NatWest Group

The Royal Bank of Scotland plc

2024 Annual Report and Accounts

Strategic report

Presentation of information

The Royal Bank of Scotland plc ('RBS plc' or 'we') is a wholly owned subsidiary of NatWest Holdings Limited ('NWH Ltd' or 'the intermediate holding company'). The term 'NWH Group' refers to NWH Ltd and its subsidiary and associated undertakings. NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiaries.

RBS plc publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling ('GBP'), respectively, and references to 'pence' represent pence where amounts are denominated in pounds sterling. Reference to 'dollars' or '$' are to United States of America ('US') dollars. The abbreviations '$m' and '$bn' represent millions and thousands of millions of dollars, respectively. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively.

Description of business

The Royal Bank of Scotland plc ('RBS plc') is a principal entity under NatWest Holdings Limited ('NWH Ltd'), together with National Westminster Bank Plc ('NWB Plc', which wholly owns Coutts & Company). The term 'NWB Group' refers to NWB Plc and its subsidiary and associated undertakings.

Principal activities and operating segments

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

The reportable operating segments are as follows:

Retail Banking serves personal customers in the UK.

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

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

Central items & other comprises corporate treasury activity on behalf of RBS plc and its fellow subsidiaries and RBS plc's corporate service and functions activities.

Performance overview

Profit for 2024 was £1,180 million compared with £1,399 million in 2023.

Total income decreased by £256 million to £2,277 million, mainly due to a decrease on gains from economic hedging derivatives and higher interest payable on customers deposits.

Operating expenses decreased by £30 million to £871 million, primarily reflecting lower conduct costs and lower recharges of costs from other NatWest Group entities, partially offset by the new Bank of England Levy charge and branch closure costs.

Net impairment losses of £17 million for 2024 reduced year on year reflecting good book releases, post model adjustment releases and the IFRS 9 multiple economic scenario (MES) update. Total impairment provisions decreased by £71 million to £582 million in the year. The expected credit loss (ECL) coverage ratio decreased from 1.72% to 1.62%.

Total assets increased by £0.1 billion to £90.5 billion at 31 December 2024, primarily driven by an increase in cash and balances at central banks as a result of inflows from net operating segment funding partially offset by a reduction in lending due to the continued run-off of mortgage portfolios, with intermediary new lending being originated through the NWB Plc business.

Loans to customers decreased by £1.3 billion to £33.5 billion, driven by the continued run-off of Retail Banking mortgage portfolios, offset in part by an increase in commercial term loan facilities.

Customer deposits increased by £0.6 billion to £78.1 billion, driven by an increase in retail savings balances.

The Common Equity Tier 1 (CET1) ratio decreased 10 basis points to 11.1% reflecting a £0.1 billion reduction in CET1 capital, predominantly due to interim and foreseeable dividends partially offset by an increase in attributable profit in the period, offset in part by a £0.6 billion decrease in RWAs.

Risk-weighted assets (RWAs) decreased by £0.6 billion to £17.6 billion, reflecting:

- a decrease in credit risk RWAs of £1.0 billion, primarily due to active RWA management and repayments and expired facilities within Commercial & Institutional.
- an increase in operational risk RWAs of £0.4 billion following the annual recalculation.

Stakeholder engagement and s.172(1) statement

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

Board engagement with stakeholders

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

Directors are mindful that it is not always possible to achieve an outcome which meets the expectations of all stakeholders who may be impacted, and that there may be impacted stakeholders outside the six key groups the Board has identified. Examples of how the Board has engaged with key stakeholders, including the impact on principal decisions, can be found in this statement and on page 68 (Corporate governance statement).

Supporting effective Board discussions and decision-making

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

Principal decisions

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

This statement includes a case study of a principal decision taken by the Board during 2024. Further information on the Board's principal activities can be found in the Corporate governance statement on pages 68 to 74.

The s172 factors

(a) likely long-term consequences

(b) employee interests

(c) relationships with customers, suppliers and others

(d) the impact on community and environment

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

(f) acting fairly between members of the company

Case Study – Dividend payments

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

What was the decision-making process?

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

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

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

Actions and outcomes

A final dividend of £748 million was approved by the RBS Board in February 2024 and an interim dividend of £452 million was approved by the Board in July 2024. These payments resulted in a CET1 ratio of 11.1%, consistent with the 2024 planning target and above regulatory requirements.

Board of directors and secretary

Approval of Strategic report

The Strategic report for the year ended 31 December 2024 set out on pages 2 to 67 was approved by the Board of directors on 13 February 2025.

By order of the Board
Jan Cargill

Chief Governance Officer and Company Secretary
13 February 2025

Chair
Richard Haythornthwaite

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

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

Board and committee membership

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

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

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

Performance and Remuneration Committee
Lena Wilson (Chair)
Ian Cormack
Roisin Donnelly
Mark Rennison
Mark Seligman

Senior independent non-executive director
Ian Cormack

Chief Governance Officer and Company Secretary
Jan Cargill

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

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

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

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

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

Registered office
36 St Andrew Square
Edinburgh, EH2 2YB

The Royal Bank of Scotland plc
Registered in Scotland No. SC083026

Financial review

Financial summary

Summary income statement for the year ended 31 December 2024

	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	2024 £m	2023 £m	Variance £m	Variance %
Net interest income	**885**	**4**	**748**	**311**	**1,948**	2,093	*(145)*	*(7)*
Non-interest income	**99**	**5**	**289**	**(64)**	**329**	440	*(111)*	*(25)*
Total income	**984**	**9**	**1,037**	**247**	**2,277**	2,533	*(256)*	*(10)*
Operating expenses	**(464)**	**-**	**(407)**	**-**	**(871)**	(901)	*30*	*(3)*
Profit before impairment losses/releases	**520**	**9**	**630**	**247**	**1,406**	1,632	*(226)*	*(14)*
Impairment (losses)/releases	**(31)**	**-**	**7**	**7**	**(17)**	(44)	*27*	*(61)*
Operating profit before tax	**489**	**9**	**637**	**254**	**1,389**	1,588	*(199)*	*(13)*
Tax charge					**(209)**	(189)	*(20)*	*11*
Profit for the year					**1,180**	1,399	*(219)*	*(16)*

Key metrics and ratios	2024	2023
Cost:income ratio (1)	**38.3%**	35.6%
Loan impairment rate (2)	**5bps**	13bps
CET1 ratio (3)	**11.1%**	11.2%
Leverage ratio (4)	**5.8%**	5.8%
Risk-weighted assets	**£17.6bn**	£18.2bn
Loan:deposit ratio (5)	**43%**	46%

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

RBS plc reported a profit of £1,180 million compared with £1,399 million in 2023. This was driven by a decrease in total income, partially offset by a decrease in operating expenses and net impairment losses.

Net interest income decreased by £145 million to £1,948 million, reflecting an increase in interest payable on customer deposits, due to higher rates and balance growth combined with a deposit mix shift from non-interest bearing to interest bearing products. This was partially offset by increased interest income due from fellow subsidiaries as a result of rate rises.

Non-interest income decreased by £111 million to £329 million, primarily driven by other operating income.

Other operating income decreased by £118 million, primarily reflecting:

- £102 million decrease on gains from economic hedging derivatives, combined with a decrease on gains of £3 million as a result of hedge ineffectiveness;
- £26 million decrease primarily due to a gain on a property disposal during 2023; partially offset by
- £19 million increase in fair value adjustments.

Operating expenses decreased by £30 million to £871 million, primarily reflecting lower conduct costs and lower recharges with other NatWest Group entities.

Net impairment losses of £17 million reduced year on year reflecting good book releases, post model adjustment releases and the MES update.

Operating profit before tax of £1,389 million includes:

- a decrease in Retail Banking of £15 million to £489 million, reflecting lower net interest income as a result of the continued run-off of mortgage portfolios, with intermediary new lending being originated through the NWB Plc business, partially offset by lower operating expenses and lower Stage 3 impairments.
- an increase in Private Banking of £5 million to £9 million, driven by higher investment income.
- a decrease in Commercial & Institutional of £115 million to £637 million, primarily reflecting higher funding costs.
- a decrease in Central items & other of £74 million to £254 million, primarily reflecting a decrease from economic hedging derivatives.

Financial summary

Summary balance sheet as at 31 December 2024

	2024	2023	Variance	
	£m	£m	£m	%
Assets				
Cash and balances at central banks	**26,630**	23,984	*2,646*	*11*
Derivatives	**465**	623	*(158)*	*(25)*
Loans to banks - amortised cost	**484**	1,059	*(575)*	*(54)*
Loans to customers - amortised cost	**33,524**	34,805	*(1,281)*	*(4)*
Amounts due from holding companies and fellow subsidiaries	**28,060**	28,497	*(437)*	*(2)*
Other assets	**1,313**	1,421	*(108)*	*(8)*
Total assets	**90,476**	90,389	*87*	*nm*
Liabilities				
Bank deposits	**921**	1,027	*(106)*	*(10)*
Customer deposits	**78,069**	77,504	*565*	*1*
Amounts due to holding companies and fellow subsidiaries	**3,755**	3,577	*178*	*5*
Derivatives	**1,411**	1,932	*(521)*	*(27)*
Notes in circulation	**2,381**	2,430	*(49)*	*(2)*
Other liabilities	**690**	816	*(126)*	*(15)*
Total liabilities	**87,227**	87,286	*(59)*	*nm*
Total equity	**3,249**	3,103	*146*	*5*
Total liabilities and equity	**90,476**	90,389	*87*	*nm*

nm = not meaningful.

Total assets increased by £0.1 billion to £90.5 billion at 31 December 2024.

Cash and balances at central banks increased by £2.6 billion, primarily driven by inflows from net operating segment funding.

Loans to customers – amortised cost decreased by £1.3 billion to £33.5 billion. This was driven by the continued run-off of Retail Banking mortgage portfolios, with intermediary lending being originated through the NWB Plc business, offset in part by an increase in commercial term loan facilities.

Amounts due from holding companies and fellow subsidiaries decreased by £0.4 billion to £28.1 billion primarily due to movements on balances with NWB Plc and its subsidiary undertakings.

Customer deposits increased by £0.6 billion to £78.1 billion, driven by a growth in retail savings balances combined with a mix shift, as customers move to higher interest rate products.

Amounts due to holding companies and fellow subsidiaries increased by £0.2 billion to £3.8 billion driven by a net increase in balances with the intermediate holding company and other counterparties primarily within NWH Group.

Notes in circulation of £2.4 billion represent the value of the RBS plc bank notes in issue.

Total equity increased by £0.1 billion to £3.2 billion. The increase reflects profit for the year of £1.2 billion and a £0.2 billion reduction in cash flow hedging reserves, partly offset by dividend payments to NWH Ltd of £1.2 billion.

Risk and capital management

Presentation of information

Where marked as audited in the section header, certain information in the Risk and capital management section (pages 6 to 67) 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 RBS plc.

Risk management framework

Introduction

RBS plc 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 RBS plc'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 RBS plc. It aligns risk management with RBS plc's overall strategic objectives.

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

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

While all RBS plc 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 RBS plc'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 RBS plc'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 RBS plc to support better customer outcomes, develop a stronger and more sustainable business and deliver an improved cost base.

RBS plc 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 RBS plc'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 RBS plc, colleagues, customers, communities and shareholders safe and secure.
- Understand their role in managing risk, remaining clear and capable, grounded in knowledge of regulatory obligations.
- Consider risk in all actions and decisions.
- Escalate risks and issues early; taking action to mitigate risks and learning from mistakes and near-misses, reporting and communicating these transparently.
- Challenge others' attitudes, ideas and actions.

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

Training

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

Our Code

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

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

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

Risk management framework continued

Governance

Committee structure

The diagram shows RBS plc's governance structure in 2024 and the main purposes of each committee.

RBS plc Board
Reviews and approves the risk management framework and the risk appetite for principal risks. Monitors performance against risk appetite.

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

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

Executive Risk Committee
Supports the CRO and other accountable executives in discharging their risk management accountabilities. Reviews, challenges and debates all material risk and control matters across RBS plc and the performance of RBS plc relative to risk appetite. Reviews the risk management framework and supports the recommendation of it to BRC and oversees its implementation.

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

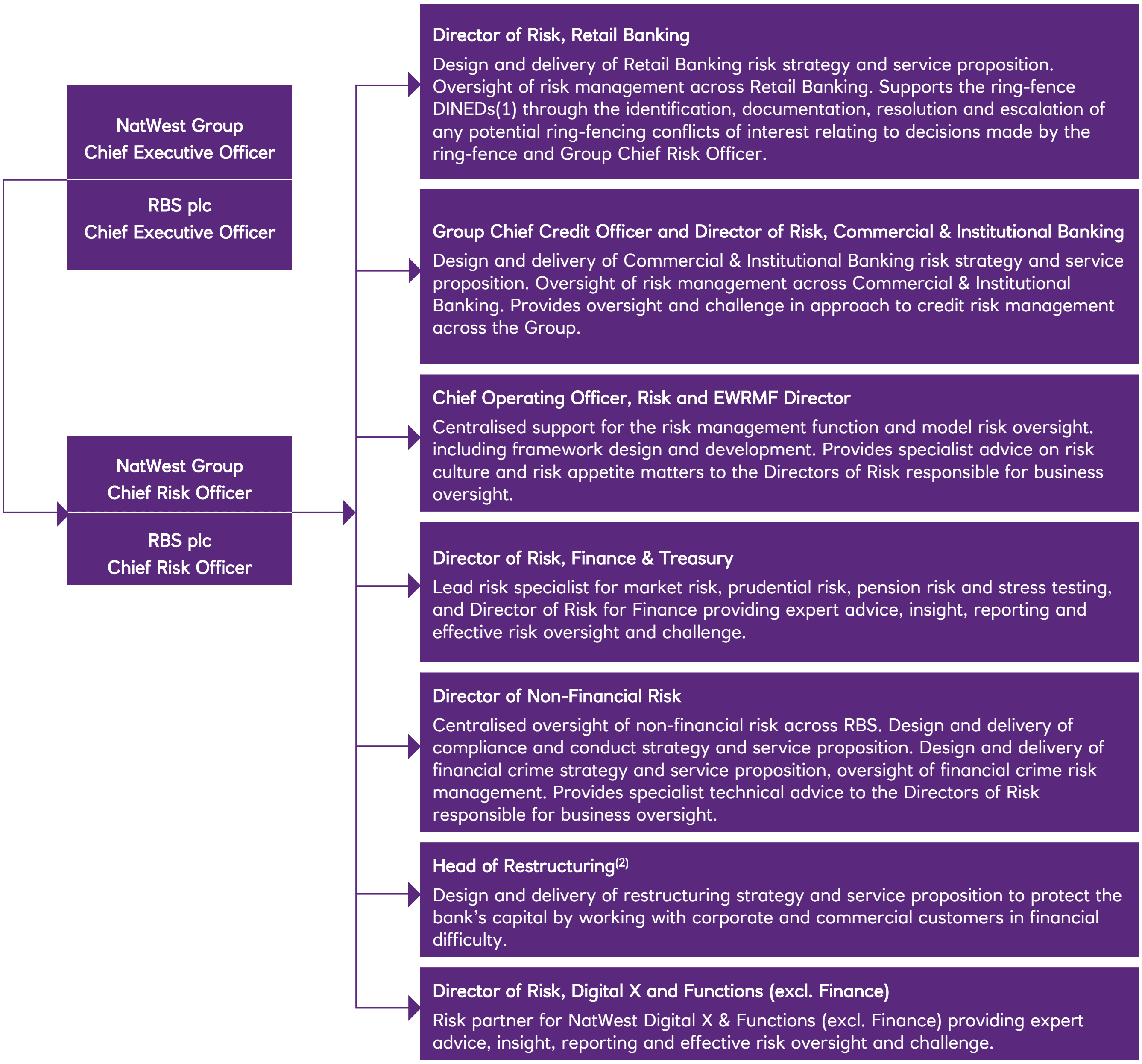
Business and function risk committees
Risk committees review and monitor all risks, providing guidance, recommendations and decisions on risks affecting the businesses and functions.

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

Risk management framework continued

Risk management structure

The diagram shows RBS plc's risk management structure in 2024 and key risk management responsibilities.



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

Risk management framework continued

Three lines of defence

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

First line of defence

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

The first line of defence is empowered to take risks within the constraints of the risk management framework, policies, risk appetite statements set by NatWest Group and measures set by the RBS plc 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 RBS plc 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 RBS plc Board.

Third line of defence

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

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

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

Risk appetite

Risk appetite defines the type and aggregate level of risk RBS plc 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 RBS plc 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 RBS plc'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 annual review of the framework is carried out. 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 RBS plc 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 RBS plc is well placed to meet its priorities and long-term targets, even in challenging economic environments. This supports RBS plc 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.

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

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

Risk management framework continued

Identification and measurement

Identification and measurement within the risk management process comprises:

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

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

Mitigation

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

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 RBS plc's regulators – that risk policies and procedures are being correctly implemented and that they are operating adequately and effectively. Thematic reviews and targeted reviews are also carried out where relevant to ensure appropriate customer outcomes. The Risk Testing & Monitoring Forum assesses and validates the annual plan as well as the ongoing programme of reviews.

Stress testing

Stress testing – capital management

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

Stress testing includes:

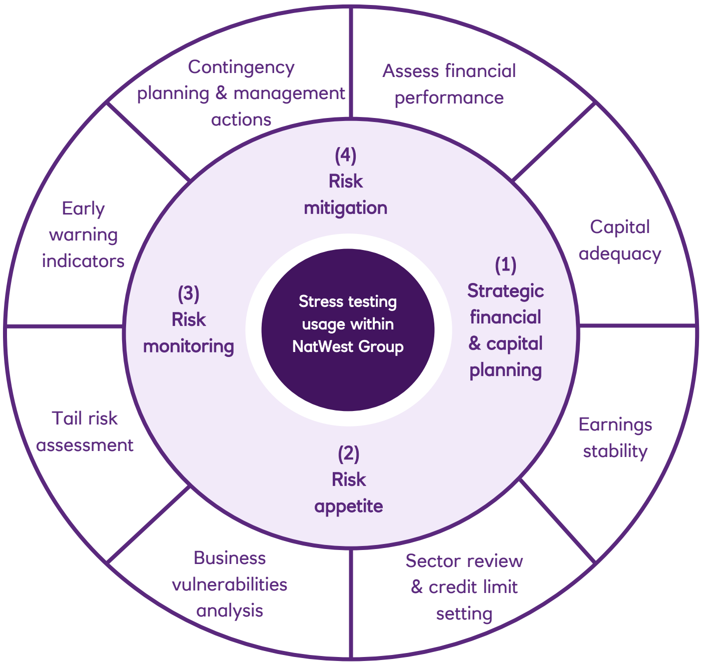
- Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.
- Sensitivity testing, which examines the impact of an incremental change to one or more risk factors.

The process for stress testing consists of four broad stages:

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

Risk management framework continued

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



Specific areas that involve capital management include:

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

Capital sufficiency – going concern forward-looking view

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

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

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

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

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

Internal assessment of capital adequacy

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

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

Capital allocation

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

Governance

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

Stress testing – liquidity

Liquidity risk monitoring and contingency planning

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

Risk management framework continued

Internal assessment of liquidity

Under the liquidity risk management framework, NatWest Group maintains the Internal Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios. Each scenario evaluates either an idiosyncratic, market-wide or combined stress event as described in the table below.

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

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

Stress testing – recovery and resolution planning

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

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

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

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

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

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

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

Stress testing – market risk

Non-traded market risk

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

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

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

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

Risk management framework continued

Internal scenarios - climate

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

This involved running the following two climate scenarios:

- A disruptive transition scenario, where the onset of climate policy from the Network for Greening the Financial System (NGFS) delayed transition scenario is accelerated from 2031 to 2025, which could result in an accompanying macro-economic shock.
- The orderly transition scenario, which explores a rapid increase in carbon prices, based on the NGFS net zero 2050 scenario, but no accompanying macro-economic shock.

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

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

Regulatory stress testing

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

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

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

Further details can be found at:

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

Credit risk

Definition (audited)

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

Sources of risk (audited)

The principal sources of credit risk are lending and related financial guarantees and undrawn commitments. Through its payments activities RBS plc is also exposed to settlement risk.

Governance (audited)

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

Governance activities include:

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

Risk appetite

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

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

Personal

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

Non-Personal

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

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

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

Identification and measurement

Credit stewardship (audited)

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

Asset quality (audited)

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

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 RBS plc. 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 and the use of guarantees and similar instruments (for example, credit insurance) from related and third parties. Property is used to mitigate credit risk across a number of portfolios, in particular residential mortgage lending and commercial real estate (CRE).

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

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

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

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

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

Credit risk continued

Assessment and monitoring

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

Personal

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

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

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

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

Non-Personal

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

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

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

For other transactions, both business approval and credit approval are required. The joint business and credit approvers act within a delegated approval authority under the Wholesale Credit Authorities policy. The level of delegated authority held by approvers is dependent on their experience and expertise with only a small number of senior executives holding the highest approval authority.

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

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

Problem debt management

Personal

Early problem identification

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

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

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

Collections

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

Recoveries

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

Credit risk continued

Non-Personal

Early problem identification

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

The Wholesale Problem Debt Management framework

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

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

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

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

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

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

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

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

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

Restructuring

Where customers have lending exposure above £1 million, and meet specific referral criteria, relationships are supported by the Restructuring team. Restructuring works with corporate and commercial customers in financial difficulty to help them understand their options and how their restructuring or repayment strategies can be delivered. Helping viable customers return to financial health and restoring a normal banking relationship is always the preferred outcome, however, where this is not possible, RBS plc will work with customers to achieve a solvent outcome. Throughout this period, the mainstream relationship manager will remain an integral part of the customer relationship. Insolvency is considered as a last resort and if deemed necessary, RBS plc will work to recover its capital in a fair and efficient manner, while upholding the fair treatment of customers and RBS plc's core values.

Customer Lending Support

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

Forbearance (audited)

Forbearance takes place when a concession is made on the contractual terms of a loan/debt in response to a customer's financial difficulties. The aim of forbearance is to support and restore the customer to financial health while minimising risk. To ensure that forbearance is appropriate for the needs of the customer, minimum standards are applied when assessing, recording, monitoring and reporting of forbearance. A credit exposure may be forborne more than once, generally where a temporary concession has been granted and circumstances warrant another temporary or permanent revision of the loan's terms. Loans are reported as forborne until they meet the exit criteria as detailed in the appropriate regulatory guidance. These include being classified as performing for two years since the last forbearance event, making regular repayments and the loan/debt being less than 30 days past due.

Credit risk continued

Types of forbearance

Personal

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

Non-Personal

In the Non-Personal portfolio, forbearance may involve covenant waivers, amendments to margins, payment concessions and loan rescheduling (including extensions in contractual maturity), capitalisation of arrears, and debt forgiveness or debt-for-equity swaps.

Monitoring of forbearance

Personal

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

Non-Personal

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

Provisioning for forbearance (audited)

Personal

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

Granting forbearance will only change the arrears status of the loan in specific circumstances, which can include capitalisation of principal and interest in arrears, where the loan may be returned to the performing book if the customer has demonstrated an ability to meet regular payments and is likely to continue to do so.

The loan would continue to be reported as forborne until it meets the exit criteria set out by the appropriate regulatory guidance.

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

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

Non-Personal

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

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

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

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

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

Credit grading models

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

Credit grading models are designed to provide:

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

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.

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

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

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

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

For accounting policy information, refer to Accounting policy 2.2

Credit risk continued

IFRS 9 ECL model design principles (audited)

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

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

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

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

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

PD estimates

Personal models

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

Non-Personal models

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

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

LGD estimates

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

Personal

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

Non-Personal

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

EAD estimates

Personal

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

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

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

Non-Personal

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

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

Governance and post model adjustments (audited)

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

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

Credit risk continued

ECL post model adjustments (audited)

The table below shows ECL post model adjustments.

	Retail Banking		Commercial	
	Mortgages	Other	& Institutional	Total
2024	£m	£m	£m	£m
Deferred model calibrations	-	-	3	3
Economic uncertainty	6	4	26	36
Other adjustments	-	-	2	2
Total	6	4	31	41
Of which:				
- *Stage 1*	*3*	*2*	*12*	*17*
- *Stage 2*	*2*	*2*	*19*	*23*
- *Stage 3*	*1*	*-*	*-*	*1*
2023				
Deferred model calibrations	-	-	6	6
Economic uncertainty	10	8	43	61
Other adjustments	-	-	1	1
Total	10	8	50	68
Of which:				
- *Stage 1*	*4*	*3*	*15*	*22*
- *Stage 2*	*2*	*5*	*34*	*41*
- *Stage 3*	*4*	*-*	*1*	*5*

Post model adjustments decreased significantly since 31 December 2023, reflecting reduced economic uncertainty from inflation, higher-for-longer interest rates and liquidity:

- Retail Banking – The post model adjustments for economic uncertainty decreased to £10 million at 31 December 2024 (2023 – £18 million). This reduction primarily reflected a revision to the cost of living post model adjustment to £8 million (2023 – £14 million), reflecting enhancements to the assessment approach, supported by back-testing of default outcomes for higher risk segments. The cost of living post model adjustment captures the risk on segments in the Retail Banking portfolio that are more susceptible to the effects of cost of living rises. It focuses on key affordability lenses, including lower income customers in fuel poverty, over-indebted borrowers and customers who remain vulnerable to higher mortgage rates.
- Commercial & Institutional – The post model adjustment for economic uncertainty decreased to £26 million (2023 – £43 million). The inflation, supply chain and liquidity post model adjustment of £19 million (2023 – £32 million) was maintained for lending prior to 1 January 2024 being a sector level downgrade applied to the sectors that are considered most at risk from the current headwinds.
- A further £7 million (2023 – £11 million) remains for customers that utilised government support schemes, this adjustment is reducing as customers default or repay.

