NatWest Bank Group
Interim Results 2024

Interim results for the period ended 30 June 2024

NatWest Bank Group (NWB Group) reported an attributable profit for the period of £1,719 million and a Common Equity Tier 1 (CET1) ratio of 11.4%.

H1 2024 performance

- Total income decreased by £747 million to £5,863 million, compared to H1 2023, reflecting a mix change in customer deposits as customers move towards interest bearing and term balances.

- Operating expenses increased by £193 million to £3,458 million, compared to H1 2023, principally due to higher staff costs as a result of inflation and severance costs, a profit sharing arrangement with fellow NatWest Group subsidiaries, and the Bank of England Levy, offset by a reduction in managed services and outsourcing costs.

- The cost:income ratio has increased to 59.0% compared to 49.4% in H1 2023.

- An impairment loss of £47 million compared with a loss of £191 million in H1 2023, principally reflects good book releases including post model adjustments. Defaults remain stable and at low levels across the portfolio.

Robust balance sheet with strong capital and liquidity levels

- Net loans to customers decreased by £2.8 billion to £315.7 billion, primarily reflecting £1.8 billion decrease due to Treasury reverse repo activity in Central items and other, £1.6 billion reduction in mortgage balances driven by increased redemptions in Retail Banking, partly offset by growth in reference rate lending in Commercial & Institutional.

- Customer deposits decreased by £0.4 billion to £313.4 billion, driven by a £3.8 billion reduction in Treasury repo activity in Central items & other, offsetting a £3.4 billion increase in customer deposits largely driven by growth in savings and term products across Retail Banking and Private Banking.

- The loan:deposit ratio (LDR) decreased to 95.3% reflecting a reduction in customer lending of £2.8 billion and an increase in bank deposits of £2.6 billion during the period.

- Total RWAs decreased by £1.0 billion during the period primarily reflecting active RWA management initiatives partially offset by an increase in operational risk RWAs of £1.6 billion following the annual recalculation as a result of higher income when compared to 2020.

- The CET1 ratio decreased by 20 basis points to 11.4%. The decrease in the CET1 ratio was due to a £0.3 billion decrease in CET1 capital partially offset by a £1.0 billion decrease in RWA's. The decrease in CET1 capital was primarily driven by an attributable profit to ordinary shareholders offset by a foreseeable ordinary dividend.

Financial review

Financial performance summary

The following tables provide a segmental analysis of operating profit by the main income statement captions and a note of the key performance metrics and ratios.

	Retail Banking	Private Banking	Commercial & Institutional	Central items & other	Half year ended 30 June 2024	Half year ended 30 June 2023	Variance	Variance
	£m	£m	£m	£m	£m	£m	£m	%
Net interest income	2,092	285	1,553	11	3,941	4,249	(308)	(7%)
Non-interest income	217	158	722	825	1,922	2,361	(439)	(19%)
Total income	2,309	443	2,275	836	5,863	6,610	(747)	(11%)
Operating expenses	(1,188)	(315)	(1,203)	(752)	(3,458)	(3,265)	(193)	6%
Profit before impairment losses/releases	1,121	128	1,072	84	2,405	3,345	(940)	(28%)
Impairment (losses)/releases	(106)	11	44	4	(47)	(191)	144	(75%)
Operating profit	1,015	139	1,116	88	2,358	3,154	(796)	(25%)
Tax charge					(639)	(829)	190	(23%)
Profit for the period					1,719	2,325	(606)	(26%)

Attributable to:	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Ordinary shareholders	1,626	2,264
Paid-in equity holders	95	61
Non-controlling interests	(2)	-
Profit for the period	1,719	2,325

Key metrics and ratios	Half year ended 30 June 2024	Half year ended 30 June 2023
Cost:income ratio (%) (1)	59.0	49.4
Loan impairment rate (bps) (2)	3	12

	As at 30 June 2024	As at 31 December 2023
CET1 ratio (%) (3)	11.4	11.6
Leverage ratio (%) (4)	4.6	4.5
Risk weighted assets (RWAs) (£bn)	120.8	121.7
Loan:deposit ratio (%) (5)	95.3	97.0

(1) Cost:income ratio is total operating expenses divided by total income.
(2) Loan impairment rate is the annualised 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. This is in accordance with changes to the UK's leverage ratio framework. Refer to page 62 of the NatWest Bank Plc 2023 Annual Report and Accounts for further details.
(5) Loan deposit ratio is total loans divided by total deposits.

