>
<b>Amount transferred from equity to earnings</b>				
Interest rate risk to net interest income	138	-	115	-
Foreign exchange risk to net interest income	119	-	86	-
Foreign exchange risk to non interest income	-	(27)	-	-
<b>Total</b>	<b>257</b>	<b>(27)</b>	<b>201</b>	<b>-</b>

## 14 Loan impairment provisions

### Loan exposure and impairment metrics

The table below summarises loans and related credit impairment measures within the scope of ECL framework.

	NWM Group		NWM Plc	
	31 December 2024 £m	31 December 2023 £m	31 December 2024 £m	31 December 2023 £m
<b>Loans - amortised cost</b>				
- Stage 1	18,759	13,686	17,789	12,584
- Stage 2	352	558	253	436
- Stage 3	52	25	25	25
<i>Of which: individual</i>	45	17	18	17
<i>Of which: collective</i>	7	8	7	8
- Inter-Group	260	1,264	1,839	2,623
<b>Total</b>	<b>19,423</b>	<b>15,533</b>	<b>19,906</b>	<b>15,668</b>
<b>ECL provisions (1)</b>				
- Stage 1	25	24	21	17
- Stage 2	5	8	4	7
- Stage 3	17	24	16	24
<i>Of which: individual</i>	10	16	9	16
<i>Of which: collective</i>	7	8	7	8
- Inter-Group	-	1	2	3
<b>Total</b>	<b>47</b>	<b>57</b>	<b>43</b>	<b>51</b>
<b>ECL provision coverage (2)</b>				
- Stage 1 (%)	0.13	0.18	0.12	0.14
- Stage 2 (%)	1.42	1.43	1.58	1.61
- Stage 3 (%)	32.69	96.00	64.00	96.00
- Inter-Group (%)	0.05	0.08	0.11	0.11
<b>Total</b>	<b>0.25</b>	<b>0.39</b>	<b>0.23</b>	<b>0.37</b>
<b>Impairment (releases)/losses</b>				
ECL (release)/charge				
- Stage 1	(3)	1	(1)	3
- Stage 2	3	4	2	3
- Stage 3	(8)	(3)	(7)	(3)
<i>Of which: individual</i>	(7)	(2)	(6)	(2)
<i>Of which: collective</i>	(1)	(1)	(1)	(1)
- Third party	(8)	2	(6)	3
- Inter-Group	-	-	(1)	-
<b>Total</b>	<b>(8)</b>	<b>2</b>	<b>(7)</b>	<b>3</b>
Amounts written off	2	5	2	3
<i>Of which: individual</i>	2	4	2	2
<i>Of which: collective</i>	-	1	-	1

(1) NWM Group's intercompany assets were classified as Stage 1. The ECL for these loans was £0.2 million at 31 December 2024.

(2) ECL provisions coverage is calculated as total ECL provisions divided by third party loans – amortised cost and FVOCI.

(3) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to page 51 for Financial instruments within the scope of the IFRS 9 ECL framework for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £16.2 billion (2023 – £13.8 billion) and debt securities of £17.8 billion (2023 – £15.6 billion).

For accounting policy information refer to Accounting policy 3.11.

### Credit risk enhancement and mitigation

For information on Credit risk enhancement and mitigation held as security, refer to Risk and capital management – Credit risk enhancement and mitigation section.

### IFRS 9 ECL model design principles

Refer to Credit risk – IFRS 9 ECL model design principles section for further details.

### Approach for multiple economic scenarios (MES)

The base scenario plays a greater part in the calculation of ECL than the approach to MES. Refer to Credit risk – Economic loss drivers – Probability weightings of scenarios section for further details.

## 15 Other financial assets

	NWM Group						
	Debt securities						
	Central and local government						
	US	Other	Other debt	Total	Equity shares	Loans	Total
2024	£m	£m	£m	£m	£m	£m	£m
Mandatory fair value through profit or loss	-	-	1	1	1	47	49
Designated as at fair value	-	2	3	5	-	-	5
Fair value through other comprehensive income	2,523	835	1,144	4,502	62	47	4,611
Amortised cost	-	-	13,185	13,185	-	-	13,185
Total	2,523	837	14,333	17,693	63	94	17,850

2023							
Mandatory fair value through profit or loss	-	-	1	1	1	46	48
Designated as at fair value	-	3	2	5	-	-	5
Fair value through other comprehensive income	2,472	573	948	3,993	57	65	4,115
Amortised cost	-	-	11,555	11,555	-	-	11,555
Total	2,472	576	12,506	15,554	58	111	15,723

	NWM Plc						
	Debt securities				Equity shares	Loans	Total
	Central and local government		Other debt	Total			
	US	Other					
2024	£m	£m	£m	£m	£m	£m	£m
Mandatory fair value through profit or loss	-	-	1	1	-	47	48
Fair value through other comprehensive income	2,523	345	1,140	4,008	51	47	4,106
Amortised cost	-	-	11,927	11,927	-	-	11,927
Total	2,523	345	13,068	15,936	51	94	16,081

2023							
Mandatory fair value through profit or loss	-	-	1	1	-	46	47
Fair value through other comprehensive income	2,393	352	900	3,645	46	65	3,756
Amortised cost	-	-	9,641	9,641	-	-	9,641
Total	2,393	352	10,542	13,287	46	111	13,444

There were no significant acquisitions of equity shares in either year. NWM Group disposed of equity shares in UBS Equity Funds of nil in the year (2023 - £35 million). There are no significant dividends on equity shares held at FVOCI in either year.

## 16 Investments in Group undertakings

Investments in group undertakings are carried at cost less impairment losses. Movements during the year were as follows:

	NWM Plc	
	2024	2023
	£m	£m
At 1 January	2,320	2,626
Currency translation and other adjustments	(27)	(13)
Additional investments in Group undertakings	208	-
Disposals of investments in Group undertakings	(208)	-
Net impairment of investments	(30)	(293)
At 31 December	2,263	2,320

The impairment of investments in both 2024 and 2023 is mainly related to NWM Plc's investment in RBS Holdings N.V. due to changes in its net asset value.

Additions and disposals in 2024 represent a £208 million AT1 redemption with NWM N.V. and an AT1 issuance of the same value to NWM N.V.

NWM Plc's subsidiaries are assessed for potential impairment of investment based on net asset value. Fair value measurement for this purpose was categorised as Level 3 of the fair value hierarchy.

The principal subsidiary undertakings of the company are shown below. Their capital consists of ordinary shares and additional Tier 1 notes which are unlisted. All of these subsidiaries are included in NWM Group's consolidated financial statements and have an accounting reference date of 31 December.

	Nature of business	Country of incorporation and principal area of operation	Group interest
NatWest Markets Securities Inc.	Broker dealer	US	100%
NatWest Markets N.V.	Banking	Netherlands	100%

For accounting policy information refer to Accounting policy 3.10.

Full information on all related undertakings is included in Note 34.

## 17 Other assets

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
Property, plant and equipment	42	57	14	12
Pension schemes in net surplus (Note 5)	146	145	146	145
Accrued income	36	39	23	28
Tax recoverable	137	106	136	106
Deferred tax (Note 7)	172	55	87	-
Other assets	88	116	73	99
Total	621	518	479	390

## 18 Other financial liabilities

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
Customer deposits - designated as at fair value through profit or loss	1,537	1,259	1,146	1,015
Debt securities in issue				
Medium term notes	21,852	17,608	20,817	16,580
Commercial paper and certificates of deposit	7,605	4,433	5,985	3,041
Subordinated liabilities				
Designated as at fair value through profit or loss	234	238	-	-
Amortised cost	35	36	18	19
Total	31,263	23,574	27,966	20,655

For accounting policy information refer to Accounting policy 3.5 and 3.8.



## 19 Subordinated liabilities

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
Dated loan capital	251	255	-	-
Undated loan capital	18	19	18	19
Total	269	274	18	19

(1) Excludes amounts due to holding company and fellow subsidiaries of £1,115 million (2023 - £1,022 million) for NWM Group and NWM Plc.

The following tables analyse third party subordinated liabilities:

				2024	2023
				£m	£m
<b>Undated loan capital</b>					
£31 million	7.380% notes	-	-	1	1
£16 million	5.630% notes	Sep-2026	-	17	18
				18	19

The following tables analyse intercompany subordinated liabilities:

					NWM Group and Bank	
					2024	2023
					£m	£m
Dated loan capital					1,115	1,022
Dated loan capital					2024	2023
					£m	£m
\$1000 million	6.48% notes	-	Mar-2034	Tier 2	801	-
€950 million	3.28% notes	-	Mar-2024	Tier 2	-	839
\$250 million	4.96% notes	-	Jan-2034	Tier 2	186	183
\$160 million	6.26% notes	-	Aug-2030	Tier 2	128	-
					1,115	1,022

## 20 Other liabilities

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
Lease liabilities	41	41	5	2
Provisions for liabilities and charges	146	180	126	124
Retirement benefit liabilities (Note 5)	39	62	36	59
Accruals	177	182	129	113
Deferred income	43	47	34	38
Current tax	9	3	6	2
Deferred tax (Note 7)	37	54	35	49
Other liabilities	29	84	15	66
<b>Total</b>	<b>521</b>	<b>653</b>	<b>386</b>	<b>453</b>

	NWM Group		
	Litigation and other regulatory	Other (1)	Total
	£m	£m	£m
<b>Provisions for liabilities and charges</b>			
At 1 January 2024	141	39	180
Currency translation and other movements	1	(2)	(1)
Charge to income statement	21	15	36
Release to income statement	(23)	(2)	(25)
Provisions utilised	(32)	(12)	(44)
<b>At 31 December 2024</b>	<b>108</b>	<b>38</b>	<b>146</b>

	NWM Plc		
	Litigation and other regulatory	Other (1)	Total
	£m	£m	£m
<b>Provisions for liabilities and charges</b>			
At 1 January 2024	103	21	124
Currency translation and other movements	1	(1)	-
Charge to income statement	20	11	31
Release to income statement	(3)	(1)	(4)
Provisions utilised	(17)	(8)	(25)
<b>At 31 December 2024</b>	<b>104</b>	<b>22</b>	<b>126</b>

(1) Materially comprises provisions relating to restructuring costs.

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 2.3.

### Critical accounting policy: Provisions for liabilities

The key judgement is involved in determining whether a present obligation exists. There is often a high degree of uncertainty and judgement is based on the specific facts and circumstances relating to individual events in determining whether there is a present obligation. Judgement is also involved in estimation of the probability, timing and amount of any outflows. Where NWM Group can look to another party such as an insurer to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

**Estimates** – 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.

- Litigation and other regulatory: NWM Group is engaged in various legal proceedings, both in the UK and in overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, refer to Note 25.
- Other provisions: These materially comprise provisions for onerous contracts and restructuring costs. Onerous contract provisions comprise an estimate of the costs involved in fulfilling the terms and conditions of contracts net of any expected benefits to be received. Redundancy and restructuring provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists.

## 21 Share capital and reserves

	2024 £m	2023 £m	Number of shares	
			2024 000s	2023 000s
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1	<b>400</b>	400	<b>399,517</b>	399,517

### Ordinary shares

NWM Plc has not paid ordinary dividends in 2024, consistent with 2023.

### Paid-in equity

Comprises equity instruments issued by NWM Plc other than those legally constituted as shares.

Additional Tier 1 instruments issued by NWM Plc having the legal form of debt are classified as equity under IFRS. The coupons on these instruments are non-cumulative and payable at NWM Plc's discretion.

	2024 £m	2023 £m
<b>Additional Tier 1 instruments</b>		
US\$950 million 7.9604% instruments callable August 2025	<b>749</b>	749
US\$200 million 5.540% instruments callable August 2025	<b>155</b>	155
US\$750 million 7.3% instruments callable November 2034	<b>592</b>	-
	<b>1,496</b>	904

Capital recognised for regulatory purposes cannot be redeemed without Prudential Regulation Authority consent. This includes ordinary shares, preference shares and additional Tier 1 instruments.

### Reserves

NWM Plc optimises capital efficiency by maintaining reserves in subsidiaries, including regulated entities. Certain preference shares and subordinated debt are also included within regulatory capital. The remittance of reserves to the parent 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 3.8.

## 22 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 to a SE which then issues liabilities to third party investors.

NWM 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; purchase asset backed securities issued by client sponsored SEs in the primary or secondary markets; or provide liquidity facilities to client sponsored SEs. In addition, NWM Group arranges or acts as lead manager or placement agent in client primary markets securitisations. NWM Group provides portfolio structured derivative hedging solutions to clients.

### Covered debt programme

NWM Group has assigned certain loans to customers and other debt instruments to bankruptcy remote limited liability partnerships to provide security for issues of debt securities by NWM Group. NWM Group retains all of the risks and rewards of these assets and continues to recognise them. The partnerships are consolidated by the NWM Group, and the related covered debt included within other financial liabilities. At 31 December 2024, £1,345 million (2023 - £1,283 million) of loans and other debt instruments provided security for £1,556 million (2023 - £1,497 million) debt securities in issue and other borrowing by NWM Plc and NWM Group.

### Lending of own issued securities

NWM Plc 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. NWM Plc retains all of the risks and rewards of own issued liabilities lent under such arrangements and does not recognise them. At 31 December 2024, £2,965 million (2023 - £2,312 million) of secured own issued liabilities have been retained and lent under securities lending arrangements. At 31 December 2024, £3,127 million (2023 - £2,414 million) of loans and other debt instruments 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 NWM Group, and which are established either by NWM Group or a third party. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns for NWM Group arising from the performance of the entity. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to NWM Group, provision of lending and loan commitments, financial guarantees and investment management agreements. NWM Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions, to provide risk management services and for specific investment opportunities. Structured entities may take the form of funds, trusts, partnerships, securitisation vehicles, and private investment companies. NWM Group considers itself to be the sponsor of a structured entity where it is primarily involved in the set up and design of the entity and where NWM Group transfers assets to the entity, markets products associated with the entity in its own name, and/or provides guarantees in relation to the performance of the entity.

The nature and extent of NWM Group's interests in structured entities is summarised below.

	2024			2023		
	Asset-backed securitisation vehicles £m	Investment funds and other £m	Total £m	Asset-backed securitisation vehicles £m	Investment funds and other £m	Total £m
<b>Assets</b>						
Trading assets	252	216	468	303	311	614
Derivatives	94	-	94	134	-	134
Loans to customers	4,953	1,127	6,080	2,487	634	3,121
Other financial assets	12,144	923	13,067	10,475	1,063	11,538
<b>Total</b>	<b>17,443</b>	<b>2,266</b>	<b>19,709</b>	<b>13,399</b>	<b>2,008</b>	<b>15,407</b>
<b>Liabilities</b>						
Derivatives	153	8	161	214	17	231
<b>Total</b>	<b>153</b>	<b>8</b>	<b>161</b>	<b>214</b>	<b>17</b>	<b>231</b>
<b>Off balance sheet</b>						
Liquidity facilities/loan commitments	1,989	375	2,364	1,758	312	2,070
Guarantees	-	93	93	-	117	117
<b>Total</b>	<b>1,989</b>	<b>468</b>	<b>2,457</b>	<b>1,758</b>	<b>429</b>	<b>2,187</b>
<b>Maximum exposure</b>	<b>19,279</b>	<b>2,726</b>	<b>22,005</b>	<b>14,943</b>	<b>2,420</b>	<b>17,363</b>

## 23 Asset transfers

### Transfers that do not qualify for derecognition

NWM Group enters into securities financing, reverse repurchase and total return agreements in accordance with normal market practice which includes the provision of additional collateral if necessary. Under standard terms in the UK and US markets, the recipient has an unrestricted right to sell or repledge collateral, subject to returning equivalent securities on maturity of the transaction.

Securities sold under repurchase transactions and transactions with the substance of securities repurchase agreements are not derecognised if the NWM Group retains substantially all the risks and rewards of ownership. The fair value (and carrying value) of securities transferred under such transactions included on the balance sheet, are set out below. All of these securities could be sold or repledged by the holder.

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
<b>The following assets have failed derecognition (1)</b>				
Trading assets	<b>7,708</b>	7,907	<b>4,919</b>	7,330
Other financial assets	<b>4,190</b>	2,296	<b>3,809</b>	1,907
<b>Total</b>	<b>11,898</b>	10,203	<b>8,728</b>	9,237

(1) Associated liabilities were £12,290 million for the NWM Group (2023 - £10,085 million) and £8,377 million for NWM Plc (2023 - £9,148 million).

### Assets pledged as collateral

NWM Group pledges collateral with its counterparties in respect of derivative liabilities and bank and stock borrowings.

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
<b>Assets pledged against liabilities</b>				
Trading assets	<b>10,254</b>	10,749	<b>7,862</b>	8,600
Other financial assets (1)	<b>3,952</b>	5,483	<b>3,311</b>	4,621
	<b>14,206</b>	16,232	<b>11,173</b>	13,221

(1) Includes pledges for stock borrowing.

The following table analyses assets that have been transferred but have failed the derecognition rules under IFRS 9 and therefore continue to be recognised on NWM Plc's balance sheet.

<b>Asset type</b>	<b>2024</b>	<b>2023</b>
	£m	£m
Loans and other debt instruments - covered debt programme (1)	<b>1,688</b>	1,637
Loans and other debt instruments - own issued retained lent securities (2)	<b>3,127</b>	2,414

(1) The associated liabilities for covered debt programme were £1,556 million (2023 - £1,497 million).

(2) The associated own issued securities that were retained and lent under securities lending arrangements were £2,965 million (2023 - £2,312 million).

## 24 Capital resources

Regulatory capital for NWM Plc legal entity is assessed against minimum requirements that are set out under the UK Capital Requirements Regulation. Transitional arrangements on the phasing in of end-point capital resources are set by the PRA.

The capital resources under the PRA transitional basis for NWM Plc are set out below.

	2024 £m	2023 £m
<b>Shareholders' equity</b>		
Shareholders' equity	6,819	6,313
Other equity instruments	(1,496)	(904)
	<b>5,323</b>	<b>5,409</b>
<b>Regulatory adjustments and deductions</b>		
Own credit	37	25
Defined benefit pension fund adjustment	(109)	(94)
Cash flow hedging reserve	203	187
Prudential valuation adjustments	(148)	(160)
Expected losses less impairments	(6)	(6)
Instruments of financial sector entities where the institution has a significant investment	(1,521)	(1,585)
Adjustments under IFRS 9 transitional arrangements	-	1
Other adjustments for regulatory purposes	-	(1)
	<b>(1,544)</b>	<b>(1,633)</b>
<b>CET1 capital</b>	<b>3,779</b>	<b>3,776</b>
<b>Additional Tier 1 (AT1) capital</b>		
Qualifying instruments and related share premium	1,496	904
<b>Tier 1 deductions</b>		
Instruments of financial sector entities where the institution has a significant investment	(208)	(225)
<b>Tier 1 capital</b>	<b>5,067</b>	<b>4,455</b>
<b>Qualifying Tier 2 capital</b>		
Qualifying instruments and related share premium	1,124	1,022
<b>Tier 2 deductions</b>		
Instruments of financial sector entities where the institution has a significant investment	(419)	(421)
Other regulatory adjustments	7	16
	<b>(412)</b>	<b>(405)</b>
<b>Tier 2 capital</b>	<b>712</b>	<b>617</b>
<b>Total regulatory capital</b>	<b>5,779</b>	<b>5,072</b>

In the management of capital resources, NWM Plc is governed by NatWest Group's policy to maintain a strong capital base 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%. NWM Plc has complied with the PRA's capital requirements throughout the year. NWM Plc is also subject to a Pillar 2 requirement.

Subsidiaries and sub-groups within NWM 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 is subject to restrictions such as local regulatory or legal requirements, the availability of reserves and financial and operating performance.

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### 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 the NWM Group is exposed to credit risk in the event of a customer's failure to meet its obligations, the amounts shown do not, and are not intended to, provide any indication of NWM Group's expectation of future losses.