Credit risk continued

SICR (audited)

Exposures that are considered significantly credit deteriorated since initial recognition are classified in Stage 2 and assessed for lifetime ECL measurement (exposures not considered deteriorated carry a 12 month ECL). RBS plc 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 RBS plc and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

- **IFRS 9 lifetime PD assessment (the primary driver) –** on modelled portfolios, the assessment is based on the relative deterioration in forward-looking lifetime PD and is assessed monthly. To assess whether credit deterioration has occurred, the residual lifetime PD at balance sheet date (which PD is established at date of initial recognition (DOIR)) is compared to the current PD. If the current lifetime PD exceeds the residual origination PD by more than a threshold amount, deterioration is assumed to have occurred and the exposure transferred into Stage 2 for a lifetime loss assessment. For Non-Personal, a doubling of PD would indicate a SICR subject to a minimum PD uplift of 0.1%. For Personal portfolios and SME Retail, the criteria vary by risk band, with lower risk exposures needing to deteriorate more than higher risk exposures, as outlined in the following table:

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

- **Qualitative high-risk backstops –** the PD assessment is complemented with the use of qualitative high-risk backstops to further inform whether significant deterioration in lifetime risk of default has occurred. The qualitative high-risk backstop assessment includes the use of the mandatory 30+ days past due backstop, as prescribed by IFRS 9 guidance, and other features such as forbearance support, Non-Personal exposures managed within the Wholesale Problem Debt Management framework, and adverse credit bureau results for Personal customers.
- **Persistence (Personal and SME Retail customers only) –** the persistence rule ensures that accounts which have met the criteria for PD driven deterioration are still considered to be significantly deteriorated for three months thereafter. This additional rule enhances the timeliness of capture in Stage 2. The persistence rule is applied to PD driven deterioration only.

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

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

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

Asset lifetimes (audited)

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

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

In the case of credit cards, the most significant judgement is to reflect the operational practice of card reissuance and the associated credit assessment as enabling a formal re-origination trigger. As a consequence, a capped lifetime approach of up to 36 months is used on credit card balances. If the approach was uncapped the ECL impact is estimated at approximately £14 million (2023 – £28 million). However, credit card balances originated under the 0% balance transfer product and representing approximately 24% (2023 – 23%) of performing card balances, have their ECL calculated on a behavioural lifetime approach as opposed to being capped at a maximum of three years.

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

Economic loss drivers (audited)

Introduction

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

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

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

Credit risk continued

Economic loss drivers continued

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

Credit risk continued

Economic loss drivers continued

Main macroeconomic variables

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

	2024					2023				
	Upside	Base case	Downside	Extreme downside	Weighted average	Upside	Base case	Downside	Extreme downside	Weighted average
Five-year summary	%	%	%	%	%	%	%	%	%	%
GDP	**2.0**	**1.3**	**0.5**	**(0.2)**	**1.1**	1.8	1.0	0.5	(0.3)	0.9
Unemployment rate	**3.6**	**4.3**	**5.0**	**6.7**	**4.6**	3.5	4.6	5.2	6.8	4.8
House price index	**5.8**	**3.5**	**0.8**	**(4.3)**	**2.7**	3.9	0.3	(0.4)	(5.7)	0.3
Commercial real estate price	**5.4**	**1.2**	**(1.0)**	**(5.7)**	**1.1**	3.1	(0.2)	(2.0)	(6.8)	(0.6)
Consumer price index	**2.4**	**2.2**	**3.5**	**1.6**	**2.4**	1.7	2.6	5.2	1.8	2.8
Bank of England base rate	**4.4**	**4.0**	**3.0**	**1.6**	**3.6**	3.8	3.7	5.6	2.9	4.0
Stock price index	**6.3**	**5.0**	**3.4**	**1.1**	**4.5**	4.8	3.3	1.2	(0.4)	2.8
World GDP	**3.8**	**3.2**	**2.5**	**1.6**	**3.0**	3.7	3.2	2.7	1.8	3.0
Probability weight	**23.2**	**45.0**	**19.1**	**12.7**		21.2	45.0	20.4	13.4	

(1) The five-year summary runs from 2024-28 for 31 December 2024 and from 2023-27 for 31 December 2023.
(2) The table shows compound annual growth rate (CAGR) for GDP, average levels for the unemployment rate and Bank of England base rate and Q4 to Q4 CAGR for other parameters.

Probability weightings of scenarios

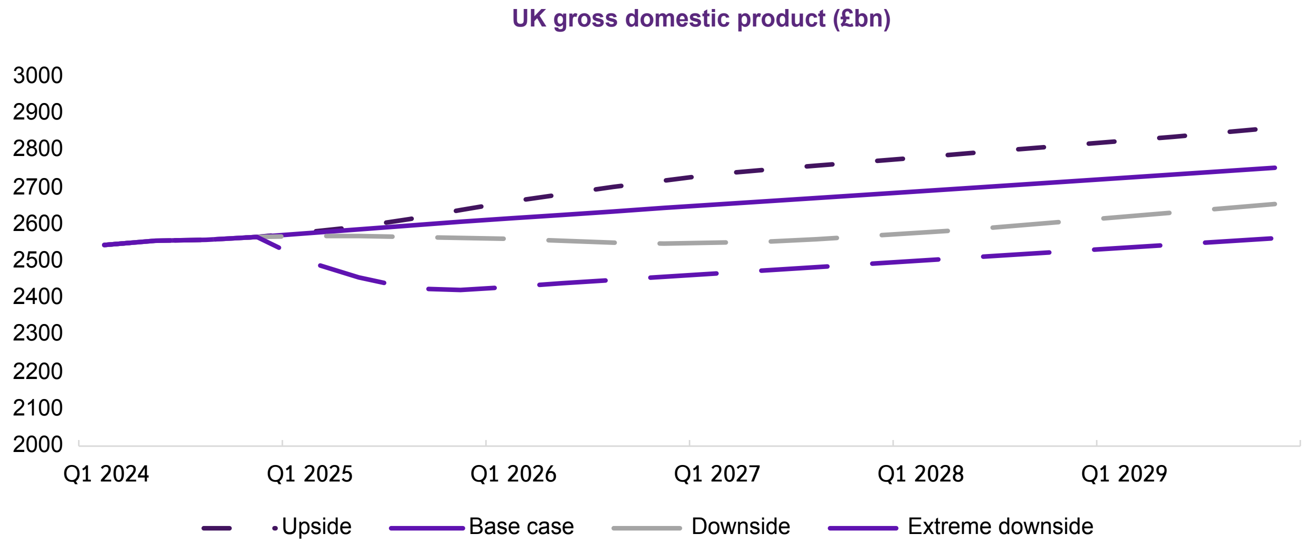
RBS plc's quantitative approach to IFRS 9 multiple economic scenarios (MES) involves selecting a suitable set of discrete scenarios to characterise the distribution of risks in the economic outlook and assigning appropriate probability weights. This quantitative approach is used for 31 December 2024.

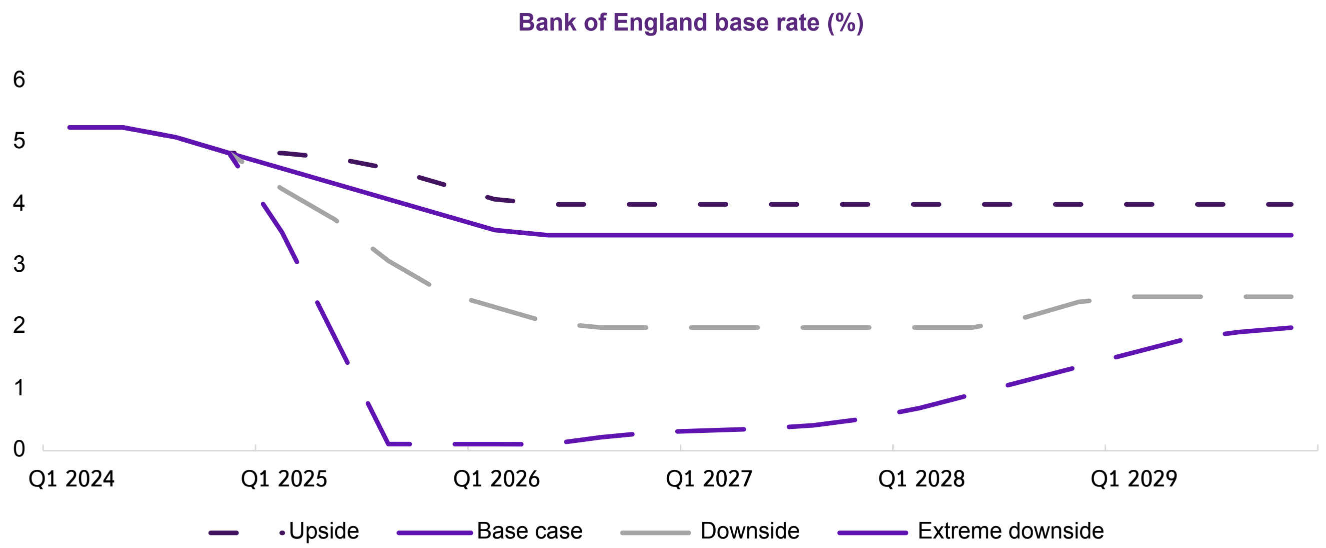
The approach involves comparing GDP paths for RBS plc's scenarios against a set of 1,000 model runs, following which, a percentile in the distribution is established that most closely corresponded to the scenario. The probability weight for base case is set first based on judgement, while probability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

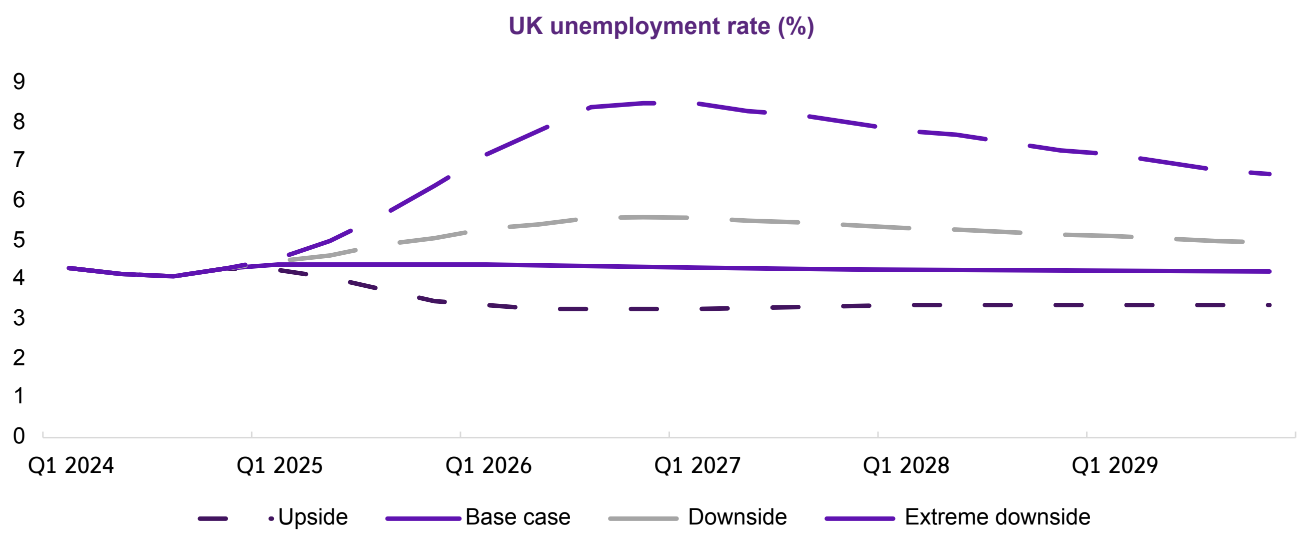
The assigned probability weights were judged to be aligned with the subjective assessment of balance of the risks in the economy. The weights were marginally less downside skewed compared to those used at 31 December 2023. The downside risks associated with a materially high inflation have reduced, with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

Credit risk continued

Economic loss drivers continued







Credit risk continued

Economic loss drivers continued

Annual figures (audited)

GDP - annual growth

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

Consumer price index - four quarter change

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

Unemployment rate - annual average

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

Bank of England base rate - annual average

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

House price index - four quarter change

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

Stock price index - four quarter change

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

Commercial real estate price - four quarter change

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

Worst points

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

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

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited)

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

The impact arising from the base case upside, downside and extreme downside scenarios was simulated. In the simulations, RBS plc 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.

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

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited)

2024	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Stage 1 modelled loans (£m)					
Retail Banking - mortgages	8,457	8,578	8,781	8,150	7,564
Retail Banking - unsecured	1,763	1,797	1,854	1,696	1,548
Non-personal - property	7,444	7,462	7,498	7,413	7,107
Non-personal - non-property	11,157	11,191	11,234	11,027	7,798
	28,821	29,028	29,367	28,286	24,017
Stage 1 modelled ECL (£m)					
Retail Banking - mortgages	3	3	3	3	2
Retail Banking - unsecured	31	32	32	31	29
Non-personal - property	13	11	10	14	26
Non-personal - non-property	24	22	22	23	33
	71	68	67	71	90
Stage 1 coverage					
Retail Banking - mortgages	0.04%	0.03%	0.03%	0.04%	0.03%
Retail Banking - unsecured	1.76%	1.78%	1.73%	1.83%	1.87%
Non-personal - property	0.17%	0.15%	0.13%	0.19%	0.37%
Non-personal - non-property	0.22%	0.20%	0.20%	0.21%	0.42%
	0.25%	0.23%	0.23%	0.25%	0.37%
Stage 2 modelled loans (£m)					
Retail Banking - mortgages	1,839	1,718	1,515	2,146	2,732
Retail Banking - unsecured	557	523	466	624	772
Non-personal - property	667	649	613	698	1,004
Non-personal - non-property	1,208	1,174	1,131	1,338	4,567
	4,271	4,064	3,725	4,806	9,075
Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	4	4	4	5	7
Retail Banking - unsecured	56	53	45	60	79
Non-personal - property	14	12	10	14	34
Non-personal - non-property	35	31	28	38	68
	109	100	87	117	188
Stage 2 coverage					
Retail Banking - mortgages	0.22%	0.23%	0.26%	0.23%	0.26%
Retail Banking - unsecured	10.05%	10.13%	9.66%	9.62%	10.23%
Non-personal - property	2.10%	1.85%	1.63%	2.01%	3.39%
Non-personal - non-property	2.90%	2.64%	2.48%	2.84%	1.49%
	2.55%	2.46%	2.34%	2.43%	2.07%
Stage 1 and Stage 2 modelled loans (£m)					
Retail Banking - mortgages	10,296	10,296	10,296	10,296	10,296
Retail Banking - unsecured	2,320	2,320	2,320	2,320	2,320
Non-personal - property	8,111	8,111	8,111	8,111	8,111
Non-personal - non-property	12,365	12,365	12,365	12,365	12,365
	33,092	33,092	33,092	33,092	33,092
Stage 1 and Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	7	7	7	8	9
Retail Banking - unsecured	87	85	77	91	108
Non-personal - property	27	23	20	28	60
Non-personal - non-property	59	53	50	61	101
	180	168	154	188	278
Stage 1 and Stage 2 coverage					
Retail Banking - mortgages	0.07%	0.07%	0.07%	0.08%	0.09%
Retail Banking - unsecured	3.75%	3.66%	3.32%	3.92%	4.66%
Non-personal - property	0.33%	0.28%	0.25%	0.35%	0.74%
Non-personal - non-property	0.48%	0.43%	0.40%	0.49%	0.82%
	0.54%	0.51%	0.47%	0.57%	0.84%

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited) continued

	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Reconciliation to Stage 1 and Stage 2 ECL (£m)					
ECL on modelled exposures	180	168	154	188	278
ECL on non-modelled exposures	1	1	1	1	1
Total Stage 1 and Stage 2 ECL (£m)	181	169	155	189	279
Variance – (lower)/higher to actual total Stage 1 and Stage 2 ECL (£m)		(12)	(26)	8	98
Reconciliation to Stage 1 and Stage 2 flow exposures (£m)					
Modelled loans	33,092	33,092	33,092	33,092	33,092
Non-modelled loans	165	165	165	165	165
Other asset classes	26,334	26,334	26,334	26,334	26,334

(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.
(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 RBS plc 2023 Annual Report and Accounts for 2023 comparatives.

Measurement uncertainty and ECL adequacy

- If the economics were as negative as observed in the extreme downside (i.e. 100% probability weighting), total Stage 1 and Stage 2 ECL was simulated to increase by £0.1 billion (approximately 54%). In this scenario, Stage 2 exposure increased significantly and was the key driver of the simulated ECL rise. The movement in Stage 2 balances in the other simulations was less significant.
- In the Non-Personal portfolio, there was a significant increase in ECL under the extreme downside scenario. The Non-Personal property ECL increase was mainly due to commercial real estate prices which showed negative growth until 2026 and significant deterioration in the stock index. The non-property increase was mainly due to GDP contraction and significant deterioration in the stock index.
- Given the continued economic uncertainty, RBS plc utilised a framework of quantitative and qualitative measures to support the levels of ECL coverage. This included economic data, credit performance insights and problem debt trends. This was particularly important for consideration of post model adjustments.
- As the effects of these economic risks evolve into 2025, there is a risk of further credit deterioration. However, the income statement effect of this should be mitigated by the forward-looking provisions retained on the balance sheet at 31 December 2024.
- There are a number of key factors that could drive further downside to impairments, through deteriorating economic and credit metrics and increased stage migration as credit risk increases for more customers. Such factors which could impact the IFRS 9 models, include an adverse deterioration in unemployment, GDP and stock price index in which RBS plc operates.

Credit risk – Banking activities

Introduction

This section details the credit risk profile of RBS plc's banking activities.

Refer to Accounting policy 2.2 and Note 12 to the financial statements for policies and critical judgements relating to impairment loss determination.

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

Refer to Note 8 to the financial statements for balance sheet analysis of financial assets that are classified as amortised cost or fair value through other comprehensive income (FVOCI), the starting point for IFRS 9 ECL framework assessment.

	31 December 2024			31 December 2023		
	Gross £bn	ECL £bn	Net £bn	Gross £bn	ECL £bn	Net £bn
Balance sheet total gross amortised cost and FVOCI	61.2			60.5		
In scope of IFRS 9 ECL framework	60.8			60.0		
% in scope	99%			99%		
Loans to customers - in scope - amortised cost	34.3	0.6	33.7	35.7	0.6	35.1
Loans to customers - in scope - FVOCI	-	-	-	-	-	-
Loans to banks - in scope - amortised cost	0.5	-	0.5	0.9	-	0.9
Total loans - in scope	34.8	0.6	34.2	36.6	0.6	36.0
Stage 1	29.6	0.1	29.5	30.6	0.1	30.5
Stage 2	4.3	0.1	4.2	5.0	0.1	4.9
Stage 3	0.9	0.4	0.5	1.0	0.4	0.6
Other financial assets - in scope - amortised cost	26.0	-	26.0	23.4	-	23.4
Other financial assets - in scope - FVOCI	-	-	-	-	-	-
Total other financial assets - in scope	26.0	-	26.0	23.4	-	23.4
Stage 1	26.0	-	26.0	23.4	-	23.4
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Out of scope of IFRS 9 ECL framework	0.4	na	0.4	0.5	na	0.5
Loans to customers - out of scope - amortised cost	(0.2)	na	(0.2)	(0.2)	na	(0.2)
Loans to banks - out of scope - amortised cost	-	na	-	0.1	na	0.1
Other financial assets - out of scope - amortised cost	0.6	na	0.6	0.6	na	0.6
Other financial assets - out of scope - FVOCI	-	na	-	-	na	-

na = not applicable

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

- Settlement balances, items in the course of collection, cash balances and other non-credit risk assets of £0.6 billion (2023 – £0.7 billion). These were assessed as having no ECL unless there was evidence that they were defaulted.
- Fair value adjustments on loans hedged by interest rate swaps, where the underlying loan was within the IFRS 9 ECL scope of £(0.2) billion (2023 – £(0.1) billion).

In scope assets also include an additional £28.1 billion (2023 – £28.5 billion) of inter-group assets not shown in table above.

Contingent liabilities and commitments

Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope of £17.3 billion (2023 – £17.9 billion) comprised Stage 1 £16.0 billion (2023 – £16.1 billion); Stage 2 £1.2 billion (2023 – £1.6 billion); and Stage 3 £0.1 billion (2023 – £0.1 billion).

Credit risk – Banking activities continued

Segment analysis – portfolio summary (audited)

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

2024	Retail Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Loans - amortised cost and FVOCI				
Stage 1	10,157	18,916	460	29,533
Stage 2	2,340	1,939	-	4,279
Stage 3	609	329	-	938
Inter-group			28,052	28,052
	13,106	21,184	28,512	62,802
ECL provisions (1)				
Stage 1	33	36	4	73
Stage 2	59	49	-	108
Stage 3	219	163	-	382
Inter-group			19	19
	311	248	23	582
ECL provisions coverage (2)				
Stage 1 (%)	0.32	0.19	0.87	0.25
Stage 2 (%)	2.52	2.53	-	2.52
Stage 3 (%)	35.96	49.54	-	40.72
Inter-group (%)			0.07	0.07
	2.37	1.17	0.87	1.62
Impairment (releases)/losses				
ECL (release)/charge (3)				
Stage 1	(35)	(36)	-	(71)
Stage 2	33	(2)	-	31
Stage 3	33	31	-	64
Inter-group			(7)	(7)
Total	31	(7)	(7)	17
Amounts written-off	74	26	-	100

Credit risk – Banking activities continued

Segment analysis – portfolio summary (audited)

2023	Retail Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Loans - amortised cost and FVOCI				
Stage 1	11,628	18,053	875	30,556
Stage 2	2,518	2,449	-	4,967
Stage 3	654	339	-	993
Inter-group			28,455	28,455
	14,800	20,841	29,330	64,971
ECL provisions (1)				
Stage 1	40	49	4	93
Stage 2	80	79	-	159
Stage 3	229	146	-	375
Inter-group			26	26
	349	274	30	653
ECL provisions coverage (2)				
Stage 1 (%)	0.34	0.27	0.46	0.30
Stage 2 (%)	3.18	3.23	-	3.20
Stage 3 (%)	35.02	43.07	-	37.76
Inter-group (%)			0.09	0.09
	2.36	1.31	0.46	1.72
Impairment (releases)/losses				
ECL (release)/charge (3)				
Stage 1	(31)	(49)	-	(80)
Stage 2	60	35	-	95
Stage 3	26	5	-	31
Inter-group			(2)	(2)
	55	(9)	(2)	44
Amounts written-off	44	25	-	69

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

(2) 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 £26.1 billion (2023 – £23.4 billion).

(3) 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

Segmental loans and impairment metrics (audited)

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

	Gross loans				ECL provisions				ECL	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total (release)/charge	Amounts written-off
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Retail Banking	**10,157**	**2,340**	**609**	**13,106**	**33**	**59**	**219**	**311**	**31**	**74**
Commercial & Institutional	**18,916**	**1,939**	**329**	**21,184**	**36**	**49**	**163**	**248**	**(7)**	**26**
Central items & other	**460**	**-**	**-**	**460**	**4**	**-**	**-**	**4**	**-**	**-**
Total loans	**29,533**	**4,279**	**938**	**34,750**	**73**	**108**	**382**	**563**	**24**	**100**
Of which:										
Personal	***10,157***	***2,340***	***609***	***13,106***	***33***	***59***	***219***	***311***	***31***	***74***
Non-Personal	***19,376***	***1,939***	***329***	***21,644***	***40***	***49***	***163***	***252***	***(7)***	***26***
2023										
Retail Banking	11,628	2,518	654	14,800	40	80	229	349	55	44
Commercial & Institutional	18,053	2,449	339	20,841	49	79	146	274	(9)	25
Central items & other	875	-	-	875	4	-	-	4	-	-
Total loans	30,556	4,967	993	36,516	93	159	375	627	46	69
Of which:										
Personal	*11,628*	*2,518*	*654*	*14,800*	*40*	*80*	*229*	*349*	*55*	*44*
Non-Personal	*18,928*	*2,449*	*339*	*21,716*	*53*	*79*	*146*	*278*	*(9)*	*25*

- **Retail Banking** – Loans to customers decreased during the year as repayments and redemptions exceeded new lending.
- **Commercial & Institutional** – Modest growth in exposure in Commercial & Institutional was driven by corporate sectors. Portfolio performance remained stable with a small reduction in total ECL. Stage 1 and Stage 2 ECL and coverage decreased due to reductions in post model adjustments, net improvements in economic scenarios and weightings, along with stable portfolio performance. Stage 3 ECL increased due to a small number of large counterparties, but the total number of individual defaults remained low.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

The table below shows financial assets and off-balance sheet exposures gross of ECL and related ECL provisions, impairment and past due by sector, asset quality and geographical region.