Total income decreased by £747 million, or 11%, to £5,863 million compared with £6,610 million in H1 2023.

Net interest income decreased by £308 million, or 7%, to £3,941 million, compared with £4,249 million in H1 2023, reflecting a deposit mix change as customers move towards interest bearing and term balances.

Non-interest income decreased by £439 million, or 19%, to £1,922 million, compared with £2,361 million in H1 2023, reflecting:

- net fees and commissions increase of £38 million to £857 million, due to higher lending fees and payment services income from increased volumes; offset by
- other operating income decrease of £477 million to £1,065 million, principally due to a £234 million gain on redemption of own debt in H1 2023 and a £291 million reduction in gains predominantly from derivatives held for economic hedging purposes, reflecting the impact of interest rate volatility across currencies.

Operating expenses increased by £193 million, or 6%, to £3,458 million, largely driven by £155 million increased staff costs due to inflation and severance costs, £71 million from a profit sharing arrangement with fellow NatWest Group subsidiaries, £63 million Bank of England Levy, and £38 million property costs related to branch exits, partly offset by a decrease of £155 million in consultancy, managed services and outsourcing costs.

An impairment loss of £47 million, compared with a loss of £191 million in H1 2023, principally reflects good book releases including post model adjustments. Defaults remain stable and at low levels across the portfolio. Compared with H2 2023, the ECL provision decreased by £0.2 billion to £2.7 billion and ECL coverage ratio has decreased from 0.88% to 0.83%. Post model adjustments of £0.2 billion related to economic uncertainty were retained.

Financial review

Financial performance summary continued

Customer lending and deposits

Customer lending decreased by £2.8 billion to £315.7 billion, predominantly driven by:

- £1.0 billion decrease in Retail Banking driven by higher mortgage redemptions, partially offset by growth in credit card and personal advances.
- £0.6 billion increase in Commercial & Institutional lending, primarily driven by growth in reference rate lending as a result of favourable interest rates.
- £2.0 billion decrease in Central items & other, driven by Treasury net repo activity.
- £0.4 billion decrease in Private Banking driven by higher mortgage redemptions.

Customer deposits decreased by £0.4 billion to £313.4 billion, driven by Treasury repo activity in Central items & other, offsetting customer deposit growth largely driven by savings and term products across Retail Banking and Private Banking.

Other balance sheet movements

- Derivative assets increased by £0.1 billion and derivative liabilities decreased by £0.4 billion driven by interest rate changes and EUR/USD foreign exchange rate appreciation.
- Other financial assets increased by £0.4 billion to £32.3 billion, due to the net impact of reverse repo and bond activity.
- Bank deposits increased by £2.6 billion to £20.6 billion driven by repo activity due to prevailing market conditions.
- Amounts due to holding companies and fellow subsidiaries decreased by £3.3 billion to £43.9 billion driven by a net reduction in loans, repo activity and cash collateral, primarily reflecting net funding requirements in other NatWest Group companies.
- Other financial liabilities decreased by £1.5 billion primarily due to commercial paper and covered bond redemptions.
- Owners' equity increased by £1.7 billion due to the net impact of profit in the period, offset by dividends paid.

Business performance summary

Retail Banking

Operating profit was £1,015 million, compared with £1,363 million in H1 2023.

- Net interest income decreased by £360 million to £2,092 million, reflecting the impact of deposit mix change as customers move towards interest bearing and term accounts.
- Non-interest income increased by £5 million to £217 million, primarily reflecting higher payment services income from increased volumes.
- Operating expenses increased by £54 million to £1,188 million, reflecting higher staff costs driven by severance costs, and the Bank of England Levy.
- Impairment losses of £106 million in H1 2024 are £61 million lower than H1 2023 driven by broadly stable Stage 3 inflows, partly offset by good book releases.
- Net loans to customers decreased by £1.0 billion in H1 2024 mainly reflecting £1.6 billion lower mortgage balances, partly offset by an increase in card balances driven by higher spend, and personal advances.
- Customer deposits increased by £3 billion in H1 2024 particularly in fixed term savings products, amid a deposit growth market.