	NWM Group		NWM Plc	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Contingent liabilities and commitments</b>				
Guarantees	696	754	272	296
Other contingent liabilities	17	26	17	26
Standby facilities, credit lines and other commitments	14,097	14,840	8,319	8,763
<b>Total</b>	<b>14,810</b>	<b>15,620</b>	<b>8,608</b>	<b>9,085</b>

(1) Updated to reflect the regulatory treatment of revocable commitments.

Banking commitments and contingent obligations, which have been entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities. NWM 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 NWM Group's normal credit approval processes.

**Guarantees** - NWM Group gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that NWM Group will meet a customer's specified obligations to a third party if the customer fails to do so. The maximum amount that NWM Group could be required to pay under a guarantee is its principal amount as in the table above. NWM Group expects most guarantees it provides to expire unused.

**Other contingent liabilities** - these include standby letters of credit, supporting customer debt issues and contingent liabilities relating to customer trading activities such as those arising from performance and customs bonds, warranties and indemnities.

**Standby facilities and credit lines** - under a loan commitment NWM Group agrees to make funds available to a customer in the future. Loan commitments, which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the loan facility are satisfied or waived. Commitments to lend include commercial standby facilities and credit lines, liquidity facilities to commercial paper conduits and unutilised overdraft facilities.

**Other commitments** - these include documentary credits, which are commercial letters of credit providing for payment by NWM Group to a named beneficiary against presentation of specified documents, forward asset purchases, forward deposits placed and undrawn note issuance and revolving underwriting facilities, and other short-term trade related transactions.

### Risk-sharing arrangements

NWM Plc and NWM N.V. have limited risk-sharing arrangements in place to facilitate the smooth provision of services to NatWest Markets' customers. The arrangements, which NWM Plc recognises as financial guarantees within Amounts due to subsidiaries, include:

- The provision of a funded guarantee of up to £0.8 billion by NWM Plc to NWM N.V. that limits NWM N.V.'s exposure to large individual customer credits. Funding is provided by NWM Plc deposits placed with NWM N.V. of not less than the guaranteed amount. At 31 December 2024, the deposits amounted to £0.4 billion and the guaranteed fees in the year were £3.4 million.
- The provision of unfunded guarantees by NWM Plc in respect of NWM N.V.'s Legacy portfolio. At 31 December 2024 the exposure at default covered by the guarantees was approximately £0.2 billion (of which none was cash collateralised). Fees of £0.6 million in relation to the guarantees were recognised in the year.

### Indemnity deed

- In April 2019, NWM Plc and NWB Plc entered into a cross indemnity agreement for losses incurred within the entities in relation to business transferred to or from the ring-fenced bank under the NatWest Group's structural re-organisation. Under the agreement, NWM Plc is indemnified by NWB Plc against losses relating to the NWB Plc transferring businesses and ring-fenced bank obligations and NWB Plc is indemnified by NWM Plc against losses relating to NWM Plc transferring businesses and non-ring-fenced bank obligations with effect from the relevant transfer date.



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### Litigation and regulatory matters

NWM Plc and its subsidiary and associated undertakings (NWM 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.

NWM 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 NWM Group's reputation, businesses and operations. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and document production exercises and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before the probability of a liability, if any, arising can reasonably be estimated in respect of any Matter. NWM Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, damages, fine, penalty or other relief, if any, may be, particularly for Matters that are at an early stage in their development or where claimants seek substantial or indeterminate damages.

There are situations where NWM Group may pursue an approach that in some instances leads to a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, or in order to take account of the risks inherent in defending or contesting Matters, even for those for which NWM Group believes it has credible defences and should prevail on the merits. The uncertainties inherent in all Matters affect the amount and timing of any potential economic outflows for both Matters with respect to which provisions have been established and other contingent liabilities in respect of any such Matter.

It is not practicable to provide an aggregate estimate of potential liability for our Matters as a class of contingent liabilities.

The future economic outflow in respect of any Matter may ultimately prove to be substantially greater than, or less than, the aggregate provision, if any, that NWM 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. NWM Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NWM Group will be necessary, in amounts that are expected to be substantial in some instances. Refer to Note 20 for information on material provisions.

Matters which are, or could be, material, either individually or in aggregate, having regard to NWM Group, considered as a whole, in which NWM 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.

For a discussion of certain risks associated with NWM Group's litigation and regulatory matters (including the Matters), refer to the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on pages 172 to 173.

### Litigation

#### London Interbank Offered Rate (LIBOR) and other rates litigation

NWM Plc and certain other members of NatWest Group, including NatWest Group plc, are defendants in a number of claims pending in the United States District Court for the Southern District of New York (SDNY) with respect to the setting of USD LIBOR. The complainants allege that the NWM Group defendants and other panel banks violated various federal laws, including the US commodities and antitrust laws, and state statutory and common law, as well as contracts, by manipulating LIBOR and prices of LIBOR-based derivatives in various markets through various means.

The co-ordinated proceeding in the SDNY relating to USD LIBOR now includes one remaining class action, which is on behalf of persons who purchased LIBOR-linked instruments from defendants and bonds issued by defendants, as well as several non-class actions. The defendants in the co-ordinated proceeding have filed a summary judgment motion on the issue of liability, and briefing on that motion concluded in January 2025.

In March 2024, NWM Group companies reached an agreement to settle the USD LIBOR class action that asserted claims on behalf of lenders who made USD LIBOR based loans. The settlement amount, which was covered in full by an existing provision, has been paid and the settlement has now received final court approval.

The non-class claims filed in the SDNY include claims that the Federal Deposit Insurance Corporation (FDIC) is asserting on behalf of certain failed US banks. In July 2017, the FDIC, on behalf of 39 of those failed US banks, commenced substantially similar claims against NWM Plc, NatWest Group plc and others in the High Court of Justice of England and Wales. The action alleges collusion with regard to the setting of USD LIBOR and that the defendants breached UK and European competition law, as well as asserting common law claims of fraud under US law. The defendant banks consented to a request by the FDIC for discontinuance of the claim in respect of 20 failed US banks, leaving 19 failed US banks as claimants. The trial is currently scheduled to commence in Q1 2026.

In addition to the USD LIBOR cases described above, there is a class action relating to derivatives allegedly tied to JPY LIBOR and Euroyen TIBOR, which was dismissed by the SDNY in relation to NWM Plc and other NatWest Group companies in September 2021. That dismissal is now the subject of an appeal to the United States Court of Appeals for the Second Circuit (US Court of Appeals).

Two other IBOR-related class actions involving NWM Plc, concerning alleged manipulation of Euribor and Pound Sterling LIBOR, were previously dismissed by the SDNY for various reasons. The plaintiffs' appeals in those two cases remain pending.

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, NWM Plc, NatWest Markets Securities Inc. (NWMSI) 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.

NWM Plc is also named as a defendant in a motion to certify a class action relating to LIBOR in the Tel Aviv District Court in Israel. NWM Plc filed a motion for cancellation of service outside the jurisdiction, which was granted in July 2020. The claimants

## 25 Memorandum items continued

### Litigation and regulatory matters

appealed that decision and in November 2020 the appeal was refused and the claim dismissed by the Appellate Court. The claim could in future be recommenced depending on the outcome of an appeal to Israel's Supreme Court in respect of the dismissal of the substantive case against banks that had a presence in Israel.

### Foreign exchange litigation

NWM Plc, NWMSI and/or NatWest Group plc are defendants in several cases relating to NWM Plc's foreign exchange (FX) business.

In May 2019, a cartel class action was filed in the Federal Court of Australia against NWM Plc and four other banks on behalf of persons who bought or sold currency through FX spots or forwards between 1 January 2008 and 15 October 2013 with a total transaction value exceeding AUD 0.5 million. The claimant has alleged that the banks, including NWM Plc, contravened Australian competition law by sharing information, coordinating conduct, widening spreads and manipulating FX rates for certain currency pairs during this period. NatWest Group plc and NWMSI have been named in the action as 'other cartel participants', but are not respondents. The claim was served in June 2019 and NWM Plc filed its defence in March 2022. The court has ordered that potential class members are required to either opt out of the proceedings or register to be included in or benefit from any potential settlement of the claim. Directions have been made for the provision of evidence during 2025 and 2026.

In July and December 2019, two separate applications seeking opt-out collective proceedings orders were filed in the UK Competition Appeal Tribunal (CAT) against NatWest Group plc, NWM Plc and other banks. Both applications were brought on behalf of persons who, between 18 December 2007 and 31 January 2013, entered into a relevant FX spot or outright forward transaction in the European Economic Area with a relevant financial institution or on an electronic communications network. In March 2022, the CAT declined to certify as collective proceedings either of the applications, which was appealed by the applicants, and the subject of an application for judicial review.

In its amended judgment in November 2023, the Court of Appeal allowed the appeal and decided that the claims should proceed on an opt-out basis. Separately, the court determined which of the two competing applicants can proceed as class representative, and dismissed the application for judicial review of the CAT's decision. The other applicant has discontinued its claim and withdrawn from the proceedings. The banks sought permission to appeal the Court of Appeal decision directly to the UK Supreme Court, which was granted in April 2024. The appeal is scheduled to be heard in April 2025.

Two motions to certify FX-related class actions were filed in the Tel Aviv District Court in Israel in September and October 2018, and were subsequently consolidated into one motion. The consolidated motion to certify, which names The Royal Bank of Scotland plc (now NWM Plc) and several other banks as defendants, was served on NWM Plc in May 2020. The applicants sought the court's permission to amend their motions to certify the class actions. NWM Plc filed a motion challenging the permission granted by the court for the applicants to serve the consolidated motion outside the Israeli jurisdiction. That NWM Plc motion remains pending. In February 2024, NWM Plc executed an agreement to settle the claim, subject to court approval. The settlement amount is covered in full by an existing provision.

In December 2021, a summons was served in the Netherlands against NatWest Group plc, NWM Plc and NWM N.V. by Stichting FX Claims on behalf of a number of parties, seeking declarations from the court concerning liability for anti-competitive FX market

conduct described in decisions of the European Commission (EC) of 16 May 2019, along with unspecified damages. The claimant amended its claim to also refer to a 2 December 2021 decision by the EC, which described anti-competitive FX market conduct. NatWest Group plc, NWM Plc and other defendants contested the jurisdiction of the Dutch court. In March 2023, the district court in Amsterdam accepted that it has jurisdiction to hear claims against NWM N.V. but refused jurisdiction to hear any claims against the other defendant banks (including NatWest Group plc and NWM Plc) brought on behalf of the parties represented by the claimant that are domiciled outside of the Netherlands. The claimant is appealing that decision. The defendant banks have brought cross-appeals which seek a ruling that the Dutch court has no jurisdiction to hear any claims against the defendant banks domiciled outside of the Netherlands, irrespective of whether the claim has been brought on behalf of a party represented by the claimant that is domiciled within or outside of the Netherlands. The Amsterdam Court of Appeal has stayed these appeal proceedings until the Court of Justice of the European Union has answered preliminary questions that have been referred to it in another matter.

In September 2023, a second summons was served by Stichting FX Claims on NatWest Group plc, NWM Plc and NWM N.V., on behalf of a new group of parties. The claimant seeks declarations from the district court in Amsterdam concerning liability for anti-competitive FX market conduct described in the above referenced decisions of the EC of 16 May 2019 and 2 December 2021, along with unspecified damages. NatWest Group plc, NWM Plc and other defendants are contesting the Dutch court's jurisdiction. The district court has stayed the proceedings pending judgment in the above-mentioned appeals.

In January 2025, a third summons was served by Stichting FX Claims on NatWest Group plc, NWM Plc and NWM N.V., on behalf of another new group of parties. The claimant seeks similar declarations from the district court in Amsterdam to those being sought in the above-mentioned claims, along with unspecified damages.

Certain other foreign exchange transaction related claims have been or may be threatened. NWM Group cannot predict whether all or any of these claims will be pursued.

### Government securities antitrust litigation

Class action antitrust claims commenced in March 2019 were pending in the SDNY against NWM Plc, NWMSI and other banks in respect of Euro-denominated bonds issued by various European central banks (European government bonds or EGBs). The complaint alleged a conspiracy among dealers of EGBs to widen the bid-ask spreads they quoted to customers, thereby increasing the prices customers paid for the EGBs or decreasing the prices at which customers sold EGBs.

In March 2024, NWM Group companies reached an agreement to settle the class action. The settlement amount, which was covered in full by an existing provision, has been paid and the settlement has now received final court approval.

### Swaps antitrust litigation

NWM Plc, NWMSI and NatWest Group plc, as well as a number of other interest rate swap dealers, are defendants in several cases pending in the SDNY alleging violations of the US antitrust laws in the market for interest rate swaps. There is a consolidated class action complaint on behalf of persons who entered into interest rate swaps with the defendants, as well as non-class action claims by three swap execution facilities (TeraExchange, Javelin, and trueEx). The plaintiffs allege that the swap execution facilities would have successfully established exchange-like trading of interest rate swaps if the defendants had not unlawfully conspired to prevent that from happening through boycotts and other means. Discovery in the non-class action claims is complete. In March 2024, NWM Group companies reached an agreement to settle the class action. The settlement amount has

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### Litigation and regulatory matters

been paid into escrow pending final court approval of the settlement and was covered in full by an existing provision.

In June 2021, a class action antitrust complaint was filed against a number of credit default swap dealers, in New Mexico federal court on behalf of persons who, from 2005 onwards, settled credit default swaps in the United States by reference to the ISDA credit default swap auction protocol. The complaint alleges that the defendants conspired to manipulate that benchmark through various means in violation of the antitrust laws and the Commodity Exchange Act. The defendants filed a motion to dismiss the complaint and, in June 2023, such motion was denied as regards to NWMSI and other financial institutions, but granted as regards to NWM Plc on the ground that the court lacks jurisdiction over that entity. As a result, the case entered the discovery phase as against the non-dismissed defendants. In January 2024, the SDNY issued an order barring the plaintiffs in the New Mexico case from pursuing claims based on conduct occurring before 30 June 2014 on the ground that such claims were extinguished by a 2015 settlement agreement that resolved a prior class action relating to credit default swaps. The SDNY's decision is the subject of a pending appeal to the US Court of Appeals.

#### Odd lot corporate bond trading antitrust litigation

In July 2024, the US Court of Appeals vacated the SDNY's October 2021 dismissal of the class action antitrust complaint alleging that from August 2006 onwards various securities dealers, including NWMSI, conspired artificially to widen spreads for odd lots of corporate bonds bought or sold in the United States secondary market and to boycott electronic trading platforms that would have allegedly promoted pricing competition in the market for such bonds. The appellate court held that the district judge who made the decision should not have been presiding over the case because a member of the judge's family had owned stock in one of the defendants while the motion was pending. The defendants are now seeking dismissal by a different district court judge.

#### Spoofing litigation

In December 2021, three substantially similar class actions complaints were filed in federal court in the United States against NWM Plc and NWMSI alleging Commodity Exchange Act and common law unjust enrichment claims arising from manipulative trading known as spoofing. The complaints refer to NWM Plc's December 2021 spoofing-related guilty plea (described below under "US investigations relating to fixed-income securities") and purport to assert claims on behalf of those who transacted in US Treasury securities and futures and options on US Treasury securities between 2008 and 2018. In July 2022, the defendants filed a motion to dismiss these claims, which have been consolidated into one matter in the United States District Court for the Northern District of Illinois.

#### Madoff

NWM N.V. was named as a defendant in two actions filed by the trustee for the bankrupt estates of Bernard L. Madoff and Bernard L. Madoff Investment Securities LLC, in bankruptcy court in New York, which together seek to clawback more than US\$298 million that NWM N.V. allegedly received from certain Madoff feeder funds and certain swap counterparties. The claims were previously dismissed, but as a result of an August 2021 decision by the US Court of Appeals, they are now proceeding in the discovery phase in the bankruptcy court, where they have been consolidated into one action.

#### US Anti-Terrorism Act litigation

NWM N.V. and certain other financial institutions are defendants in several actions filed by a number of US nationals (or their estates, survivors, or heirs), most of whom are or were US military personnel, who were killed or injured in attacks in Iraq

between 2003 and 2011. NWM Plc is also a defendant in some of these cases.

According to the plaintiffs' allegations, the defendants are liable for damages arising from the attacks because they allegedly conspired with and/or aided and abetted Iran and certain Iranian banks to assist Iran in transferring money to Hezbollah and the Iraqi terror cells that committed the attacks, in violation of the US Anti-Terrorism Act, by agreeing to engage in 'stripping' of transactions initiated by the Iranian banks so that the Iranian nexus to the transactions would not be detected.

The first of these actions, alleging conspiracy claims but not aiding and abetting claims, was filed in the United States District Court for the Eastern District of New York in November 2014. In September 2019, the district court dismissed the case, finding that the claims were deficient for several reasons, including lack of sufficient allegations as to the alleged conspiracy and causation. In January 2023, the US Court of Appeals affirmed the district court's dismissal of this case. The plaintiffs have now filed a motion in the district court to re-open the case to assert aiding and abetting claims that they previously did not assert, which the defendants are opposing. Another action, filed in the SDNY in 2017, which asserted both conspiracy and aiding and abetting claims, was dismissed by the SDNY in March 2019 on similar grounds as the first case, but remains subject to appeal to the US Court of Appeals.

Other follow-on actions that are substantially similar to those described above are pending in the same courts.

#### 1MDB litigation

A Malaysian court claim was served in Switzerland in November 2022 by 1MDB, a Sovereign Wealth Fund, in which Coutts & Co Ltd was named, along with six others, as a defendant in respect of losses allegedly incurred by 1MDB. It is claimed that Coutts & Co Ltd is liable as a constructive trustee for having dishonestly assisted the directors of 1MDB in the breach of their fiduciary duties by failing (amongst other alleged claims) to undertake due diligence in relation to a customer of Coutts & Co Ltd, through which funds totalling c.US\$1 billion were received and paid out between 2009 and 2011. 1MDB seeks the return of that amount plus interest. Coutts & Co Ltd filed an application in January 2023 challenging the validity of service and the Malaysian court's jurisdiction to hear the claim, and a hearing took place in February 2024. In March 2024, the court granted that application. 1MDB has appealed that decision and a prior decision by the court not to allow them to discontinue their claim. Both appeals are scheduled to be heard in November 2025.

Coutts & Co Ltd (a subsidiary of RBS Netherlands Holdings B.V., which in turn is a subsidiary of NWM Plc) is a company registered in Switzerland and is in wind-down following the announced sale of its business assets in 2015.

#### Regulatory matters

NWM 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. NWM Group companies 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 regimes.

Any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, other action being taken by governmental and regulatory authorities, increased costs being incurred by NWM Group, remediation of systems and controls, public or private

## 25 Memorandum items continued

### Litigation and regulatory matters

censure, restriction of NWM 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 NWM 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.

NWM Group is co-operating fully with the matters described below.

### US investigations relating to fixed-income securities

In December 2021, NWM Plc pled guilty in the United States District Court for the District of Connecticut to one count of wire fraud and one count of securities fraud in connection with historical spoofing conduct by former employees in US Treasuries markets between January 2008 and May 2014 and, separately, during approximately three months in 2018. The 2018 trading occurred during the term of a non-prosecution agreement (NPA) between NWMSI and the United States Attorney's Office for the District of Connecticut (USAO CT), under which non-prosecution was conditioned on NWMSI and affiliated companies not engaging in criminal conduct during the term of the NPA. The relevant trading in 2018 was conducted by two NWM traders in Singapore and breached that NPA. The plea agreement reached with the US Department of Justice (DOJ) and the USAO CT resolved both the spoofing conduct and the breach of the NPA.

As required by the resolution and sentence imposed by the court, NWM Plc is subject to a probationary period, which was extended to end concurrently with the conclusion of the independent monitorship, which is also required under the plea agreement. The term of the independent monitorship and the ongoing implementation of recommendations made by it is currently scheduled to conclude in December 2025 but may be extended by agreement with the DOJ. In addition, NWM Plc has committed to compliance programme reviews and improvements and agreed to reporting and co-operation obligations.