	Personal				Non personal				Total
2024	Mortgages £m	Credit cards £m	Other personal £m	Total £m	Corporate & Other £m	FI £m	Sovereign £m	Total £m	£m
Loans by geography	10,633	996	1,477	13,106	20,356	1,288	-	21,644	34,750
- UK	10,633	996	1,477	13,106	17,426	806	-	18,232	31,338
- Other Europe	-	-	-	-	570	29	-	599	599
- RoW	-	-	-	-	2,360	453	-	2,813	2,813
Loans by stage and asset quality (1)	10,633	996	1,477	13,106	20,356	1,288	-	21,644	34,750
Stage 1	8,389	666	1,102	10,157	18,103	1,273	-	19,376	29,533
- AQ1	70	-	-	70	710	1	-	711	781
- AQ2	33	-	-	33	1,113	466	-	1,579	1,612
- AQ3	110	1	-	111	4,510	37	-	4,547	4,658
- AQ4	6,091	10	23	6,124	4,866	665	-	5,531	11,655
- AQ5	1,845	210	355	2,410	4,668	53	-	4,721	7,131
- AQ6	146	179	473	798	1,444	15	-	1,459	2,257
- AQ7	74	236	199	509	763	35	-	798	1,307
- AQ8	13	29	47	89	25	1	-	26	115
- AQ9	7	1	5	13	4	-	-	4	17
Stage 2	1,808	301	231	2,340	1,927	12	-	1,939	4,279
- AQ1	9	-	-	9	-	-	-	-	9
- AQ2	6	-	-	6	-	-	-	-	6
- AQ3	25	-	-	25	2	-	-	2	27
- AQ4	845	-	16	861	326	-	-	326	1,187
- AQ5	515	13	47	575	244	-	-	244	819
- AQ6	104	30	44	178	395	1	-	396	574
- AQ7	98	168	60	326	607	7	-	614	940
- AQ8	108	77	48	233	307	1	-	308	541
- AQ9	98	13	16	127	46	3	-	49	176
Stage 3	436	29	144	609	326	3	-	329	938
- AQ10	436	29	144	609	326	3	-	329	938
Loans - past due analysis	10,633	996	1,477	13,106	20,356	1,288	-	21,644	34,750
- Not past due	10,174	962	1,332	12,468	19,878	1,283	-	21,161	33,629
- Past due 1-30 days	187	9	11	207	209	1	-	210	417
- Past due 31-90 days	80	8	15	103	111	1	-	112	215
- Past due 91-180 days	50	6	16	72	17	-	-	17	89
- Past due >180 days	142	11	103	256	141	3	-	144	400
Loans - Stage 2	1,808	301	231	2,340	1,927	12	-	1,939	4,279
- Not past due	1,668	291	215	2,174	1,748	10	-	1,758	3,932
- Past due 1-30 days	105	5	6	116	78	1	-	79	195
- Past due 31-90 days	35	5	10	50	101	1	-	102	152
Weighted average life (3)									
- ECL measurement (years)	8	4	6	5	7	4	-	6	6
Weighted average 12 months PDs (3)									
- IFRS 9 (%)	0.91	3.24	4.38	1.45	0.88	0.29	-	0.84	1.07
- Basel (%)	0.76	3.57	2.74	1.19	0.79	0.32	-	0.76	0.92
ECL provisions by geography	94	57	160	311	246	2	4	252	563
- UK	94	57	160	311	237	2	4	243	554
- Other Europe	-	-	-	-	-	-	-	-	-
- RoW	-	-	-	-	9	-	-	9	9
ECL provisions by stage	94	57	160	311	246	2	4	252	563
- Stage 1	3	10	20	33	35	1	4	40	73
- Stage 2	4	28	27	59	49	-	-	49	108
- Stage 3	87	19	113	219	162	1	-	163	382
ECL provisions coverage (%)	0.88	5.72	10.83	2.37	1.21	0.16	-	1.16	1.62
- Stage 1 (%)	0.04	1.50	1.81	0.32	0.19	0.08	-	0.21	0.25
- Stage 2 (%)	0.22	9.30	11.69	2.52	2.54	-	-	2.53	2.52
- Stage 3 (%)	19.95	65.52	78.47	35.96	49.69	33.33	-	49.54	40.72
ECL (release)/charge - Third party	(6)	10	27	31	(5)	(1)	(1)	(7)	24
Amounts written-off	4	18	52	74	26	-	-	26	100

For the notes to this table refer to page 37.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

	Personal				Non Personal				Total
	Mortgages	Credit cards	Other personal	Total	Corporate & Other	FI	Sovereign	Total	
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m
Other financial assets by asset quality (1)	-	-	-	-	-	-	26,045	26,045	26,045
- AQ1-AQ4	-	-	-	-	-	-	26,045	26,045	26,045
Off-balance sheet	1,895	3,481	1,043	6,419	10,106	766	-	10,872	17,291
- Loan commitments	1,895	3,481	1,043	6,419	9,548	665	-	10,213	16,632
- Financial guarantees	-	-	-	-	558	101	-	659	659
Off-balance sheet by asset quality (1)	1,895	3,481	1,043	6,419	10,106	766	-	10,872	17,291
- AQ1-AQ4	1,665	55	940	2,660	6,760	675	-	7,435	10,095
- AQ5-AQ8	222	3,363	98	3,683	3,291	91	-	3,382	7,065
- AQ9	-	2	-	2	2	-	-	2	4
- AQ10	8	61	5	74	53	-	-	53	127

For the notes to this table refer to page 37.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

	Personal				Non Personal				Total
	Mortgages	Credit cards	Other personal	Total	Corporate & Other	FI	Sovereign	Total	
2023 (2)	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans by geography	12,292	1,029	1,479	14,800	20,142	1,346	228	21,716	36,516
- UK	*12,292*	*1,029*	*1,479*	*14,800*	*17,580*	*647*	*228*	*18,455*	*33,255*
- RoI	-	-	-	-	*29*	-	-	*29*	*29*
- Other Europe	-	-	-	-	*712*	*20*	-	*732*	*732*
- RoW	-	-	-	-	*1,821*	*679*	-	*2,500*	*2,500*
Loans by stage and asset quality (1)	12,292	1,029	1,479	14,800	20,142	1,346	228	21,716	36,516
Stage 1	9,969	623	1,036	11,628	17,369	1,331	228	18,928	30,556
- AQ1	*132*	-	-	*132*	*602*	-	-	*602*	*734*
- AQ2	-	-	-	-	*1,426*	*331*	*228*	*1,985*	*1,985*
- AQ3	*25*	-	-	*25*	*4,499*	*26*	-	*4,525*	*4,550*
- AQ4	*7,268*	*15*	*23*	*7,306*	*4,476*	*873*	-	*5,349*	*12,655*
- AQ5	*2,205*	*195*	*332*	*2,732*	*3,838*	*42*	-	*3,880*	*6,612*
- AQ6	*249*	*222*	*445*	*916*	*1,730*	*18*	-	*1,748*	*2,664*
- AQ7	*67*	*181*	*171*	*419*	*754*	*40*	-	*794*	*1,213*
- AQ8	*18*	*9*	*62*	*89*	*39*	*1*	-	*40*	*129*
- AQ9	*5*	*1*	*3*	*9*	*5*	-	-	*5*	*14*
Stage 2	1,861	379	278	2,518	2,438	11	-	2,449	4,967
- AQ1	*15*	-	-	*15*	-	-	-	-	*15*
- AQ2	-	-	-	-	-	-	-	-	-
- AQ3	*6*	-	-	*6*	-	-	-	-	*6*
- AQ4	*874*	-	*20*	*894*	*221*	-	-	*221*	*1,115*
- AQ5	*508*	*22*	*61*	*591*	*595*	*1*	-	*596*	*1,187*
- AQ6	*138*	*70*	*64*	*272*	*478*	*1*	-	*479*	*751*
- AQ7	*110*	*224*	*50*	*384*	*777*	*5*	-	*782*	*1,166*
- AQ8	*118*	*53*	*69*	*240*	*318*	*2*	-	*320*	*560*
- AQ9	*92*	*10*	*14*	*116*	*49*	*2*	-	*51*	*167*
Stage 3	462	27	165	654	335	4	-	339	993
- AQ10	*462*	*27*	*165*	*654*	*335*	*4*	-	*339*	*993*
Loans - past due analysis	12,292	1,029	1,479	14,800	20,142	1,346	228	21,716	36,516
- Not past due	*11,804*	*1,000*	*1,311*	*14,115*	*19,497*	*1,340*	*228*	*21,065*	*35,180*
- Past due 1-30 days	*172*	*7*	*11*	*190*	*383*	*2*	-	*385*	*575*
- Past due 31-90 days	*87*	*6*	*17*	*110*	*82*	*1*	-	*83*	*193*
- Past due 91-180 days	*71*	*6*	*16*	*93*	*22*	-	-	*22*	*115*
- Past due >180 days	*158*	*10*	*124*	*292*	*158*	*3*	-	*161*	*453*
Loans - Stage 2	1,861	379	278	2,518	2,438	11	-	2,449	4,967
- Not past due	*1,706*	*370*	*263*	*2,339*	*2,278*	*10*	-	*2,288*	*4,627*
- Past due 1-30 days	*107*	*5*	*6*	*118*	*93*	*1.0*	-	*94*	*212*
- Past due 31-90 days	*48*	*4*	*9*	*61*	*67*	-	-	*67*	*128*
Weighted average life (3)									
- ECL measurement (years)	8	3	6	5	7	4	-	6	6
Weighted average 12 months PDs (3)									
- IFRS 9 (%)	0.87	3.43	5.30	1.45	1.19	0.35	0.04	1.13	1.26
- Basel (%)	0.83	3.44	2.79	1.20	0.89	0.33	0.04	0.84	0.98
ECL provisions by geography	90	66	193	349	270	4	4	278	627
- UK	*90*	*66*	*193*	*349*	*261*	*4*	*4*	*269*	*618*
- RoI	-	-	-	-	-	-	-	-	-
- Other Europe	-	-	-	-	*1.0*	-	-	*1*	*1*
- RoW	-	-	-	-	*8*	-	-	*8*	*8*
ECL provisions by stage	90	66	193	349	270	4	4	278	627
- Stage 1	*4*	*12*	*24*	*40*	*48*	*1*	*4*	*53*	*93*
- Stage 2	*5*	*38*	*37*	*80*	*79*	-	-	*79*	*159*
- Stage 3	*81*	*16*	*132*	*229*	*143*	*3*	-	*146*	*375*
ECL provisions coverage (%)	0.73	6.41	13.05	2.36	1.34	0.30	1.75	1.28	1.72
- Stage 1 (%)	*0.04*	*1.93*	*2.32*	*0.34*	*0.28*	*0.08*	*1.75*	*0.28*	*0.30*
- Stage 2 (%)	*0.27*	*10.03*	*13.31*	*3.18*	*3.24*	-	-	*3.23*	*3.20*
- Stage 3 (%)	*17.53*	*59.26*	*80.00*	*35.02*	*42.69*	*75.00*	-	*43.07*	*37.76*
ECL (release)/charge - Third party	(2)	23	34	55	(8)	(1)	-	(9)	46
Amounts written-off	11	15	18	44	25	-	-	25	69

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

Credit risk – Banking activities continued

Sector analysis – portfolio summary continued (audited)

	Personal				Non Personal				Total
	Mortgages	Credit cards	Other personal	Total	Corporate & Other	FI	Sovereign	Total	
2023	£m	£m	£m	£m	£m	£m	£m	£m	£m
Other financial assets by asset quality (1)	-	-	-	-	-	-	23,375	23,375	23,375
- AQ1-AQ4	-	-	-	-	-	-	*23,375*	*23,375*	*23,375*
Off-balance sheet	2,235	3,421	1,133	6,789	10,300	775	-	11,075	17,864
- Loan commitments	*2,235*	*3,421*	*1,133*	*6,789*	*9,623*	*678*	-	*10,301*	*17,090*
- Financial guarantees	-	-	-	-	*677*	*97*	-	*774*	*774*
Off-balance sheet by asset quality (1)	2,235	3,421	1,133	6,789	10,300	775	-	11,075	17,864
- AQ1-AQ4	*1,965*	*59*	*1,021*	*3,045*	*6,842*	*645*	-	*7,487*	*10,532*
- AQ5-AQ8	*261*	*3,295*	*108*	*3,664*	*3,390*	*130*	-	*3,520*	*7,184*
- AQ9	-	*2*	-	*2*	*1*	-	-	*1*	*3*
- AQ10	*9*	*65*	*4*	*78*	*67*	-	-	*67*	*145*

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

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

£0.1 billion (2023 – £0.1 billion) of AQ10 Personal balances primarily relate to loan commitments, the drawdown of which is effectively prohibited.

(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) Not within the scope of the Independent auditors' report.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

The table below shows gross loans and ECL by stage, for the Personal portfolio and Non-Personal portfolio including the three largest borrowing sector clusters included in corporate and other. The table below includes ECL provisions for other (non-loan) assets. Cash and balances at central banks results in ECL for sovereigns.

	Loans - amortised cost and FVOCI				Off-balance sheet		ECL provisions			
	Stage 1	Stage 2	Stage 3	Total	Loan commitments	Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Personal	10,157	2,340	609	13,106	6,419	-	33	59	219	311
Mortgages	8,389	1,808	436	10,633	1,895	-	3	4	87	94
Credit cards	666	301	29	996	3,481	-	10	28	19	57
Other personal	1,102	231	144	1,477	1,043	-	20	27	113	160
Non-personal	19,376	1,939	329	21,644	10,213	659	40	49	163	252
Financial institutions	1,273	12	3	1,288	665	101	1	-	1	2
Sovereigns	-	-	-	-	-	-	4	-	-	4
Corporate & Other	18,103	1,927	326	20,356	9,548	558	35	49	162	246
Of which:										
Housing Associations	4,734	161	13	4,908	2,524	4	2	2	1	5
Consumer Industries	*3,619*	*432*	*54*	*4,105*	*1,290*	*148*	*8*	*14*	*21*	*43*
Commercial Real Estate	*2,561*	*468*	*114*	*3,143*	*750*	*77*	*11*	*9*	*51*	*71*
Total	29,533	4,279	938	34,750	16,632	659	73	108	382	563
2023										
Personal	11,628	2,518	654	14,800	6,789	-	40	80	229	349
Mortgages	9,969	1,861	462	12,292	2,235	-	4	5	81	90
Credit cards	623	379	27	1,029	3,421	-	12	38	16	66
Other personal	1,036	278	165	1,479	1,133	-	24	37	132	193
Non-personal	18,928	2,449	339	21,716	10,301	774	53	79	146	278
Financial institutions	1,331	11	4	1,346	678	97	1	-	3	4
Sovereigns	228	-	-	228	-	-	4	-	-	4
Corporate & Other	17,369	2,438	335	20,142	9,623	677	48	79	143	270
Of which:										
Housing Associations	4,290	56	14	4,360	2,297	5	1	1	-	2
Consumer Industries	*3,267*	*558*	*65*	*3,890*	*1,329*	*117*	*11*	*21*	*25*	*57*
Commercial Real Estate	*2,678*	*625*	*89*	*3,392*	*1,020*	*57*	*16*	*17*	*30*	*63*
Total	30,556	4,967	993	36,516	17,090	774	93	159	375	627

Credit risk – Banking activities continued

Non-personal forbearance (audited)

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

2024	Corporate & Other £m	Financial institution £m	Total £m
Forbearance (flow)	**522**	**-**	**522**
Forbearance (stock)	**738**	**6**	**744**
Heightened Monitoring and Risk of Credit Loss	**666**	**9**	**675**
2023			
Forbearance (flow)	589	-	589
Forbearance (stock)	783	-	783
Heightened Monitoring and Risk of Credit Loss	849	1	850

- **Loans by geography and sector –** In line with RBS plc's strategic focus, exposures continued to be mainly in the UK.
- **Loans by stage** – The decrease in Stage 1 reflected the growth in Non-Personal lending, being more than offset by an overall reduction in mortgage exposures. There was a decrease in Stage 2 balances in 2024, driven by Non-Personal portfolios, reflecting reductions in PD levels. The modest decrease in Stage 3 balances was in line with portfolio performance, book reductions and debt sale activity on Personal unsecured assets.
- **Loans – Past due analysis** – Arrears balances decreased during 2024. Debt sale activity in Personal unsecured assets, which reduced Stage 3 balances, also contributed to the reduction in balances in higher arrears bands. In Non-Personal, past due composition was stable.
- **Weighted average 12 months PDs** – Both IFRS 9 and Basel PDs remained broadly stable during the year. In the Personal portfolios, there was a notable reduction in unsecured IFRS 9 PDs due to modelling updates. In Non-Personal, some reductions were observed in IFRS 9 PDs in the corporate portfolios due to economic and portfolio improvements.
- **ECL provisions by stage and ECL provisions coverage** – Overall provisions coverage reduced since 31 December 2023. In the performing book, this was mainly a result of stable portfolio performance, reduced economic uncertainty post model adjustments and PD reductions across a number of portfolios, primarily relating to modelling updates. Furthermore, Stage 3 and total book coverage reduced, supported by the 2024 debt sale activity on Personal unsecured portfolios.
- **ECL charge (excluding inter-group)** – The full year impairment charge for 2024 of £24 million primarily reflected stable default performance, alongside reduced PD levels and impairment releases driven by the reduction in economic uncertainty post model adjustments.
- **Other financial assets by asset quality** – Consistent with the prior year, these assets were in sovereigns and in the AQ1-AQ4 band.
- **Off-balance sheet exposures by asset quality –** In Personal, undrawn exposures were reflective of available credit lines in credit cards and current accounts. Additionally, the mortgage portfolio had undrawn exposures, where a formal offer had been made to a customer but had not yet drawn down; the value decreased in line with the pipeline of offers. There was also a legacy portfolio of flexible mortgages where a customer had the right and ability to draw down further funds. In Non-Personal, off-balance sheet exposures decreased. Consistent with the prior year, asset quality was mainly in the AQ1-AQ8 bandings.
- **Non-Personal problem debt –** There was a decrease in Heightened Monitoring and Risk of Credit Loss exposure, compared to 2023.
- **Non-Personal forbearance –** Forbearance was lower at the end of 2024, compared to 2023.

Credit risk – Banking activities continued

Credit risk enhancement and mitigation (audited)

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

	Gross		Maximum credit risk		CREM by type			CREM coverage		Exposure post CREM	
	exposure	ECL	Total	Stage 3	Financial (1)	Property	Other (2)	Total	Stage 3	Total	Stage 3
2024	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Financial assets											
Cash and balances at central banks	**26.1**	**-**	**26.1**	**-**	**-**	**-**	**-**	**-**	**-**	**26.1**	**-**
Loans - amortised cost (3)	**34.7**	**0.6**	**34.1**	**0.6**	**0.9**	**21.3**	**3.4**	**25.6**	**0.6**	**8.5**	**-**
Personal (4)	**13.1**	**0.4**	**12.7**	**0.4**	**-**	**10.5**	**-**	**10.5**	**0.4**	**2.2**	**-**
Non-personal (5)	**21.6**	**0.2**	**21.4**	**0.2**	**0.9**	**10.8**	**3.4**	**15.1**	**0.2**	**6.3**	**-**
Total financial assets	**60.8**	**0.6**	**60.2**	**0.6**	**0.9**	**21.3**	**3.4**	**25.6**	**0.6**	**34.6**	**-**
Contingent liabilities and commitments											
Personal (6,7)	**6.4**	**-**	**6.4**	**-**	**-**	**1.8**	**-**	**1.8**	**(0.1)**	**4.6**	**0.1**
Non-personal	**10.9**	**-**	**10.9**	**-**	**0.1**	**2.6**	**0.4**	**3.1**	**-**	**7.8**	**-**
Total off-balance sheet	**17.3**	**-**	**17.3**	**-**	**0.1**	**4.4**	**0.4**	**4.9**	**(0.1)**	**12.4**	**0.1**
Total exposure	**78.1**	**0.6**	**77.5**	**0.6**	**1.0**	**25.7**	**3.8**	**30.5**	**0.5**	**47.0**	**0.1**
2023											
Financial assets											
Cash and balances at central banks	23.4	-	23.4	-	-	-	-	-	-	23.4	-
Loans - amortised cost (3)	36.5	0.6	35.9	0.6	1.2	22.3	3.0	26.5	0.6	9.4	-
Personal (4)	*14.8*	*0.3*	*14.5*	*0.4*	-	*12.2*	-	*12.2*	*0.4*	*2.3*	-
Non-personal (5)	*21.7*	*0.3*	*21.4*	*0.2*	*1.2*	*10.1*	*3.0*	*14.3*	*0.2*	*7.1*	-
Total financial assets	59.9	0.6	59.3	0.6	1.2	22.3	3.0	26.5	0.6	32.8	-
Contingent liabilities and commitments											
Personal (6,7)	6.8	-	6.8	0.1	-	2.2	-	2.2	-	4.6	0.1
Non-personal	11.1	-	11.1	0.1	0.1	2.3	0.4	2.8	-	8.3	0.1
Total off-balance sheet	17.9	-	17.9	0.2	0.1	4.5	0.4	5.0	-	12.9	0.2
Total exposure	77.8	0.6	77.2	0.8	1.3	26.8	3.4	31.5	0.6	45.7	0.2

(1) Includes cash and securities collateral.
(2) Includes guarantees, charges over trade debtors, other asset finance related physical collateral as well as the amount by which credit risk exposure is reduced through netting arrangements, mainly cash management pooling, which give RBS plc a legal right to set off the financial asset against a financial liability due to the same counterparty.
(3) RBS plc holds collateral in respect of individual loans – amortised cost to banks and customers. This collateral includes mortgages over property (both personal and commercial); charges over business assets such as plant and equipment, inventories and trade debtors; and guarantees of lending from parties other than the borrower. Collateral values are capped at the value of the loan.
(4) Stage 3 mortgage exposures have relatively limited uncovered exposure reflecting the security held. On unsecured credit cards and other personal borrowing, the residual uncovered amount reflects historical experience of continued cash recovery post default through ongoing engagement with customers.
(5) Stage 3 exposures post credit risk enhancement and mitigation in Non-Personal mainly represent enterprise value and the impact of written down collateral values; an individual assessment to determine ECL will consider multiple scenarios and in some instances allocate a probability weighting to a collateral value in excess of the written down value.
(6) Personal Stage 3 balances primarily relate to loan commitments, the draw down of which is effectively prohibited.
(7) The Personal gross exposure value includes £0.1 billion (2023 – £0.1 billion) in respect of pipeline mortgages where a committed offer has been made to a customer but where the funds have not yet been drawn down. When drawn down, the exposure would be covered by a security over the borrower's property.

Credit risk – Banking activities continued

Personal portfolio (audited)

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

Personal lending	2024 £m	2023 £m
Mortgages	**10,631**	12,286
Of which:		
Owner occupied	**9,579**	11,052
Buy-to-let	**1,052**	1,234
Interest only	**2,381**	2,988
Mixed (1)	**721**	860
ECL provisions (2)	**94**	90
Other personal lending	**2,472**	2,507
ECL provisions (2)	**216**	259
Total personal lending	**13,103**	14,793
Mortgage LTV ratios		
- Owner occupied	**42%**	42%
- Stage 1	***41%***	*42%*
- Stage 2	***44%***	*44%*
- Stage 3	***43%***	*43%*
- Buy-to-let	**43%**	43%
- Stage 1	***42%***	*42%*
- Stage 2	***45%***	*45%*
- Stage 3	***48%***	*47%*
Gross new mortgage lending	**345**	514
Of which:		
Owner occupied	**340**	496
- LTV > 90%	**25**	41
Weighted average LTV	**61%**	63%
Buy-to-let	**5**	18
Weighted average LTV	**52%**	55%
Interest only	**23**	54
Mixed (1)	**13**	17
Mortgage forbearance		
Forbearance flow	**51**	69
Forbearance stock	**278**	276
Current	***180***	*168*
1-3 months in arrears	***21***	*20*
>3 months in arrears	***77***	*88*

(1) Includes accounts which have an interest only sub-account and a capital and interest sub-account to provide a more comprehensive view of interest only exposures.
(2) Retail Banking excludes a non-material amount of lending and provisions held on relatively small legacy portfolios.