Financial review

Business performance summary continued

Private Banking

Operating profit was £139 million, compared with £247 million in H1 2023.

- Net interest income decreased by £141 million to £285 million, reflecting the impact of deposit mix change as customers move towards interest bearing accounts offering higher returns.
- Non-interest income increased by £21 million to £158 million primarily driven by investment income due to higher Assets under Management and Administration reflecting net inflows and positive market movements.
- Operating expenses increased by £9 million to £315 million, driven by higher staff costs from inflation and severance costs, and the Bank of England Levy.
- Impairment release of £11 million in H1 2024, compared with an impairment loss of £10 million in H1 2023, reflects higher good book releases and continued low level of Stage 3 charges.
- Net loans to customers decreased by £0.4 billion to £18.1 billion, driven by higher mortgage redemptions.
- Customer deposits increased by £1.8 billion to £39.5 billion reflecting growth largely in interest bearing accounts and a large transitory client inflow.

Commercial & Institutional

Operating profit was £1,116 million, compared with £1,139 million in H1 2023.

- Net interest income increased by £16 million to £1,553 million, primarily reflecting an increase in reference rate lending, partly offset by the impact of deposit mix change as customers move towards interest bearing accounts.
- Non-interest income increased by £35 million to £722 million primarily reflecting improved lending fees and fair value gains.
- Operating expenses increased by £136 million to £1,203 million, driven by severance costs, a new profit sharing arrangement with other NatWest Group companies, and the Bank of England Levy.
- Impairment release of £44 million in H1 2024, compared with an impairment loss of £18 million in H1 2023, reflects good book releases. Stage 3 charges remain at low levels.
- Net loans to customers increased by £0.6 billion to £84 billion, driven by growth in reference rate lending.
- Customer deposits decreased by £0.9 billion to £110.4 billion with an underlying movement towards interest bearing accounts.

Central items & other

Operating profit was £88 million, compared with £405 million in H1 2023.

- Total income decreased by £323 million primarily due to lower gains from hedging activities reflecting interest rate movements and lower bond disposals. This was partially offset by an increase in net interest income from balances held with central banks as a result of interest rate volatility across currencies.
- Operating expenses reduced by £6 million to £752 million, primarily reflecting lower costs in relation to the withdrawal from our operations in the Republic of Ireland.

Financial review

Capital and leverage ratios

The table below sets out the key capital and leverage ratios. NWB Plc is subject to the requirements set out in UK CRR therefore capital and leverage ratios are presented under these frameworks on a transitional basis.

	30 June 2024	31 December 2023
Capital adequacy ratios	%	%
CET1 (1)	**11.4**	11.6
Tier 1	**14.0**	13.4
Total	**16.8**	16.3
Capital	£m	£m
CET1 (1)	**13,813**	14,082
Tier 1	**16,890**	16,360
Total	**20,273**	19,798
Risk-weighted assets		
Credit risk	**104,378**	106,696
Counterparty credit risk	**442**	713
Market risk	**37**	12
Operational risk	**15,923**	14,319
Total RWAs	**120,780**	121,740
Leverage		
Tier 1 capital (£m)	**16,890**	16,360
Leverage exposure (£m) (2)	**366,912**	359,897
Leverage ratio (%) (1)	**4.6**	4.5

(1) Includes an IFRS 9 transitional adjustment of £39 million (31 December 2023 – £0.2 billion). Excluding this adjustment, the CET1 ratio would be 11.4% (31 December 2023 – 11.4%) and the leverage ratio would be 4.6% (31 December 2023 – 4.5%).

(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.

- The CET1 ratio decreased by 20 basis points to 11.4%. The decrease in the CET1 ratio was due to a £0.3 billion decrease in CET1 capital partially offset by a £1.0 billion decrease in RWAs. The decrease in CET1 capital was primarily driven by an attributable profit to ordinary shareholders offset by a foreseeable ordinary dividend.
- NWB Plc issued a £0.8 billion internal USD Tier 1 instrument in May 2024.
- Total RWAs decreased by £1.0 billion during the period primarily reflecting active RWA management initiatives partially offset by an increase in operational risk RWAs of £1.6 billion following the annual recalculation as a result of higher income when compared to 2020.