In the event that NWM Plc does not meet its obligations to the DOJ, this may lead to adverse consequences such as increased costs from any extension of monitorship and/or the period of the probation, findings that NWM Plc violated its probation term, and possible re-sentencing, amongst other consequences. Other material adverse collateral consequences may occur as a result of this matter, as further described in the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on pages 172 to 173.

## 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.

	NWM Group		NWM Plc	
	2024	2023	2024	2023
	£m	£m	£m	£m
Impairment (releases)/losses	(8)	2	(7)	1
Depreciation and amortisation	10	16	3	6
Net impairment of investments in Group undertakings	-	-	30	293
Change in fair value taken to profit or loss on other financial liabilities and subordinated liabilities	(12)	90	(17)	73
Elimination of foreign exchange differences	560	261	325	108
Foreign exchange recycling losses/(gains)	70	(8)	36	1
Other non-cash items	270	198	256	203
Income receivable on other financial assets	(1,029)	(642)	(927)	(582)
(Profit)/loss on sale of other financial assets	(1)	1	-	-
Dividends receivable from subsidiaries	-	-	(94)	(349)
Profit on sale of other assets and net assets and liabilities	-	(1)	-	(1)
Interest payable on MREs and subordinated liabilities	291	252	283	241
Loss on redemption of own debt	-	14	-	14
Charges and release on provisions	11	(4)	27	19
Defined benefit pension schemes	(19)	(6)	(19)	(6)
<b>Non-cash and other items</b>	<b>143</b>	<b>173</b>	<b>(104)</b>	<b>21</b>
<b>Change in operating assets and liabilities</b>				
Change in trading assets	(5,397)	372	1,380	(2,317)
Change in derivatives assets	929	20,794	562	20,371
Change in settlement balances assets	5,184	(4,669)	1,618	(482)
Change in net loans to banks	(19)	247	(19)	222
Change in net loans to customers	(4,932)	(2,812)	(4,983)	(2,946)
Change in amounts due from holding company and fellow subsidiaries	655	(573)	969	1,879
Change in other financial assets	17	84	17	62
Change in other assets	33	46	33	40
Change in bank deposits	2,298	(802)	2,160	(1,027)
Change in customer deposits	(2,158)	3,384	(710)	395
Change in amounts due to holding company and fellow subsidiaries	(414)	184	(5,009)	2,117
Change in settlement balances liabilities	(4,912)	4,631	44	(733)
Change in trading liabilities	888	831	(3,948)	854
Change in derivatives liabilities	55	(21,604)	612	(21,350)
Change in other financial liabilities	7,674	2,627	7,305	2,353
Change in other liabilities	(127)	(123)	(82)	(110)
<b>Change in operating assets and liabilities</b>	<b>(226)</b>	<b>2,617</b>	<b>(51)</b>	<b>(672)</b>



## 27 Analysis of changes in financing during the year

	NWM Group					
	Share capital, share premium and paid-in equity		Subordinated liabilities (1)		MRELS (2)	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
At 1 January	3,250	3,250	1,296	1,985	3,070	3,173
Issue of paid-in equity	592	-				
Issue of subordinated liabilities			918	-		
Redemption of subordinated liabilities			(814)	(676)		
Interest paid on subordinated liabilities			(91)	(71)		
Issue of MRELS					1,680	1,699
Maturity and redemption of MRELS					(433)	(1,744)
Interest paid on MRELS					(179)	(175)
Net cash flows from financing activities	592	-	13	(747)	1,068	(220)
Effects of foreign exchange			(12)	(61)	25	(124)
Changes in fair value of subordinated liabilities and MRELS			10	33	(22)	57
Interest payable on subordinated liabilities and MRELS			74	68	217	184
Loss on redemption of own debt			-	14	-	-
Other	-	-	3	4	-	-
At 31 December	3,842	3,250	1,384	1,296	4,358	3,070

	NWM Plc					
	Share capital, share premium and paid-in equity		Subordinated liabilities (1)		MRELS (2)	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
At 1 January	3,250	3,250	1,041	1,661	3,070	3,173
Issue of paid-in equity	592	-				
Issue of subordinated liabilities			918	-		
Redemption of subordinated liabilities			(814)	(595)		
Interest paid on subordinated liabilities			(82)	(57)		
Issue of MRELS					1,680	1,699
Maturity and redemption of MRELS					(433)	(1,744)
Interest paid on MRELS					(179)	(175)
Net cash flows from financing activities	592	-	22	(652)	1,068	(220)
Effects of foreign exchange			(1)	(55)	25	(124)
Changes in fair value of subordinated liabilities and MRELS			5	16	(22)	57
Interest payable on subordinated liabilities and MRELS			66	57	217	184
Loss on redemption of own debt			-	14	-	-
At 31 December	3,842	3,250	1,133	1,041	4,358	3,070

(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, loans to banks and treasury bills with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

	NWM Group		NWM Plc	
	2024 £m	2023 £m	2024 £m	2023 £m
Cash and balances at central banks	16,229	13,831	11,069	8,607
Trading assets	6,885	8,723	3,220	4,065
Other financial assets	-	139	-	139
Loans to banks including intragroup balances (1)	1,422	2,250	1,981	4,177
Cash and cash equivalents	24,536	24,943	16,270	16,988

(1) NWM Group includes cash collateral posted with bank counterparties in respect of derivative liabilities of £3,658 million (2023 - £4,305 million), and NWM Plc includes cash collateral posted with bank counterparties in respect of derivative liabilities of £2,825 million (2023 - £3,656 million).

Certain members of NatWest Group are required by law or regulation to maintain balances with the central banks in the jurisdictions in which they operate. NatWest Markets N.V. had mandatory reserve deposits with De Nederlandsche Bank N.V. of €95 million (2023 - €132 million).

## 29 Directors' and key management remuneration

	2024 £000	2023 £000
<b>Directors' remuneration</b>		
Non-executive directors emoluments	391	319
Chairman and executive directors emoluments	2,774	2,477
	<b>3,165</b>	2,796
Amounts receivable under LTIPs, share option and other plans	792	604
<b>Total</b>	<b>3,957</b>	3,400

The total emoluments and amounts receivable under long-term incentive plans and share option plans of the highest paid director were £2,247,000 (2023 - £2,153,000).

The executive directors may participate in NatWest Group's long-term incentive plans, executive share option and share save schemes. Where directors of the Bank are also directors of NatWest Group, details of their share interests can be found in the 2024 Annual Report and Accounts of the NatWest Group, in line with regulations applying to NatWest Group as a premium listed company.

### Compensation of key management

The aggregate remuneration of directors and other members of key management during the year was as follows:

	2024 £000	2023 £000
Short term benefits	14,496	12,635
Post employment benefits	554	592
Share-based payments	4,943	3,878
	<b>19,993</b>	17,105

Short term benefits include benefits expected to be settled wholly within twelve months of 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

At 31 December 2024, amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in NatWest Group, as defined in UK legislation, were £91,766 in respect of loans to one director of the company at any time during the financial period (2023 - £229,540).

For the purposes of IAS 24 Related party disclosures, key management comprises directors of the company and members of the Executive Committee. Amounts in the table below are attributed to each person at their highest level of NatWest Group key management.

	2024 £000	2023 £000
Loans to customers - amortised cost	92	230
Customer deposits	817	2,163

Key management has 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 holding company.



## 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.

NWM Group enters into transactions with many of these bodies. Transactions include the payment of: taxes principally UK corporation tax (refer to 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

NWM 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.

### Other related parties

- (a) In their roles as providers of finance, NWM Group companies provide development and other types of capital support to businesses.
- (b) To further strategic partnerships, NWM Group may seek to invest in third parties or allow third parties to hold a minority interest in a subsidiary of NWM 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.
- (c) In accordance with IAS 24, transactions, or balances between NWM Group entities that have been eliminated on consolidation are not reported.
- (d) NWM Group is recharged from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.
- (e) The primary financial statements include transactions and balances with its subsidiaries which have been further disclosed in the relevant parent company notes.

### Holding company and fellow subsidiaries

Transactions NWM Group enters with its holding company and fellow subsidiaries also meet the definition of related party transactions. The table below discloses transactions between NWM Group and fellow subsidiaries of NatWest Group.

	2024			2023		
	Holding company	Fellow subsidiaries	Total	Holding company	Fellow subsidiaries	Total
	£m	£m	£m	£m	£m	£m
Interest receivable	1	7	8	1	29	30
Interest payable	(231)	(137)	(368)	(274)	(45)	(319)
Fees and commissions receivable	6	74	80	3	68	71
Fees and commissions payable	-	(49)	(49)	-	(39)	(39)
Other operating income (1)	-	146	146	-	177	177
Other administration expenses (2)	-	(541)	(541)	-	(540)	(540)
	(224)	(500)	(724)	(270)	(350)	(620)

(1) Other operating income 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.

(2) Includes internal service recharges of £541 million (2023 - £540 million).

## 31 Related parties continued

Amounts due from/to holding company and fellow subsidiaries are as below:

	NWM Group					
	2024			2023		
	Holding company £m	Fellow subsidiaries £m	Total £m	Holding company £m	Fellow subsidiaries £m	Total £m
<b>Assets</b>						
Trading assets	-	29	29	-	273	273
Loans to banks - amortised cost	-	242	242	-	1,246	1,246
Loans to customers - amortised cost	18	-	18	17	-	17
Other assets	-	54	54	-	194	194
Amounts due from holding company and fellow subsidiaries	18	325	343	17	1,713	1,730
Derivatives (1)	616	322	938	761	537	1,298
<b>Liabilities</b>						
Bank deposits - amortised cost	-	548	548	-	537	537
Customer deposits - amortised cost	-	43	43	-	55	55
Trading liabilities	561	52	613	735	293	1,028
Other financial liabilities - subordinated liabilities	1,115	-	1,115	1,022	-	1,022
MREL instruments issued to NatWest Group plc	4,358	-	4,358	3,070	-	3,070
Other liabilities	-	94	94	17	73	90
Amounts due to holding company and fellow subsidiaries	6,034	737	6,771	4,844	958	5,802
Derivatives (1)	62	280	342	84	260	344

	NWM Plc							
	2024				2023			
	Holding company £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m	Holding company £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m
<b>Assets</b>								
Trading assets	-	29	1,051	1,080	-	272	3,041	3,313
Loans to banks - amortised cost	-	168	840	1,008	-	1,049	799	1,848
Loans to customers - amortised cost	-	-	830	830	-	-	772	772
Settlement balances	-	-	128	128	-	-	91	91
Other financial assets	-	-	210	210	-	-	214	214
Other assets	-	54	31	85	-	183	51	234
Amounts due from holding company and fellow subsidiaries	-	251	3,090	3,341	-	1,504	4,968	6,472
Derivatives (1)	616	322	3,355	4,293	761	537	2,442	3,740
<b>Liabilities</b>								
Bank deposits - amortised cost	-	549	166	715	-	538	109	647
Customer deposits - amortised cost	-	41	508	549	-	55	745	800
Trading liabilities	561	52	3,286	3,899	735	292	6,783	7,810
Settlement balances	-	-	14	14	-	-	906	906
Other financial liabilities - subordinated liabilities	1,115	-	-	1,115	1,022	-	-	1,022
MREL instruments issued to NatWest Group plc	4,358	-	-	4,358	3,070	-	-	3,070
Other liabilities	-	68	39	107	17	50	63	130
Amounts due to holding company and fellow subsidiaries	6,034	710	4,013	10,757	4,844	935	8,606	14,385
Derivatives (1)	62	280	3,381	3,723	84	260	2,676	3,020

(1) Intercompany derivatives are included within derivative classification on the balance sheet.

There was £45 million (2023 - £28 million) of NWM Group commitments and guarantees related to transactions with fellow group companies.

## 32 Ultimate holding company

NWM Group's ultimate 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 NWM Group is consolidated. Copies of the consolidated accounts 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](https://natwestgroup.com).

## 33 Post balance sheet events

On 10 January 2025, NWM Plc issued a total of €1.0 billion of notes under the EMTN programme in benchmark transactions. There has been no adjustment to the 31 December 2024 statutory financial statements.

Other than as disclosed in the accounts, there have been no other significant events between 31 December 2024 and the date of approval of these accounts which would require a change to or additional disclosure.

## 34 Related undertakings

### Legal entities and activities at 31 December 2024

In accordance with the Companies Act 2006, NWM Plc's related undertakings and the accounting treatment for each are listed below. All undertakings are wholly owned by NWM Plc or subsidiaries of NWM Plc and are consolidated by reason of contractual control (Section 1162(2) CA 2006), unless otherwise indicated. NWM 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.

The following table details active related undertakings incorporated in the UK which are 100% owned by NWM Group and fully consolidated for accounting purposes

Entity name	Activity	Regulatory treatment	Notes	Entity name	Activity	Regulatory treatment	Notes
280 Bishopsgate Finance Ltd	INV	FC	(1)	RBOS (UK) Ltd	BF	FC	(1)
Care Homes 2 Ltd	BF	FC	(1)	RBS Property Developments Ltd	INV	FC	(22)
Care Homes 3 Ltd	BF	FC	(1)	Royal Bank Investments Ltd	BF	FC	(2)
Care Homes Holdings Ltd	BF	FC	(1)	Royal Bank Ventures Investments Ltd	BF	FC	(2)
Lombard Corporate Finance (11) Ltd	BF	FC	(1)	West Register (Hotels Number 3) Ltd	INV	DE	(2)
NatWest Markets Secretarial Services Ltd	SC	FC	(1)	West Register (Property Investments) Ltd	BF	DE	(2)
NatWest Markets Secured Funding LLP	BF	FC	(7)	West Register (Realisations) Ltd	INV	DE	(2)
Price Productions Ltd	BF	FC	(1)				
R.B. Equipment Leasing Ltd	BF	FC	(1)				
R.B. Leasing Company Ltd	BF	FC	(2)				

The following table details active related undertakings incorporated outside the UK which are 100% owned by NWM Group and fully consolidated for accounting purposes

Entity name	Activity	Regulatory treatment	Notes	Entity name	Activity	Regulatory treatment	Notes
Alcover A.G.	BF	DE	(16)	Random Properties Acquisition Corp. III	INV	FC	(3)
Alternative Investment Fund B.V.	BF	FC	(6)	RBS Acceptance Inc.	BF	FC	(3)
Atlas Nominees Ltd	OTH	FC	(3)	RBS Commercial Funding Inc.	BF	FC	(3)
Candlelight Acquisition LLC	BF	FC	(15)	RBS Employment (Guernsey) Ltd	SC	FC	(21)
Coutts & Co Ltd	CI	FC	(14)	RBS Financial Products Inc.	BF	FC	(3)
Coutts General Partner (Cayman) V Ltd	BF	FC	(3)	RBS Group (Australia) Pty Ltd	BF	FC	(8)
Financial Asset Securities Corp.	BF	FC	(13)	RBS Holdings III (Australia) Pty Ltd	BF	FC	(8)
KEB Investors, L.P.	BF	FC	(12)	RBS Holdings N.V.	BF	FC	(6)
Maja Finance S.R.L.	BF	FC	(3)	RBS Holdings USA Inc.	BF	FC	(3)
NatWest Markets Group Holdings Corporation	BF	FC	(6)	RBS International Depositary Services S.A.	CI	FC	(10)
NatWest Markets N.V.	CI	FC	(3)	RBS Investments (Ireland) Ltd	BF	FC	(4)
NatWest Markets Securities Inc.	INV	FC	(19)	RBS Netherlands Holdings B.V.	BF	FC	(6)
NatWest Markets Securities Japan Ltd	INV	FC	(3)	RBS Nominees (Hong Kong) Ltd	BF	FC	(19)
NatWest Services Inc.	SC	FC	(18)	RBS Nominees (Ireland) Ltd	BF	FC	(4)

The following table details active related undertakings incorporated in the UK where NWM Group ownership is less than 100%

Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes
NatWest Markets Secured Funding (LM) Ltd	BF	FC	PC	20	(7)
RBS Sempra Commodities LLP	BF	FC	FC	51	(2)

The following table details active related undertakings incorporated outside the UK where NWM Group ownership is less than 100%

Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes	Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes
Eris Finance S.R.L.	BF	IA	PC	45	(12)	Lunar Luxembourg Series 2020-01	BF	FC	DE	0	(10)
Lunar Funding VIII Ltd	BF	FC	DE	0	(5)	Lunar Luxembourg Series 2020-02	BF	FC	DE	0	(10)
Lunar Luxembourg SA	BF	FC	DE	0	(10)	Lunar Luxembourg Series 2022-01	BF	FC	DE	0	(10)
Lunar Luxembourg Series 2019-04	BF	FC	DE	0	(10)	NatWest Markets Secured Funding DAC	BF	FC	FC	0	(11)
Lunar Luxembourg Series 2019-05	BF	FC	DE	0	(10)	Solar Funding II Ltd	BF	FC	FC	0	(20)
Lunar Luxembourg Series 2019-06	BF	FC	DE	0	(10)	Sparrow Capital Call 2024-1 Ltd	BF	FC	DE	0	(20)

## 34 Related undertakings continued

The following table details related undertakings that are not active (actively being dissolved)

Entity name	Accounting treatment	Regulatory treatment	Group %	Notes	Entity name	Accounting treatment	Regulatory treatment	Group %	Notes
Herge Holdings B.V.	IA	PC	63	(17)	RB Investments 3 Ltd	FC	FC	100	(1)
Lombard Corporate Finance (6) Ltd	FC	FC	100	(1)	RBS Management Services (UK) Ltd	FC	FC	100	(1)
Patalex Productions Ltd	FC	FC	100	(1)	RBS Mezzanine Ltd	FC	FC	100	(22)
Priority Sites Ltd	FC	DE	100	(1)					

The following table details related undertakings that are dormant

Entity name	Accounting treatment	Regulatory treatment	Group %	Notes	Entity name	Accounting treatment	Regulatory treatment	Group %	Notes
N.C. Head Office Nominees Ltd	FC	FC	100	(2)	Sixty Seven Nominees Ltd	FC	FC	100	(1)
Project & Export Finance (Nominees) Ltd	FC	FC	100	(1)	The Royal Bank Of Scotland (1727) Ltd	FC	FC	100	(2)
RBOS Nominees Ltd	FC	FC	100	(1)					

The following table details the overseas branches of NWM Group

Subsidiary	Geographic location	Subsidiary	Geographic location
NatWest Markets N.V.	France, Germany, Italy, Sweden	NatWest Markets Plc	Germany, India, Japan, Singapore, United Arab Emirates

### Key:

BF	Banking and financial institution
CI	Credit institution
INV	Investment (shares or property) holding company
SC	Service company
TR	Trustee
OTH	Other
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)	RBS Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ, Scotland	UK
(3)	251 Little Falls Drive, Wilmington, DE, 19808	USA
(4)	Ulster Bank Head Office, Block B Central Park, Leopardstown, Dublin 18, D18 N153, Ireland	Ireland
(5)	Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 31119	Cayman Islands
(6)	Claude Debussylaan 94, Amsterdam, 1082 MD	Netherlands
(7)	1 Bartholomew Lane London EC2N 2AX, England	UK
(8)	Ashurst, Level 16, 80 Collins Street, South Tower, Melbourne, VIC, 3000	Australia
(9)	114 West 47th Street, New York, 10036	USA
(10)	40, Avenue J.F Kennedy, Kirchberg, L 1855	Luxembourg
(11)	5 Harbourmaster Place, Dublin 1, D01 E7E8	Ireland
(12)	Alfieri V. 1, Conegliano	Italy
(13)	Clarendon House, Two Church Street, Suite 104, Reid Street, Hamilton, HM 11	Bermuda
(14)	Maples Corporate Services Limited, P.O. Box 309, 121 South Church Street, George Town, Grand Cayman, KY1-1104	Cayman Islands
(15)	Schuetzengasse 4, CH-8001 Zurich	Switzerland
(16)	Tirolerweg 8, Zug, CH- 6300	Switzerland
(17)	Verlengde Poolseweg 16, Breda, 4818C	Netherlands
(18)	Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM 10	Bermuda
(19)	5/F Manulife Place, 348 Kwun Tong Road, Kowloon	Hong Kong
(20)	IFC5, St.Helier, JE1 1ST	Jersey
(21)	Les Echelons Court, Les Echelons, St Peter Port, GY1 1AR	Guernsey
(22)	7 Castle Street, Edinburgh, EH2 3AH	United Kingdom

## Non-IFRS measures

NWM Group prepares its financial statements in accordance with IFRS as issued by the IASB which constitutes a body of generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP or non-IFRS financial measures. These measures are adjusted for certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. These non-IFRS measures are not measures within the scope of IFRS and are not a substitute for IFRS measures. These measures include:

- Management analysis of operating expenses shows litigation and conduct costs on a separate line. These amounts are included within staff costs and other administrative expenses in the statutory analysis. Other operating expenses excludes litigation and conduct costs which are more volatile and may distort comparisons with prior periods.
- Funded assets are defined as total assets less derivative assets. This measure allows review of balance sheet trends exclusive of the volatility associated with derivative fair values.
- Management view of income by business including shared revenue and before own credit adjustments. This measure is used to show underlying income generation in NatWest Markets excluding the impact of own credit adjustments.
- Revenue share refers to income generated by NatWest Markets products from customers that have their primary relationship with other NatWest Group subsidiaries, a proportion of which is shared between NatWest Markets and those subsidiaries.
- Transfer Pricing arrangements with fellow NatWest Group subsidiaries includes revenue share and a profit share arrangement with fellow NatWest Group subsidiaries. The profit share arrangement was introduced during 2023 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 profit share is not allocated to individual NatWest Markets product areas.
- Own credit adjustments are applied to positions where it is believed that the counterparties would consider NWM Group's creditworthiness when pricing trades. The fair value of certain issued debt securities, including structured notes, is adjusted to reflect the changes in own credit spreads and the resulting gain or loss recognised in income.