Credit risk – Banking activities continued

Personal portfolio (audited)

Mortgage LTV distribution by stage

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

	Mortgages				ECL provisions				ECL provisions coverage			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
≤50%	**5,784**	**1,172**	**294**	**7,250**	**2**	**2**	**52**	**56**	**-**	**0.2**	**17.7**	**0.8**
>50% and ≤70%	**1,950**	**515**	**131**	**2,596**	**1**	**2**	**27**	**30**	**0.1**	**0.4**	**20.6**	**1.2**
>70% and ≤80%	**383**	**63**	**13**	**459**	**-**	**-**	**4**	**4**	**-**	**-**	**30.8**	**0.9**
>80% and ≤90%	**213**	**51**	**6**	**270**	**-**	**-**	**3**	**3**	**-**	**-**	**50.0**	**1.1**
>90% and ≤100%	**25**	**6**	**1**	**32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
>100%	**-**	**-**	**2**	**2**	**-**	**-**	**1**	**1**	**-**	**-**	**50.0**	**50.0**
Total with LTVs	**8,355**	**1,807**	**447**	**10,609**	**3**	**4**	**87**	**94**	**-**	**0.2**	**19.5**	**0.9**
Other	**22**	**-**	**-**	**22**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**8,377**	**1,807**	**447**	**10,631**	**3**	**4**	**87**	**94**	**-**	**0.2**	**19.5**	**0.9**
2023												
≤50%	6,829	1,217	315	8,361	2	2	47	51	-	0.2	14.8	0.6
>50% and ≤70%	2,420	535	138	3,093	1	2	27	30	0.1	0.4	19.4	1.0
>70% and ≤80%	397	53	13	463	-	-	4	4	0.1	0.6	28.2	1.1
>80% and ≤90%	253	45	4	302	1	-	1	2	0.1	0.7	28.4	0.8
>90% and ≤100%	40	9	2	51	-	-	1	1	0.1	0.6	52.5	5.8
>100%	1	-	1	2	-	-	1	1	-	-	50.0	50.0
Total with LTVs	9,940	1,859	473	12,272	4	4	81	89	-	0.3	17.0	0.7
Other	14	-	-	14	-	-	-	-	-	-	-	-
Total	9,954	1,859	473	12,286	4	4	81	89	-	0.3	17.0	0.7

- The mortgage portfolio reduced during 2024 as repayments and redemptions exceeded new business.
- Portfolios and new business were closely monitored against agreed operating limits. These included loan-to-value ratios, buy-to-let concentrations, new-build concentrations and credit quality. Lending criteria, affordability calculations and assumptions for new lending were adjusted during the year, considering economic conditions, to maintain credit quality in line with appetite and to ensure customers are assessed fairly.
- Other personal lending balances decreased during the year, mainly as a result of lower credit card lending. Lending criteria were carefully managed to maintain the credit quality of the new business written.

Credit risk – Banking activities continued

Commercial real estate (audited)

CRE LTV distribution by stage

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

	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2024	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
≤50%	**1,536**	**51**	**14**	**1,601**	**5**	**1**	**2**	**8**	**0.3**	**2.0**	**14.3**	**0.5**
>50% and ≤70%	**509**	**156**	**28**	**693**	**3**	**4**	**7**	**14**	**0.6**	**2.6**	**25.0**	**2.0**
>70% and ≤100%	**71**	**11**	**5**	**87**	**1**	**1**	**3**	**5**	**1.4**	**9.1**	**60.0**	**5.8**
>100%	**14**	**5**	**42**	**61**	**-**	**-**	**31**	**31**	**-**	**-**	**73.8**	**50.8**
Total with LTVs	**2,130**	**223**	**89**	**2,442**	**9**	**6**	**43**	**58**	**0.4**	**2.7**	**48.3**	**2.4**
Total portfolio average LTV	**45%**	**58%**	**154%**	**50%**								
Other Investment (1)	**250**	**39**	**7**	**296**	**1**	**1**	**3**	**5**	**0.4**	**2.6**	**42.9**	**1.7**
Investment	**2,380**	**262**	**96**	**2,738**	**10**	**7**	**46**	**63**	**0.4**	**2.7**	**47.9**	**2.3**
Development and other (2)	**181**	**206**	**18**	**405**	**1**	**2**	**5**	**8**	**0.6**	**1.0**	**27.8**	**2.0**
Total	**2,561**	**468**	**114**	**3,143**	**11**	**9**	**51**	**71**	**0.4**	**1.9**	**44.7**	**2.3**
2023												
≤50%	1,382	216	18	1,616	8	4	3	15	0.6	1.9	16.7	0.9
>50% and ≤70%	599	193	30	822	4	6	5	15	0.7	3.1	16.7	1.8
>70% and ≤100%	55	82	6	143	1	4	4	9	1.8	4.9	66.7	6.3
>100%	3	1	10	14	-	-	7	7	-	-	70.0	50.0
Total with LTVs	2,039	492	64	2,595	13	14	19	46	0.6	2.9	29.7	1.8
Total portfolio average LTV	44%	52%	67%	46%								
Other Investment (1)	317	69	8	394	2	2	3	7	0.6	2.9	37.5	1.8
Investment	2,356	561	72	2,989	15	16	22	53	0.6	2.9	30.6	1.8
Development and other (2)	322	64	17	403	1	1	8	10	0.3	1.6	47.1	2.5
Total	2,678	625	89	3,392	16	17	30	63	0.6	2.7	33.7	1.9

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

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

Credit risk – Banking activities continued

Flow statements (audited)

The flow statements that follow show the main ECL and related income statement movements. They also show the changes in ECL as well as the changes in related financial assets used in determining ECL. Due to differences in scope, exposures may differ from those reported in other tables, principally in relation to exposures in Stage 1 and Stage 2. These differences do not have a material ECL effect. Other points to note:

- Financial assets include treasury liquidity portfolios, comprising balances at central banks and debt securities, as well as loans. Both modelled and non-modelled portfolios are included.
- Stage transfers (for example, exposures moving from Stage 1 into Stage 2) are a key feature of the ECL movements, with the net re-measurement cost of transitioning to a worse stage being a primary driver of income statement charges. Similarly, there is an ECL benefit for accounts improving stage.
- Changes in risk parameters shows the reassessment of the ECL within a given stage, including any ECL overlays and residual income statement gains or losses at the point of write-off or accounting write-down.
- Other (P&L only items) includes any subsequent changes in the value of written-down assets (for example, fortuitous recoveries) along with other direct write-off items such as direct recovery costs. Other (P&L only items) affects the income statement but does not affect balance sheet ECL movements.
- Amounts written-off represent the gross asset written-down against accounts with ECL, including the net asset write-down for any debt sale activity.
- There were some flows from Stage 1 into Stage 3 including transfers due to unexpected default events.
- The effect of any change in post model adjustments during the year is typically reported under changes in risk parameters, as are any effects arising from changes to the underlying models. Refer to the section on Governance and post model adjustments for further details.
- All movements are captured monthly and aggregated. Interest suspended post default is included within Stage 3 ECL with the movement in the value of suspended interest during the year reported under currency translation and other adjustments.

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
RBS plc total	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**54,952**	**93**	**5,119**	**159**	**1,015**	**375**	**61,086**	**627**
Currency translation and other adjustments	**(7)**	**(1)**	**-**	**-**	**38**	**38**	**31**	**37**
Inter-group transfers	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**	**-**
Transfers from Stage 1 to Stage 2	**(3,755)**	**(30)**	**3,755**	**30**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**2,985**	**79**	**(2,985)**	**(79)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(34)**	**(1)**	**(429)**	**(42)**	**463**	**43**	**-**	**-**
Transfers from Stage 3	**31**	**4**	**122**	**9**	**(153)**	**(13)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(56)**		**84**		**55**		**83**
Changes in risk parameters		**(26)**		**(21)**		**55**		**8**
Other changes in net exposure	**1,145**	**11**	**(1,308)**	**(32)**	**(313)**	**(42)**	**(476)**	**(63)**
Other (P&L only items)		**-**		**-**		**(4)**		**(4)**
Income statement (releases)/charges		**(71)**		**31**		**64**		**24**
Amounts written-off	**-**	**-**	**-**	**-**	**(100)**	**(100)**	**(100)**	**(100)**
Unwinding of discount		**-**		**-**		**(29)**		**(29)**
At 31 December 2024	**55,317**	**73**	**4,274**	**108**	**949**	**382**	**60,540**	**563**
Net carrying amount	**55,244**		**4,166**		**567**		**59,977**	
At 1 January 2023	63,592	88	7,870	177	1,045	372	72,507	637
2023 movements	(8,640)	5	(2,751)	(18)	(30)	3	(11,421)	(10)
At 31 December 2023	54,952	93	5,119	159	1,015	375	61,086	627
Net carrying amount	54,859		4,960		640		60,459	

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Retail Banking - mortgages	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**10,064**	**4**	**1,885**	**5**	**468**	**81**	**12,417**	**90**
Currency translation and other adjustments	**1**	**-**	**(1)**	**-**	**29**	**29**	**29**	**29**
Transfers from Stage 1 to Stage 2	**(1,266)**	**(1)**	**1,266**	**1**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**893**	**1**	**(893)**	**(1)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(7)**	**-**	**(160)**	**(1)**	**167**	**1**	**-**	**-**
Transfers from Stage 3	**5**	**-**	**80**	**2**	**(85)**	**(2)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(1)**		**-**		**1**		**-**
Changes in risk parameters		**-**		**(1)**		**19**		**18**
Other changes in net exposure	**(1,222)**	**-**	**(337)**	**(1)**	**(129)**	**(22)**	**(1,688)**	**(23)**
Other (P&L only items)		**-**		**-**		**(1)**		**(1)**
Income statement (releases)/charges		**(1)**		**(2)**		**(3)**		**(6)**
Amounts written-off	**-**	**-**	**-**	**-**	**(4)**	**(4)**	**(4)**	**(4)**
Unwinding of discount		**-**		**-**		**(16)**		**(16)**
At 31 December 2024	**8,468**	**3**	**1,840**	**4**	**446**	**87**	**10,754**	**94**
Net carrying amount	**8,465**		**1,836**		**359**		**10,660**	
At 1 January 2023	11,474	4	2,273	7	441	75	14,188	86
2023 movements	(1,410)	-	(388)	(2)	27	6	(1,771)	4
At 31 December 2023	10,064	4	1,885	5	468	81	12,417	90
Net carrying amount	10,060		1,880		387		12,327	

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

Credit risk – Banking activities continued

Flow statements (audited)

Retail Banking - credit cards	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	**606**	**12**	**390**	**37**	**28**	**16**	**1,024**	**65**
Currency translation and other adjustments	**-**	**-**	**-**	**-**	**2**	**2**	**2**	**2**
Transfers from Stage 1 to Stage 2	**(275)**	**(6)**	**275**	**6**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**232**	**16**	**(232)**	**(16)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(4)**	**-**	**(27)**	**(10)**	**31**	**10**	**-**	**-**
Transfers from Stage 3	**-**	**-**	**2**	**1**	**(2)**	**(1)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(9)**		**22**		**6**		**19**
Changes in risk parameters		**-**		**(1)**		**8**		**7**
Other changes in net exposure	**88**	**(3)**	**(90)**	**(11)**	**(12)**	**-**	**(14)**	**(14)**
Other (P&L only items)		**-**		**-**		**(2)**		**(2)**
Income statement (releases)/charges		**(12)**		**10**		**12**		**10**
Amounts written-off	**-**	**-**	**-**	**-**	**(19)**	**(19)**	**(19)**	**(19)**
Unwinding of discount		**-**		**-**		**(2)**		**(2)**
At 31 December 2024	**647**	**10**	**318**	**28**	**28**	**20**	**993**	**58**
Net carrying amount	**637**		**290**		**8**		**935**	
At 1 January 2023	642	14	243	28	24	15	909	57
2023 movements	(36)	(2)	147	9	4	1	115	8
At 31 December 2023	606	12	390	37	28	16	1,024	65
Net carrying amount	594		353		12		959	

– Overall ECL for cards remained broadly in line with 2023, with portfolio growth mitigated by stable portfolio performance, lower PD levels and a reduction in economic uncertainty post model adjustment levels.
– While portfolio performance remained stable, a net flow into Stage 2 from Stage 1 was observed, with the typical maturation of lending after a period of strong growth in recent years. The staging ECL uplift was offset by modelling updates in PDs and LGDs.
– Charge-off (analogous to partial write-off) typically occurs after 12 missed payments.

Credit risk – Banking activities continued

Flow statements (audited)

Retail Banking - other personal unsecured	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	**992**	**24**	**286**	**38**	**167**	**132**	**1,445**	**194**
Currency translation and other adjustments	**1**	**-**	**-**	**-**	**3**	**4**	**4**	**4**
Transfers from Stage 1 to Stage 2	**(320)**	**(13)**	**320**	**13**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**263**	**32**	**(263)**	**(32)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(13)**	**-**	**(48)**	**(19)**	**61**	**19**	**-**	**-**
Transfers from Stage 3	**2**	**-**	**3**	**2**	**(5)**	**(2)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(24)**		**38**		**7**		**21**
Changes in risk parameters		**(10)**		**(7)**		**18**		**1**
Other changes in net exposure	**138**	**11**	**(69)**	**(6)**	**(29)**	**(8)**	**40**	**(3)**
Other (P&L only items)		**1**		**-**		**7**		**8**
Income statement (releases)/charges		**(22)**		**25**		**24**		**27**
Amounts written-off	**-**	**-**	**-**	**-**	**(52)**	**(52)**	**(52)**	**(52)**
Unwinding of discount		**-**		**-**		**(6)**		**(6)**
At 31 December 2024	**1,063**	**20**	**229**	**27**	**145**	**112**	**1,437**	**159**
Net carrying amount	**1,043**		**202**		**33**		**1,278**	
At 1 January 2023	971	20	362	43	141	115	1,474	178
2023 movements	21	4	(76)	(5)	26	17	(29)	16
At 31 December 2023	992	24	286	38	167	132	1,445	194
Net carrying amount	968		248		35		1,251	

- Stable portfolio performance was observed during the year. PD modelling updates coupled with LGD modelling updates were reflected in the performing book ECL, with coverage levels showing a modest reduction since the prior period.
- The Stage 3 ECL reduction was supported by debt sale activity on Personal unsecured portfolios.
- Write-off occurs once recovery activity with the customer has been concluded or there are no further recoveries expected, but no later than six years after default.

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional total	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**17,658**	**49**	**2,558**	**79**	**352**	**146**	**20,568**	**274**
Currency translation and other adjustments	**(8)**	**-**	**-**	**-**	**5**	**5**	**(3)**	**5**
Transfers from Stage 1 to Stage 2	**(1,895)**	**(10)**	**1,895**	**10**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**1,596**	**30**	**(1,596)**	**(30)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(10)**	**-**	**(194)**	**(12)**	**204**	**12**	**-**	**-**
Transfers from Stage 3	**24**	**3**	**37**	**4**	**(61)**	**(7)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(23)**		**25**		**40**		**42**
Changes in risk parameters		**(16)**		**(13)**		**11**		**(18)**
Other changes in net exposure	**1,045**	**3**	**(813)**	**(14)**	**(144)**	**(12)**	**88**	**(23)**
Other (P&L only items)		**-**		**-**		**(8)**		**(8)**
Income statement (releases)/charges		**(36)**		**(2)**		**31**		**(7)**
Amounts written-off	**-**	**-**	**-**	**-**	**(26)**	**(26)**	**(26)**	**(26)**
Unwinding of discount		**-**		**-**		**(6)**		**(6)**
At 31 December 2024	**18,410**	**36**	**1,887**	**49**	**330**	**163**	**20,627**	**248**
Net carrying amount	**18,374**		**1,838**		**167**		**20,379**	
At 1 January 2023	16,525	46	4,991	99	440	167	21,956	312
2023 movements	1,133	3	(2,433)	(20)	(88)	(21)	(1,388)	(38)
At 31 December 2023	17,658	49	2,558	79	352	146	20,568	274
Net carrying amount	17,609		2,479		206		20,294	

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

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional - corporate	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	9,527	29	1,748	58	208	90	11,483	177
Currency translation and other adjustments	(8)	1	-	(1)	6	4	(2)	4
Inter-group transfers	8	-	-	-	-	-	8	-
Transfers from Stage 1 to Stage 2	(978)	(7)	978	7	-	-	-	-
Transfers from Stage 2 to Stage 1	1,025	22	(1,025)	(22)	-	-	-	-
Transfers to Stage 3	(7)	-	(125)	(9)	132	9	-	-
Transfers from Stage 3	14	2	27	3	(41)	(5)	-	-
Net re-measurement of ECL on stage transfer		(17)		16		14		13
Changes in risk parameters		(10)		(8)		12		(6)
Other changes in net exposure	391	2	(391)	(8)	(111)	(9)	(111)	(15)
Other (P&L only items)		(1)		-		(7)		(8)
Income statement (releases)/charges		(26)		-		10		(16)
Amounts written-off	-	-	-	-	(20)	(20)	(20)	(20)
Unwinding of discount		-		-		(4)		(4)
At 31 December 2024	9,972	22	1,212	36	174	91	11,358	149
Net carrying amount	9,950		1,176		83		11,209	

- Stage 1 and Stage 2 ECL reduced, reflecting a combination of stable portfolio performance, reductions in post model adjustments and net improvements in economic scenarios.
- Overall, there was impairment releases, with Stage 3 individual charges more than offset by performing book releases.

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional - property	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	7,367	19	798	21	140	53	8,305	93
Currency translation and other adjustments	-	-	-	-	(1)	1	(1)	1
Inter-group transfers	(8)	-	1	-	(1)	-	(8)	-
Transfers from Stage 1 to Stage 2	(908)	(3)	908	3	-	-	-	-
Transfers from Stage 2 to Stage 1	562	7	(562)	(7)	-	-	-	-
Transfers to Stage 3	(3)	-	(68)	(3)	71	3	-	-
Transfers from Stage 3	8	1	10	1	(18)	(2)	-	-
Net re-measurement of ECL on stage transfer		(5)		9		25		29
Changes in risk parameters		(6)		(5)		-		(11)
Other changes in net exposure	425	1	(420)	(6)	(33)	(3)	(28)	(8)
Other (P&L only items)		-		-		-		-
Income statement (releases)/charges		(10)		(2)		22		10
Amounts written-off	-	-	-	-	(5)	(5)	(5)	(5)
Unwinding of discount		-		-		(2)		(2)
At 31 December 2024	7,443	14	667	13	153	70	8,263	97
Net carrying amount	7,429		654		83		8,166	

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

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional - other	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	764	1	12	-	4	3	780	4
Currency translation and other adjustments	-	(1)	-	-	-	-	-	(1)
Transfers from Stage 1 to Stage 2	(8)	-	8	-	-	-	-	-
Transfers from Stage 2 to Stage 1	9	-	(9)	-	-	-	-	-
Transfers to Stage 3	-	-	(1)	-	1	-	-	-
Transfers from Stage 3	1	-	-	-	(1)	-	-	-
Net re-measurement of ECL on stage transfer		-		-		-		-
Changes in risk parameters		-		-		(1)		(1)
Other changes in net exposure	229	-	(2)	-	(1)	-	226	-
Other (P&L only items)		-		-		-		-
Income statement (releases)/charges		-		-		(1)		(1)
Amounts written-off	-	-	-	-	-	-	-	-
Unwinding of discount		-		-		-		-
At 31 December 2024	995	-	8	-	3	2	1,006	2
Net carrying amount	995		8		1		1,004	

Credit risk – Banking activities continued

Stage 2 decomposition by a significant increase in credit risk trigger

2024	UK mortgages £m	UK mortgages %	Credit cards £m	Credit cards %	Other £m	Other %	Total £m	Total %
Personal trigger (1)								
PD movement	**1,305**	**72.2**	**230**	**76.4**	**129**	**55.8**	**1,664**	**71.1**
PD persistence	**275**	**15.2**	**56**	**18.6**	**63**	**27.3**	**394**	**16.8**
Adverse credit bureau recorded with credit reference agency	**138**	**7.6**	**12**	**4.0**	**21**	**9.1**	**171**	**7.3**
Forbearance support provided	**25**	**1.4**	**-**	**-**	**1**	**0.4**	**26**	**1.1**
Customers in collections	**16**	**0.9**	**-**	**-**	**-**	**-**	**16**	**0.7**
Collective SICR and other reasons (2)	**47**	**2.6**	**3**	**1.0**	**17**	**7.4**	**67**	**2.9**
Days past due >30	**2**	**0.1**	**-**	**-**	**-**	**-**	**2**	**0.1**
	1,808	**100**	**301**	**100**	**231**	**100**	**2,340**	**100**

2023	UK mortgages £m	UK mortgages %	Credit cards £m	Credit cards %	Other £m	Other %	Total £m	Total %
Personal trigger (1)								
PD movement	1,385	74.4	277	73.1	152	54.6	1,814	72.1
PD persistence	202	10.9	90	23.7	68	24.5	360	14.3
Adverse credit bureau recorded with credit reference agency	170	9.1	9	2.4	17	6.1	196	7.8
Forbearance support provided	21	1.1	-	-	2	0.7	23	0.9
Customers in collections	20	1.1	-	-	1	0.4	21	0.8
Collective SICR and other reasons (2)	60	3.2	3	0.8	38	13.7	101	4.0
Days past due >30	3	0.2	-	-	-	-	3	0.1
	1,861	100	379	100	278	100	2,518	100

- PD modelling updates in the unsecured portfolios at both Q1 and year end, resulted in reduced in lifetime PDs, driving a segment of lower risk cases out of PD deterioration.
- Mortgage PD deterioration levels remained broadly stable, reflecting portfolio performance.

Credit risk – Banking activities continued

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

	Corporate & Other		FI		Other		Total	
2024	£m	%	£m	%	£m	%	£m	%
Non-personal trigger (1)								
PD movement	**1,490**	**77.3**	**10**	**83.3**	**-**	**-**	**1,500**	**77.3**
PD persistence	**53**	**2.8**	**-**	**-**	**-**	**-**	**53**	**2.7**
Heightened Monitoring and Risk of Credit Loss	**263**	**13.6**	**2**	**16.7**	**-**	**-**	**265**	**13.7**
Forbearance support provided	**35**	**1.8**	**-**	**-**	**-**	**-**	**35**	**1.8**
Customers in collections	**9**	**0.5**	**-**	**-**	**-**	**-**	**9**	**0.5**
Collective SICR and other reasons (2)	**36**	**1.9**	**-**	**-**	**-**	**-**	**36**	**1.9**
Days past due >30	**41**	**2.1**	**-**	**-**	**-**	**-**	**41**	**2.1**
	1,927	**100**	**12**	**100**	**-**	**-**	**1,939**	**100**
2023								
Non-personal trigger (1)								
PD movement	1,443	59.3	3	27.3	-	-	1,446	59.1
PD persistence	191	7.8	3	27.3	-	-	194	7.9
Heightened Monitoring and Risk of Credit Loss	603	24.7	3	27.2	-	-	606	24.8
Forbearance support provided	67	2.7	-	-	-	-	67	2.7
Customers in collections	6	0.2	-	-	-	-	6	0.2
Collective SICR and other reasons (2)	46	1.9	1	9.1	-	-	47	1.9
Days past due >30	82	3.4	1	9.1	-	-	83	3.4
	2,438	100	11	100	-	-	2,449	100

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

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

Capital, liquidity and funding risk

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

Definitions (audited)

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

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

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

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

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

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

Sources of risk (audited)

Capital

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

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

Minimum requirement for own funds and eligible liabilities (MREL)

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

Liquidity

Liquidity risk within RBS plc is managed as part of the UK Domestic Liquidity Sub-Group (UK DoLSub), which is regulated by the PRA and comprises of NWH Group's three licensed deposit taking UK banks: The Royal Bank of Scotland plc, National Westminster Bank Plc and Coutts & Company.

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

Liquidity portfolio of the UK DoLSub is divided into primary and secondary liquidity as follows:

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

Funding

Funding risk within RBS plc is managed as part of the UK DoLSub allowing regulatory metrics and internally defined views to be met as a single consolidated group.

NWH Group maintains a diversified set of funding sources, including customer deposits, wholesale deposits and term debt issuance. RBS plc also retains access to central bank funding facilities.

For further details on capital constituents and the regulatory framework covering capital, liquidity and funding requirements refer to the NatWest Holdings Group and RBS plc Pillar 3 Reports 2024.

Managing capital requirements: regulated entities

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

Capital risk management

Capital management is the process by which the bank entities ensure that they have sufficient capital and other loss absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite, maintaining credit ratings and supporting strategic goals. Capital management is critical in supporting the bank entities' businesses and is also considered at NatWest Group level. It is enacted through a NatWest Group-wide end to end framework.

Capital, liquidity and funding risk continued

Capital planning is integrated into RBS plc's wider annual budgeting process and is assessed and updated at least monthly. As a key operating entity, capital plans are produced and managed for RBS plc.

This is summarised below. Other elements of capital management, including risk appetite and stress testing, are set out on pages 11 and 12.