Condensed consolidated income statement
for the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Interest receivable	**8,798**	6,613
Interest payable	**(4,857)**	(2,364)
Net interest income	**3,941**	4,249
Fees and commissions receivable	**1,117**	1,070
Fees and commissions payable	**(260)**	(251)
Other operating income	**1,065**	1,542
Non-interest income	**1,922**	2,361
Total income	**5,863**	6,610
Staff costs	**(1,746)**	(1,591)
Premises and equipment	**(526)**	(515)
Other administrative expenses	**(712)**	(714)
Depreciation and amortisation	**(474)**	(445)
Operating expenses	**(3,458)**	(3,265)
Profit before impairment losses	**2,405**	3,345
Impairment losses	**(47)**	(191)
Operating profit before tax	**2,358**	3,154
Tax charge	**(639)**	(829)
Profit for the period	**1,719**	2,325
Attributable to:		
Ordinary shareholders	**1,626**	2,264
Paid-in equity holders	**95**	61
Non-controlling interests	**(2)**	-
	1,719	2,325

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Profit for the period	**1,719**	2,325
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of retirement benefit schemes	**(63)**	(64)
Tax	**17**	15
	(46)	(49)
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
FVOCI financial assets	**26**	44
Cash flow hedges (1)	**233**	(221)
Currency translation	**(8)**	(18)
Tax	**(75)**	51
	176	(144)
Other comprehensive income/(loss) after tax	**130**	(193)
Total comprehensive income for the period	**1,849**	2,132
Attributable to:		
Ordinary shareholders	**1,756**	2,071
Paid-in equity holders	**95**	61
Non-controlling interests	**(2)**	-
	1,849	2,132

(1) Refer to footnote 2 of the consolidated statement of changes in equity.

Condensed consolidated balance sheet as at 30 June 2024 (unaudited)

	30 June 2024 £m	31 December 2023 £m
Assets		
Cash and balances at central banks	**48,576**	48,259
Derivatives	**3,250**	3,184
Loans to banks - amortised cost	**2,731**	3,355
Loans to customers - amortised cost	**315,666**	318,466
Amounts due from holding companies and fellow subsidiaries	**3,498**	2,311
Other financial assets	**32,298**	31,944
Other assets	**7,720**	7,949
Total assets	**413,739**	415,468
Liabilities		
Bank deposits	**20,607**	18,052
Customer deposits	**313,353**	313,752
Amounts due to holding companies and fellow subsidiaries	**43,905**	47,252
Derivatives	**1,299**	1,718
Other financial liabilities	**7,537**	9,011
Subordinated liabilities	**122**	122
Notes in circulation	**862**	806
Other liabilities	**2,946**	3,325
Total liabilities	**390,631**	394,038
Owners' equity	**23,075**	21,395
Non-controlling interests	**33**	35
Total equity	**23,108**	21,430
Total liabilities and equity	**413,739**	415,468

Condensed consolidated statement of changes in equity
for the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Called-up share capital - at beginning and end of period	**1,678**	1,678
Paid-in equity - at beginning of period	**2,518**	2,518
Issued (1)	**799**	-
At end of period	**3,317**	2,518
Share premium account - at beginning and end of period	**2,225**	2,225
Merger reserve - at beginning of period	**28**	77
Amortisation	**(19)**	(24)
At end of period	**9**	53
FVOCI reserve - at beginning of period	**(41)**	(76)
Unrealised gains	**23**	20
Realised losses	**3**	24
Tax	**(9)**	(11)
At end of period	**(24)**	(43)
Cash flow hedging reserve - at beginning of period	**(600)**	(391)
Amount recognised in equity (2)	**253**	(82)
Amount transferred from equity to earnings	**(20)**	(139)
Tax	**(66)**	62
At end of period	**(433)**	(550)
Foreign exchange reserve - at beginning of period	**(104)**	(87)
Retranslation of net assets	**(23)**	(48)
Foreign currency gains on hedges of net assets	**15**	30
At end of period	**(112)**	(105)
Capital redemption reserve - at beginning and end of period	**820**	820
Retained earnings - at beginning of period	**14,871**	13,302
Profit attributable to ordinary shareholders and other equity owners	**1,721**	2,325
Paid-in equity dividends paid	**(95)**	(61)
Ordinary dividends paid	**(880)**	(900)
Remeasurement of the retirement benefit schemes		
- gross	**(63)**	(64)
- tax	**17**	15
Share-based remuneration	**5**	(5)
Amortisation of merger reserve	**19**	24
At end of period	**15,595**	14,636
Owners' equity at end of period	**23,075**	21,232

For the notes to this table refer the following page.