## Operating expenses – management view

	Year ended					
	31 December 2024			31 December 2023		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m	£m	£m	£m
Staff expenses	27	425	452	12	406	418
Premises and equipment	-	75	75	-	66	66
Other administrative expenses	75	596	671	48	594	642
Depreciation and amortisation	-	10	10	-	16	16
<b>Total</b>	<b>102</b>	<b>1,106</b>	<b>1,208</b>	<b>60</b>	<b>1,082</b>	<b>1,142</b>

# Risk Factors

## Principal Risks and Uncertainties

Set out below are certain risk factors that could have a material adverse effect on NWM Group's future results, its financial condition, and/or prospects, and cause them to be materially different from what is forecast or expected, and directly or indirectly impact the value of its securities. These risk factors are broadly categorised and should be read in conjunction with other risk factors in this section and other parts of this annual report, including the forward-looking statements section, the strategic report and the risk and capital management section. They should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing NWM Group.

### Economic and political risk

**NWM Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, and geopolitical developments.**

NWM Group is affected by global economic and market conditions, particularly those in the UK. Uncertain and volatile economic conditions in the UK or globally can create a challenging operating environment for financial services companies such as NWM Group. The outlook for the UK and the global economy is affected by many dynamic factors including: GDP, unemployment, inflation and interest rates, asset prices (including residential and commercial property), energy prices, monetary and fiscal policy (such as increases in bank levies), supply chain disruption, protectionist policies or trade barriers (including tariffs).

Economic and market conditions could be exacerbated by a number of factors including: instability in the UK and/or global financial systems, market volatility and change, fluctuations in the value of the pound sterling, new or extended economic sanctions, volatility in commodity prices, political uncertainty, concerns regarding sovereign debt (including sovereign credit ratings), any lack or perceived lack of creditworthiness of a counterparty or borrower that may trigger market-wide liquidity problems, changing demographics in the markets that NWM Group and its customers serve, rapid changes to the economic environment due to the adoption of technology, automation, artificial intelligence, or due to the consequences of climate change, biodiversity loss, nature degradation and/or increasing social and other inequalities.

NWM Group is also exposed to risks arising out of geopolitical events or political developments that may hinder economic or financial activity levels and may, directly or indirectly, impact UK, regional or global trade and/or NWM Group's customers and counterparties. NWM Group's business and performance could be negatively affected by political, military or diplomatic events, geopolitical tensions, armed conflict (for example, the Russia-Ukraine conflict and Middle East conflicts), terrorist acts or threats, more severe and frequent extreme weather events, widespread public health crises, and the responses to any of the above scenarios by various governments and markets.

In recent years, the UK has experienced significant political uncertainty. NWM Group may also face political uncertainty in Scotland if there is another Scottish independence referendum. Scottish independence may adversely affect NWM Group plc both in relation to its entities incorporated in Scotland and in other jurisdictions.

Any changes to Scotland's relationship with the UK or the EU may adversely affect the environment in which NatWest Group plc and its subsidiaries operate and may require further changes to NatWest Group (including NWM Group's structure), independently or in conjunction with other mandatory or strategic structural and organisational changes, any of which could adversely affect NWM Group.

The value of NWM Group's own and other securities may be materially affected by market risk (including as a result of market fluctuations). Market volatility, illiquid market conditions and disruptions in the financial markets may make it very difficult to value certain of NWM Group's own and other securities, particularly during periods of market displacement. This could cause a decline in the value of NWM Group's own and other securities, or inaccurate carrying values for certain financial instruments. Similarly, NWM Group trades a considerable amount of financial instruments (including derivatives) and volatile market conditions could result in a significant decline in NWM Group's net trading income or result in a trading loss.

In addition, financial markets are susceptible to severe events evidenced by, or resulting in, rapid depreciation in asset values, which may be accompanied by a reduction in asset liquidity. Under these conditions, hedging and other risk management strategies may not be as effective at mitigating losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously (and often automatically) and on a large scale, increasing NWM Group's counterparty risk. NWM Group's risk management and monitoring processes seek to quantify and mitigate NWM Group's exposure to extreme market moves. However, market events have historically been difficult to predict, and NWM Group, its customers and its counterparties could experience significant losses if severe market events were to occur.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### Fluctuations in currency exchange rates may adversely affect NWM Group's results and financial condition.

Decisions of central banks (including the BoE, the ECB, and the US Federal Reserve) and political or market events which are outside NWM Group's control, may lead to sharp and sudden fluctuations in currency exchange rates.

Although NWM Group is principally a UK-focused banking group, it is subject to structural foreign exchange risk from capital deployed in NWM Group and its foreign subsidiaries and branches. NWM Group also issues instruments in non-sterling currencies, such as USD, that assist in meeting NWM Group's regulatory requirements. In addition, NWM Group conducts banking activity in non-sterling currencies (for example, loans, deposits and dealing activity) which affect its revenue. NWM Group also uses service providers based outside the UK for certain services and as a result certain operating expenses are subject to fluctuations in currency exchange rate. NWM Group maintains policies and procedures designed to manage the impact of its exposure to fluctuations in currency exchange rates. Nevertheless, changes in currency exchange rates, particularly in the sterling-US dollar and



sterling-euro rates, may adversely affect various accounting and financial metrics including the value of assets, liabilities (including the total amount of instruments eligible to contribute towards the minimum requirement for own funds and eligible liabilities ('MREL')), income and expenses, RWAs and hence the reported earnings and financial condition of NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **Changes in interest rates will continue to affect NWM Group's business and results.**

NWM Group's performance is affected by changes in interest rates. Benchmark overnight interest rates, such as the UK base rate, decreased in 2024, and forward rates suggest that interest rates will continue to decline in 2025. Stable interest rates support more predictable income flow and less volatility in asset and liability valuations, although persistently low and negative interest rates may adversely affect NWM Group. Further, volatility in interest rates may result in unexpected outcomes both for interest income and asset and liability valuations which may adversely affect NWM Group. For example, decreases in key benchmark rates such as the UK base rate may adversely affect NWM Group's income, and unexpected movements in spreads between key benchmark rates such as sovereign and swap rates may, in turn, affect liquidity portfolio valuations. In addition, unexpected sharp rises in rates may also have negative impacts on some asset and derivative valuations.

Moreover, customer and investor responses to rapid changes in interest rates can have an adverse effect on NWM Group. For example, customers may make deposit choices that provide them with higher returns than those being offered by NWM Group. Alternatively, NWM Group may not respond with competitive products as rapidly, for example following an interest rate change which may in turn decrease NWM Group's net interest income.

Movements in interest rates also influence and reflect the macroeconomic situation more broadly, affecting factors such as business and consumer confidence, property prices, default rates on loans, customer behaviour (which may adversely impact the effectiveness of NWM Group's hedging strategy), and other indicators that may indirectly affect NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **HM Treasury (or UKGI on its behalf) could exercise, or be perceived as being capable of exercising, influence over NatWest Group and NWM Group is controlled by NatWest Group.**

In its Autumn Budget 2024, the UK Government confirmed its commitment to exit its shareholding in NatWest Group plc by 2025-2026 subject to market conditions and sales representing value for money for taxpayers. Accordingly, following various prior sell-downs of parts of its shareholding in NatWest Group plc, HM Treasury is no longer a "controlling shareholder" of NatWest Group plc. As at 13 January 2025, HM Treasury held 8.90% of the ordinary share capital with voting rights of NatWest Group plc.

HM Treasury has indicated that it intends to respect the commercial decisions of NatWest Group and that NatWest Group entities (including NWM Group) will continue to have their own independent board of directors and management team determining their own strategy.

However, for as long as HM Treasury remains NatWest Group plc's largest single shareholder, HM Treasury and UK Government Investments Limited ('UKGI') (as manager of HM Treasury's shareholding) could exercise, or be perceived as being capable of exercising, influence over NatWest Group (including NWM Group), on matters such as changes to NatWest Group's (including NWM Group's) directors and senior management, NatWest Group's (including NWM Group's) capital strategy, dividend policy, remuneration policy or how NatWest Group conducts its operations. HM Treasury or UKGI's approach largely depends on government policy, which could change. Any exercise of such influence, or the perception that such influence may be exercised, may have an adverse effect on NatWest Group's (including NWM Group's) reputation, the price of NatWest Group's (including NWM Group's) securities, or the governance or business strategy of NWM Group.

The way in which HM Treasury or UKGI exercises HM Treasury's rights as NatWest Group plc's largest single shareholder could give rise to conflicts between the interests of HM Treasury and the interests of other shareholders, including as a result of a change in government policy, which may in turn adversely affect NatWest Group (including NWM Group).

In addition, NWM Plc is a wholly owned subsidiary of NatWest Group plc, and NatWest Group plc therefore controls NWM Plc's board of directors and NWM Group's corporate policies and strategic direction. The interests of NatWest Group plc (as an equity holder and as NWM Group's parent) and the interests of the C&I business segment may differ from, and conflict with, the interests of NWM Group or of potential investors in its securities. See also, 'NWM Group has been in a period of, and may continue to be subject to, significant structural and other change.'

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, reputation, and/or the price of its securities.

#### **Business change and execution risk**

##### **NWM Group has been in a period of, and may continue to be subject to, significant structural and other change.**

As part of NatWest Group's strategy (including the strategic priorities of disciplined growth, bank-wide simplification and active balance sheet and risk management), NWM Group's own strategy has evolved to mostly focus on serving NatWest Group's corporate and institutional customer base via the creation of NatWest Group's C&I business segment. NatWest Group plc reports NWM Group's results under the C&I operating segment structure, although NWM Plc continues to also report on a standalone legal entity basis.

The C&I business segment was created to promote closer operational and strategic alignment to support NatWest Group growth, with more integrated services to customers across NatWest Group entities, within and outside the ring-fenced banks with the potential increased risk of breach of the UK ring-fencing regime requiring effective conflicts of interest policies. As a result of further focusing on NatWest Group's core C&I customers, NWM Group's prospects have become further dependent on the success and strategy of NatWest Group and its C&I business segment in particular.

NWM Group's ability to serve its customers may be adversely affected by the execution of NatWest Group's strategy in respect of its C&I business segment and customer reactions to the changing nature of NWM Group's business model may be more adverse than expected. Previously anticipated revenue and profitability levels may not be achieved (including in relation to: the ability to support customer transactions whilst meeting NWM Group capital targets, and changes to the availability of risk capital), in the timescales envisaged or at all.

An adverse macroeconomic environment, political and regulatory uncertainty, market volatility and change, and/or strong market competition may require NWM Group to adjust aspects of its strategy or the timeframe for its implementation. It is anticipated that NWM Plc will continue to generate operating losses in the short-term and as a result its capital levels may decline.

NWM Group's strategy requires it to focus on bank-wide simplification, a significant proportion of which is dependent on simplification of its IT systems and therefore may not be realised if IT capabilities are not delivered in line with assumptions. In addition, the scale of changes that have been concurrently implemented require the implementation and application of robust governance and controls frameworks and robust IT systems. There is a risk that NWM Group may not be successful in maintaining such governance and control frameworks and IT systems.

As part of NWM Group's strategy, NWM Group has set a number of financial, capital and operational targets and expectations, which are expected to require further reductions to its wider cost base. The financial, operational and capital targets and expectations envisaged by NWM's strategy may not be met or maintained in the timeframes expected or at all. In addition, targets and expectations for NWM Group are based on management plans, projections and models, and are subject to a number of key assumptions and judgements, any of which may prove to be inaccurate. NWM Group has implemented a shared services model and transfer pricing arrangements with some entities within NatWest Group's ring-fenced sub-group (including NatWest Bank Plc and The Royal Bank of Scotland Plc). NWM Group therefore relies directly or indirectly on NatWest Group entities to provide services to itself and its customers. This reliance has increased as a result of NWM Group joining NatWest Group's C&I business segment.

A failure of NWM Group to receive these services may result in operational risk. See, 'Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM Group's businesses.' In addition, any change to the cost and/or scope of services provided by NatWest Group may impact NWM Group's competitive position and its ability to meet its other targets.

NWM's strategy entails legal, execution, operational and regulatory (including compliance with the UK ring-fencing regime), conflicts, IT system, cybersecurity, culture, people, conduct, business and financial risks to NWM Group. As a result, NWM Group may not be able to successfully implement some or all aspects of its strategy or may not meet any or all of the related strategic targets or expectations.

Additionally, as a result of the UK's withdrawal from the EU, certain aspects of the services provided by NWM Group require local licences or individual equivalence decisions (temporary or otherwise) by relevant regulators. In April 2024, the European Parliament approved the Banking Package (CRR III/CRD VI). From 10 January 2027, non-EU firms providing 'banking services' will be required to apply for and obtain authorisation to operate as third country branches in each relevant EU member state where they provide these services, unless an exemption applies. NatWest Group continues to evaluate its EU operating model, making adaptations as necessary. 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. Changes to, or uncertainty regarding, NWM Group's EU operating model have been, and may continue to be, costly and may: (i) adversely affect customers and counterparties who are dependent on trading with the EU or personnel from the EU; (ii) result in further

costs and/or regulatory sanction due to a failure to receive the required regulatory permissions and/or further changes to NWM Group's business operations, product offering, customer engagement, and regulatory requirements; and/or (iii) impact NWM Plc's direct access to euro ECB liquidity facilities and euro central bank reserves.

Furthermore, transferring business to an EEA based subsidiary, including in connection with NatWest Group's Western European corporate portfolio, is a complex exercise and involves legal, regulatory and execution risks, and could result in a loss of business and/or customers or higher than anticipated costs (see also, 'The transfer of NatWest Group's Western European corporate portfolio involves certain risks.'). Any of the above could, in turn, adversely affect NWM Group.

As a result of RBS Holdings N.V. and its subsidiary NatWest Markets N.V. (both subsidiaries of NWM Group) being classified as a "significant supervised group", ECB direct supervision of both subsidiaries began on 1 January 2024, which could have an adverse effect on NWM Group's business strategy, operating model and prudential requirements in the short and medium term.

Each of the risks identified above, individually or collectively, could adversely affect NWM Group's products and services offering or office locations, competitive position, ability to meet targets and commitments, reputation with customers or business model and may result in higher-than-expected costs, all of which could adversely affect NWM Group and its ability to deliver its strategy. There is a risk that the intended benefits of NatWest Group's and NWM Group's strategies may not be realised in the timelines or in the manner contemplated, or at all. Various aspects of NWM Group's strategy may not be successful, may not be completed as planned, or at all, or could be phased or could progress in a manner other than as expected. This could lead to additional management actions by NatWest Group (or NWM Group), regulatory action or reduced liquidity and/or funding opportunities.

Any of the above may lead to NWM Group not being viable, competitive, or profitable, and may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### **The transfer of NatWest Group's Western European corporate portfolio involves certain risks.**

To improve efficiencies and best serve customers following the UK's withdrawal from the EU, certain assets, liabilities, transactions and activities of NatWest Group (including its Western European corporate portfolio principally consisting of term funding and revolving credit facilities) (the 'Transfer Business'), are expected to be: (i) transferred from the ring-fenced subgroup of NatWest Group to NWM Group, and/or (ii) transferred to the ring-fenced subgroup of NatWest Group from NWM Group, subject to regulatory and customer requirements. The timing, success and quantum of any of these transfers remain uncertain as is the impact of these transactions on its results of operations. As a result, this may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### **Financial resilience risk**

**NWM Group may not achieve its ambitions or targets, meet its guidance, generate returns, or implement its strategy effectively.**

NWM Group has set a number of financial, capital and operational targets and provided guidance including in respect of: CET1 ratio and leverage ratio targets (for NWM Plc and NWM N.V.), MREL targets, targets in relation to local regulation, funding plans and requirements, employee engagement, diversity and inclusion as well as climate strategy (including its climate and sustainable funding and financing targets).

NWM Group's ability to meet its ambitions, targets, guidance, and make discretionary capital distributions is subject to various internal and external factors, risks and uncertainties. These include but are not limited to: UK and global macroeconomic, political, market and regulatory uncertainties, customer behaviour, operational risks and risks relating to NWM Group's business model and strategy (including risks associated with climate and other sustainability-related issues). See also, 'NWM Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, and geopolitical developments.'

A number of factors may impact NWM Plc and NWM N.V.'s abilities to maintain their respective CET1 ratio targets, including the macroeconomic environment, impairments, the extent of organic capital generation and the receipt and payment of dividends. Furthermore, the focus on maintaining a disciplined cost base may result in limited investment in other areas which could affect NWM Group's long-term product offering or competitive position and its ability to meet its other targets, including those related to customer satisfaction.

In addition, challenging trading conditions may adversely affect NWM Group's business and its ability to achieve its targets, meet its guidance, and execute its strategy. Furthermore, NWM Group's strategy may not be successfully executed or it may not meet its ambitions, targets, guidance and expectations.

Any of the above may lead to NWM Group not being a viable, competitive or profitable banking business and may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NWM Plc and/or its regulated subsidiaries may not meet the prudential regulatory requirements for regulatory capital.**

NWM Group is required by regulators in the UK, the EU and other jurisdictions in which it undertakes regulated activities to maintain adequate financial resources. Adequate capital provides NWM Group with financial flexibility in the face of turbulence and uncertainty in the global economy and specifically in its core UK operations.

NWM Plc's and NWM N.V.'s target CET1 ratios are based on regulatory requirements and management actions (see the targets set forth in each respective entity's Outlook section) that rely on internal modelling and risk appetite (including under stress). As at 31 December 2024, NWM Plc's solo CET1 ratio was 18% and its CET1 target ratio for the medium term is around 14%. NWM Plc's current capital strategy is based on the management of RWAs and other capital management initiatives (including the reduction of RWAs and the periodic payment of dividends to NatWest Group plc, NWM Plc's parent company).