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

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

Liquidity risk management

NWH Group manages its liquidity risk taking into account regulatory, legal and other constraints to ensure sufficient liquidity is available where required to cover liquidity stresses. Liquidity risk within RBS plc is managed as part of the UK DoLSub.

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

NWB Plc manages the majority of the UK DoLSub portfolio, for which the NatWest Group Treasurer is responsible.

Funding risk management

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

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

Capital, liquidity and funding risk continued

Key points

CET1 ratio

11.1%

(2023 – 11.2%)

The CET1 ratio decreased by 10 basis points to 11.1%. The decrease in the CET1 ratio was due to a £0.1 billion decrease in CET1 capital partially offset by a £0.6 billion decrease in RWAs. The CET1 capital decrease was mainly driven by:

- an interim dividend paid of £0.5 billion;
- a foreseeable dividend of £0.7 billion.

These reductions were partially offset by the £1.1 billion attributable profit in the period.

UK leverage ratio

5.8%

(2023 – 5.8%)

The leverage ratio remained static at 5.8%. This was driven by a £0.1 billion decrease in Tier 1 capital offset by a £1.1 billion decrease in leverage exposure. The key drivers in the leverage exposure was a decrease in other financial assets partially offset by an increase in other off balance sheet items.

RWAs

£17.6bn

(2023 - £18.2bn)

Total RWAs decreased by £0.6 billion to £17.6 billion mainly reflecting:

- a decrease in credit risk RWAs of £1.0 billion, primarily due to active RWA management and repayments and expired facilities within Commercial & Institutional.
- an increase in operational risk RWAs of £0.4 billion following the annual recalculation.

(1) The liquidity disclosures completed at UK Domestic Liquidity Subgroup (UK DoLSub) level are published in the NatWest Holdings Group 2024 Annual Report and Accounts. The UK DoLSub waiver allows NWB Plc, RBS plc and Coutts & Co to manage liquidity as a single sub-group rather than at an entity level.

Capital, liquidity and funding risk continued

Minimum requirements

Capital adequacy ratios

RBS 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 meet.

Type	CET1	Total Tier 1	Total capital
Minimum capital requirements	4.5%	6.0%	8.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Countercyclical capital buffer (1)	1.9%	1.9%	1.9%
Total	8.9%	10.4%	12.4%

(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.

Leverage ratio

RBS plc is not in scope of the minimum leverage ratio requirements. RBS plc manages its leverage ratio in line with the minimum requirements outlined in the UK leverage framework.

Liquidity and funding ratios

The table below summarises the minimum requirements for key liquidity and funding metrics under the PRA framework. RBS plc is a member of the UK DoLSub.

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

Measurement

Capital, RWAs and leverage

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

Capital adequacy ratios	2024 %	2023 %
CET1 (1)	11.1	11.2
Tier 1	14.0	13.9
Total	17.5	16.4
Capital	£m	£m
CET1 (1)	1,956	2,042
Tier 1	2,456	2,542
Total	3,080	2,998
RWAs		
Credit risk	13,952	14,950
Counterparty credit risk	-	-
Market risk	21	14
Operational risk	3,618	3,264
Total RWAs	17,591	18,228
Leverage		
Tier 1 capital (£m)	2,456	2,542
Leverage exposure (£m) (2)	42,687	43,770
Leverage ratio (%) (1)	5.8	5.8

(1) Includes an IFRS 9 transitional adjustment of £7 million (2023 - £40 million). Excluding this adjustment, the CET1 ratio would be 11.1% (2023 – 11.0%) and the UK leverage ratio would be 5.7% (2023 – 5.7%). The IFRS9 transitional capital rules in respect to ECL provisions will no longer apply from 1 January 2025.
(2) Leverage exposure is broadly aligned to the accounting value of on and off-balance sheet exposures albeit subject to specific adjustments for derivatives, securities financing positions and off-balance sheet exposures.

Capital, liquidity and funding risk continued

Liquidity key metrics

Liquidity within RBS plc is managed and regulated as part of the UK DoLSub. The UK DoLSub level is published in the NatWest Holdings Group 2024 Annual Report and Accounts.

Leverage exposure

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

Leverage	2024 £m	2023 £m
Cash and balances at central banks	**26,630**	23,984
Derivatives	**465**	623
Financial assets	**62,068**	64,361
Other assets	**1,313**	1,421
Total assets	**90,476**	90,389
Derivatives		
- netting and variation margin	**184**	257
- potential future exposures	**867**	881
Undrawn commitments	**6,868**	6,208
Regulatory deductions and other adjustments	**(669)**	(551)
Exclusion of core UK-group exposures	**(30,590)**	(31,385)
Claims on central banks	**(24,052)**	(21,399)
Exclusion of bounce back loans	**(397)**	(630)
Leverage exposure	**42,687**	43,770

Liquidity portfolio

The UK DoLSub liquidity portfolio composition is published in the NatWest Holdings Group 2024 Annual Report and Accounts.

Capital, liquidity and funding risk continued

Funding sources (audited)

The table below shows the carrying values of the principal funding sources based on contractual maturity. Balance sheet captions include balances held at all classifications under IFRS 9.

	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	854	67	921	1,027	-	1,027
Customer deposits						
Personal	35,868	451	36,319	34,253	1,081	35,334
Corporate	31,243	-	31,243	31,896	4	31,900
Non-bank financial institutions (NBFI)	10,507	-	10,507	10,270	-	10,270
	77,618	451	78,069	76,419	1,085	77,504
Amounts due to holding company and fellow subsidiaries (1)						
Bank and customer deposits	1,845	-	1,845	1,488	-	1,488
MREL	18	1,103	1,121	411	982	1,393
Subordinated liabilities	3	548	551	394	-	394
	1,866	1,651	3,517	2,293	982	3,275
Total funding	80,338	2,169	82,507	79,739	2,067	81,806
Of which: available in resolution (2)			*1,672*			*1,787*

(1) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of £238 million (2023 - £302 million) have been excluded from the table.
(2) Eligible liabilities (as defined in the Banking Act 2009 as amended from time to time) that meet the eligibility criteria set out in the regulations, rules, policies, guidelines, or statements of the Bank of England including the Statement of Policy published by the Bank of England in December 2021 (updating June 2018).

Contractual maturity (audited)

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

	Banking activities										
2024	Less than 1 month £m	1-3 months £m	3-6 months £m	6 months - 1 year £m	Subtotal £m	1-3 years £m	3-5 years £m	More than 5 years £m	Total £m	MFVTPL and HFT £m	Total £m
Cash and balances at central banks	26,630	-	-	-	26,630	-	-	-	26,630	-	26,630
Derivatives	2	8	29	55	94	164	78	94	430	35	465
Loans to banks - amortised cost	484	-	-	-	484	-	-	-	484	-	484
Loans to customers - amortised cost (1)	5,147	2,530	1,115	2,042	10,834	6,026	4,693	12,519	34,072	-	34,072
Personal	529	299	381	708	1,917	2,358	1,743	7,114	13,132	-	13,132
Corporate	3,940	2,228	732	1,279	8,179	3,645	2,909	5,390	20,123	-	20,123
Non-bank financial institutions	678	3	2	55	738	23	41	15	817	-	817
Other assets (2)	-	-	-	-	-	-	-	1	1	179	180
Total financial assets	32,263	2,538	1,144	2,097	38,042	6,190	4,771	12,614	61,617	214	61,831
2023											
Total financial assets	30,130	2,024	1,721	2,129	36,004	6,396	5,095	13,539	61,034	229	61,263
2024											
Bank deposits	854	-	-	-	854	-	-	67	921	-	921
Customer deposits	70,543	2,799	1,904	2,372	77,618	451	-	-	78,069	-	78,069
Personal	32,435	404	918	2,111	35,868	451	-	-	36,319	-	36,319
Corporate	27,811	2,254	929	249	31,243	-	-	-	31,243	-	31,243
Non-bank financial institutions	10,297	141	57	12	10,507	-	-	-	10,507	-	10,507
Derivatives	64	98	169	307	638	492	94	45	1,269	142	1,411
Notes in circulation	2,381	-	-	-	2,381	-	-	-	2,381	-	2,381
Lease liabilities	-	1	1	3	5	10	9	32	56	-	56
Total financial liabilities	73,842	2,898	2,074	2,682	81,496	953	103	144	82,696	142	82,838
2023											
Total financial liabilities	73,420	3,233	1,598	2,360	80,611	1,795	116	115	82,637	316	82,953

(1) Loans to customers excludes £548 million (2023 - £609 million) of ECL provisions.
(2) Other assets relating to non-financial instruments of £1,133 million (2023 - £1,238 million) have been excluded from the table.

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 in this entity is very low.

RBS plc's non-traded market risk exposure largely comprises structural interest rate risk arising from asset and liability hedging.

Governance, risk appetite and controls

For general information on governance, risk appetite and controls in RBS plc, refer to pages 11 and 12. For further information specific to non-traded market risk, refer to the non-traded market risk section of the NatWest Group Annual Report and Accounts.

Measurement

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

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

VaR is a statistical estimate of the potential change in the market value of a portfolio (and, thus, the impact on the income statement) over a specified time horizon at a given confidence level. For further information on non-traded market risk VaR metrics, refer to the non-traded market risk section of the NatWest Group Annual Report and Accounts.

	2024				2023			
	Average	Maximum	Minimum	Period-end	Average	Maximum	Minimum	Period-end
	£m	£m	£m	£m	£m	£m	£m	£m
Interest rate	3.4	3.8	2.7	3.4	2.9	4.4	0.6	3.8
Structural foreign exchange rate	1.7	2.1	1.1	1.1	2.2	3.2	1.8	1.8
Equity	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Pipeline risk (1)	1.3	2.3	0.1	1.6	0.4	0.8	0.2	0.8
Diversification (2)	(3.8)			(3.7)	(2.3)			(3.6)
Total	2.7	3.9	1.9	2.4	3.3	4.1	2.5	2.9

(1) Pipeline risk is the risk of loss arising from personal customers owning an option to draw down a loan – typically a mortgage – at a committed rate, where interest rate changes may result in greater or fewer customers than anticipated taking up the committed offer.
(2) RBS 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.

– There were no material movements in non-traded market risk VaR year-on-year.

Non-traded market risk continued

Interest rate risk

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

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

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

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

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

Structural hedging

RBS plc has a significant pool of stable, non and low interest-bearing liabilities, principally comprising current accounts and savings, in addition to its equity and reserves.

A proportion of these balances are hedged, either by offsetting the positions against fixed-rate assets (such as fixed-rate mortgages) or by hedging positions externally using interest rate swaps, which are generally booked as cash-flow hedges of floating-rate assets, in order to reduce income volatility and provide a revenue stream in net interest income. Hence, the structural hedge is one component of a larger interest rate risk management programme.

At 31 December 2024, RBS plc's structural hedge had a notional of £36 billion (2023 – £39 billion) with an average life of 2.5 to 3 years.

Sensitivity of net interest earnings

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

Earnings sensitivity is derived from a market-implied forward rate curve, which will incorporate expected changes in central bank policy rates such as the Bank of England base rate. A simple scenario is shown that projects forward earnings over a 12-month period based on the 31 December 2024 balance sheet. An earnings projection is derived from the market-implied rate, which is then subjected to interest rate shocks. The difference between the market-implied projection and the shock gives an indication of underlying sensitivity to interest rate movements.

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

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

	Shifts in yield curve			
2024	+25 basis points £m	-25 basis points £m	+100 basis points £m	-100 basis points £m
12-month interest earnings sensitivity	**17**	**(22)**	**62**	**(89)**
2023				
12-month interest earnings sensitivity	24	(26)	82	(109)

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

Sensitivity of cash flow hedging reserves to interest rate movements

Interest rate swaps are used to implement the structural hedging programme. Generally, these swaps are booked in hedge accounting relationships. Changes in the valuation of swaps that are in effective cash flow hedge accounting relationships are recognised in cash flow hedge reserves. The main driver of RBS plc's cash flow hedge reserve sensitivity is the interest rate swaps that form part of the structural hedge.

The table below shows an estimate of the sensitivity of cash flow hedge reserves to a parallel shift in all rates. Cash flow hedges are assumed to be fully effective. For further information on the assumptions and methodology relating to this table, refer to the corresponding table in the NatWest Group Annual Report and Accounts.

2024	+25 basis points £m	-25 basis points £m	+100 basis points £m	-100 basis points £m
Cash flow hedge reserves	**(132)**	**133**	**(520)**	**542**
2023				
Cash flow hedge reserves	(160)	162	(628)	657

Accounting volatility risk

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

Compliance and conduct risk

Definition

Compliance risk is the risk that RBS plc 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 RBS plc 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 RBS plc'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 20 to the financial statements, members of NatWest Group are party to legal proceedings and are subject to investigation and other regulatory action in the UK, the US and other jurisdictions.

Key developments in 2024

- Further enhancements were made to the compliance and conduct framework, with the risk toolkits, risk standards and regulatory compliance operational policy framework being embedded throughout the year. Business areas also completed self-assessments against the Conduct Risk policy and Regulatory Compliance Risk policy to ensure risks are being measured and managed accurately and effectively.
- The NatWest Group-wide programme continued to make significant progress, with the second phase of Consumer Duty rules having come into force on 31 July 2024. Activity is now centred around embedding the requirements of the Duty, utilising improved data and analysis for reporting on good customer outcomes, and ensuring a consistent NatWest Group-wide approach to customer communications.
- The FCA Access To Cash Sourcebook (ATCS) was published in July 2024, with an implementation date of 18 September 2024. Following its publication, the branch closure programme paused its ongoing closures to conduct a comprehensive assessment of cash access services in any affected local areas. This included notifying impacted customers and, where necessary, completing additional actions before the closures took effect. Future proposed closures will be evaluated in accordance with ATCS requirements.

Governance

RBS plc defines appropriate standards of compliance and conduct and ensures adherence to those standards through its risk management framework. To support ongoing oversight of the management of the compliance and conduct risk profile there are a number of committees in place. These include a Consumer Duty Executive Steering Group and conflicts of interest fora across both the first and second line of defence.

Risk appetite

Regulatory compliance risk appetite and conduct risk appetite are approved by the Board. The risk appetite statement and associated measures for compliance and conduct risks are 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 RBS plc.

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

Examples of these include those relating to product mis-selling, customers in vulnerable situations, complaints management, cross-border activities and market abuse. Continuous monitoring and targeted assurance are carried out as appropriate.

Monitoring and measurement

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

Mitigation

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

Financial crime risk

Definition

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

Financial crime risk continued

Governance

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

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

Risk appetite

The risk appetite statements and associated measures for financial crime risks are reviewed and approved at least annually by the relevant legal entity board on the relevant board risk committee's recommendation to ensure they remain appropriate and aligned to strategy.

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

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

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

Monitoring and measurement

Financial crime risks are identified and reported through continuous risk management and regular reporting to senior risk committees and the NatWest Group Board Risk Committee. Quantitative and qualitative data is reviewed and assessed to measure whether financial crime risk is within risk appetite.

Mitigation

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

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

Climate and nature risk

Definition

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

Sources of risk

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

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

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

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

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

Climate and nature risk continued

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

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

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

Key developments in 2024

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

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

Climate and nature risk continued

Governance

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

Risk appetite statements and associated measures are reviewed and approved at least annually by the relevant legal entity board on the relevant board risk committee's recommendation to ensure they remain appropriate and aligned to strategy.

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

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

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

Risk appetite

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

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

Monitoring and measurement

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

Scenario analysis

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

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

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

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

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

Portfolio level assessment

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

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

Transaction level assessment

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

Mitigation

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

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

Climate and nature risk continued

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

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

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

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

Operational risk

Definition

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

Sources of risk

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

Key developments in 2024

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

Governance

The risk governance arrangements in place for operational risk are aligned to the requirements set out in the NatWest Group Board approved enterprise-wide risk management framework and are consistent with achieving safety, soundness and sustainable risk outcomes.

Aligned to this, a strong operational risk management oversight function is vital to support RBS plc's ambitions to serve its customers better. Improved management of operational risk against defined risk appetite is vital for stability and reputational integrity.

To support ongoing oversight of the management of the operational risk profile an Operational Risk Executive Steering Committee is in place. This forum ensures all material operational risks are monitored and managed within appetite. The Board Risk Committee and NatWest Group Board receives regular updates on the outputs of the Operational Risk Executive Steering Committee as necessary.

Risk appetite

Operational risk appetite is approved by the relevant legal entity board and supports effective management of all operational risks. It expresses the level and types of operational risk RBS plc is willing to accept to achieve its strategic objectives and business plans. NatWest Group's operational risk appetite quantitative and qualitative statements encompass the full range of operational risks faced by its legal entities, businesses and functions.

The risk appetite statement and associated measures for operational risk are reviewed and approved at least annually by the relevant legal entity board on the relevant board risk committee's recommendation to ensure they remain appropriate and aligned to strategy.

Mitigation

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

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

Supporting our understanding of control is the CEC process. This is a bi-annual process, which requires senior members of the executive and management to assess the adequacy and effectiveness of their internal control frameworks which supports certification that their business or function is compliant with the Internal Control over Financial Reporting (Sarbanes-Oxley Section 404) regulatory requirements and with the requirements of the UK Corporate Governance Code section on Risk Management and Internal Controls.

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

Monitoring and measurement

Operational risk is measured and managed through continuous assessment and regular reporting to NatWest Group's senior risk committees and at Board-level. Risk and control self-assessments are used across business areas and support functions to identify and assess material non-financial risks (including operational risks, financial crime and conduct risks) and key controls. All risks and controls are mapped to NatWest Group's risk directory. Risk assessments are refreshed at least every two years or sooner in response to internal and external events to ensure they remain relevant and that they capture any emerging risks.

Operational risk continued

RBS plc 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 RBS plc's Pillar 2A capital requirement.

Scenario analysis is used to assess how severe but plausible operational risks will affect RBS plc. 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 resilience and cybersecurity

RBS plc manages and monitors operational resilience through its enhanced risk and control self-assessment methodology. This is underpinned by setting and monitoring of forward-looking risk indicators and performance metrics for the operational resilience of important business services.

Significant progress has been made in meeting regulatory expectations for operational resilience, with involvement in a number of industry-wide operational resilience forums. This enables a cross-sector view of the operational resilience risk profile and the pace of ongoing innovation and change, both internally and externally.

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

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

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

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

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

Event and loss data management

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

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

Model risk

Definition

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

Sources of risk

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

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

Key developments in 2024

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

Governance

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

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

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

Model risk continued

Risk appetite

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

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

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

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 RBS plc'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 RBS plc.

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; RBS plc's actions materially conflicting with stakeholder expectations; and contagion (when RBS plc's reputation is damaged by failures in key sectors including RBS plc'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 RBS plc. Reputational risk registers are used to manage reputational risks identified within relevant business areas. These are reported to the relevant business risk committee.

Material reputational risks to RBS plc are escalated via the NatWest Group reputational risk register which is reported at every meeting of the NatWest Group Reputational Risk Committee. The NatWest Group Reputational Risk Committee also opines on matters that represent material reputational risks. The NatWest Group Executive and the NatWest Group Board Risk Committees oversee the identification and reporting of reputational risk.

Risk appetite

RBS plc 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 business or legal entity level. They are escalated, where appropriate, to the relevant business risk committee and where material, to the NatWest Group Reputational Risk Committee.

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

Mitigation

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

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

Report of the directors

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

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

RBS plc structure

The Royal Bank of Scotland plc ('RBS plc') is a wholly-owned subsidiary of NatWest Holdings Limited ('NWH Ltd' or 'the parent company'). NatWest Group plc ('NWG plc') is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings. NatWest Group plc is incorporated in Great Britain and has its registered office at 36 St Andrew Square, Edinburgh, EH2 2YB. Details of the principal subsidiary undertakings of RBS plc are shown in Note 29 to the accounts.

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

Activities

RBS plc is engaged principally in providing a wide range of banking and other financial services in the UK.

Results and dividends

The profit attributable to the ordinary shareholders of RBS plc for the year ended 31 December 2024 amounted to £1,146 million compared with a profit of £1,352 million for the year ended 31 December 2023, as set out in the income statement on page 86.

No ordinary shares were issued in 2024 or 2023.

In 2024 RBS plc paid an ordinary dividend of £1.2 billion to NWH Ltd (2023 - £1.1 billion).

Employees

At 31 December 2024, RBS plc employed 900 people (excluding temporary staff). National Westminster Bank Plc (NWB Plc) provides the majority of shared services (including technology) and operational processes under intra-group agreements. Details of related costs are included in Note 3 to the accounts.

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

Corporate governance statement

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

1. Purpose and leadership

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

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

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

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

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

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

- Culture assessment reports which includes a wide range of metrics and assesses culture based on the NatWest Group culture assessment framework. The framework is aligned to both performance culture drivers and ethics, conduct and compliance. In December, the format of the report was reviewed by the Board and an evolved assessment framework was agreed which will be implemented in Board reporting from January 2025.
- Our View colleague engagement survey results which provide insights from the surveys conducted in April and September are provided to the Board bi-annually. Colleagues responded to questions across the whole colleague experience including wellbeing, building capability, leadership and ethics and integrity. Strong results were noted, with targeted action plans in place to drive improvements.
- Colleague Advisory Panel reports which in 2024 provided feedback on discussions from meetings held in May and November. Topics included executive remuneration and the wider workforce, the new performance management system Beyond, NatWest Group's evolving purpose and responsible AI.
- As part of the Board strategy sessions careful consideration was given to the cultural shift required to deliver the renewed strategy. External case studies of cultural transformation informed discussions.
- The impact on culture of the refreshed purpose was a key consideration by the Board. It reviewed the output of research undertaken with colleagues on the proposed purpose statement and management's planned approach to embed the new purpose in the bank's culture.

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

2. Board composition

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

The names of the current directors and secretary are shown on page 4. Their biographies are available at natwestgroup.com (NatWest Holdings Limited section).

Chair, CEO and Senior Independent Director

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

Balance and diversity

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

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

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

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

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

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

The NatWest Group plc and NWH Sub Group Boards conducted a comprehensive Board skills assessment using the Board Outlook platform. This process evaluated the collective expertise and capabilities of the Boards against the organisation's strategic priorities and governance needs, and the resulting data and analysis underpins the succession planning process.

By identifying critical and general skills areas, this enhanced skills assessment approach has provided valuable insights into the Boards' strengths and opportunities for consideration by the Nominations Committee, Group N&G and the Boards. The findings, as reflected in the 2024 Board skills matrix, will help to ensure that the Board remains well-equipped to navigate complex challenges, deliver on long-term value creation and uphold the highest standards of governance.

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

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

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

As at 31 December 2024:

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

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

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

Size and structure

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

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

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

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

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

Independence

The independent non-executive directors combine broad business and commercial experience with independent and objective judgement. They provide constructive challenge, strategic guidance, and specialist advice to the executive directors and the executive management team and hold management to account. The balance between non-executive and executive directors enables the Board to provide clear and effective leadership across NWH Group's business activities and ensures no one individual or small group of individuals dominates the Board's decision-making.

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

Enhancing directors' skills and knowledge

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

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

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

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

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

External appointments and time commitment

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

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

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

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

Board effectiveness review

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

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

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

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

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

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

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

3. Director responsibilities

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

Accountability

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

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

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

Conflicts of interest

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

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

Situational conflicts can be authorised by the Board in accordance with the Companies Act 2006 and the company's Articles of Association.

The Board considers each request for authorisation on a case by case basis and has the power to impose conditions or limitations on any authorisation granted as part of the process.

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

The Board

The Board is the main decision-making forum for RBS plc. The Board is collectively responsible for the long-term success of RBS plc and the delivery of sustainable value to its shareholders. The Board's role is to provide leadership of RBS plc and NWH Group, with particular focus on customers and employees. It sets and oversees the strategic direction of the NWH Group. It reviews and approves the RBS plc risk management framework (including the risk appetite framework as a component thereof ('Risk Appetite Framework')) and risk appetite for principal risks in accordance with the Risk Appetite Framework; and it monitors performance against risk appetite for RBS plc.

It considers any material risks and approves, as appropriate, recommended actions escalated by the NatWest Holdings Board Risk Committee. It approves RBS plc's key financial objectives and keeps the capital and liquidity positions of RBS plc under review.

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

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

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

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

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

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

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

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

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

Board Committees

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

As at the date of this report:

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

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

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

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

Executive Committee

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

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

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

Integrity of information

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

4. Opportunity and risk

The role of the Board is to promote the long-term sustainable success of RBS plc.

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

The Board reviews the effectiveness of the risk management and internal control systems – including the nature and extent of the risks taken in pursuit of strategic objectives.

The Board also reviews and approves risk appetite for RBS plc's principal risks in accordance with the NatWest Group risk appetite framework; monitors performance against risk appetite for RBS plc; and considers any material risks and approves, as appropriate, recommended actions escalated by the Board Risk Committee.

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

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

Further information on NatWest Group's integrated enterprise-wide risk management framework including risk culture, risk appetite, risk identification, risk measurement and risk mitigation, as well as RBS plc risk governance, can be found in the risk and capital management section of this report (pages 7 to 67).