Condensed consolidated statement of changes in equity for the period ended 30 June 2024 continued (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Non-controlling interests - at beginning of period	**35**	10
Loss attributable to non-controlling interests	**(2)**	-
Acquisition of subsidiary	**-**	31
At end of period	**33**	41
Total equity at end of period	**23,108**	21,273
Attributable to:		
Ordinary shareholders	**19,758**	18,714
Paid-in equity holders	**3,317**	2,518
Non-controlling interests	**33**	41
	23,108	21,273

(1) In May 2024, AT1 capital notes totalling $1.0 billion less fees were issued.

(2) The change in the cash flow hedging reserve is driven from realised accrued interest transferred into the income statement and a gain from an increase in swap rates compared to 31 December 2023. The portfolio of hedging instruments is predominantly pay fixed swaps.

Condensed consolidated cash flow statement for the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Cash flows from operating activities		
Operating profit before tax	**2,358**	3,154
Adjustments for non-cash and other items	**1,071**	1,200
Net cash flows from trading activities	**3,429**	4,354
Changes in operating assets and liabilities	**(1,458)**	(19,066)
Net cash flows from operating activities before tax	**1,971**	(14,712)
Income taxes paid	**(767)**	(671)
Net cash flows from operating activities	**1,204**	(15,383)
Net cash flows from investing activities	**(529)**	(2,786)
Net cash flows from financing activities	**(433)**	(139)
Effects of exchange rate changes on cash and cash equivalents	**(220)**	(677)
Net increase/(decrease) in cash and cash equivalents	**22**	(18,985)
Cash and cash equivalents at beginning of period	**52,001**	76,318
Cash and cash equivalents at end of period	**52,023**	57,333

Notes

1. Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Bank Plc's 2023 Annual Report and Accounts. The accounting policies are the same as those applied in the consolidated financial statements.

The directors have prepared the condensed consolidated 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 they are approved and in accordance with IAS 34 'Interim Financial Reporting', as adopted by the UK and as issued by the International Accounting Standards Board (IASB), and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

Amendments to IFRS effective from 1 January 2024 had no material effect on the condensed consolidated financial statements.

2. Net interest income

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Balances at central banks and loans to banks - amortised cost	900	531
Loans to customers - amortised cost	7,117	5,691
Amounts due from holding companies and fellow subsidiaries	51	79
Other financial assets	730	312
Interest receivable	8,798	6,613
Bank deposits	580	316
Customer deposits	2,734	859
Amounts due to holding companies and fellow subsidiaries	1,253	960
Other financial liabilities	285	222
Subordinated liabilities	5	7
Interest payable	4,857	2,364
Net interest income	3,941	4,249

3. Operating expenses

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Staff costs	1,387	1,231
Temporary and contract costs	62	88
Social security costs	153	145
Pension costs	144	127
- defined benefit schemes	51	51
- defined contribution schemes	93	76
Staff costs	1,746	1,591
Premises and equipment	526	515
Depreciation and amortisation (1)	474	445
Other administrative expenses (2)	712	714
Administrative expenses	1,712	1,674
Operating expenses	3,458	3,265

(1) Includes depreciation on right of use assets of £44 million (30 June 2023 - £45 million).
(2) Includes redress and litigation costs. Further details are provided in Note 8.