Other factors that could influence NWM Plc and NWM N.V.'s CET1 ratios include:

- a depletion of NWM Plc or NWM N.V.'s capital resources through reduced profits (which would in turn impact retained earnings) and may result from revenue attrition or increased liabilities, sustained periods of low interest rates, reduced asset values resulting in write-downs or reserve adjustments, impairments, changes in accounting policy, accounting charges or foreign exchange movements;
- a change in the quantum of NWM Plc's or NWM N.V.'s RWAs, stemming from exceeding target RWA levels, regulatory changes (including their interpretation or application), foreign exchange movements or a failure in internal controls or procedures to accurately measure and report RWAs/leverage exposure. An increase in RWAs would lead to a reduction in the CET1 ratio (and increase the amount of internal MREL required for NWM Plc);

- changes in prudential regulatory requirements including the Total Capital Requirement for NWM Plc (as regulated by the PRA) or NWM N.V. (as regulated by the ECB), including Pillar 2 requirements and regulatory buffers as well as any applicable scalars;
- further losses (including as a result of extreme one-off incidents such as cyberattack, fraud or conduct issues) would deplete capital resources and place downward pressure on the CET1 ratio; or
- the timing of planned liquidation, disposal and/or capital releases of capital including on activity or legacy entities owned by NWM Plc and NWM N.V.

See also 'NWM Group has been in a period of, and may continue to be subject to, significant structural and other change.'

Management actions taken under a stress scenario may affect, among other things, NWM Group's product offering, its credit ratings, its ability to operate its businesses and pursue its strategy, any of which may negatively impact investor confidence, and the value of NWM Group's securities. See also, 'NWM Plc and/or its regulated subsidiaries may not manage their capital, liquidity or funding effectively which could trigger the execution of certain management actions or recovery options,' 'NatWest Group (including NWM Group) may become subject to the application of UK statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of NWM Group entities' Eligible Liabilities', and NWM Group may be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests.'

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NWM Group is reliant on access to the capital markets to meet its funding requirements, both directly through wholesale markets, and indirectly through its parent (NatWest Group plc) for the subscription to its internal capital and MREL. The inability to do so may adversely affect NWM Group.**

NWM Plc's funding plan anticipates that in 2025, it will issue £4-5 billion of public benchmark issuance, based on its current and anticipated business activities. NWM Group (which includes NatWest Markets N.V.) therefore has significant anticipated funding requirements, which may increase in the future (including as a result of changes to NatWest Group's and NWM Group's EU operating model), and is reliant on frequent access to the capital markets for funding, at a cost that can be passed through to its customers. This access entails execution risk, regulatory risk, risk of reduced commercial activity, risk of loss of market confidence in NWM Group if it cannot finance its activities and risk of a ratings downgrade, which could be influenced by a number of internal or external factors, including, those summarised in these risk factors.

In addition, NWM Plc receives capital and funding from NatWest Group plc. NWM Plc has set target levels for different tiers of capital and for the internal MREL, as percentages of its RWAs. The level of capital and funding required for NWM Plc to meet its internal targets is therefore a function of the level of RWAs and its leverage exposure in NWM Plc and this may vary over time.

NWM Plc's internal MREL comprises the regulatory value of capital instruments and loss-absorbing senior funding issued by NWM Plc to its parent, NatWest Group plc, in all cases with a residual maturity of at least one year. The BoE has identified that the preferred resolution strategy for NatWest Group is as a single point-of-entry.

As a result, NatWest Group plc is the only entity able to issue Group MREL eligible liabilities to third-party investors, using the proceeds to fund the internal capital and MREL targets and/or requirements of its operating entities, including NWM Plc. NWM Plc is therefore dependent not only on NatWest Group plc to fund its internal capital targets, but also on NatWest Group plc's ability to source appropriate funding. NWM Plc is also dependent on NatWest Group plc to continue to fund NWM Plc's internal MREL targets over time and its ability to issue and maintain sufficient amounts of external MREL liabilities to support this. In turn, NWM Plc is required to fund the internal capital requirements and MREL of its subsidiaries.

Any inability of NWM Group to adequately access the capital markets, to manage its balance sheet in line with assumptions in its funding plans, or to issue internal capital and MREL may adversely affect NWM Group, such that NWM Group may not constitute a viable banking business and/or NWM Plc or NWM N.V. may fail to meet their respective regulatory capital and/or MREL (at present, NWM N.V. does not have its own MREL).

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options.**

Liquidity and the ability to raise funds continues to be a key area of focus for NWM Group and the industry as a whole. NatWest Group and NWM Plc (on a standalone basis) are required by regulators in the UK, the EU and other jurisdictions in which they undertake regulated activities to maintain adequate liquidity and funding resources. To satisfy its liquidity and funding requirements, NWM Group may therefore access sources of liquidity and funding through deposits and wholesale funding, including debt capital markets and trading liabilities such as repurchase agreements. As at 31 December 2024, NWM Group held £9.4 billion in deposits from banks and customers.

The level of deposits and wholesale funding may fluctuate due to factors outside NWM Group's control. These factors include: loss of customers, changes in customer behaviour, loss of customer and/or investor confidence (including in individual NWM Group entities or the UK banking sector or the banking sector as a whole), changes in interest rates, government support, increasing competitive pressures for bank funding or the reduction or cessation of deposits and other funding by counterparties, any of which could result in a significant outflow of deposits or reduction in wholesale funding within a short period of time. See also, 'NWM Group has significant exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on NWM Group'. An inability to grow, roll-over, or any material decrease in, NWM Group's deposits, short-term wholesale funding and short-term liability financing could, particularly if accompanied by one of the other factors described above, adversely affect NWM Group.

NWM Group engages from time to time in 'fee based borrow' transactions whereby collateral (such as government bonds) is borrowed from counterparties on an unsecured basis in return for a fee. This borrowed collateral may be used by NWM Group to finance parts of its balance sheet, either in its repo financing business, derivatives portfolio or more generally across its balance sheet. If such 'fee based borrow' transactions are unwound whilst used to support the financing of parts of NWM Group balance sheet, then unsecured funding from other sources would be required to replace such financing.

There is a risk that NWM Group would be unable to replace such financing on acceptable terms or at all, which could adversely affect its liquidity position and have an adverse effect on NWM Group. In addition, because 'fee based borrow' transactions are conducted off-balance sheet (due to the collateral being borrowed) investors may find it more difficult to gauge NWM Group's creditworthiness, which may be affected if these transactions were to be unwound in a stress scenario. Any lack of or perceived lack of creditworthiness may adversely affect NWM Group.

Macroeconomic developments, political uncertainty, changes in interest rates, and market volatility, could affect NWM Group's ability to access sources of liquidity and funding on satisfactory terms, or at all. This may result in higher funding costs and failure to comply with regulatory capital, funding and leverage requirements. As a result, NWM Plc and its subsidiaries could be required to change their funding plans and/or their funding operations. For example, impairments or other losses as well as increases to capital deductions may result in a decrease to NWM Plc's capital base, and/or that of its subsidiaries.

If NatWest Group plc is unable to issue securities externally as planned, this may have a negative impact on NWM Plc's current and forecasted MREL position, particularly if NatWest Group plc is unable to downstream capital and/or funding to NWM Plc. This could exacerbate funding and liquidity risk, which may adversely affect NWM Group.

As at 31 December 2024, NWM Group reported a liquidity coverage ratio of 195%. If its liquidity position and/or funding were to come under stress and if NWM Group is unable to raise funds through deposits, wholesale funding sources or other reliable funding sources, on acceptable terms, or at all, its liquidity position would likely be adversely affected. This would mean that NWM Group might be unable to: meet deposit withdrawals on demand or satisfy buyback requests, repay borrowings as they mature, meet its obligations under committed financing facilities, comply with regulatory funding requirements, undertake certain capital and/or debt management activities, or fund new loans, investments and businesses.

If, under a stress scenario, the level of liquidity falls outside of NWM Group's risk appetite, there are a range of recovery management actions that NWM Group could take to manage its liquidity levels, but any such actions may not be sufficient to restore adequate liquidity levels, and the related implementation may have adverse consequences for NWM Group. Under the PRA Rulebook, NatWest Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM Group's applicable liquidity requirements would trigger consideration of NWM Plc's recovery actions, and in turn may prompt consideration and execution of NatWest Group's recovery plan, to attempt to remediate a deficient liquidity position.

NWM Group may need to liquidate assets to meet its liabilities, including disposals of assets not previously identified for disposal to reduce its funding or payment commitments or trigger the execution of certain management actions or recovery options. This could also lead to higher funding costs and/or changes to NWM Group's funding plans or its operations. In a time of reduced liquidity or market stress, NWM Group may be unable to sell some of its assets or may need to sell assets at depressed prices, which in either case may adversely affect NWM Group.

NWM Group entities independently manage liquidity risk on a stand-alone basis, including through holding their own liquidity portfolios. They have restricted access to liquidity or funding from other NatWest Group entities. NWM Group entities' management of their own liquidity portfolios and the structure of capital support are subject to operational and execution risk.



Continuing market volatility may impact capital and RWAs and NWM Group and its subsidiaries may be required to adapt their funding plans or change their operations in order to satisfy their respective capital and funding requirements, which may have a negative impact on NWM Group. Market volatility may also result in increases to leverage exposure.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Plc and/or its regulated subsidiaries may not manage their capital, liquidity or funding effectively which could trigger the execution of certain management actions or recovery options.**

Under the PRA Rulebook, NatWest Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM Plc's applicable capital or leverage, liquidity or funding requirements would trigger consideration of NWM Plc's recovery actions, and in turn may prompt consideration and execution of NatWest Group's recovery actions. If, under stressed conditions, the liquidity, capital or leverage ratio were to decline, there are a range of recovery management actions (focused on risk reduction and mitigation) that NWM Plc could undertake that may or may not be sufficient to restore adequate liquidity, capital and leverage ratios. Additional management options relating to existing capital issuances, asset or business disposals, capital payments and dividends from NWM Plc to its parent, could also be undertaken to support NWM Plc's capital and leverage requirements. NatWest Group may also address a shortage of capital in NWM Plc by providing parental support to NWM Plc. NatWest Group's (and NWM Plc's) regulator may also request that NWM Group carry out additional capital management actions. The BoE has identified single point-of-entry at NatWest Group plc, as the preferred resolution strategy for NatWest Group. However, under certain conditions set forth in the BRRD, as the UK resolution authority, the BoE also has the power to execute the 'bail-in' of certain securities of NWM Group without further action at NatWest Group level.

Any capital management actions taken under a stress scenario may, in turn, affect: NWM Group's product offering, credit ratings, ability to operate its businesses and pursue its strategy as well as negatively impacting investor confidence and the value of NWM Group's securities. See also, 'NatWest Group (including NWM Group) may become subject to the application of UK statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of NWM Group entities' Eligible Liabilities.' In addition, if NWM Plc or NWM N.V.'s liquidity position were to be adversely affected, this may require assets to be liquidated or may result in higher funding costs, which may adversely affect NWM Group's operating performance.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**Any reduction in the credit rating and/or outlooks assigned to NatWest Group plc, any of its subsidiaries (including NWM Plc or NWM Group subsidiaries) or any of their respective debt securities could adversely affect the availability of funding for NWM Group, reduce NWM Group's liquidity and funding position and increase the cost of funding.**

Rating agencies regularly review NatWest Group plc, NWM Plc and other NatWest Group entities' credit ratings and outlooks. NWM Group entities' credit ratings and outlooks, could be negatively affected (directly and indirectly) by a number of factors that can change over time, including, without limitation: credit rating agencies' assessment of NWM Group's strategy and

management's capability; its financial condition including in respect of profitability, asset quality, capital, funding and liquidity, and risk management practices; the level of political support for the sectors and regions in which NWM Group operates; the legal and regulatory frameworks applicable to NWM Group's legal structure; business activities and the rights of its creditors; changes in rating methodologies; changes in the relative size of the loss-absorbing buffers protecting bondholders and depositors; the competitive environment; political, geopolitical and economic conditions in NWM Group's key markets (including inflation and interest rates, supply chain disruptions and geopolitical developments); any reduction of the UK's sovereign credit rating and market uncertainty. In addition, credit rating agencies are increasingly taking into account sustainability-related factors, including climate, environmental, social and governance-related risk, as part of the credit rating analysis, as are investors in their investment decisions.

Any reductions in the credit rating of NatWest Group plc, NWM Plc or of certain other NatWest Group entities could significantly affect NWM Group. Adverse consequences for NWM Group from downgrades could include, without limitation, a reduction in the access to capital markets or in the size of its deposit base, and trigger additional collateral or other requirements in its funding arrangements or the need to amend such arrangements, which could adversely affect NWM Group's liquidity and funding position, cost of funding, and could limit the range of counterparties willing to enter into transactions with NWM Group on favourable terms, or at all. This may in turn adversely affect NWM Group's competitive position and threaten its prospects.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group operates in markets that are highly competitive, with competitive pressures and technology disruption.**

NatWest Group (including NWM Group) faces increasing competitive pressures and technology disruption from incumbent traditional UK banks, challenger banks and building societies (including those resulting from mergers between these entities), fintech companies, large technology conglomerates and new market entrants who could look to scale technology and/or other competitive advantages to compete with NatWest Group for customer engagement. "BigTech" companies are seen as threats to incumbent banking providers because of their customer innovation and global reach. In addition, digital-first banks (often referred to as "neobanks") and fintechs are aiming to compete with incumbent banking providers on the basis that customers increasingly use a constellation of providers to support their complex and evolving needs (e.g., personal financial management and paying for goods and services in foreign currency).

NWM Group expects competition to continue and intensify in response to various trends including: evolving customer behaviour, technological changes (including digital currencies, stablecoins and the growth of digital banking), competitor behaviour, new market entrants, competitive foreign exchange offerings, industry trends resulting in increased disaggregation or unbundling of financial services or, conversely, the re-intermediation of traditional banking services, and the impact of regulatory actions, among others. In particular, NWM Group may be unable to grow or retain its market share due to new (or more competitive) banking, lending and payment products and services that are offered by rapidly evolving incumbents and challengers (including shadow banks, alternative or direct lenders and new entrants). These competitive pressures and the introduction of disruptive technology may result in a shift in customer behaviour and impact NWM Group's revenues and profitability.

Moreover, innovations in biometrics, artificial intelligence, automation, cloud services, blockchain, cryptocurrencies and quantum computing may rapidly facilitate industry transformation.

Increasingly, many of NWM Group's products and services are, and will become, more technology intensive, including through digitalisation, automation and the use of artificial intelligence while needing to continue complying with applicable and evolving regulations. NWM Group's ability to develop or acquire digital solutions and their integration into NWM Group's structures, systems and controls has become increasingly important for retaining and growing NWM Group's market share and customer-facing businesses.

NWM Group's innovation strategy (which includes investments in its IT capability intended to improve its core infrastructure and customer interface capabilities as well as investments and strategic partnerships with third party technology providers) may not be successful or may not result in NWM Group offering innovative products and services in the future. Furthermore, current or future competitors may be more successful than NWM Group in implementing technologies for delivering products or services to their customers, which may adversely affect its competitive position. In addition, continued consolidation and/or technological developments in the financial services industry could result in the emergence of new competitors or NWM Group's competitors gaining greater capital and other resources, including the ability to offer a broader and more attractive or better value range of products and services and geographic diversity. For example, new market entrants, including non-traditional financial services providers, such as technology conglomerates, may have competitive advantages in scale, and technology and may be able to develop and deliver financial services at a lower cost base.

NWM Group may also fail to identify future opportunities or fail to derive benefits from technological innovation, changing customer behaviour and changing regulatory demands. Competitors may be better able to attract and retain customers and key employees, have more effective IT systems, and have access to lower cost funding and/or be able to attract deposits or provide investment-banking services on more favourable terms than NWM Group. Although NWM Group invests in new technologies and participates in industry and research-led technology development initiatives, such investments may be insufficient or ineffective, especially given NWM Group's focus on business simplification and cost efficiencies. This could affect NWM Group's ability to offer innovative products or technologies to customers.

If NWM Group is unable to offer competitive, attractive and innovative products that are also profitable and released in a timely manner, it will lose market share, incur losses on some or all of its initiatives and possibly lose growth opportunities. For example, NWM Group is investing in the automation of certain solutions and interactions within its customer-facing businesses, including through artificial intelligence. There can be no certainty that such initiatives will allow NWM Group to compete effectively or will deliver the expected cost savings for NWM Group. In addition, the implementation of NatWest Group's strategy, delivery on its climate ambition and cost-controlling measures, may also have an impact on NWM Group's ability to compete effectively and provide satisfactory returns. Moreover, activist investors have increasingly become engaged and interventionist in recent years, which may pose a threat to NatWest Group's (and NWM Group's) strategic initiatives.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### NWM Group may be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests.

NatWest Group is subject to annual and other stress tests by its regulator in the UK. Stress tests are designed to assess the resilience of banks such as NWM Group to potential adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile.

If the stress tests reveal that a bank's existing regulatory capital buffers are not sufficient to absorb the impact of the stress, then it is possible that NatWest Group and/or NWM Group may need to take action to strengthen their capital positions.

Failure by NatWest Group to meet its quantitative and qualitative requirements of the stress tests set forth by its UK regulators may result in: NatWest Group's regulators requiring NatWest Group to generate additional capital, reputational damage, increased supervision and/or regulatory sanctions and/or loss of investor confidence.

Any of the above may have a material adverse effect on NatWest Group's (and NWM Group's) future results, financial condition, prospects, and/or reputation.

#### NWM Group has significant exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on NWM Group.

Credit risk may arise from a variety of business activities, including, but not limited to: extending credit to customers through various lending commitments; entering into swap or other derivative contracts under which counterparties have obligations to make payments to NWM Group (including un-collateralised derivatives); providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools, whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans. See also, 'Risk and capital management — Credit Risk'. Any negative developments in the activities listed above may negatively impact NWM Group's customers and credit exposures, which may, in turn, adversely affect NWM Group's profitability.

NWM N.V., a subsidiary of NWM Plc, has a portfolio of loans and loan commitments to Western European corporate customers. As a result, through the NWM N.V. business and NWM Group's other activities, NWM Group has exposure to many different sectors, customers and counterparties, and risks arising from actual or perceived changes in credit quality and the recoverability of monies due from borrowers and other counterparties are inherent in a wide range of NWM Group's businesses. These risks may be concentrated for those businesses for which customer income is heavily weighted towards a specific geographic region, industry or customer base. Furthermore, these risks are likely to increase due to a potential transfer of NatWest Group's Transfer Business (see 'The transfer of NatWest Group's Western European corporate portfolio involves certain risks').

The credit quality of NWM Group's borrowers and other counterparties may be affected by UK and global macroeconomic and political uncertainties, as well as prevailing economic and market conditions. Refer to 'NWM Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, and geopolitical developments'.

Any further deterioration in these conditions or changes to legal or regulatory landscapes could worsen borrower and counterparty credit quality or impact the enforcement of contractual rights, increasing credit risk.

NWM Group is exposed to the financial sector, including sovereign debt securities, financial institutions, financial intermediation providers (including providing facilities to financial sponsors and funds, backed by assets or investor commitments) and securitised products (typically senior lending to special purpose vehicles backed by pools of financial assets). Concerns about, or a default by, a financial institution or intermediary could lead to significant liquidity problems and losses or defaults by other financial institutions or intermediaries, since the commercial & financial soundness of many financial institutions and intermediaries is closely related and interdependent as a result of credit, trading, clearing and other relationships. Any perceived lack of creditworthiness of a counterparty or borrower may lead to market-wide liquidity problems and losses for NWM Group. In addition, the value of collateral may be correlated with the probability of default by the relevant counterparty ('wrong way risk'), which would increase NWM Group's potential loss. Any of the above risks may also adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which NWM Group interacts on a regular basis. See also, 'NWM Group is reliant on access to the capital markets to meet its funding requirements, both directly through wholesale markets, and indirectly through its parent (NatWest Group plc) for the subscription to its internal capital and MREL. The inability to do so may adversely affect NWM Group.' and 'NWM Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options.' As a result, adverse changes in borrower and counterparty credit risk may cause additional impairment charges under IFRS 9, increased repurchase demands, higher costs, additional write-downs and losses for NWM Group and an inability to engage in routine funding transactions.