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 RBS plc. The policy supports a culture where individuals are rewarded for delivering sustained performance in line with risk appetite and for demonstrating the right conduct and behaviours.

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

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

We launched our new performance management framework Beyond in January 2024, shifting the focus from pay decisions based on ratings to data-driven reward decisions. Colleague goals remain set against a balanced scorecard of measures to support business strategy and strategic purpose. NatWest Group continues to pay colleagues fairly for the work they do, supported by simple and transparent pay structures in line with industry best practices. NatWest Group keeps policies and processes under review to ensure it does so.

Following targeted action in 2022 and 2023 to support our colleagues through the cost-of-living crisis, we continued to focus on rewarding colleagues in a fair, sustainable and transparent way during 2024.

NatWest Group has been an accredited Living Wage Employer in the UK since 2014 and sets pay levels above the real living wage rates. In 2023 we were certified as a Global Living wage employer, recognising that our rates of pay for our colleagues outside the UK are at or above the living wage threshold as defined by the Fair Wage Network. We are currently going through the re-certification process.

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

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

6. Stakeholder relationships and engagement

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

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

Engagement with Colleagues, Suppliers, Customers and Others

For further details on the Board's engagement with colleagues, customers, suppliers and others, and how these stakeholders' interests have influenced Board discussions and principal decisions, refer to page 32 of the Strategic report which includes a section 172(1) statement and signposts to further information contained in the NatWest Group plc 2024 Annual Report and Accounts.

Additional colleague-related disclosures

Informing and consulting colleagues

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

Over 50,000 colleagues (82% participant rate) across all countries and levels participated in our September 2024 Our View colleague engagement survey.[1] Our results from our September 2024 colleague engagement survey remained steady and we maintained the strong position held in 2023. Across all comparable categories, NatWest Group remains in the top quartile, sitting an average of eight percentage points above the Global Financial Services Norm (GFSN) benchmark. While purposeful leadership has improved, we have work to do in relation to building capability, relating to the longer-term future focused development of colleagues, which has fallen back slightly since 2023 and despite improvements in experimentation; simplification, collaboration, and efficiency remain flat.

Regular interactions with employee representatives such as trade unions, elected employee bodies and work councils are a vital means of transparency and engagement for NatWest Group. These sessions are frequently used to discuss developments and updates on the progress of strategic priorities. NatWest Group is also committed to respecting employees' rights of freedom of association across all its business. In addition, the CAP continues to be an effective way to strengthen colleague voice, by enabling two-way discussions on topics important to them. By connecting colleagues directly with the Board, this deepens our understanding of colleague sentiment. The CAP is chaired by Roisin Donnelly, one of our non-executive directors, and she is joined by at least two additional Board members in every CAP meeting. CAP membership is refreshed regularly, and it currently comprises 28 colleagues who are self-nominated and are representative of the bank's population e.g., business area, grade, location and working pattern.

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

Following each meeting, a report summarising the main points discussed is presented at the next Board meeting. Ms Donnelly then updates CAP members with feedback from the Board discussion. In 2024, CAP meetings were held in May and November. Topics are either chosen by CAP or are requested by Board, and in 2024 have included our purpose, our performance management approach Beyond, responsible artificial intelligence and our standing annual item: executive and wider workforce remuneration.

Employment for colleagues with disabilities and long-term conditions

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

Internal control over financial reporting

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

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

Directors' interests

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

Directors' indemnities

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

Going concern

RBS 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. RBS 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 53 to 58. This section also describes RBS plc's funding and liquidity profile, including changes in key metrics and the build up of liquidity reserves.

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

Political donations

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

Directors' disclosure to auditors

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

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

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

By order of the Board

Jan Cargill
Chief Governance Officer and Company Secretary
13 February 2025

The Royal Bank of Scotland plc
is registered in Scotland No. SC083026

Statement of directors' responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on pages 77 to 85.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required by the Companies Act 2006 to prepare company financial statements, for each financial year in accordance with UK adopted International Accounting Standards. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of the Bank. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company 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 the Bank 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 the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors confirm that to the best of their knowledge:

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

By order of the Board

Richard Haythornthwaite
Chair

John-Paul Thwaite
Chief Executive Officer

Katie Murray
Chief Financial Officer

13 February 2025

Board of directors

Chair
Richard Haythornthwaite

Executive directors
John-Paul Thwaite
Katie Murray

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

Financial statements

Independent auditors' report to the members of The Royal Bank of Scotland plc

Opinion

We have audited the financial statements of The Royal Bank of Scotland plc (the 'Bank') for the year ended 31 December 2024 which comprise the Income statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity, the Cash flow statement, Accounting policies, the related Notes 1 to 29 and the Risk and capital management section of the Strategic report identified as 'audited'. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the Bank's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted IAS and IFRS as issued by the IASB; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

Overview of our audit approach

Key audit matters	- -	Expected credit loss provisions IT access management
Materiality	-	Overall materiality of £71 million which represents 5% of the profit before tax of the Bank of £1,389 million (2023 - £1,588 million) adjusted for non-recurring conduct and litigation costs.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements. We take into account the size and risk profile of the component and its activities, the organisation of the Bank and effectiveness of NatWest Group plc (NWG) Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Bank financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the two reporting components of the Bank, we selected two components based on size and risk, which represent the principal business units within the Bank.

The scoping for the current year is as follows:

Component	Scope	Key locations
Retail Banking	Full	United Kingdom
Commercial & Institutional	Full	United Kingdom

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

	Full scope (1)	Specific scope (2)	Specified procedures (3)
Total assets	99%	0%	0%
Total equity	100%	0%	0%
Total income	97%	2%	0%

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

Involvement with component audit teams

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

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

Climate change

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

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

The Bank has explained in Accounting policies how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. The Bank notes that many of the impacts will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgements and estimates for the current period under the requirements of UK adopted IAS and IFRS as issued by the IASB.

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

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

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

Key audit matters

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

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td colspan="2">Expected credit loss (ECL) provisions</td></tr>
<tr><td>
At 31 December 2024 the Bank reported total gross loans – amortised cost and fair value through other comprehensive income (FVOCI) of £62.8 billion (2023 - £65.0 billion) and £582 million of expected credit losses (ECL) (2023 - £653 million).
Management's judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used. These include the impacts of continuing uncertain geopolitical and economic outlook. Aspects with increased complexity and judgements in respect of the timing and measurement of ECL include:

Staging – Completeness and accuracy of allocation of assets into stage 1, 2 and 3 using criteria in accordance with IFRS 9.
Models and model assumptions – Appropriateness of accounting interpretations, modelling assumptions and data used to calculate the ECL, including Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). There is also complexity in assessing the adequacy of model performance in the current and forecasted economic environment.
Economic scenarios - Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios truly reflect the current macro-economic environment and are incorporated in the ECL appropriately as at 31 December 2024.
Post-model adjustments (PMAs) - Completeness and valuation of post-model adjustments which represent approximately 7% of total ECL (2023 - 10%), including adjustments required to address the limitation of models to adequately incorporate the risks of inflation, elevated interest rates, and other geopolitical and economic uncertainties, and the identification of vulnerable customers with higher risks of defaults than currently reflected; and
Individual provisions - Measurement of individual provisions including the assessment of multiple scenarios and probability weights, the impact of the current uncertain geopolitical and economic outlook on exit or recovery strategies, collateral valuations, and time to collect.

</td><td>
Controls testing - We evaluated the design and operating effectiveness of controls over the ECL process, including those over management's judgements and estimates. These controls, among others, covered:

the staging of assets per management's criteria, and their monitoring of stage effectiveness
model governance including development, monitoring and independent validation
input data accuracy and completeness
credit monitoring
the review and challenge of multiple economic scenarios approved
the governance and management review of post-model adjustments; and
the assessment and approval of individual provisions.

Overall assessment - We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable by performing peer benchmarking and sensitivity analysis, to assess the impact of changing selected key assumptions on the ECL provision, taking into consideration the current macroeconomic environment.
Staging - We evaluated the criteria used to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9. We recalculated the staging of the complete population of assets based on management's criteria and performed sensitivity analysis to assess the impact of different criteria on the ECL and the impact of selected collective staging downgrades to industries, geographic regions and high-risk populations that are exposed to recent economic, political or climate change stresses.
On the non-personal portfolio, we tested credit monitoring which drives the probability of default estimates used in the staging calculation, we recalculated the risk ratings for a sample of performing loans and focused our testing on high-risk industries, such as commercial real estate, telecommunications, oil and gas, health, retail and leisure.
Models and model assumptions - We selected a sample of models based on both quantitative and qualitative factors. We involved EY modelling specialists to test the assumptions, inputs, methodology and model build. This included a combination of assessing model design and formulae, alternative modelling techniques, recalculating the PD, LGD and EAD, and implementation of new models during the year. We also considered the results of the Bank's internal model monitoring and validation results.
To evaluate data quality, we agreed a sample of key data points to source systems, including data used to run the models and historic loss data to monitor models. We also tested the ECL data reconciliations from the calculation engine through to the general ledger and disclosures.
Economic scenarios - We involved EY economic specialists to assist us in evaluating the base case and alternative economic scenarios, including evaluating probability weights. This assessment included the impacts of the current geopolitical and economic environment, as well as the impacts of climate change on the economic variables. We assessed whether forecasted macroeconomic variables such as GDP, unemployment rate, Consumer Price Index, UK Stock Price Index, Bank of England base rates and the House Price Index were appropriate. With the support of our credit modelling specialists, we evaluated the correlation and translation of the macroeconomic factors, including the impacts of alternative paths or weights to ECL.
Post-Model Adjustments (PMAs) – We, along with our modelling and economic specialists, tested the appropriateness, adequacy and completeness of the PMAs held at year end in response to model and data limitations. This included challenging management's identification of retail customers vulnerable to price and rate increases, commercial sub-sectors susceptible to inflation and liquidity challenges, loss given default assumptions, and time to collect. We have also challenged the continued recognition of PMAs from previous years, by checking the latest default trends in specific cohorts. We also assessed the use of PMAs against the risk of double counting of either certain portfolios/customers or identified risks.
</td></tr>
</table>

Risk	Our response to the risk
Expected credit loss (ECL) provisions continued	
	Individual provisions - We recalculated and challenged the scenarios, assumptions, and cash flows for a sample of individual provisions including the alternative scenarios and probability weights assigned, involving EY valuation specialists where appropriate. The samples considered higher risk sectors, such as commercial real estate, automotive, health, utilities, retail and leisure. We considered the impact of the current geopolitical and economic outlook and climate change had on collateral valuations and time to collect as well as whether planned exit strategies remained viable.

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

We are satisfied that the ECL provisions were reasonable and recognised in accordance with IFRS 9. We highlighted the following matters to the NWH Group Audit Committee that contributed to our overall conclusion:

- Effectiveness of the overall control environment, including the compensating controls identified by management, where deficiencies were identified.
- Results of our testing of models, model assumptions, the key data elements used for ECL calculation, including the reasonableness of the macroeconomic variables, scenarios and weightings used.
- Accuracy of staging and the reasonableness of management's staging criteria, and our independent sensitivity analysis on the staging criteria to assess appropriateness.
- Reasonableness and adequacy of the post-model adjustments recorded to reflect risk in the portfolios.
- Individually assessed impairments, the overall reasonableness of the provisions, including assumptions applied.

Relevant references in the Annual Report and Accounts

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

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

Risk	Our response to the risk
IT access management	
The IT environment is complex and pervasive to the operations of the Bank due to the large volume of transactions processed in numerous locations daily, with extensive reliance on automated controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. This risk is also impacted by the growing dependency on third parties, increasing use of cloud platforms, decommissioning of legacy systems, and migration to new systems. Such controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data. The Bank has implemented user access management controls across IT applications, databases and operating systems. We have identified user access-related deficiencies in the past and similar thematic issues have been noted in the current year, and thus the risk of inappropriate access remains.	We evaluated the design and operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting. We tested user access by assessing the controls in place for in-scope applications, in particular testing the addition and periodic recertification of users' access. We continue to focus on key controls enforced by the Bank'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 Bank in the current year. For systems outsourced to third party service providers, we tested IT general controls through evaluating the relevant Service Organisation Controls ("SOC") reports (where available). This included assessing the timing of the reporting, the controls tested by the service auditor and whether they addressed relevant IT risks. We also tested required complementary user entity controls performed by management. Where a SOC report was not available, we identified and reviewed compensating business controls to address risks to financial reporting. Several systems have been migrated to a cloud-hosted infrastructure model, however access management processes and controls remained in-house, and they formed part of our testing. Where control deficiencies were identified, we tested remediation activities performed by management and/or compensating controls in place and assessed the impact, of any residual risk over financial statement reporting. We also performed a further aggregation analysis of access management deficiencies identified by EY, management, and Internal Audit to consider the pervasiveness of findings identified, and the impact on our overall approach to access management testing. We noted that no further changes to our approach were required.

Key observations communicated to the NWH Group Audit Committee

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

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

In the prior year, our auditor's report included a key audit matter in relation to future profitability estimates impacting the recognition of deferred tax. We did not consider this to be a key audit matter in the current year due to the reduced sensitivity of the recognised asset to the underlying forecast.

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 Bank to be £71 million (2023 - £74 million), which is 5% (2023 - 5%) of the profit before tax of the Bank of £1,389 million (2023 - £1,588 million) adjusted for non-recurring conduct and litigation costs. We believe removing these non-recurring charges reflects the most useful measure for users of the financial statements and is consistent with the prior year. The 5% basis used for Bank materiality is consistent with the wider industry and is the standard for regulated entities.

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 Bank's overall control environment, our judgement was that performance materiality was 75% (2023 - 75%) of our planning materiality, namely £53 million (2023 - £56 million). We have based the percentage of performance materiality from the prior year considering on a number of considerations, including the number and amount of identified misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Audit work was undertaken at component teams for the purpose of responding to the assessed risks of material misstatement of the Bank financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Bank 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 £23 million and £42 million (2023 - £31 million to £49 million).

Reporting threshold

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

We agreed with the NWH Group Audit Committee that we would report to them all uncorrected audit differences in excess of £4 million (2023 - £4 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 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 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 Bank and management.

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

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

Other matters we are required to address

- Following the recommendation from the NWH Group Audit Committee we were appointed by the Bank on 4 May 2016 to audit the financial statements of the Bank for the year ending 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering periods from our appointment through 31 December 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting the audit.
- The audit opinion is consistent with the additional report to the NWH Group Audit Committee.

Use of our report

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

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

Income statement

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Interest receivable		**3,539**	3,324
Interest payable		**(1,591)**	(1,231)
Net interest income	1	**1,948**	2,093
Fees and commissions receivable		**442**	440
Fees and commissions payable		**(88)**	(93)
Other operating income		**(25)**	93
Non-interest income	2	**329**	440
Total income		**2,277**	2,533
Staff costs		**(51)**	(54)
Premises and equipment		**(1)**	1
Other administrative expenses		**(800)**	(835)
Depreciation and amortisation		**(19)**	(13)
Operating expenses	3	**(871)**	(901)
Profit before impairment losses		**1,406**	1,632
Impairment losses	12	**(17)**	(44)
Operating profit before tax		**1,389**	1,588
Tax charge	7	**(209)**	(189)
Profit for the year		**1,180**	1,399
Attributable to:			
Ordinary shareholders		**1,146**	1,352
Paid-in equity holders		**34**	47
		1,180	1,399

Statement of comprehensive income

For the year ended 31 December 2024

	2024 £m	2023 £m
Profit for the year	**1,180**	1,399
Items that do not qualify for reclassification		
Tax	**-**	(1)
	-	(1)
Items that do qualify for reclassification		
FVOCI financial assets	**-**	(1)
Cash flow hedges (1)	**277**	1,030
Currency translation	**1**	(1)
Tax	**(78)**	(288)
	200	740
Other comprehensive income after tax	**200**	739
Total comprehensive income for the year	**1,380**	2,138
Attributable to:		
Ordinary shareholders	**1,346**	2,091
Paid-in equity holders	**34**	47
	1,380	2,138

(1) Refer to footnotes 2 and 3 of the Statement of changes in equity.

Balance sheet

As at 31 December 2024

	Note	2024 £m	2023 £m
Assets			
Cash and balances at central banks	8	**26,630**	23,984
Derivatives	11	**465**	623
Loans to banks - amortised cost	8	**484**	1,059
Loans to customers - amortised cost	8	**33,524**	34,805
Amounts due from holding companies and fellow subsidiaries	8	**28,060**	28,497
Other assets	13	**1,313**	1,421
Total assets		**90,476**	90,389
Liabilities			
Bank deposits	8	**921**	1,027
Customer deposits	8	**78,069**	77,504
Amounts due to holding companies and fellow subsidiaries	8	**3,755**	3,577
Derivatives	11	**1,411**	1,932
Notes in circulation		**2,381**	2,430
Other liabilities	16	**690**	816
Total liabilities		**87,227**	87,286
Total equity		**3,249**	3,103
Total liabilities and equity		**90,476**	90,389

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

Richard Haythornthwaite Chair	John-Paul Thwaite Chief Executive Officer	Katie Murray Chief Financial Officer	The Royal Bank of Scotland plc Registration No. SC083026

Statement of changes in equity

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Called-up share capital - at 1 January and 31 December	17	**20**	20
Paid-in equity - at 1 January		**500**	970
Redeemed		-	(470)
At 31 December	17	**500**	500
FVOCI reserve - at 1 January		-	(3)
Unrealised losses		-	(1)
Realised losses		-	5
Tax		-	(1)
At 31 December		-	-
Cash flow hedging reserve - at 1 January		**(737)**	(1,479)
Amount recognised in equity (2)		**(671)**	72
Amount transferred from equity to earnings (3)		**948**	958
Tax		**(78)**	(288)
At 31 December		**(538)**	(737)
Foreign exchange reserve - at 1 January		**(1)**	-
Retranslation of net assets		**(2)**	(1)
Recycled to profit or loss		**3**	-
At 31 December		-	(1)
Retained earnings - at 1 January		**3,321**	3,153
Profit attributable to ordinary shareholders and other equity owners		**1,180**	1,399
Paid-in equity dividends paid		**(34)**	(47)
Ordinary dividends paid		**(1,200)**	(1,136)
Redemption of paid-in equity			
- gross		-	(43)
Realised losses in period on FVOCI equity shares			
- gross		-	(5)
At 31 December		**3,267**	3,321
Total equity at 31 December		**3,249**	3,103
Attributable to:			
Ordinary shareholders		**2,749**	2,603
Paid-in equity holders		**500**	500
		3,249	3,103

(1) The total distributable reserves for RBS plc is £2,729 million (2023 – £2,583 million).
(2) 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 is predominantly receive fixed swaps.
(3) As referred to in Note 11, the amount transferred from equity to the income statement is mostly recorded within net interest income mainly within loans to banks and customers – amortised cost and balances at central banks.

Cash flow statement

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Operating profit before tax		**1,389**	1,588
Adjustments for:			
Non-cash and other items	21	**1,138**	1,255
Changes in operating assets and liabilities	21	**769**	(7,837)
Income taxes paid		**(339)**	(263)
Net cash flows from operating activities (1,2)		**2,957**	(5,257)
Cash flows from investing activities			
Sale of property, plant and equipment		**3**	43
Purchase of property, plant and equipment		**(5)**	(18)
Dividends received from subsidiaries		**-**	5
Net cash flows from investing activities		**(2)**	30
Cash flows from financing activities			
Redemption of paid-in equity		**-**	(513)
Issue of MRELs		**119**	991
Redemption of MRELs		**(397)**	-
Interest paid on MRELs		**(71)**	(32)
Issue of subordinated liabilities		**546**	-
Redemption of subordinated liabilities		**(381)**	(1,059)
Interest paid on subordinated liabilities		**(39)**	(77)
Dividends paid		**(1,234)**	(1,183)
Net cash flows from financing activities		**(1,457)**	(1,873)
Effects of exchange rate changes on cash and cash equivalents		**(13)**	(198)
Net increase/(decrease) in cash and cash equivalents		**1,485**	(7,298)
Cash and cash equivalents at 1 January		**46,331**	53,629
Cash and cash equivalents at 31 December	23	**47,816**	46,331

(1) Includes interest received of £3,546 million (2023 - £3,297 million) and interest paid of £1,574 million (2023 - £1,099 million).
(2) The total cash outflow for leases is £7 million (2023 - £8 million), including payment of principal amounts of £5 million (2023 - £7 million) which are included in operating activities in the cash flow statement.

Accounting policies

1. Presentation of financial statements

The financial statements contain information about RBS plc as an individual company and do not contain consolidated financial information as the parent of a group. RBS plc is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as in accordance with IFRS 10. RBS plc and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of NWH Ltd and NatWest Group plc.

The Royal Bank of Scotland plc (RBS 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 121 and the audited sections of the Risk and capital management section on pages 7 to 67 which together from an integral part of the primary financial statements. The directors have prepared the financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved (refer to the Report of the directors) and in accordance with UK adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The critical and material accounting policies and related judgements are set out below.

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

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

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

We apply accounting for associates and joint arrangements to entities where we have significant influence, but not control, over the operating and financial policies. We assess significant influence by reference to a presumption of voting rights of more than 20%, but less than 50%, supplemented by a qualitative assessment of substantive rights which include representation at the Board of Directors and significant exchange of managerial personnel or technology amongst others. Investments in associates and joint ventures are recorded upon initial recognition at cost and increased or decreased each period by the share of the subsequent levels of profit or loss. Other changes in equity are considered in line with their nature.

How Climate risk affects our accounting judgements and estimates

Business planning

Key financial estimates are based on management's latest five-year revenue and cost forecasts. The outputs from this forecast affect forward-looking accounting estimates. Measurement of deferred tax and expected credit losses (ECL) are highly sensitive to reasonably possible changes in those anticipated conditions. In 2024, our scenario planning was enhanced by the further integration of NatWest Group's climate transition plan, including the assessment of climate-related risks and opportunities.

Our Climate transition plan includes an assessment of:

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

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

Information used in other accounting estimates

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

- The classification of financial instruments linked to climate, or other sustainability indicators. Consideration is given to whether the effect of climate-related terms prevent the instrument cashflows being solely payments of principal and interest.
- The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.

Effect of climate change in the estimation of ECL

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

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

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) and the expectation of long term economic growth beyond this period.	Note 7
Loan impairment provisions	Definition of default against which to apply PD, LGD and EAD models. Selection of multiple economic scenarios. Criteria for a significant increase in credit risk. Identification of risks not captured by the models.	ECL estimates contain a number of measurement uncertainties (such as the weighting of multiple economic scenarios) and disclosures include sensitivities to show the impact on other reasonably possible scenarios.	Note 12

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

2.1. Deferred tax

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

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

Deferred tax asset recoverability is based on the level of supporting eligible and available deferred tax liabilities we have and of our future taxable profits. These future taxable profits are based on our five-year revenue and cost forecasts and the expectation of long term economic growth beyond this period. The five-year forecast takes account of management's current expectations on competitiveness and profitability. The long term growth rate reflects external indicators which will include market expectations on climate risk. We do not consider any additional adjustments to this indicator.

2.2. Loan impairment provisions: ECL

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

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

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

The measurement of expected credit loss considers the ability of borrowers to make payments as they fall due. Future cashflows are discounted, so long dated cashflows are less likely to affect current expectations on credit loss.

Our assessment of sector specific risks, and whether additional adjustments are required, include expectations of the ability of those sectors to meet their financing needs in the market. Changes in credit stewardship and credit risk appetite that stem from climate transition policies may directly affect our positions.

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 polices for control, associates and joint ventures apply.

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

2. Critical accounting policies continued

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

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

3. Material accounting polices

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 other operating income. Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

3.2. Staff costs

Employee costs, such as salaries, paid absences, and other benefits are recognised over the period in which the employees provide the related services to us. Employees may receive variable compensation in cash, in deferred cash or debt instruments of NatWest Group or in ordinary shares of NatWest Group plc subject to deferral, and clawback 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.

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.

3.3. 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.

3.4. 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 the cumulative gains or losses are transferred directly to retained earnings.

3. Material accounting polices continued

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.

3.5. Capital instruments

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

3.6. Derivatives and hedging

Derivatives are reported on the balance sheet at fair value.

We use derivatives to manage our own risk such as interest rate. Not all derivatives used to manage risk are in hedge accounting relationships (an IFRS method to reduce accounting mismatch from changes in the fair value of the derivatives reported in the income statement).

Gains and losses arising from changes in the fair value of derivatives that are not in hedge relationships and derivatives that are managed together with financial instruments designated at fair value are included in Other operating income.

Hedge accounting

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

When designating a hedging relationship, we consider: the economic relationship between the hedged item (including the risk being hedged) and the hedging instrument; the nature of the risk; the risk management objective and strategy for undertaking the hedge; and the appropriateness of the method that will be used to assess hedge effectiveness.

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

We enter into two 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.

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 hedge 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.

3.7. Provisions

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

Provision is made for restructuring costs, including the costs of redundancy, when we have a constructive obligation. An obligation exists when we have a detailed formal plan for the restructuring and have raised a valid expectation in those affected either by starting to implement the plan or by announcing its main features.