NWM Group has applied an internal analysis of multiple economic scenarios (MES) together with the determination of specific overlay adjustments to inform its IFRS 9 ECL (Expected Credit Loss). The recognition and measurement of ECL is complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic scenarios into ECL to meet the measurement objective of IFRS 9. The ECL provision is sensitive to the model inputs and economic assumptions underlying the estimate. Going forward, NWM Group anticipates observable credit deterioration of a proportion of assets resulting in a systematic uplift in defaults, which is mitigated by those economic assumption scenarios being reflected in the Stage 2 ECL across portfolios, along with a combination of post model overlays in both wholesale and retail portfolios reflecting the uncertainty of credit outcomes. See also, 'Risk and capital management – Credit risk'. A credit deterioration would also lead to RWA increases. Furthermore, the assumptions and judgements used in the MES and ECL assessment at 31 December 2024 may not prove to be adequate resulting in incremental ECL provisions for NWM Group.

NWM Group has exposure to shadow banking entities (i.e. entities which carry out activities of a similar nature to banks but without the same regulatory oversight), and is, as result, required to identify and monitor its exposure to these entities, implement and maintain an internal framework for the identification, management, control and mitigation of the risks associated with exposure to shadow banking entities, and ensure effective reporting and governance in respect of such exposure.

If NWM Group is unable to properly identify and monitor its shadow banking exposure, maintain an adequate framework, and/or ensure effective reporting and governance in respect of shadow banking exposure, this may adversely affect NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NWM Group could incur losses or be required to maintain higher levels of capital as a result of limitations or failure of various models.**

Given the complexity of NWM Group's business, strategy and capital requirements, NWM Group relies on models for a wide range of purposes, including to manage its business, assess the value of its assets and its risk exposure, as well as to anticipate capital and funding requirements (including to facilitate NatWest Group's mandated stress testing). In addition, NWM Group utilises models for valuations, credit approvals, calculation of loan impairment charges on an IFRS 9 basis, financial reporting and to help address financial crime (criminal activities in the form of money laundering, terrorist financing, bribery and corruption, tax evasion and sanctions as well as external or internal fraud (collectively, 'financial crime')). NWM Group's models, and the parameters and assumptions on which they are based, are periodically reviewed.

Model outputs are inherently uncertain, because they are imperfect representations of real-world phenomena, are simplifications of complex real-world systems and processes, and are based on a limited set of observations. NWM Group may face adverse consequences as a result of actions or decisions based on models that are poorly developed, incorrectly implemented, outdated, non-compliant, or used inappropriately. This includes models that are based on inaccurate or non-representative data (for example, where there have been changes in the micro or macroeconomic environment in which NWM Group operates) or as a result of the modelled outcome being misunderstood, or used for purposes for which it was not designed. This could result in findings of deficiencies by NatWest Group's (and in particular, NWM Group's) regulators (including as part of NatWest Group's mandated stress testing), increased capital requirements, may render some business lines uneconomical, may require management action or may subject NWM Group to regulatory sanction, any of which in turn may also have an adverse effect on NWM Group and its customers.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NWM Group's financial statements are sensitive to underlying accounting policies, judgements, estimates and assumptions.**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, exposures and RWAs. While estimates, judgements and assumptions take into account historical experience and other factors (including market practice and expectations of future events that are believed to be reasonable under the circumstances), actual results may differ due to the inherent uncertainty in making estimates, judgements and assumptions (particularly those involving the use of complex models).



Further, accounting policy and financial statement reporting requirements increasingly require management to adjust existing judgements, estimates and assumptions for the effects of climate-related, sustainability and other matters that are inherently uncertain and for which there is little historical experience which may affect the comparability of NWM Group's future financial results with its historical results. Actual results may differ due to the inherent uncertainty in making climate-related and sustainability estimates, judgements and assumptions.

Accounting policies deemed critical to NWM Group's results and financial position, based upon materiality and significant judgements and estimates, involve a high degree of uncertainty and may have a material impact on its results. For 2024, these include fair value, deferred tax and conduct and litigation provisions. These are set out in the section 'Critical accounting policies'.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **Changes in accounting standards may materially impact NWM Group's financial results.**

NWM Group prepares its consolidated financial statements in conformity with the requirements of the Companies Act 2006 and in accordance with IFRS as issued by the International Accounting Standards Board. Changes in accounting standards or guidance by accounting bodies or in the timing of their implementation, whether immediate or foreseeable, could result in NWM Group having to recognise additional liabilities on its balance sheet, or in further write-downs or impairments to its assets.

NWM Group's trading assets amounted to £48.9 billion as at 31 December 2024. The valuation of financial instruments, including derivatives, measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Generally, to establish the fair value of these instruments, NWM Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently credible, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to prevailing market conditions. In these circumstances, NWM Group's internal valuation models require NWM Group to make assumptions, judgements and estimates to establish fair value, which are complex and often relate to matters that are inherently uncertain. Any of these factors could require NWM Group to recognise fair value losses which may have an adverse effect on NWM Group's income generation and financial position.

From time to time, the International Accounting Standards Board may issue new accounting standards or interpretations that could materially impact how NWM Group calculates, reports and discloses its financial results and financial condition, and which may affect NWM Group capital ratios, including the CET1 ratio and the required levels of regulatory capital. New accounting standards and interpretations that have been issued by the International Accounting Standards Board but which have not yet been adopted by NWM Group are discussed in 'Future accounting developments'.

#### **NatWest Group is subject to regulatory oversight in respect of resolution, and NatWest Group could be adversely affected should the BoE in the future deem NatWest Group's preparations to be inadequate.**

NatWest Group is subject to regulatory oversight by the BoE and the PRA and is required (under the PRA rulebook) to carry out an assessment of its preparations for resolution, submit a report of the assessment to the PRA, and disclose a summary of this report.

NatWest Group has dedicated significant resources towards the preparation of NatWest Group for a potential resolution scenario. In August 2024, the BoE communicated its assessment of NatWest Group's preparations and did not identify any areas for further enhancement, shortcomings, deficiencies or substantive impediments. NatWest Group (and NWM Group) could be adversely affected should future BoE assessments deem NatWest Group's preparations to be inadequate.

If future BoE assessments identify any areas for further enhancement, shortcomings, deficiencies or substantive impediments in NatWest Group's ability to achieve the resolvability outcomes or reveal that NatWest Group is not adequately prepared to be resolved, or does not have adequate plans in place to meet resolvability requirements, NatWest Group may be required to take action to enhance its preparations to be resolvable, resulting in additional costs and the dedication of additional resources. Such a scenario may have an impact on NatWest Group (and NWM Group) as, depending on the BoE's assessment, potential action may include, but is not limited to, restrictions on NatWest Group's maximum individual and aggregate exposures, a requirement to dispose of specified assets, a requirement to change its legal or operational structure, a requirement to cease carrying out certain activities and/or to maintain a specified amount of MREL.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NatWest Group (including NWM Group) may become subject to the application of UK statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of NWM Group entities' Eligible Liabilities.**

The BoE, the PRA, the FCA, and HM Treasury (together, the 'Authorities') are granted substantial powers to resolve and stabilise UK-incorporated financial institutions. Five stabilisation options exist: (i) transfer of all of the business of a relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a 'bridge bank' wholly or partially-owned by the BoE; (iii) transfer of part of the assets, rights or liabilities of the relevant entity to one or more asset management vehicles for management of the transferor's assets, rights or liabilities; (iv) the write-down, conversion, transfer, modification, or suspension of the relevant entity's equity, capital instruments and liabilities; and (v) temporary public ownership of the relevant entity. These options may be applied to NatWest Group plc as the parent company or to NWM Group, as a subsidiary, where certain conditions are met (such as, whether the firm is failing or likely to fail, or whether it is reasonably likely that action will be taken (outside of resolution) that will result in the firm no longer failing or being likely to fail). Moreover, there are modified insolvency and administration procedures for relevant entities within NatWest Group, and the Authorities have the power to modify or override certain contractual arrangements in certain circumstances and amend the law for the purpose of enabling their powers to be used effectively and may promulgate provisions with retrospective applicability. Similar powers may also be exercised with respect to NWM N.V., in the Netherlands by the relevant Dutch and European regulatory authorities. Under the UK Banking Act 2009, the Authorities are generally required to have regard to specified objectives in exercising the powers provided for by the UK Banking Act 2009. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the UK.

Moreover, the ‘no creditor worse off’ safeguard provides that where certain resolution actions are taken, the Authorities are required to ensure that no creditor is in a worse position than if the bank had entered into normal insolvency proceedings. Although, this safeguard may not apply in relation to an application of the separate write-down and conversion power relating to capital instruments in circumstances where a stabilisation power is not also used, the UK Banking Act 2009 still requires the Authorities to respect the hierarchy on insolvency when using the write-down and conversion power. Further, holders of debt instruments which are subject to the power may, however, have ordinary shares transferred to or issued to them by way of compensation.

Uncertainty exists as to how the Authorities may exercise their powers including the determination of actions to be undertaken in relation to the ordinary shares and other securities issued by NatWest Group (including NWM Group), which may depend on factors outside of NWM Group’s control. Moreover, the UK Banking Act 2009 provisions remain largely untested in practice, particularly in respect of resolutions of large financial institutions and groups.

If NatWest Group is at or is approaching the point such that regulatory intervention is required, there may correspondingly be a material adverse effect on NWM Group’s future results, financial condition, prospects, and/or reputation.

### Operational and IT resilience risk

**Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM Group’s businesses.**

Operational risk is the risk of loss or disruption resulting from inadequate or failed internal processes, procedures, people or systems, or from external events, including legal and regulatory risks, third party processes, procedures, people or systems. NWM Group operates in several countries, offering a diverse range of products and services supported directly or indirectly by third party suppliers. As a result, operational risks or losses can arise from a number of internal or external factors (including for example, payment errors or financial crime and fraud), for which there is continued scrutiny by third parties on NWM Group’s compliance with financial crime requirements; see ‘NWM Group is exposed to the risks of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM Group.’ These risks are also present when NWM Group relies on critical service providers (suppliers) or vendors to provide services to it or its customers, as is increasingly the case as NWM Group outsources certain activities, including with respect to the implementation of technologies, innovation (such as cloud services and artificial intelligence) and responding to regulatory and market changes.

Operational risks also exist due to the implementation of NatWest Group’s strategy, and the organisational and operational changes involved, including: NatWest Group’s cost-controlling and simplification measures; continued digitalisation and the integration of artificial intelligence in the business; acquisition, divestments and other transactions; the implementation of recommendations from internal and external reviews with respect to certain governance processes, policies, systems and controls of NatWest Group entities; and conditions affecting the financial services industry generally (including macroeconomic and other geopolitical developments) as well as the legal and regulatory uncertainty resulting from these conditions. Any of the above may place significant pressure on NWM Group’s ability to maintain effective internal controls and governance frameworks.

In recent years, NWM Group has materially increased its dependence on NatWest Bank Plc and other NatWest Group entities for numerous critical services and operations, including, without limitation, property, technology, finance, accounting, treasury, legal, risk, regulatory compliance and reporting, financial crime, human resources, and certain other support and administrative functions. A failure by NatWest Bank Plc or other NatWest Group entities to adequately supply these services may expose NWM Group to critical business failure risk, increased costs, regulatory sanctions, and other liabilities. These and any increases in the cost of these services may adversely affect NWM Group.

NWM Group also faces operational risks as it continues to invest in the automation of certain solutions and customer interactions, including through artificial intelligence. Such initiatives may result in operational, reputational and conduct risks if the technology is not used appropriately, is defective or inadequate, or is not fully integrated into NWM Group’s current solutions, systems and controls.

The effective management of operational risks is critical to meeting customer service expectations and retaining and attracting customer business. Although NWM Group has implemented risk controls and mitigation actions, with resources and planning having been devoted to mitigate operational risk, such measures may not be effective in controlling each of the operational risks faced by NWM Group.

Ineffective management of such risks may have a material adverse effect on NWM Group’s future results, financial condition, prospects, and/or reputation.

**NWM Group is subject to sophisticated and frequent cyberattacks, and compliance with cybersecurity and data protection regulations is becoming increasingly complex.**

NWM Group experiences a constant threat from cyberattacks across the entire NatWest Group (including NWM Group) and against NatWest Group and NWM Group’s supply chain networks, reinforcing the importance of the due diligence of, ongoing risk management of and close working relationship with, the third parties on which NWM Group relies. NWM Group is reliant on technology, against which there is a constantly evolving series of attacks, that are increasing in terms of frequency, sophistication, impact and severity. As cyberattacks evolve and become more sophisticated, NWM Group is required to continue to invest significant resources in additional capability designed to defend against emerging threats.

Third parties continue to make hostile attempts to gain access to, introduce malware (including ransomware) into, and exploit potential vulnerabilities of, financial services institutions’ IT systems, including those of NWM Group. For example, in 2024, NatWest Group and its supply chain were subjected to a small number of attempted Distributed Denial of Service and ransomware attacks. These hostile attempts were addressed without material impact on NWM Group or its customers by deploying cybersecurity capabilities and controls that seek to manage the impact of any such attacks, and sustain availability of services for NWM Group’s customers. Consequently, NWM Group continues to invest significant resources in developing and evolving cybersecurity capabilities and controls that are designed to mitigate the potential effect of such attacks. However, given the nature of the threat, there can be no assurance that these capabilities and controls will prevent the potential adverse effect of an attack from occurring. See also, ‘NWM Group’s operations are highly dependent on its complex IT systems and any IT failure could adversely affect NWM Group.’

Any failure in NWM Group's information and cybersecurity policies, procedures or controls, may result in significant financial losses, major business disruption, inability to deliver customer services, or loss of, or ability to access, data or systems or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these factors could increase costs (including costs relating to notification of, or compensation for customers and credit monitoring), result in regulatory investigations or sanctions being imposed or may affect NWM Group's ability to retain and attract customers. Regulators in the UK, US, Europe and Asia continue to recognise cybersecurity as an important systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyberattacks, and to provide timely reporting or notification of them, as appropriate (including for example, the SEC cybersecurity requirements and the EU Digital Operational Resilience Act ('DORA')). Furthermore, cyberattacks on NWM Group's counterparties and suppliers may also have an adverse effect on NWM Group's operations.

Additionally, malicious third parties may induce employees, customers, third party providers or other users with access to NWM Group's systems to wrongfully disclose sensitive information to gain access to NWM Group's data or systems or that of NWM Group's customers or employees. Cybersecurity and information security events can derive from groups or factors such as: internal or external threat actors, human error, fraud or malice on the part of NWM Group's employees or third parties, including third party providers, or may result from technological failure (including defective, inadequate or inappropriately used artificial intelligence based solutions).

NWM Group expects greater regulatory engagement, supervision and enforcement to continue in relation to its overall resilience to withstand IT and IT-related disruption, either through a cyberattack or some other disruptive event. Such increased regulatory engagement, supervision and enforcement is uncertain in relation to the scope, cost, consequence and the pace of change, which may have an adverse effect on NWM Group. Due to NWM Group's reliance on technology, the adoption of innovative solutions, the integration of automated processes and artificial intelligence in its business, and the increasing sophistication, frequency and impact of cyberattacks, such attacks may have an adverse effect on NWM Group.

In accordance with applicable UK and EU data protection, and cybersecurity laws and regulations, NWM Group is required to ensure it implements timely appropriate and effective organisational and technological safeguards against unauthorised or unlawful access to the data of NWM Group, its customers and its employees. In order to meet this requirement, NWM Group relies on the effectiveness of its internal policies, controls and procedures to protect the confidentiality, integrity and availability of information held on its IT systems, networks and devices as well as with third parties with whom NWM Group interacts. A failure to monitor and manage data in accordance with applicable requirements may result in financial losses, regulatory fines and investigations and associated reputational damage.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### **NWM Group's operations and strategy are highly dependent on the accuracy and effective use of data.**

NWM Group relies on the availability, sourcing, and effective use of accurate and high quality data to support, monitor, evaluate, manage and enhance its operations, innovate its products offering, meet its regulatory obligations, and deliver its strategy. Investment is being made in data tools and analytics, including raising awareness around ethical data usage (for example, in relation to the use of artificial intelligence) and privacy across NWM Group. The availability and accessibility of current, complete, detailed, accurate and, wherever possible, machine-readable customer segment and sub-sector data, together with appropriate governance and accountability for data, is fast becoming a critical strategic asset, which is subject to increased regulatory focus.

Failure to have or be able to access that data or the ineffective use or governance of that data could result in a failure to manage and report important risks and opportunities or satisfy customers' expectations including the inability to deliver products and services. This could also place NWM Group at a competitive disadvantage by increasing its costs, inhibiting its efforts to reduce costs or its ability to improve its systems, controls and processes. Any of the above could result in a failure to deliver NWM Group's strategy.

These data weaknesses and limitations, or the unethical or inappropriate use of data, and/or non-compliance with data protection laws could give rise to conduct and litigation risks and may increase the risk of operational challenges, losses, reputational damage or other adverse consequences due to inappropriate models, systems, processes, decisions or other actions.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### **NWM Group relies on attracting, retaining, developing and remunerating diverse senior management and skilled personnel, and is required to maintain good employee relations.**

NWM Group's success depends on its ability to attract, retain (through creating an inclusive environment), and develop highly skilled and qualified diverse personnel, including senior management, directors, and key employees (including for technology and data focused roles), in a highly competitive market and under internal cost efficiency pressures.

The inability to compensate employees competitively and/or any reduction of compensation, the perception that NWM Group may not be a viable or competitive business, heightened regulatory oversight of banks and the increasing scrutiny of, and (in some cases) restrictions placed upon, employee compensation arrangements, negative economic developments or other factors, may have an adverse effect on NWM Group's ability to hire, retain and engage well qualified employees, especially at a senior level, which could adversely affect NWM Group.

This increases the cost of hiring, training and retaining diverse skilled personnel. In addition, certain economic, market and regulatory conditions and political developments may reduce the pool of candidates for key management and non-executive roles, including non-executive directors with the right skills, knowledge and experience, or may increase the number of departures of existing employees. Moreover, a failure to foster a diverse and inclusive workforce may adversely affect NWM Group's employee engagement and the formulation and execution of its strategy, and could also have a negative effect on its reputation with customers, investors and regulators.

Some of NWM Group's employees are represented by employee representative bodies, including trade unions and works councils. Engagement with its employees and such bodies is important to NWM Group in maintaining good employee relations. Any breakdown of these relationships may adversely affect NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group's operations are highly dependent on its complex IT systems and any IT failure could adversely affect NWM Group.**

NWM Group's operations are highly dependent on the ability to process a very large number of transactions efficiently and accurately while complying with applicable laws and regulations. The proper functioning of NatWest Group's (including NWM Group's) transactional and payment systems, financial crime and fraud detection systems and controls, risk management, credit analysis and reporting, accounting, customer service and other IT systems, including cloud services providers (some of which are owned and operated by other entities in NatWest Group or third parties), is critical to NWM Group's operations.

Individually or collectively, any system failure, loss of service availability (including defective or inadequate automated processes or artificial intelligence based solutions), or breach of data security could potentially cause significant damage to: (i) important business services across NWM Group; and (ii) NWM Group's ability to provide services to its customers, which could result in reputational damage, significant compensation costs and regulatory sanctions (including fines resulting from regulatory investigations) or a breach of applicable regulations and could affect NWM Group's regulatory approvals, competitive position, business and brands, which could undermine its ability to attract and retain customers and talent.

NWM Group outsources certain functions as it innovates and offers new digital solutions to its customers. Outsourcing, alongside remote working, heighten the above risks. NWM Group uses IT systems that enable remote working interface with third-party systems, and NWM Group could experience service denials or disruptions if such systems exceed capacity or if NWM Group or a third-party system fails or experiences any interruptions, all of which could result in business and customer interruption and related reputational damage, significant compensation costs, regulatory sanctions and/or a breach of applicable regulations.

In 2024, NWM Group continued to make considerable investments to further simplify, upgrade and improve its IT and technology capabilities (including migration of certain services to cloud platforms). NWM Group continues to develop and enhance digital services for its customers and seeks to improve its competitive position through enhancing controls and procedures and strengthening the resilience of services including cybersecurity. Any failure of these investment and rationalisation initiatives to achieve the expected results, due to cost challenges, poor implementation, defects, or otherwise, may adversely affect NWM Group's operations, its reputation and ability to retain or grow its customer business or adversely affect its competitive position, thereby negatively impacting NWM Group. See also, 'NWM Group has been in a period of, and may continue to be subject to, significant structural and other change'.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**A failure in NWM Group's risk management framework could adversely affect NWM Group, including its ability to achieve its strategic objectives.**

A failure in design, or adherence to, NatWest Group's risk management framework could adversely affect NWM Group, including its ability to achieve its strategic objectives. Risk management is an integral part of all of NWM Group's activities and delivery of its long-term strategy. NatWest Group's Enterprise-Wide Risk Management Framework sets out NWM Group's approach for managing risk within NWM Group including in relation to risk governance and risk appetite. A failure to adhere to this framework and to agreed risk appetite statements, or any material weaknesses or deficiencies in the framework's controls and procedures, could adversely affect NWM Group's financial condition and strategic delivery, as well as accurate reporting of risk exposures.

Financial risk management is highly dependent on the use and effectiveness of internal stress tests and models and ineffective risk management may arise from a wide variety of factors, including lack of transparency or incomplete risk reporting, manual processes and controls, inaccurate data, inadequate IT systems, unidentified conflicts or misaligned incentives, lack of accountability control and governance, incomplete risk monitoring (including trade surveillance) and failures of systems to properly process all relevant data, risks related to unanticipated behaviour or performance in algorithmic trading and management, insufficient challenges or assurance processes, or a failure to commence or timely complete risk remediation projects. Failure to manage risks effectively, or within regulatory expectations, could adversely affect NWM Group's reputation or its relationship with its regulators, customers, shareholders or other stakeholders.

In addition, financial crime risk management is dependent on the use and effectiveness of financial crime assessment, systems and controls. Weak or ineffective financial crime processes and controls may risk NWM Group inadvertently facilitating financial crime which may result in regulatory investigation, sanction, litigation, fines and/or reputational damage. Financial crime continues to evolve, whether through fraud, scams, cyberattacks or other criminal activity. These risks are exacerbated as NWM Group continues to innovate its product offering and increasingly offers digital solutions to its customers. NatWest Group (including NWM Group) has made and continues to make significant, multi-year investments to strengthen and improve its overall financial crime control framework with prevention systems and capabilities, including investment in new technologies and capabilities to further enhance customer due diligence, transaction monitoring, sanctions and anti-bribery and corruption systems. A number of NWM Group's financial crime controls are operated by NatWest Group on behalf of NWM Group.

NWM Group's operations are inherently exposed to conduct risks, which include business decisions, actions or reward mechanisms that are not responsive to or aligned with NWM Group's regulatory obligations, customer needs or do not reflect NWM Group's strategy, ineffective product management, unethical or inappropriate use of data, information asymmetry, implementation and utilisation of new technologies, outsourcing of customer service and product delivery, inappropriate behaviour towards customers, customer outcomes, the possibility of mis-selling of financial products and mishandling of customer complaints. Some of these risks have materialised in the past and ineffective management and oversight of conduct risks may lead to further remediation and regulatory intervention or enforcement. NWM Group's businesses are also exposed to risks from employee, contractor, or service providers misconduct including non-compliance with policies and regulations, negligence or fraud (including financial crimes and fraud), any of which could result in regulatory fines or sanctions and serious reputational or financial harm to NWM Group.



Remote working arrangements for NWM Group employees place heavy reliance on the IT systems that enable remote working and may place additional pressure on NWM Group's ability to maintain effective internal controls and governance frameworks and increase operational risk. Remote working arrangements are also subject to regulatory scrutiny to ensure adequate recording, surveillance and supervision of regulated activities and compliance with regulatory requirements and expectations, including requirements to: meet threshold conditions for regulated activities; ensure the ability to oversee functions (including any outsourced functions); ensure no detriment is caused to customers; and ensure no increased risk of financial crime.

In addition, the UK's Net Zero Strategy and NatWest Group's (including NWM Group) strategy relating to climate and sustainability are important drivers as to how NWM Group integrates climate (including physical and transition risks) and other sustainability related risks into its risk management framework and practices (including for financing activities or engaging with counterparties (including suppliers)). Furthermore, legislative and regulatory authorities are publishing expectations as to how banks should prudently manage and transparently disclose climate and other sustainability-related risks. Any failure of NWM Group to fully and timely embed climate and other sustainability-related risks into its risk management practices and framework to appropriately identify, assess, prioritise and monitor such risks may have an adverse effect on NWM Group. Similarly, if NWM Group is unable to apply the appropriate product governance processes in line with NatWest Group's (including NWM Group) strategy and applicable legal and regulatory requirements and expectations, it may have an adverse effect on NWM Group.

NWM Group seeks to embed a risk awareness culture across the organisation and has implemented policies and allocated new resources across all levels of the organisation to manage and mitigate conduct risk and expects to continue to invest in risk management, including the ongoing development of a NatWest Group risk management strategy in line with regulatory expectations. However, such efforts may not insulate NWM Group from instances of misconduct and no assurance can be given that NWM Group's strategy and control framework will be effective. See also, 'NWM Group has been in a period of, and may continue to be subject to, significant structural and other change.'

Any failure in NWM Group's risk management framework may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation and may result in the inability to achieve its strategic objectives for its customers, employees and wider stakeholders.

#### **NWM Group's operations are subject to inherent reputational risk.**

Reputational risk relates to stakeholder and public perceptions of NWM Group arising from an actual or perceived failure to meet stakeholder or the public's expectations, including with respect to NatWest Group's strategy and related targets, NWM Group's strategy, or due to any events, behaviour, action or inaction by NWM Group, its employees or those with whom NWM Group is associated.

See also, 'NWM Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM Group.' This includes harm to its brand, which may be detrimental to NWM Group's business, including its ability to build or sustain business relationships with customers, stakeholders and regulators, and may cause low employee morale, regulatory censure or reduced access to, or an increase in the cost of, funding.

Reputational risk may arise whenever there is, or there is perceived to be, a material lapse in standards of integrity, controls, compliance, customer or operating efficiency, or regulatory or press scrutiny, and may adversely affect NWM Group's ability to attract and retain customers.

In particular, NWM Group's ability to attract and retain customers, and talent, and engage with counterparties may be adversely affected by factors including: negative public opinion resulting from the actual or perceived manner in which NWM Group or any other member of NatWest Group conducts or modifies its business activities and operations, media coverage (whether accurate or otherwise), employee misconduct, NWM Group's financial performance, IT systems failures or cyberattacks, data breaches, financial crime and fraud, the level of direct and indirect government support for NatWest Group plc, or the actual or perceived practices in the banking and financial industry in general, or a wide variety of other factors.

Technologies, in particular online social networks and other broadcast tools that facilitate communication with large audiences in short timeframes and with minimal costs, may also significantly increase and accelerate the impact of damaging information and allegations.

Although NWM Group has a Reputational Risk Policy and framework to identify, measure and manage material reputational risk exposures, there is a risk that it may not be successful in avoiding or mitigating damage to its business or its various brands from reputational risk.

Any of the above aspects of reputational risk may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **Legal and regulatory risk**

##### **NWM Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM Group.**

NWM Group is subject to extensive laws, regulations, guidelines, corporate governance practice and disclosure requirements, administrative actions and policies in each jurisdiction in which it operates, which represents ongoing compliance and conduct risks. Many of these are constantly evolving and are subject to further material changes, which may increase compliance and conduct risks, particularly as the laws of different jurisdictions (including those of the EU/EEA and UK) diverge. NWM Group expects government and regulatory intervention in the financial services industry to remain high for the foreseeable future.

Regulators and governments continue to focus on reforming the prudential regulation of the financial services industry and the manner in which the business of financial services is conducted. Measures have included: enhanced capital, liquidity and funding requirements, through initiatives such as the Basel 3.1 standards implementation (and any resulting effect on RWAs and models), the UK ring-fencing regime, the strengthening of the recovery and resolution framework applicable to financial institutions in the UK, the EU and the US, financial industry reforms (such as the FSMA 2023), corporate governance requirements, rules relating to the compensation of senior management and other employees, enhanced data protection and IT resilience requirements (such as DORA), financial market infrastructure reforms, enhanced regulations in respect of the provision of 'investment services and activities'.

There is also increased regulatory focus in certain areas, including conduct, model risk governance, consumer protection in retail or other financial markets, competition and disputes regimes, anti-money laundering, anti-corruption, anti-bribery, anti-tax evasion, payment systems, sanctions and anti-terrorism laws and regulations.

In addition, there is significant oversight by competition authorities of the jurisdictions in which NWM Group operates. The competitive landscape for banks and other financial institutions in the UK, EU/EEA, Asia and the US is rapidly changing. Recent regulatory and legal changes have resulted and may continue to result in new market participants and changed competitive dynamics in certain key areas. Regulatory and competition authorities, including the CMA, are also looking at and focusing more on how they can support competition and innovation in digital and other markets. Recent regulatory changes and heightened levels of public and regulatory scrutiny in the UK, the EU and the US have resulted in increased capital, funding and liquidity requirements, changes in the competitive landscape, changes in other regulatory requirements and increased operating costs, and have impacted, and will continue to impact, product offerings and business models.

Moreover, uncertainties remain as to the extent to which EU/EEA laws will diverge from UK law. For example, bank regulation in the UK may diverge from European bank regulation following the enactment of the Financial Services and Markets Act 2023 ('FSMA 2023') and the Retained EU Law (Revocation and Reform) Act 2023. In particular, FSMA 2023 provides for the revocation of retained EU laws relating to financial services regulation, but sets out that this process will likely take a number of years and that the intention is that specific retained EU laws will not be revoked until such time as replacement regulatory rules are in place. The actions taken by regulators in response to any new or revised bank regulation and other rules affecting financial services, may adversely affect NWM Group, including its business, non-UK operations, group structure, compliance costs, intragroup arrangements and capital requirements.

Other areas in which, and examples of where, governmental policies, regulatory and accounting changes and increased public and regulatory scrutiny may have an adverse effect (some of which could be material) on NWM Group include, but are not limited to, the following:

- general changes in government, regulatory, competition or central bank policy (such as changes to the BoE Levy (including as a result of the proposed Bank Resolution (Recapitalisation) Bill), or changes in regulatory regimes that may influence investor decisions in the jurisdictions in which NWM Group operates;
- rules relating to foreign ownership, expropriation, nationalisation and confiscation or appropriation of assets;
- new or increased regulations relating to customer data protection as well as IT controls and resilience, such as the India Digital Personal Data Protection Act 2023;
- the introduction of, and changes to, taxes, levies or fees applicable to NWM Group's operations, such as changes in tax rates, changes in the scope and administration of the Bank Levy, increases in the bank corporation tax surcharge in the UK, restrictions on the tax deductibility of interest payments or further restrictions imposed on the treatment of carry-forward tax losses that reduce the value of deferred tax assets and require increased payments of tax;
- the potential introduction by the BoE of a Central Bank Digital Currency which could result in deposit outflows, higher funding costs, and/or other implications for UK banks including NWM Group;
- regulatory enforcement in the form of PRA imposed financial penalties for failings in banks' regulatory reporting governance and controls, and ongoing regulatory scrutiny; the PRA's thematic reviews of the governance, controls and processes for preparing regulatory returns of selected UK banks, including NatWest Group (of which NWM Group is a part of);

- changes in policy and practice regarding enforcement, investigations and sanctions, supervisory activities and reviews;
- 'Dear CEO' and similar letters issued by supervisors and regulators from time to time ;
- recent or proposed US regulations around cybersecurity incidents, climate disclosures, and other climate and sustainability-related rules;
- increased risk of legal action against NWM Group for financing or contributing to climate change and nature-related degradation, or greenwashing;
- new or increased regulations relating to financial crime; and
- any regulatory requirements relating to the use of artificial intelligence and large language models across the financial services industry (such as the European Union Artificial Intelligence Act).

Any of these developments (including any failure to comply with or correctly interpret new rules and regulations) could also have an adverse effect on NWM Group's authorisations and licences, the products and services that NWM Group may offer, its reputation and the value of its assets, NWM Group's operations or legal entity structure, and the manner in which NWM Group conducts its business.

Material consequences could arise should NWM Group be found to be non-compliant with these regulatory requirements. Regulatory developments may also result in an increased number of regulatory investigations and proceedings and have increased the risks relating to NWM Group's ability to comply with the applicable body of rules and regulations in the manner and within the timeframes required.

Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, including contradictory or conflicting laws, rules or regulations by key regulators or policymakers in different jurisdictions, or failure by NWM Group to comply with such laws, rules and regulations, may adversely affect NWM Group's business, results of operations and outlook. In addition, uncertainty and insufficient international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect NWM Group's reputation, ability to engage in effective business, capital and risk management planning.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group is exposed to the risks of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM Group.**

NWM Group's operations are diverse and complex and it operates in legal and regulatory environments that expose it to potentially significant civil actions (including those following on from regulatory sanction), as well as criminal, regulatory and governmental proceedings. NWM Group has resolved a number of legal and regulatory actions over the past several years but continues to be, and may in the future be, involved in such actions in the US, the UK, Asia, Europe and other jurisdictions.

NWM Group is, has been or will likely be involved in a number of significant legal and regulatory actions, including investigations, proceedings and ongoing reviews (both formal and informal) by governmental law enforcement and other agencies and litigation proceedings, including in relation to the offering of securities, conduct in the foreign exchange market, the setting of benchmark rates such as LIBOR and related derivatives trading, the issuance, underwriting, and sales and trading of fixed-income securities (including government securities), product mis-selling, customer mistreatment, anti-money laundering, antitrust, VAT recovery, record keeping, reporting, and various other issues. There is also an increasing risk of new class action claims being brought against NWM Group in the Competition Appeal Tribunal for breaches of competition law, as well as a risk of activist actions, particularly relating to climate change and sustainability-related matters. Legal and regulatory actions are subject to many uncertainties, and their outcomes, including the timing, amount of fines, damages or settlements or the form of any settlements, which may be material and in excess of any related provisions, are often difficult to predict, particularly in the early stages of a case or investigation. NWM Group's expectation for resolution may change and substantial additional provisions and costs may be recognised in respect of any matter.

The resolution of significant investigations includes NWM Plc's December 2021 spoofing-related guilty plea in the United States that was agreed with the US Department of Justice ('DOJ'), and involves a multi-year period of probation, an independent corporate monitor and the ongoing implementation of recommendations made by it, and commitments to compliance programme reviews and improvements, and reporting obligations. In the event that NWM Plc does not meet its obligations to the DOJ, this may lead to adverse consequences such as findings that NWM Plc violated its probation term and possible re-sentencing, increased costs from any extension of monitorship and/or the period of the probation, amongst other consequences. For additional information relating to this and other legal and regulatory proceedings and matters to which NWM Group is currently exposed, see 'Litigation and regulatory matters' at Note 25 to the consolidated accounts.

Recently resolved matters or adverse outcomes or resolution of current or future legal or regulatory matters, could increase the risk of greater regulatory and third-party scrutiny and/or result in future legal or regulatory actions, and could have material financial, reputational, or collateral consequences for NWM Group's business and result in restrictions or limitations on NWM Group's operations.

These may include the effective or actual disqualification from carrying on certain regulated activities and consequences resulting from the need to reapply for various important licences or obtain waivers to conduct certain existing activities of NWM Group, particularly but not solely in the US, which may take a significant period of time and the results and implications of which are uncertain. Disqualification from carrying on any activities, whether automatically as a result of the resolution of a particular matter or as a result of the failure to obtain such licences or waivers could adversely affect NWM Group's business, in particular in the US. This in turn and/or any fines, settlement payments or penalties may have an adverse effect on NWM Group. Similar consequences could result from legal or regulatory actions relating to other parts of NatWest Group.

Failure to comply with undertakings made by NWM Group to its regulators, or the conditions of probation resulting from the spoofing-related guilty plea, may result in additional measures or penalties being taken against NWM Group.

In addition, any failure to administer conduct redress processes adequately, or to handle individual complaints fairly or appropriately, could result in further claims as well as the imposition of additional measures or limitations on NWM Group's operations, additional supervision by NWM Group's regulators, and loss of investor confidence.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **Changes in tax legislation (or application thereof) failure to generate future taxable profits may impact the recoverability of certain deferred tax assets recognised by NWM Group.**

In accordance with the accounting policies set out in the section 'Critical accounting policies', NWM Group has recognised deferred tax assets on losses available to relieve future profits from tax only to the extent it is probable that they will be recovered. The deferred tax assets are quantified on the basis of current tax legislation and accounting standards and are subject to change in respect of the future rates of tax or the rules for computing taxable profits and offsetting allowable losses.

Failure to generate sufficient future taxable profits or further changes in tax legislation or the application thereof (including with respect to rates of tax) or accounting standards may reduce the recoverable amount of the recognised tax loss deferred tax assets, amounting to £83 million as at 31 December 2024. Changes to the treatment of certain deferred tax assets may impact NWM Group's capital position. In addition, NWM Group's interpretation or application of relevant tax laws may differ from those of the relevant tax authorities and provisions are made for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. The amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **Climate and sustainability-related risks**

##### **NWM Group and its Value Chain face climate and sustainability-related risks that may adversely affect NWM Group.**

Climate change has been identified as a source of systemic risk, with potentially severe consequences for financial institutions. The financial impacts of climate and sustainability-related risks are expected to be widespread and may disrupt the orderly functioning of financial markets and have an adverse effect on financial institutions, including NWM Group.

Financial and non-financial risks from climate change can arise through physical and transition risks. In addition, physical and transition risks can trigger further losses, stemming directly or indirectly from legal claims, litigation and conduct liability (referred to as 'liability risk').

Whilst there are significant uncertainties relating to the location, magnitude and timing of climate-related physical risks, scientific research suggests physical risks may occur in increasing frequency and severity. Climate-related events like flood, wildfires and climatic changes can damage assets and disrupt operations, leading to increased costs, changes in asset values and loan defaults.



Damage or disruption to NWM Group customers' and counterparties' (including suppliers') properties, premises and operations could disrupt business, result in the deterioration of the value of collateral or insurance shortfalls, impair asset values and negatively impact the creditworthiness of customers and their ability and/or willingness to pay fees, afford new products or repay their debts, leading to increased default rates, delinquencies, write-offs and impairment charges in NWM Group's portfolios. In addition, NWM Group's premises and operations, or those of its critical outsourced functions may experience damage or disruption leading to increased costs for NWM Group.

To meet the goals of the UK's Net Zero Strategy by 2050 will require a net-zero transition across all sectors of the UK economy. The timing and pace of the transition to a net-zero economy will depend on many factors and uncertainties and may be near-term, gradual and orderly, or delayed, rapid and disorderly, or a combination of these. A transition to a net-zero economy requires significant and timely policy and regulatory changes, immediate actions from national and regional governments, new technological innovations and changes to supply and demand systems within industries. The transition to a net-zero economy may also trigger changes in consumer behaviour and market sentiment. In addition, there is significant uncertainty about how climate change and the world's transition to a net-zero economy will unfold over time and how and when climate and other sustainability-related risks will manifest. These timeframes are considerably longer than NWM Group's historical and current strategic, financial, resilience and investment planning horizons.