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

4. Future accounting developments

International Financial Reporting Standards

Effective 1 January 2026

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7 – Issued May 2024)

Effective 1 January 2027

- Presentation and Disclosures in Financial Statements (IFRS 18 – Issued April 2024)
- Subsidiaries without Public Accountability (IFRS 19 – Issued May 2024)

We are assessing the effect of adopting these accounting developments on our financial statements.

Notes to the financial statements

1 Net interest income

	2024 £m	2023 £m
Balances at central banks and loans to banks - amortised cost	**516**	467
Loans to customers - amortised cost	**1,692**	1,680
Amounts due from holding company and fellow subsidiaries	**1,331**	1,177
Interest receivable	**3,539**	3,324
Bank deposits	**7**	4
Customer deposits	**1,404**	999
Amounts due to holding company and fellow subsidiaries	**179**	226
Other financial liabilities	**1**	2
Interest payable	**1,591**	1,231
Net interest income	**1,948**	2,093

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
Net fees and commissions (1)	**354**	347
Other operating income		
Hedge ineffectiveness	**4**	7
Net (loss)/income from economic hedging	**(55)**	47
Profit on sale of property, plant and equipment	**1**	27
Dividend income	**-**	5
Changes in fair value of other financial assets held at mandatory fair value through profit or loss (2)	**21**	2
Other income	**4**	5
	(25)	93
Non-interest income	**329**	440

(1) Refer to Note 4 for further analysis.
(2) Includes instruments that have failed solely payment of principal and interest testing under IFRS 9.

For accounting policy information refer to Accounting policy 3.1.

3 Operating expenses

	2024 £m	2023 £m
Wages, salaries and other staff costs	**40**	43
Social security costs	**4**	4
Pension costs	**7**	7
- defined benefit schemes (Note 5)	**5**	5
- defined contribution schemes	**2**	2
Staff costs	**51**	54
Premises and equipment (1)	**1**	(1)
Other administrative expenses (2,3)	**800**	835
Depreciation and amortisation	**19**	13
Administrative expenses	**820**	847
	871	901

(1) 2023 includes release of property provisions due to lease exits and change in economic assumptions.
(2) Includes £726 million (2023 - £740 million) of recharges from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes to RBS plc.
(3) Includes litigation costs. Further details are provided in Note 16.

For accounting policy information refer to Accounting policy 3.2.

900 front office customer-facing staff (2023 – 1,000) are contractually employed by NWB Plc with all related staff costs paid by RBS plc.

4 Segmental analysis

Reportable operating segments

The business is organised into the following reportable segments: Retail Banking, Private Banking, Commercial & Institutional and Central items & other.

Retail Banking serves personal customers in the UK.

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

Commercial & Institutional consists of customer businesses reported under Business Banking, Commercial Mid-market and Corporate & Institutions to support our domestic customers across the full non-personal customer lifecycle.

Central items & other comprises corporate treasury activity on behalf of RBS plc and RBS plc's corporate services and functions activities.

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Net interest income	**885**	**4**	**748**	**311**	**1,948**
Net fees and commissions	**97**	**5**	**252**	**-**	**354**
Other operating income	**2**	**-**	**37**	**(64)**	**(25)**
Total income	**984**	**9**	**1,037**	**247**	**2,277**
Depreciation and amortisation	**(10)**	**-**	**(9)**	**-**	**(19)**
Other operating expenses	**(454)**	**-**	**(398)**	**-**	**(852)**
Impairment (losses)/releases	**(31)**	**-**	**7**	**7**	**(17)**
Operating profit	**489**	**9**	**637**	**254**	**1,389**
2023					
Net interest income	945	(1)	903	246	2,093
Net fees and commissions	100	5	242	-	347
Other operating income	1	-	12	80	93
Total income	1,046	4	1,157	326	2,533
Depreciation and amortisation	(7)	-	(6)	-	(13)
Other operating expenses	(480)	-	(408)	-	(888)
Impairment (losses)/releases	(55)	-	9	2	(44)
Operating profit/(loss)	504	4	752	328	1,588

Total revenue (1)

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
External	**920**	**5**	**1,458**	**1,573**	**3,956**
Inter-segment (2)	**(54)**	**1**	**(351)**	**404**	**-**
Total	**866**	**6**	**1,107**	**1,977**	**3,956**
2023					
External	904	5	1,399	1,549	3,857
Inter-segment (2)	(43)	(2)	(308)	353	-
Total	861	3	1,091	1,902	3,857

Total income

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
External	**201**	**6**	**598**	**1,472**	**2,277**
Inter-segment (2)	**783**	**3**	**439**	**(1,225)**	**-**
Total	**984**	**9**	**1,037**	**247**	**2,277**
2023					
External	381	4	728	1,420	2,533
Inter-segment (2)	665	-	429	(1,094)	-
Total	1,046	4	1,157	326	2,533

(1) Total revenue comprises interest receivable, fees and commissions receivable and other operating income.
(2) Revenue and income from transactions between segments are reported as inter-segment in both the current and comparative information.

4 Segmental analysis continued

Analysis of net fees and commissions

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Fees and commissions receivable					
- Payment services	**61**	**-**	**128**	**-**	**189**
- Credit and debit card fees	**75**	**-**	**54**	**-**	**129**
- Lending and financing	**2**	**-**	**77**	**-**	**79**
- Other	**8**	**5**	**32**	**-**	**45**
Total	**146**	**5**	**291**	**-**	**442**
Fees and commissions payable	**(49)**	**-**	**(39)**	**-**	**(88)**
Net fees and commissions	**97**	**5**	**252**	**-**	**354**
2023					
Fees and commissions receivable					
- Payment services	61	-	132	-	193
- Credit and debit card fees	77	-	56	-	133
- Lending and financing	2	-	72	-	74
- Other	8	5	27	-	40
Total	148	5	287	-	440
Fees and commissions payable	(48)	-	(45)	-	(93)
Net fees and commissions	100	5	242	-	347

2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Assets	**16,055**	**11**	**21,084**	**53,326**	**90,476**
Liabilities	**38,907**	**12**	**43,415**	**4,893**	**87,227**
2023					
Assets	17,923	12	20,881	51,573	90,389
Liabilities	37,944	10	44,069	5,263	87,286

All of RBS plc’s activities, by location of offices, are based in the UK.

5 Pensions

Eligible employees of RBS plc can participate in membership of the NatWest Group operated pension schemes. The principal defined benefit scheme is the NatWest Group Pension Fund (the Main section). The Main section was closed to new entrants in October 2006 and since then employees have been offered membership to the NatWest Group Retirement Savings Plan, a defined contribution pension scheme. Further information about the NatWest Group pension schemes is disclosed in the NatWest Group 2024 Annual Report and Accounts.

For accounting policy information refer to Accounting policy 3.2.

6 Auditor’s remuneration

Amounts payable to RBS plc’s auditor for statutory audit and other services are set out below:

	2024 £m	2023 £m
Fees payable for:		
- the audit of RBS plc’s annual accounts	**3.7**	3.8
- audit-related assurance services	**0.4**	0.4
Total audit and audit-related assurance service fees	**4.1**	4.2

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
Current tax		
Charge for the year	**(302)**	(340)
Over provision in respect of prior years	**-**	6
	(302)	(334)
Deferred tax		
Charge for the year	**(88)**	(94)
Increase in the carrying value of deferred tax assets in respect of UK losses	**175**	237
Over provision in respect of prior years	**6**	2
Tax charge for the year	**(209)**	(189)

Current tax for the year ended 31 December 2024 is based on rates of 25% for the standard rate of UK corporation tax and 3% for the UK banking surcharge.

The actual tax charge differs from the expected tax charge, computed by applying the standard rate of UK corporation tax of 25% (2023 – 23.5%), as follows:

	2024 £m	2023 £m
Expected tax charge	**(347)**	(373)
Items not allowed for tax:		
- losses on disposals and write downs	**(1)**	(7)
- UK bank levy	**(4)**	(4)
- regulatory and legal actions	**(5)**	(1)
- other disallowable items	**(2)**	(1)
Non-taxable items	**-**	5
Increase in the carrying value of deferred tax assets in respect of:		
- UK losses	**175**	237
Banking surcharge	**(40)**	(64)
Tax on paid-in equity dividends	**9**	11
Adjustments in respect of prior years (1)	**6**	8
Actual tax charge	**(209)**	(189)

(1) Prior year tax adjustments incorporate refinements to tax computations made on submission and agreement with the tax authorities.

For accounting policy information refer to Accounting policies 2.1 and 3.3.

7 Tax continued

Deferred tax

RBS plc makes provision for deferred tax on temporary differences where tax recognition occurs at a different time from accounting recognition. Deferred tax assets of £917 million were recognised as at 31 December 2024 (2023 - £901 million).

	2024 £m	2023 £m
Deferred tax liability	-	-
Deferred tax asset	917	901
Net deferred tax asset	917	901

Net deferred tax asset comprised:

	Accelerated capital allowances £m	Expense provisions £m	Financial instruments (1) £m	Tax losses carried forward £m	Other £m	Total £m
At 1 January 2023	22	3	564	452	7	1,048
(Charge)/credit to income statement	(3)	-	3	145	-	145
Charge to other comprehensive income	-	-	(290)	-	-	(290)
Currency translation and other adjustments	(1)	-	(1)	-	-	(2)
At 31 December 2023	18	3	276	597	7	901
(Charge)/credit to income statement	(3)	5	3	88	-	93
Charge to other comprehensive income	-	-	(78)	-	-	(78)
Currency translation and other adjustments	-	1	-	-	-	1
At 31 December 2024	15	9	201	685	7	917

(1) The in-year movement predominantly relates to cash flow hedges.

Critical accounting policy: Deferred tax

The deferred tax assets of £917 million as at 31 December 2024 (2023 - £901 million) principally comprises losses which arose in the UK, and temporary differences. These deferred tax assets are recognised to the extent that it is probable that there will be future taxable profits to recover them.

The main UK corporation tax increased from 19% to 25%, and the UK banking surcharge decreased from 8% to 3%, from 1 April 2023.

Judgement – RBS plc has considered the carrying value of deferred tax assets and concluded that, based on management's estimates, sufficient sustainable taxable profits will be generated in future years to recover recognised deferred tax assets.

Estimate - These estimates are partly based on forecast performance beyond the horizon for management's detailed plans. They have regard to inherent uncertainties.

UK tax losses

Under UK tax rules, tax losses can be carried forward indefinitely. As the recognised tax losses 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.

RBS plc – A deferred tax asset of £685 million (2023 - £597 million) has been recognised in respect of losses of £2,740 million of total losses of £2,948 million carried forward at 31 December 2024. The losses were transferred from NatWest Markets Plc as a consequence of the ring fencing regulations. Based on a seven year recovery period, RBS plc expects the deferred tax asset to be utilised against future taxable profits by the end of 2031.

Deferred tax assets of £52 million (2023 - £227 million) have not been recognised in respect of tax losses carried forward of £208 million (2023 - £909 million). The tax losses can be carried forward indefinitely.

8 Financial instruments - classification

Judgement: classification of financial assets

Classification of financial assets between amortised cost and fair value through other comprehensive income requires a degree of judgement in respect of business models and contractual cashflows.

- The business model criteria is assessed at a portfolio level to determine whether assets are classified as held to collect or held to collect and sell. Information that is considered in determining the applicable business model includes: the portfolio's policies and objectives; how the performance and risks of the portfolio are managed, evaluated and reported to management; and the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for sales.
- The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent solely payments of principal and interest (SPPI). A level of judgement is made in assessing terms that could change the contractual cash flows so that it would not meet the condition for SPPI, including contingent and leverage features, non-recourse arrangements and features that could modify the time value of money.

For accounting policy information refer to Accounting policies 3.4 and 3.6.

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

Assets	MFVTPL (1) £m	FVOCI (1) £m	Amortised cost £m	Other assets £m	Total £m
Cash and balances at central banks			**26,630**		**26,630**
Derivatives (2)	**465**				**465**
Loans to banks - amortised cost (3)			**484**		**484**
Loans to customers - amortised cost			**33,524**		**33,524**
Amounts due from holding companies and fellow subsidiaries	**-**	**-**	**28,033**	**27**	**28,060**
Other assets	**179**	**1**	**-**	**1,133**	**1,313**
31 December 2024	**644**	**1**	**88,671**	**1,160**	**90,476**
Cash and balances at central banks			23,984		23,984
Derivatives (2)	623				623
Loans to banks - amortised cost (3)			1,059		1,059
Loans to customers - amortised cost			34,805		34,805
Amounts due from holding companies and fellow subsidiaries	-	-	28,429	68	28,497
Other assets	182	1	-	1,238	1,421
31 December 2023	805	1	88,277	1,306	90,389

Liabilities	Held-for-trading (4) £m	Amortised cost £m	Other liabilities £m	Total £m
Bank deposits (5)		**921**		**921**
Customer deposits		**78,069**		**78,069**
Amounts due to holding companies and fellow subsidiaries	**-**	**3,523**	**232**	**3,755**
Derivatives (2)	**1,411**			**1,411**
Notes in circulation		**2,381**		**2,381**
Other liabilities (6)		**66**	**624**	**690**
31 December 2024	**1,411**	**84,960**	**856**	**87,227**
Bank deposits (5)		1,027		1,027
Customer deposits		77,504		77,504
Amounts due to holding companies and fellow subsidiaries	-	3,275	302	3,577
Derivatives (2)	1,932			1,932
Notes in circulation		2,430		2,430
Other liabilities (6)		74	742	816
31 December 2023	1,932	84,310	1,044	87,286

(1) Includes instruments of £502 million (2023 - £679 million) held in level 2 and £143 million (2023 - £127 million) held in level 3 of the fair value hierarchy.
(2) Includes hedging derivative assets of £429 million (2023 - £577 million) and hedging derivative liabilities of £1,269 million (2023 - £1,617 million).
(3) Includes items in the course of collection from other banks of £12 million (2023 - £133 million).
(4) Instruments of £1,411 million (2023 - £1,932 million) held in level 3 of the fair value hierarchy.
(5) Includes items in the course of transmission to other banks of £2 million (2023 - £10 million).
(6) Includes lease liabilities of £56 million (2023 - £61 million), held at amortised cost.

9 Financial instruments: fair value of financial instruments measured at amortised cost

The following table shows the carrying value and fair value of financial instruments measured at amortised cost on the balance sheet.

	Carrying value	Fair value	Fair value hierarchy level		Items where fair value approximates carrying value
			Level 2	Level 3	
2024	£m	£m	£m	£m	£m
Financial assets					
Cash and balances at central banks	**26,630**	**26,630**	**-**	**-**	**26,630**
Loans to banks	**484**	**484**	**-**	**15**	**469**
Loans to customers	**33,524**	**33,008**	**-**	**33,008**	**-**
Amounts due from holding companies and fellow subsidiaries	**28,033**	**28,047**	**24,619**	**3,428**	**-**
2023					
Financial assets					
Cash and balances at central banks	23,984	23,984	-	-	23,984
Loans to banks	1,059	1,059	231	170	658
Loans to customers	34,805	34,276	-	34,276	-
Amounts due from holding companies and fellow subsidiaries	28,429	28,429	-	28,429	-
2024					
Financial liabilities					
Bank deposits	**921**	**921**	**-**	**-**	**921**
Customer deposits	**78,069**	**78,023**	**3,923**	**4,681**	**69,419**
Amounts due to holding companies and fellow subsidiaries	**3,523**	**3,561**	**2,204**	**814**	**543**
Notes in circulation	**2,381**	**2,381**	**-**	**-**	**2,381**
2023					
Financial liabilities					
Bank deposits	1,027	1,028	-	89	939
Customer deposits	77,504	77,505	3,444	4,162	69,899
Amounts due to holding companies and fellow subsidiaries	3,275	3,239	1,751	907	581
Notes in circulation	2,430	2,430	-	-	2,430

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: cash and balances at central banks, items in the course of collection from other banks, settlement balances, items in the course of transmission to other banks, customer demand deposits and notes in circulation, 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, RBS plc's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Two principal methods are used to estimate fair value:

(a) Contractual cash flows 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. This method is used for portfolios where counterparties have external ratings, such as institutional and corporate lending.

(b) Expected cash flows (unadjusted for credit losses) are discounted at the current offer rate for the same or similar products. The current methodology caps all loan values at par rather than modelling clients' option to repay loans early. This approach is adopted for lending portfolios in Retail Banking, Commercial & Institutional (SME loans) and Private Banking in order to reflect the homogeneous nature of these portfolios.

Bank and customer deposits

Fair values of deposits are estimated using discounted cash flow valuation techniques. Where required, methodologies can be revised as additional information and valuation inputs become available.

For accounting policy information refer to Accounting policy 3.4 and 3.6.

10 Financial instruments - maturity analysis

Remaining maturity

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

	2024			2023		
	Less than 12 months £m	**More than 12 months £m**	**Total £m**	Less than 12 months £m	More than 12 months £m	Total £m
Assets						
Cash and balances at central banks	**26,630**	**-**	**26,630**	23,984	-	23,984
Derivatives	**9**	**456**	**465**	5	618	623
Loans to banks - amortised cost	**484**	**-**	**484**	1,059	-	1,059
Loans to customers - amortised cost	**10,285**	**23,239**	**33,524**	10,301	24,504	34,805
Amounts due from holding companies and fellow subsidiaries (1)	**28,033**	**-**	**28,033**	28,429	-	28,429
Other assets (2)	**38**	**142**	**180**	30	153	183
Liabilities						
Bank deposits	**854**	**67**	**921**	1,027	-	1,027
Customer deposits	**77,618**	**451**	**78,069**	76,419	1,085	77,504
Amounts due to holding companies and fellow subsidiaries (3)	**1,872**	**1,651**	**3,523**	2,293	982	3,275
Derivatives	**230**	**1,181**	**1,411**	215	1,717	1,932
Notes in circulation	**2,381**	**-**	**2,381**	2,430	-	2,430
Lease liabilities	**5**	**51**	**56**	7	53	60

(1) Amounts due from holding companies and fellow subsidiaries relating to non-financial instruments of £27 million (2023 - £68 million) have been excluded from the table.
(2) Other assets relating to non-financial instruments of £1,133 million (2023 - £1,238 million) have been excluded from the table.
(3) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of £232 million (2023 - £302 million) have been excluded from the table.

10 Financial instruments - maturity analysis continued

Liabilities by contractual cash flow maturity with a maturity of 20 years or less

The tables below show the timing of cash outflows to settle financial liabilities, prepared on the following basis:

Financial liabilities are included at the earliest date on which the counterparty can require repayment regardless of whether or not such early repayment results in a penalty. If repayment is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the liability is included at the earliest possible date that the conditions could be fulfilled without considering the probability of the conditions being met. For example, if a structured note automatically prepays when an equity index exceeds a certain level, the cash outflow will be included in the less than three months' period whatever the level of the index at the year end.

The 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 RBS plc's liquidity position.

Held for trading liabilities of £142 million (2023 - £315 million) have been excluded from the tables.

2024	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
Liabilities by contractual maturity up to 20 years						
Bank deposits	**854**	**-**	**-**	**-**	**79**	**-**
Customer deposits	**73,355**	**4,290**	**451**	**-**	**-**	**-**
Amounts due to holding companies and fellow subsidiaries	**1,882**	**68**	**313**	**1,123**	**585**	**-**
Derivatives	**164**	**489**	**530**	**110**	**56**	**1**
Notes in circulation	**2,381**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**2**	**5**	**17**	**9**	**22**	**8**
	78,638	**4,852**	**1,311**	**1,242**	**742**	**9**
Guarantees and commitments notional amount (1)						
Guarantees (2)	**336**	**-**	**-**	**-**	**-**	**-**
Commitments (3)	**16,583**	**-**	**-**	**-**	**-**	**-**
	16,919	**-**	**-**	**-**	**-**	**-**

2023	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
Liabilities by contractual maturity up to 20 years						
Bank deposits	1,027	-	-	-	-	-
Customer deposits	73,027	3,403	1,081	-	4	-
Amounts due to holding companies and fellow subsidiaries	1,919	445	114	1,094	-	-
Derivatives	179	568	756	122	90	9
Notes in circulation	2,430	-	-	-	-	-
Lease liabilities	2	5	12	11	22	16
	78,584	4,421	1,963	1,227	116	25
Guarantees and commitments notional amount (1)						
Guarantees (2)	369	-	-	-	-	-
Commitments (3)	17,020	-	-	-	-	-
	17,389	-	-	-	-	-

(1) Refer to Note 20 Memorandum items – Contingent liabilities and commitments.
(2) RBS plc is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. RBS plc expects most guarantees it provides to expire unused.
(3) RBS plc 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. RBS plc does not expect all facilities to be drawn, and some may lapse before drawdown.

11 Derivatives

RBS plc uses derivatives to manage its own risk such as foreign exchange risk and interest rate risk.

	2024			2023		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Exchange rate contracts	16	-	-	11	-	-
Interest rate contracts	49,220	465	1,411	45,619	623	1,932
Total	49,236	465	1,411	45,630	623	1,932

Hedge accounting using derivatives

For accounting policy information refer to Accounting policies 3.4 and 3.6.

Refer to Note 26 for amounts due from/to fellow NatWest Group subsidiaries.

RBS plc applies hedge accounting to reduce the accounting mismatch caused in the income statement by using derivatives to hedge the following risks: interest rate and foreign exchange risk.

RBS plc's interest rate hedging relates to the management of RBS plc's non-trading structural interest rate risk, caused by the mismatch between fixed interest rates and floating interest rates on its financial instruments. RBS plc manages this risk within approved limits. Residual risk positions are hedged with derivatives, principally interest rate swaps.

Cash flow hedges of interest rate risk relate to exposures to the variability in future interest payments and receipts due to the movement of interest rates on forecast transactions and on financial assets and financial liabilities. This variability in cash flows is hedged by interest rate swaps, which convert variable cash flows into fixed. For these cash flow hedge relationships, the hedged items are actual and forecast variable interest rate cash flows arising from financial assets and financial liabilities with interest rates linked to the relevant interest rates, most notably SOFR, EURIBOR, SONIA and the Bank of England Official Bank Rate. The variability in cash flows due to movements in the relevant interest rate is hedged; this risk component is identified using the risk management systems of RBS plc 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 RBS plc and encompass the majority of the hedged item's fair value risk.

For all cash flow hedging and fair value hedge relationships, RBS plc 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.

RBS plc uses either the actual ratio between the hedged item and hedging instrument(s) or one that minimises hedge ineffectiveness to establish the hedge ratio for hedge accounting. Hedge ineffectiveness is measured in line with the requirements of IAS 39 and recognised in the income statement as it arises.

11 Derivatives continued

Derivatives in hedge accounting relationships

Included in the table above are derivatives held for hedging purposes as follows.

	2024				2023			
	Notional £m	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m	Notional £m	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m
Fair value hedging								
Interest rate contracts	**3,573**	**168**	**55**	**62**	3,607	147	76	(39)
Cash flow hedging								
Interest rate contracts	**32,515**	**261**	**1,214**	**51**	31,548	430	1,541	913
Net investment hedging								
Exchange rate contracts	**8**	**-**	**-**	**-**	-	-	-	-
Total	**36,096**	**429**	**1,269**	**113**	35,155	577	1,617	874

(1) The change in fair value used for hedge ineffectiveness includes instruments that were derecognised in the year.

Hedge ineffectiveness

Hedge ineffectiveness recognised in other operating income comprised.

	2024 £m	2023 £m
Fair value hedging		
(Loss)/gain on hedged items attributable to the hedged risk	**(58)**	40
Gain/(loss) on the hedging instruments	**62**	(39)
Fair value hedging ineffectiveness	**4**	1
Cash flow hedging		
Interest rate risk	**-**	6
Cash flow hedging ineffectiveness	**-**	6
Total	**4**	7

The main sources of ineffectiveness for interest rate risk hedge accounting relationships are:

- The effect of the counterparty credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate (fair value hedge);
- Differences in the repricing basis between the hedging instrument and hedged cash flows (cash flow hedge); and
- Upfront present values on the hedging derivatives where hedge accounting relationships have been designated after the trade date (cash flow hedge and fair value hedge).

11 Derivatives continued

Maturity of notional hedging contracts

The following table shows the period in which the notional of hedging contract ends.

2024	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	Over 10 years £m	Total £m
Fair value hedging							
Interest rate risk							
Hedging assets	**69**	**51**	**172**	**227**	**552**	**955**	**2,026**
Hedging liabilities	**-**	**-**	**-**	**997**	**550**	**-**	**1,547**
2023							
Fair value hedging							
Interest rate risk							
Hedging assets	11	27	208	184	428	984	1,842
Hedging liabilities	392	-	-	1,373	-	-	1,765
2024							
Cash flow hedging							
Interest rate risk							
Hedging assets	**-**	**4,556**	**13,040**	**8,503**	**1,149**	**-**	**27,248**
Hedging liabilities	**-**	**1,839**	**2,277**	**711**	**440**	**-**	**5,267**
2023							
Cash flow hedging							
Interest rate risk							
Hedging assets	-	389	12,667	12,248	1,523	-	26,827
Hedging liabilities	-	-	3,102	767	852	-	4,721

Average fixed interest rates

Average fixed rate for cash flow hedges, interest rate risk.

2024	0-3 months %	3-12 months %	1-3 years %	3-5 years %	5-10 years %	Over 10 years %	Total %
Average fixed interest rate							
Hedging assets	**-**	**0.86**	**2.06**	**3.70**	**1.70**	**-**	**2.36**
Hedging liabilities	**-**	**5.03**	**3.96**	**1.65**	**1.79**	**-**	**3.84**
2023							
Average fixed interest rate							
Hedging assets	-	4.74	0.88	3.43	1.34	-	2.13
Hedging liabilities	-	-	5.03	0.91	1.92	-	3.80

11 Derivatives continued

Analysis of hedged items and related hedging derivatives

The table below analyses assets and liabilities, including intercompany subject to hedging derivatives.

2024	Carrying value of hedged assets and liabilities £m	Impact on hedged items included in carrying value £m	Changes in fair value used as a basis to determine ineffectiveness (1) £m
Fair value hedging - interest rate			
Loans to banks and customers - amortised cost (2)	**1,835**	**(198)**	**(72)**
Other financial liabilities - debt securities in issue	**1,121**	**(14)**	**12**
Subordinated liabilities	**551**	**(2)**	**2**
Total	**1,672**	**(16)**	**14**
2023			
Fair value hedging - interest rate			
Loans to banks and customers - amortised cost (2)	1,710	(140)	62
Other financial liabilities - debt securities in issue	1,393	(1)	(10)
Subordinated liabilities	394	1	(12)
Total	1,787	-	(22)
2024			
Cash flow hedging - interest rate			
Loans to banks and customers - amortised cost (3)	**27,247**		**5**
Cash flow hedging - interest rate			
Bank and customer deposits	**5,267**		**(56)**
2023			
Cash flow hedging - interest rate			
Loans to banks and customers - amortised cost (3)	26,827		(1,083)
Bank and customer deposits	4,721		176

(1) The change in fair value used for hedge ineffectiveness includes instruments that were derecognised in the year.
(2) Carrying values include £8 million (2023 - £10 million) adjustment for discontinued fair value hedges.
(3) Includes cash and balances at central banks.

11 Derivatives continued

The following shows analysis of the pre-tax cash flow hedge reserve.

	Cash flow hedge reserve	
	2024	2023
	£m	£m
Continuing		
Interest rate risk	**(728)**	(845)
De-designated		
Interest rate risk	**(19)**	(179)
Total	**(747)**	(1,024)

	Cash flow hedge reserve	
	2024	2023
	£m	£m
	hedge reserve	hedge reserve
	£m	£m
Amount recognised in equity		
Interest rate risk	**(671)**	72
Amount transferred from equity to earnings		
Interest rate risk to net interest income	**948**	951
Interest rate risk to non interest income	**-**	7
Total	**948**	958

12 Loan impairment provisions

Loan exposure and impairment metrics

The table below summarises loan and related credit impairment measures within the scope of the ECL framework.

	2024 £m	2023 £m
Loans - amortised cost		
Stage 1	**29,533**	30,556
Stage 2	**4,279**	4,967
Stage 3	**938**	993
Inter-group	**28,052**	28,455
	62,802	64,971
ECL provisions (2)		
Stage 1	**73**	93
Stage 2	**108**	159
Stage 3	**382**	375
Inter-group	**19**	26
	582	653
ECL provision coverage (1)		
Stage 1 (%)	**0.25**	0.30
Stage 2 (%)	**2.52**	3.20
Stage 3 (%)	**40.72**	37.76
Inter-group (%)	**0.07**	0.09
	1.62	1.72
Impairment (releases)/losses		
ECL (release)/charge		
Stage 1	**(71)**	(80)
Stage 2	**31**	95
Stage 3	**64**	31
Inter-group	**(7)**	(2)
	17	44
Amounts written off	**100**	69

(1) ECL provisions coverage is calculated as ECL provisions divided by third party 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.
(2) 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 for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £26.1 billion (2023 – £23.4 billion).

Credit risk enhancement and mitigation

For information on credit risk enhancement and mitigation held as securities, refer to Risk and capital management – Credit risk enhancement and mitigation section.

Critical accounting policy: Loan impairment provisions

Accounting policy 2.2 sets out how the expected loss approach is applied. At 31 December 2024, impairment provisions amounted to £582 million (2023 - £653 million). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan was advanced. Such evidence includes, changes in the credit rating of a borrower, the failure to make payments in accordance with the loan agreement, significant reduction in the value of any security, breach of limits or covenants, and observable data about relevant macroeconomic measures.

The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

The measurement of credit impairment under the IFRS expected loss model depends on management’s assessment of any potential deterioration in the creditworthiness of the borrower, its modelling of expected performance and the application of economic forecasts. All three elements require judgements that are potentially significant to the estimate of impairment losses.

For further information and sensitivity analysis, refer to Risk and capital management – Measurement uncertainty and ECL sensitivity analysis section.

IFRS 9 ECL model design principles

Refer to Credit risk – IFRS 9 ECL model design principles section for further details.

Approach for multiple economic scenarios (MES)

The base scenario plays a greater part in the calculation of ECL than the approach to MES. Refer to Credit risk – Economic loss drivers – Probability weightings of scenarios section for further details.

13 Other assets

	2024 £m	2023 £m
Other financial assets	**180**	183
Investments in Group undertakings (Note 14)	**9**	9
Property, plant and equipment	**94**	108
Deferred tax (Note 7)	**917**	901
Other assets	**113**	220
Total	**1,313**	1,421

14 Investments in Group undertakings

Investments in Group undertakings are carried at cost less impairment losses as follows.

	2024 £m	2023 £m
At 1 January	**9**	6
Net reversal of impairments of investments	**-**	3
At 31 December	**9**	9

The reversal of impairment in 2023 was related to RBS plc's investment in The One Account.

The sole subsidiary undertaking of RBS plc is owned directly and has an accounting reference date of 31 December. Refer to Note 29 for details of all related undertakings.

15 Subordinated liabilities

The following table analyses intercompany subordinated liabilities. These balances are included in amounts due to holding companies and fellow subsidiaries on the balance sheet.

Dated loan capital		First call date	Maturity date	Capital treatment	2024 £m	2023 £m
$1,850 million	5.182% notes	Dec-23	Dec-28	Tier 2	**-**	394
$690 million	6.258% notes	Aug-30	Nov-35	Tier 2	**551**	-
Total					**551**	394

16 Other liabilities

	2024 £m	2023 £m
Lease liabilities	**56**	60
Provisions for liabilities and charges	**125**	123
Accruals	**71**	74
Deferred income	**41**	48
Current tax	**299**	337
Acceptances	**81**	168
Other liabilities	**17**	6
Total	**690**	816

Provisions for liabilities and charges	Redress and other Litigation £m	Property £m	Financial commitments and guarantees £m	Other £m	Total £m
At 1 January 2024	**96**	**13**	**13**	**1**	**123**
Expected credit losses impairment release	**-**	**-**	**(3)**	**-**	**(3)**
Charge to income statement	**33**	**6**	**-**	**15**	**54**
Releases to income statement	**(15)**	**(5)**	**-**	**(3)**	**(23)**
Provisions utilised	**(10)**	**(4)**	**-**	**(12)**	**(26)**
At 31 December 2024	**104**	**10**	**10**	**1**	**125**

Provisions are liabilities of uncertain timing or amount and are recognised when there is a present obligation as a result of a past event, the outflow of economic benefit is probable and the outflow can be estimated reliably. Any difference between the final outcome and the amounts provided will affect the reported results in the period when the matter is resolved.

For accounting policy information refer to Accounting policy 3.7.

Background information on all material provisions is given in Note 20.

17 Share capital and reserves

Allotted, called up and fully paid	2024 £m	2023 £m	Number of shares 2024 000s	Number of shares 2023 000s
Ordinary shares of £1	**20**	20	**19,500**	19,500

Ordinary shares

No ordinary shares were issued during 2024 or 2023.

In 2024, RBS plc paid an ordinary dividend of £1.2 billion to NWH Ltd (2023 - £1.1 billion).

Paid-in equity

Comprises equity instruments issued by RBS plc other than those legally constituted as shares.

Additional Tier 1 instruments issued by RBS plc having the legal form of debt are classified as equity under IFRS. The coupons on these instruments are non-cumulative and payable at RBS's discretion.

	2024 £m	2023 £m
Additional Tier 1 instruments		
GBP£500 million 6.8543% instruments callable May 2027	500	500

Capital recognised for regulatory purposes cannot be redeemed without Prudential Regulation Authority consent. This includes ordinary shares and additional Tier 1 instruments.

For accounting policy information refer to Accounting policy 3.5.

18 Unconsolidated structured entities

RBS plc has lending to unconsolidated structured entities of £109 million (2023 - £112 million) and loan commitments of £31 million (2023 – £33 million).

19 Capital resources

Regulatory capital is assessed against minimum requirements that are set out under the UK Capital Requirements Regulation on a legal entity and consolidated basis. Transitional arrangements on the phasing in of end-point capital resources are set by the relevant regulatory authority.

The capital resources based on the PRA transitional basis for RBS plc are set out below.

	2024 £m	2023 £m
Shareholders' equity (excluding non-controlling interests)		
Shareholders' equity	**3,249**	3,103
Other equity instruments	**(500)**	(500)
	2,749	2,603
Regulatory adjustments and deductions		
Cash flow hedging reserve	**538**	737
Deferred tax assets	**(677)**	(587)
Prudential valuation adjustments	**(1)**	(3)
Adjustment under IFRS 9 transitional arrangements	**7**	40
Foreseeable dividends	**(660)**	(748)
	(793)	(561)
CET1 capital	**1,956**	2,042
Additional Tier 1 (AT1) capital		
Qualifying instruments and related share premium	**500**	500
	500	500
Tier 1 capital	**2,456**	2,542
Qualifying Tier 2 capital		
Qualifying instruments and related share premium	**550**	390
Other regulatory adjustments	**74**	66
Tier 2 capital	**624**	456
Total regulatory capital	**3,080**	2,998

In the management of capital resources, RBS plc is governed by NatWest Group's policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, NatWest Group has regard to the supervisory requirements of the PRA. The PRA uses capital ratios as a measure of capital adequacy in the UK banking sector, comparing a bank's capital resources with its risk-weighted assets (the assets and off-balance sheet exposures are weighted to reflect the inherent credit and other risks); by international agreement, the Pillar 1 capital ratios, excluding capital buffers, should be not less than 8% with a Common Equity Tier 1 component of not less than 4.5%. RBS plc has complied with the PRA's capital requirements throughout the year.

A number of subsidiaries and sub-groups within NatWest Group, principally banking entities, are subject to various individual regulatory capital requirements in the UK and overseas. Furthermore, the payment of dividends by subsidiaries and the ability of members of NatWest Group to lend money to other members of NatWest Group may be subject to restrictions such as local regulatory or legal requirements, the availability of reserves and financial and operating performance.

20 Memorandum items

Contingent liabilities and commitments

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2024. Although RBS plc is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of RBS plc's expectation of future losses.

For accounting policy information refer to Accounting policy 3.7.

	2024 £m	2023 £m
Contingent liabilities and commitments		
Guarantees	**336**	369
Other contingent liabilities	**315**	401
Standby facilities, credit lines and other commitments	**16,629**	17,080
Total	**17,280**	17,850

(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. RBS plc'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 RBS plc's normal credit approval processes.

Guarantees – RBS plc gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that RBS plc will meet a customer's specified obligations to a third party if the customer fails to do so. The maximum amount that RBS plc could be required to pay under a guarantee is its principal amount as in the table above. RBS plc 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 RBS plc 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 RBS plc to a named beneficiary against presentation of specified documents, forward asset purchases, forward deposits placed and undrawn note issuance and revolving underwriting facilities, and other short-term trade related transactions.

Capital Support Deed

RBS plc, together with certain other subsidiaries of NatWest Holdings Ltd, is party to a Capital Support Deed (CSD). Under the terms of the CSD, RBS plc may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to RBS plc's capital resources in excess of the capital and financial resources needed to meet its regulatory requirements. RBS plc may also be obliged to make onward distribution to its ordinary shareholders of dividends or other capital distributions received from subsidiaries that are party to the CSD. The CSD also provides that, in certain circumstances, funding received by RBS plc from other parties to the CSD becomes immediately repayable, such repayment being limited to RBS plc's available resources.

Trustee and other fiduciary activities

In its capacity as trustee or other fiduciary role, RBS plc may hold or place assets on behalf of individuals, trusts, companies, pension schemes and others. The assets and their income are not included in its financial statements. RBS plc earned fee income of £5 million (2023 - £5 million) from these activities.

The Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort for customers of authorised financial services firms, pays compensation if a firm is unable to meet its obligations. The FSCS funds compensation for customers by raising management expenses levies and compensation levies on the industry. In relation to protected deposits, each deposit-taking institution contributes towards these levies in proportion to their share of total protected deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March), subject to annual maxima set by the Prudential Regulation Authority. In addition, the FSCS has the power to raise levies on a firm that has ceased to participate in the scheme and is in the process of ceasing to be authorised for the costs that it would have been liable to pay had the FSCS made a levy in the financial year it ceased to be a participant in the scheme.

Litigation and regulatory matters

RBS plc and certain members of NatWest Group are party to various legal proceedings and are involved in, or subject to, various regulatory matters, including as the subject of investigations and other regulatory and governmental action (Matters) in the United Kingdom (UK), the United States (US), the European Union (EU) and other jurisdictions.

NatWest 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 NatWest 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. NatWest 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.

20 Memorandum items continued

There are situations where NatWest 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 NatWest 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 NatWest 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. NatWest Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NatWest Group will be necessary, in amounts that are expected to be substantial in some instances. Refer to Note 16 for information on material provisions.

Matters which are, or could be, material, either individually or in aggregate, having regard to NatWest Group, considered as a whole, in which RBS plc 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.

Regulatory matters

NatWest Group's businesses and financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, the US, the EU and elsewhere. NatWest Group has 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. NatWest Group expects government and regulatory intervention in financial services to be high for the foreseeable future, including increased scrutiny from competition and other regulators in the retail and SME business sectors.

Any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, other action being taken by governmental and regulatory authorities, increased costs being incurred by NatWest Group, remediation of systems and controls, public or private censure, restriction of NatWest 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 RBS plc, 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.

RBS plc is co-operating fully with the matters described below.

Investment advice review

In October 2019, the FCA notified NatWest Group of its intention to appoint a Skilled Person under section 166 of the Financial Services and Markets Act 2000 to conduct a review of whether NatWest Group's past business review of investment advice provided during 2010 to 2015 was subject to appropriate governance and accountability and led to appropriate customer outcomes. The Skilled Person's review has concluded and, after discussion with the FCA, NatWest Group is undertaking additional review / remediation work.

21 Non-cash and other items

This note shows non-cash items adjusted for in the cash flow statement and movement in operating assets and liabilities.

	2024 £m	2023 £m
Impairment losses	**17**	44
Depreciation and amortisation	**19**	13
Net reversal of impairments of investments in group undertakings	**-**	(3)
Gain on redemption of own debt	**(3)**	-
Change in fair value taken to profit or loss on other liabilities and subordinated liabilities	**(15)**	43
Elimination of foreign exchange differences	**29**	79
Other non-cash items	**948**	950
Dividends receivable from subsidiaries	**-**	(5)
Profit on sale of property, plant and equipment	**(1)**	(27)
Interest payable on MRELs and subordinated liabilities	**108**	124
Charges and releases on provisions	**31**	32
Defined benefit pension schemes	**5**	5
Non-cash and other items	**1,138**	1,255
Change in operating assets and liabilities		
Change in derivative assets	**(513)**	(53)
Change in loans to banks	**228**	48
Change in loans to customers	**1,256**	2,809
Change in amounts due from holding companies and fellow subsidiaries	**(370)**	(3,768)
Change in other assets	**104**	(192)
Change in bank deposits	**(106)**	41
Change in customer deposits	**565**	(5,802)
Change in amounts due to holding companies and fellow subsidiaries	**293**	(205)
Change in derivative liabilities	**(521)**	(751)
Change in notes in circulation	**(49)**	21
Change in other liabilities	**(118)**	15
Change in operating assets and liabilities	**769**	(7,837)

22 Analysis of changes in financing during the year

	Share capital, share premium, and paid-in equity		Subordinated liabilities (1)		MRELs (2)	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
At 1 January	**520**	990	**394**	1,507	**1,393**	408
Redemption of paid-in equity	**-**	(513)				
Issue of subordinated liabilities			**546**	-		
Redemption and maturity of subordinated liabilities			**(381)**	(1,059)		
Interest paid on subordinated liabilities			**(39)**	(77)		
Issue of MRELs					**119**	991
Maturity/redemption of MRELs					**(397)**	-
Interest paid on MRELs					**(71)**	(32)
Net cash flows from financing activities	**-**	(513)	**126**	(1,136)	**(349)**	959
Effects of foreign exchange	**-**	-	**(4)**	(85)	**22**	(33)
Changes in fair value of subordinated liabilities and MRELs			**(3)**	33	**(12)**	10
Interest payable on subordinated liabilities and MRELs			**41**	75	**67**	49
Other	**-**	43	**(3)**	-	**-**	-
At 31 December	**520**	520	**551**	394	**1,121**	1,393

(1) Subordinated liabilities are included within amounts due to holding companies and fellow subsidiaries.
(2) MREL balances are included in amounts due to holding companies and fellow subsidiaries.

23 Analysis of cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and loans to banks with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

	2024	2023
	£m	£m
Cash and balances at central banks	**26,630**	23,984
Loans to banks including intragroup balances	**21,186**	22,347
Cash and cash equivalents	**47,816**	46,331

24 Directors' and key management remuneration

The composition of RBS plc's board of directors is aligned to that of its intermediate holding company NatWest Holdings Ltd. The directors are remunerated for their services to NatWest Group as a whole, and their remuneration cannot be apportioned in respect of their services to RBS plc.

The directors' emoluments in the table below represent the NWH Group emoluments of the directors.

Directors remuneration	2024 £000	2023 £000
Non-executive directors emoluments	**1,787**	1,852
Chair and executive directors emoluments	**6,425**	6,408
	8,212	8,260
Amounts receivable under long-term incentive and share option plans	**1,471**	2,708
	9,683	10,968

The total emoluments and amounts receivable under long-term incentive plans and share option plans of the highest paid director were £3,873,000 (2023 - £2,930,000)

The executive directors may participate in the NatWest Group's long-term incentive plans, executive share option and sharesave schemes. Where directors of RBS plc are also directors of NatWest Group plc, details of their share interests can be found in the NatWest Group 2024 Annual Report and Accounts in line with regulations applying to NatWest Group plc as a premium listed company.

Compensation of key management

The aggregate remuneration of directors and other members of key management[1] during the year was as follows:

	2024 £000	2023 £000
Short-term benefits	**19,729**	17,244
Post-employment benefits	**614**	601
Share-based payments	**5,250**	6,104
	25,593	23,949

(1) Key management comprises members of the NWH Ltd Executive Committee.

Short term benefits include benefits expected to be settled wholly within twelve months of the balance sheet date. Post-employment benefits include defined benefit contributions for active members and pension funding to support contributions to the defined contribution schemes. Share-based payments include awards vesting under rewards schemes.

25 Transactions with directors and key management

For the purposes of IAS 24 Related party disclosures, key management comprises directors of RBS plc and members of RBS plc's Executive Committee. Key management have banking relationships with NatWest Group 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 companies.

Amounts in the table below are attributed to each person at their highest level of NatWest Group key management and relate to those who were key management at any time during the financial period.

	At 31 December	
	2024 £000	2023 £000
Loans to customers - amortised cost	**3,538**	10,579
Customer deposits	**36,936**	48,595

At 31 December 2024, amounts outstanding in relation to transactions, arrangements and agreements entered into by RBS plc, as defined in UK legislation, were £2,581,500 in respect of loans to eight persons who were directors of RBS plc at any time during the financial period (2023 - £8,408,984).

26 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.

RBS plc enters into transactions with many of these bodies. Transactions include the payment of: taxes principally UK corporation tax (Note 7) and value added tax; national insurance contributions; local authority rates; and regulatory fees and together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

Bank of England facilities

RBS plc 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

In its role as providers of finance, RBS plc provides development and other types of capital support to businesses. These investments are made in the normal course of business. To further strategic partnerships, RBS plc may seek to invest in third parties or allow third parties to hold a minority interest in a subsidiary of NatWest Group. We disclose as related parties for associates and joint ventures and where equity interest are over 10%. Ongoing business transactions with these entities are on normal commercial terms.

At 31 December 2024 there were balances within Loans to customers- amortised cost of £4 million (2023 - £11 million) and customer deposits of £2 million (2023 - £10 million) relating to equity interests over 10%.

Post employment benefits

NatWest Group recharges NatWest Group Pension Fund with the cost of pension management services incurred by it.

26 Related parties continued

Holding companies and fellow subsidiaries

The transactions RBS plc enters with its holding companies and fellow subsidiaries also meet the definition of related party transactions. The table below discloses transactions between RBS plc 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	-	1,331	1,331	-	1,177	1,177
Interest payable	(45)	(134)	(179)	(113)	(113)	(226)
Fees and commissions receivable	-	31	31	-	27	27
Fees and commissions payable	-	(19)	(19)	-	(21)	(21)
Other administration expenses (1)	-	(726)	(726)	-	(740)	(740)
Impairment (losses)/releases	7	-	7	2	-	2
	(38)	483	445	(111)	330	219

(1) Internal service recharges of £726 million (2023 - £740 million).

The below table discloses amounts due from or to holding companies and fellow subsidiaries.

	2024			2023		
	Holding companies	Fellow subsidiaries	Total	Holding companies	Fellow subsidiaries	Total
	£m	£m	£m	£m	£m	£m
Assets						
Loans to banks - amortised cost	-	20,702	20,702	-	21,516	21,516
Loans to customers - amortised cost	4	7,327	7,331	-	6,913	6,913
Other assets	6	21	27	-	68	68
Amounts due from holding companies and fellow subsidiaries	10	28,050	28,060	-	28,497	28,497
Derivatives (1)	-	465	465	-	623	623
Liabilities						
Bank deposits - amortised cost	-	1,606	1,606	-	1,153	1,153
Customer deposits - amortised cost	-	239	239	-	335	335
Other financial liabilities - subordinated liabilities (2)	551	-	551	394	-	394
MREL instruments issued to NatWest Holdings Limited	1,121	-	1,121	1,393	-	1,393
Other liabilities	-	238	238	9	293	302
Amounts due to holding companies and fellow subsidiaries	1,672	2,083	3,755	1,796	1,781	3,577
Derivatives (1)	-	1,411	1,411	-	1,932	1,932

(1) Intercompany derivatives are included within the derivative classification on the balance sheet.
(2) Other financial liabilities are fixed rate USD subordinated notes. Refer Note 15.

There was £1.0 billion (2023 - £1.0 billion) of RBS plc commitments and guarantees related to transactions with fellow group companies outstanding at the balance sheet date.

27 Ultimate holding company

RBS plc's ultimate holding company is NatWest Group plc and its intermediate parent company is NatWest Holdings Ltd ('NWH Ltd' or 'the intermediate holding company').

NatWest Group plc is incorporated in the United Kingdom registered in Scotland and NWH Ltd is registered in England. As at 31 December 2024, NatWest Group plc heads the largest group in which RBS plc is consolidated (through NWH Ltd). 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.

28 Post balance sheet events

There have been no significant events between 31 December 2024 and the date of approval of these accounts which would require a change to or additional disclosure in the accounts.

29 Related undertakings

Legal entities and activities at 31 December 2024

In accordance with the Companies Act 2006, RBS plc's related undertakings and the accounting treatment for each are listed below. All undertakings are wholly-owned by RBS plc or subsidiaries of RBS plc and are consolidated in NatWest Group's accounts by reason of contractual control (Section 1162(2) CA 2006), unless otherwise indicated. RBS plc interest refers to ordinary shares of equal values and voting rights unless further analysis is provided in the notes. Activities are classified in accordance with Annex I to the Capital Requirements Directive (CRD V) and the definitions in Article 4 of the UK Capital Requirements Regulation.

Active related undertakings incorporated in the UK which are owned by RBS plc and fully consolidated for accounting purposes.

Entity Name	Activity	Regulatory treatment	Notes
The One Account Ltd	BF	FC	1

Active related undertakings incorporated in the UK where RBS plc ownership is less than 100%.

Entity Name	Activity	Regulatory treatment	Group %	Notes
Oaxaca	OTH	DE	23	2

Key:
Activity
BF Banking and financial institution
OTH Other
Regulatory treatment
FC Full consolidation
DE Deconcolidated

	Registered addresses	Country of incorporation
1	250 Bishopsgate, London, EC2M 4AA, England	UK
2	5 Little Portland Street, London, W1W 7JD, England	UK