NWM Group and its value chain (including its investors, customers, counterparties (including its suppliers), business partners and employees) ('NWM Group's Value Chain') may face financial and non-financial risks arising from broader (i.e. non-climate-related) sustainability issues such as risks relating to nature loss (such as the loss and/or decline of the state of nature including but not limited to, the reduction of any aspect of biological diversity and other forms of environmental degradation such as air, water and land pollution, soil quality degradation and water stress). NatWest Group recognises that climate and nature-related risks are interlinked and therefore NatWest Group aims to work towards enhancing processes and capabilities to include assessments of nature-related risks and opportunities within governance, risk management and stakeholder engagement practices.

Climate and nature-related risks may:

- adversely affect the broader economy, influencing interest rates, inflation and growth, impacting profitability and stability;
- adversely affect asset pricing and valuations of NWM Group's own and other securities and, in turn, the wider financial system;
- adversely affect economic activities directly (for example through lower corporate profitability or the devaluation of assets) or indirectly (for example through macro-financial changes);
- adversely affect the viability or resilience of business models over the medium to longer term, particularly those business models most vulnerable to climate and sustainability-related risks;
- trigger losses stemming directly or indirectly from liability risks and/or reputational damage, including as a result of adverse media coverage or activists, the public or NWM Group's Value Chain associating NWM Group or its customers with adverse climate and sustainability-related issues;

- adversely affect NWM Group's ability to contribute to deliver on NatWest Group's strategy, including achieving its climate ambitions and targets; and
- exacerbate other risk categories to which NWM Group is exposed, including credit risk, operational risk (including business continuity), market risk (both traded and non-traded), liquidity and funding risk (for example, net cash outflows or depletion of liquidity buffers), reputational risk, pension risk, regulatory compliance risk and conduct risk.

In addition to nature-related risks, NWM Group and NWM Group's Value Chain may face financial and non-financial risks arising from other sustainability-related issues such as (i) risks related to social issues (including human rights), for example, negative impact on people's standard of living and health, political and geopolitical tensions and conflict endangering people's lives and security, displacement of communities, the violation of indigenous people's rights, unjust working conditions and labour rights breaches (including discrimination, lack of diversity and inclusion, inequality, gender/ethnicity pay gap and payments under the minimum wage), modern slavery, accessible banking and financial inclusion, financial crime, data privacy breaches, innovation, digitalisation and AI, and lack of support for the vulnerable; and (ii) governance-related risks (including board diversity, ethical corporate culture, executive compensation and management structure).

There is also growing expectation from customers, investors, policymakers, regulators and society of the need for a "just transition" – in recognition that the transition to net zero should happen in a way that is as fair and inclusive as possible to everyone concerned. Although NatWest Group (including NWM Group) continues to evaluate and assess whether and, if so, how it integrates 'just transition' considerations into its strategy and decision-making, a failure (or perception of failure) by NatWest Group (including NWM Group) to sufficiently factor these considerations into existing products and service offerings may adversely affect NatWest Group (including NWM Group), including NatWest Group's (including NWM Group) reputation.

If NWM Group fails to identify, assess, prioritise, monitor, react to and prevent appropriately: (i) climate and sustainability-related impacts, risks and opportunities; and (ii) changing regulatory and market expectations and societal preferences that NWM Group and NWM Group's Value Chain face, in a timely manner or at all, this may have a material adverse effect on NWM Group's business, future results, financial condition, prospects (including cash flows, access to finance or cost of capital over the short, medium or long term), reputation or the price of its securities.

**NatWest Group's strategy relating to climate change, ambitions, targets and transition plan entail significant execution and/or reputational risks and are unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes.**

At NatWest Group's Annual General Meeting in April 2022, ordinary shareholders passed an advisory 'Say on Climate' resolution endorsing NatWest Group's previously announced strategic direction on climate change, including its ambitions to at least halve the climate impact of its financing activity by 2030, achieve alignment with the 2015 Paris Agreement and reach net zero across its financed emissions, assets under management and operational value chain by 2050. NatWest Group may also announce other climate and sustainability-related ambitions, targets and initiatives and/or retire or change existing ones.

Making the changes necessary by NWM Group to contribute to achieve NatWest Group's climate ambitions and targets and executing its transition plan, together with the active management of climate and sustainability-related risks and other regulatory, policy and market changes, is likely to necessitate material changes to NWM Group's business, operating model, its existing exposures and the products and services NWM Group provides to its customers (potentially on accelerated timescales). NWM Group may be required to: (i) in the medium and long term significantly reduce its financed emissions and its exposure to customers that do not align with a transition to net zero or do not have a credible transition plan in place, and (ii) divest or discontinue certain activities for regulatory or legal reasons or in response to the transition to a less carbon-dependent economy. Increases in lending and financing activities may wholly or partially offset some or all these reductions, which may increase the extent of changes and reductions necessary.

Making the necessary changes, or failing to make the necessary changes in a timely manner, or at all to achieve NatWest Group's climate ambitions and targets and executing its transition plan, together with the active management of climate and sustainability-related risks and other regulatory, policy and market changes may have an adverse effect on NatWest Group and NatWest Group's ability to achieve its climate and financial ambitions and targets, take advantage of climate change-related opportunities and generate sustainable returns.

NWM Group's ability to contribute to achieving NatWest Group's strategy, including contributing to achieve NatWest Group's climate ambitions and targets, will significantly depend on many factors and uncertainties beyond NWM Group's control. These include: (i) the extent and pace of climate change, including the timing and manifestation of physical and transition risks; (ii) the macroeconomic environment; (iii) the effectiveness of actions of governments, legislators, regulators and businesses; (iv) the response of the wider society, NWM Group's Value Chain and other stakeholders to mitigate the impact of climate and sustainability-related risks; (v) changes in customer behaviour and demand; (vi) appetite for new markets, credit appetite, concentration risk appetite, lending opportunities; (vii) developments in the available technology; (viii) the rollout of low carbon infrastructure; and (ix) the availability of accurate, verifiable, reliable, auditable, consistent and comparable data.

These external factors and other uncertainties will make it challenging for NWM Group to contribute to achieving NatWest Group's climate ambitions and targets and there is a significant risk that all or some of these ambitions and targets will not be achieved or not achieved within the intended timescales.

NWM Group's ability to contribute to achieving NatWest Group's climate ambitions and targets depends to a significant extent on the timely implementation and integration of appropriate government policies. The UK Climate Change Committee ('UK CCC') 2024 Progress Report to the UK Parliament states that the UK is not on track to hit its legislated target to reduce emissions in 2030 by 68% compared to 1990 levels and only a third of the emission reductions required to achieve the UK's 2030 target are currently covered by credible plans, with action needed across all sectors of the economy. NatWest Group's climate ambitions are unlikely to be achieved without timely and appropriate government policy and technology developments, as well as supplier, customer and societal response required to support the transition.

The UK CCC is expected to publish its Seventh Carbon Budget on 26 February 2025. NatWest Group expects this to take into account new UK policy initiatives announced by the UK government in November 2024 and NatWest Group plans to review its climate ambitions in the context of the of the UK's Seventh Carbon Budget, once released.

Climate and sustainability matters are also becoming increasingly politicised and polarised. Some of NWM Group's customers, investors or other stakeholders may decide not to do business with NWM Group because, according to their own assessment, NatWest Group's (including NWM Group) strategy, ambitions and targets related to climate and sustainability do not meet their expectations, either for lacking the necessary ambition or progress, or for being perceived as overly concerned about sustainability.

Any delay or failure by NWM Group in putting into effect, making progress against or meeting NatWest Group's climate and sustainability-related ambitions, targets and plans may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation and may increase the climate and sustainability-related risks NWM Group faces.

**There are significant limitations related to accessing accurate, reliable, verifiable, auditable, consistent and comparable climate and other sustainability-related data that contribute to substantial uncertainties in accurately modelling and reporting on climate and sustainability information, as well as making appropriate important internal decisions.**

Accurate assessment and reporting of climate and sustainability-related impacts, risks, opportunities and other climate and sustainability-related matters, and related metrics depends on access to accurate, reliable, verifiable, auditable, consistent and comparable data from counterparties (including suppliers), customers, or other third parties. Data of adequate quality may not be generally available or, if available, may not be accurate, reliable, verifiable, auditable, consistent, or comparable. In the absence of other sources, reporting on climate and sustainability-related matters (including reporting on NatWest Group's (including NWM Group) financed and facilitated emissions) may be based on estimated or aggregated information developed by third parties (including customers) that may be prepared in an inconsistent way using different methodologies, interpretations, or assumptions that may not be accurate for a given counterparty (including supplier) or customer. There may also be data gaps and limitations that are addressed using estimates based on assumptions about matters that are inherently uncertain or proxy data, such as sectoral averages or use of emissions estimated by a third party, again developed in a variety of ways and in some cases not in a timely manner causing data to be potentially outdated at the time when they are used.

Significant risks, uncertainties and variables are inherent in the assessment, measurement and mitigation of climate and sustainability-related risks. These include data quality gaps and limitations mentioned above, as well as the pace at which climate science, greenhouse gas accounting standards and various emissions reduction solutions develop. In addition, there is significant uncertainty about how climate change and the world's transition to a net-zero economy will unfold over time and how and when climate and sustainability-related risks will manifest. These timeframes are considerably longer than NWM Group's historical and current strategic, financial, resilience and investment planning horizons.

As a result, NWM Group's assessment of climate and sustainability impacts, risks, opportunities and other climate and sustainability-related matters is likely to evolve and its climate and sustainability-related disclosures may be amended, updated or restated in the future as the quality and completeness of NWM Group's data and methodologies continue to improve.

These data quality challenges, gaps and limitations may also have a material impact on NWM Group's ability to make effective business decisions about climate and sustainability-related impacts, risks, opportunities and other climate and sustainability-related matters, including risk management decisions, to comply with disclosure requirements and to monitor and report progress in meeting ambitions, targets and pathways all of which may have an adverse effect on NWM Group.

Climate-related risks are challenging to model due to their forward-looking nature, the lack of and/or quality of historical testing capabilities, lack of accuracy, standardisation and incompleteness of emissions and other climate and sub-sector related data and the immature nature of risk measurement and modelling methodologies. As a result, it is very difficult to predict and model the impact of climate-related risks into precise financial and economic outcomes. The evaluation of climate-related risk exposure and the development of associated potential risk mitigation techniques also largely depend on the choice of climate scenario modelling methodology and the assumptions made which involves a number of risks and uncertainties.

Accordingly, these risks and uncertainties coupled with significantly long timeframes make the outputs of climate-related risk modelling, climate-related targets (including emission reduction targets) and pathways, inherently more uncertain than outputs modelled for traditional financial planning cycles based on historical financial information.

Capabilities within NWM Group to appropriately assess, model, report and manage climate and sustainability-related impacts and risks and the suitability of the assumptions required to model and manage climate and sustainability-related risks appropriately continue to develop and mature. Even when those capabilities are appropriately developed, the high level of uncertainty regarding any assumptions modelled, the highly subjective nature of risk measurement and mitigation techniques, incorrect or inadequate assumptions and judgements and data quality gaps and limitations may lead to inadequate risk management information and frameworks, or ineffective business adaptation or mitigation strategies or regulatory non-compliance.

Any of the above may have a material adverse effect on NWM Group's business, future results, financial condition, prospects, reputation and the price of its securities.

**NWM Group is becoming subject to more extensive, and sophisticated climate and other sustainability-related laws, regulation and oversight and there is an increasing risk of regulatory enforcement, investigation and litigation.**

NWM Group and its subsidiaries are increasingly becoming subject to more extensive, and sophisticated sustainability-related laws and regulations in the UK, EU and the US, including in relation to mandatory climate and other sustainability reporting and due diligence, climate transition plan, product labelling and combatting "greenwashing".

Compliance with these complex, evolving and often diverging legal, regulatory and supervisory requirements and voluntary standards and initiatives is likely to require NWM Group to implement significant changes to its business models, IT systems, products, governance, internal controls over financial and non-financial reporting, disclosure controls and procedures, modelling capability and risk management systems, which may increase the cost of doing business, result in higher capital requirements, and entail additional change risk and increased compliance, regulatory sanctions, conduct and litigation (including settlements) costs. A failure by NWM Group or any of its subsidiaries to comply with these climate and sustainability-related legal, regulatory and

supervisory requirements and standards and meet expectations of NWM Group's Value Chain in this respect may result in investigations and regulatory sanction each of which may have an adverse effect on NWM Group and the successful implementation of NatWest Group's (including NWM Group) strategy relating to climate and sustainability.

Certain non-UK subsidiaries of NWM Group in the EU and elsewhere may also be subject to EU, national and other climate and sustainability laws and regulations which in some cases may differ. Divergence between UK, EU, US and other climate and sustainability-related legal, regulatory and supervisory requirements and their interpretation may increase the cost of doing business (including increased operating costs) and may result in regulatory non-compliance and litigation risk. Failure by NWM Group to comply with these divergent legal, regulatory and supervisory requirements (if applicable to NWM Group) may have an adverse effect on NWM Group's ability to contribute to the successful implementation of NatWest Group's strategy relating to climate change including when contributing to setting up NatWest Group's climate ambitions and targets and to executing NatWest Group's transition plan and may result in NWM Group and/or its subsidiaries not meeting investors' expectations.

Increasing new climate and sustainability-related jurisprudence, laws and regulations in the UK and other jurisdictions, regulatory scrutiny, expose financial institutions, including NWM Group, to face increasing litigation, conduct, enforcement and contract liability risks related to climate change, nature-related degradation, human rights violations and other social, governance and sustainability-related issues. Furthermore, regulatory and enforcement activity around climate and sustainability initiatives that promote more extensive sustainability-related requirements and those that impose divestment and other sanctions against financial institutions that implement climate and sustainability-related initiatives is becoming increasingly divergent and conflicting between jurisdictions, in particular in the United States. Any failure of NWM Group to develop and implement robust and effective governance, controls and procedures over climate and sustainability-related impact assessment, disclosure, reporting and other communications and sustainability-related claims (including in relation to NWM Group's products, services and strategy) and comply with them in line with applicable legal and regulatory requirements and expectations, may give rise to increased complaints, regulatory enforcement (including sanctions), investigation and litigation and may adversely affect NWM Group's regulatory compliance, investor base and reputation.

Furthermore, there is a risk that shareholders, campaign groups, customers and activist groups could seek to take legal action against NWM Group for financing, facilitating or contributing to actual or perceived harm to the environment or people, climate change, nature-related degradation and human rights violations, failure to implement or follow adequate governance procedures and for not supporting the principles of 'just transition' (i.e. maximising the social benefits of the transition, mitigating the social risks of the transition, empowering those affected by the change, anticipating future shifts to address issues up front and mobilising investments from the public and private sectors).

Any of the above may have a material adverse effect on NWM Group's business, future results, financial condition, prospects, reputation and the price of its securities.

# Forward looking statements

## Cautionary statement regarding forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements with respect to NWM Group's financial condition, results of operations and business, including its strategic priorities, financial, investment and capital targets, and climate and sustainability-related targets, commitments and ambitions described herein. Statements that are not historical facts, including statements about NatWest Group's beliefs and expectations, are forward-looking statements. Words such as 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions are intended to identify forward-looking statements. In particular, this document includes forward-looking targets and guidance relating to financial performance measures, such as income growth, operating expense, cost reductions, impairment loss rates, balance sheet reduction, (including the reduction of RWAs), CET1 ratio (and key drivers of the CET1 ratio, including timing, impact and details), Pillar 2 and other regulatory buffer requirements and MREL and non-financial performance measures, such as climate and sustainability-related performance ambitions, targets and metrics, including in relation to initiatives to transition to a net zero economy, climate and sustainable funding and financing and financed emissions.

## Limitations inherent to forward-looking statements

These statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's and NWM Group's strategy or operations, which may result in NWM Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future results, gains or losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein, whether to reflect any change in our expectations with regard thereto, any change in events, conditions or circumstances on which any such statement is based, or otherwise, except to the extent legally required.

## Important factors that could affect the actual outcome of the forward-looking statements

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements described in this document. These factors include, but are not limited to, those set forth in the risk factors and the other uncertainties described in NatWest Markets Plc's Annual Report and its other public filings. The principal risks and uncertainties that could adversely affect NWM Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, include, but are not limited to: economic and political risk (including in respect of: economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, and geopolitical developments; changes in interest rates and foreign currency exchange rates; and HM Treasury's ownership of NatWest Group plc); business change and execution risk (including in respect of: NatWest Group's strategy and NatWest Group's creation of its Commercial & Institutional business segment (of which NWM Group forms part) and the transfer of NatWest Group's Western European corporate portfolio); financial resilience risk (including in respect of: NWM Group's ability to meet targets, generate returns or implement its strategy effectively; prudential regulatory requirements for capital and MREL; NWM Group's reliance on access to capital markets directly or indirectly through its parent (NatWest Group); capital, funding and liquidity risk; reductions in the credit ratings; the competitive environment; the requirements of regulatory stress tests; counterparty and borrower risk; model risk; sensitivity to accounting policies, judgments, estimates and assumptions (and the economic, climate, competitive and other forward looking information affecting those judgments, estimates and assumptions); changes in applicable accounting standards; the adequacy of NatWest Group's resolution plans; and the application of UK statutory stabilisation or resolution powers to NatWest Group); climate and sustainability risk (including in respect of: risks relating to climate change and sustainability-related risks; both the execution and reputational risk relating to NatWest Group's climate change-related strategy, ambitions, targets and transition plan; climate and sustainability-related data and model risk; increasing levels of climate, environmental, human rights and other sustainability-related laws, regulation and oversight; climate, environmental, human rights and other sustainability-related litigation, enforcement proceedings, investigations and conduct risk); operational and IT resilience risk (including in respect of: operational risks (including reliance on third party suppliers); cyberattacks; the accuracy and effective use of data; attracting, retaining and developing senior management and skilled personnel; complex IT systems; NWM Group's risk management framework; and NWM Group's reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; the outcome of legal, regulatory and governmental actions and investigations as well as remedial undertakings; and changes in tax legislation or failure to generate future taxable profits).



### Cautionary statement regarding Non-IFRS financial measures and APMs

NWM Group prepares its financial statements in accordance with UK-adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). This document may contain financial measures and ratios not specifically defined under GAAP or IFRS ('Non-IFRS') and/or alternative performance measures ('APMs') as defined in European Securities and Markets Authority ('ESMA') guidelines. Non-IFRS measures and APMs are adjusted for notable and other defined items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. Non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. Any Non-IFRS measures and/or APMs included in this document, are not measures within the scope of IFRS, are based on a number of assumptions that are subject to uncertainties and change, and are not a substitute for IFRS measures.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or a solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

### Climate and sustainability-related disclosures

Climate and sustainability-related disclosures in this document are not measures within the scope of International Financial Reporting Standards ('IFRS'), use a greater number and level of judgments, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities, than our reporting of historical financial information in accordance with IFRS. These judgments, assumptions and estimates are highly likely to change materially over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. In addition, our climate risk analysis, our ambition to be net zero across our financed emissions, assets under management and operational value chain by 2050 and the implementation of our climate transition plan remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. The process we have adopted to define, gather and report data on our performance on climate and sustainability-related measures is not subject to the formal processes adopted for financial reporting in accordance with IFRS and there are currently limited industry standards or globally recognised established practices for measuring and defining climate and sustainability-related metrics. As a result, we expect that certain climate and sustainability-related disclosures made in this document are likely to be amended, updated, recalculated or restated in the future. Please also refer to the cautionary statement in the section entitled 'Climate and sustainability-related and other forward-looking statements and metrics' of the NatWest Group 2024 Sustainability Disclosures Report published by NatWest Group plc for the consolidated group, including NatWest Markets Plc.