Notes

4. Segmental analysis

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

Analysis of operating profit

Half year ended 30 June 2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Net interest income	**2,092**	**285**	**1,553**	**11**	**3,941**
Net fees and commissions	**162**	**141**	**553**	**1**	**857**
Other non-interest income	**55**	**17**	**169**	**824**	**1,065**
Total income	**2,309**	**443**	**2,275**	**836**	**5,863**
Depreciation and amortisation	**(1)**	**-**	**(61)**	**(412)**	**(474)**
Other operating expenses	**(1,187)**	**(315)**	**(1,142)**	**(340)**	**(2,984)**
Impairment (losses)/releases	**(106)**	**11**	**44**	**4**	**(47)**
Operating profit	**1,015**	**139**	**1,116**	**88**	**2,358**
Half year ended 30 June 2023					
Net interest income	2,452	426	1,537	(166)	4,249
Net fees and commissions	159	123	535	2	819
Other non-interest income	53	14	152	1,323	1,542
Total income	2,664	563	2,224	1,159	6,610
Depreciation and amortisation	-	-	(65)	(380)	(445)
Other operating expenses	(1,134)	(306)	(1,002)	(378)	(2,820)
Impairment (losses)/releases	(167)	(10)	(18)	4	(191)
Operating profit	1,363	247	1,139	405	3,154

Total revenue (1)

Half year ended 30 June 2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
External	**3,918**	**618**	**3,528**	**2,916**	**10,980**
Inter-segmental	**(40)**	**708**	**(766)**	**98**	**-**
Total	**3,878**	**1,326**	**2,762**	**3,014**	**10,980**
Half year ended 30 June 2023					
External	3,027	409	2,988	2,801	9,225
Inter-segmental	(66)	559	(703)	210	-
Total	2,961	968	2,285	3,011	9,225

(1) Total revenue comprises interest receivable, fees and commissions receivable and other operating income.

Notes

4. Segmental analysis continued

Analysis of net fees and commissions

Half year ended 30 June 2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Fees and commissions receivable					
- Payment services	**133**	**19**	**264**	**-**	**416**
- Credit and debit card fees	**161**	**7**	**97**	**2**	**267**
- Lending and financing	**7**	**3**	**247**	**-**	**257**
- Brokerage	**13**	**4**	**-**	**-**	**17**
- Investment management, trustee and fiduciary services	**1**	**112**	**-**	**-**	**113**
- Other	**5**	**6**	**35**	**1**	**47**
Total	**320**	**151**	**643**	**3**	**1,117**
Fees and commissions payable	**(158)**	**(10)**	**(90)**	**(2)**	**(260)**
Net fees and commissions	**162**	**141**	**553**	**1**	**857**
Half year ended 30 June 2023					
Fees and commissions receivable					
- Payment services	130	16	258	-	404
- Credit and debit card fees	160	6	98	-	264
- Lending and financing	7	3	232	-	242
- Brokerage	14	3	-	-	17
- Investment management, trustee and fiduciary services	1	102	-	-	103
- Other	1	2	28	9	40
Total	313	132	616	9	1,070
Fees and commissions payable	(154)	(10)	(81)	(6)	(251)
Net fees and commissions	159	122	535	3	819

Total assets and liabilities

30 June 2024	Retail Banking £m	Private Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Assets	**193,411**	**18,821**	**90,361**	**111,146**	**413,739**
Liabilities	**157,160**	**39,753**	**122,999**	**70,719**	**390,631**
31 December 2023					
Assets	194,488	19,284	89,783	111,913	415,468
Liabilities	154,083	37,816	123,084	79,055	394,038

Notes

5. Tax

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

	Half year ended	
	30 June 2024	30 June 2023
	£m	£m
Profit before tax	**2,358**	3,154
Expected tax charge	**(590)**	(741)
Foreign profits taxed at other rates	**-**	(1)
Items not allowed for tax:		
- losses on disposals and write-downs	**(9)**	-
- UK Bank Levy	**(10)**	(8)
- regulatory and legal actions	**(2)**	(5)
- other disallowable items	**(21)**	(10)
Non-taxable items	**2**	63
Increase in the carrying value of deferred tax assets in respect of UK losses	**-**	1
Banking surcharge	**(66)**	(118)
Tax on paid-in equity dividends	**26**	12
Adjustments in respect of prior years	**31**	(22)
Actual tax charge	**(639)**	(829)

At 30 June 2024, NWB Group has recognised a deferred tax asset of £767 million (31 December 2023 - £981 million) and a deferred tax liability of £92 million (31 December 2023 - £89 million). These amounts include deferred tax assets recognised in respect of trading losses of £236 million (31 December 2023 - £362 million). NWB Group has considered the carrying value of these assets as at 30 June 2024 and concluded that they are recoverable.

Notes

6. Financial instruments - classification

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

	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Assets					
Cash and balances at central banks			**48,576**		**48,576**
Derivatives (1)	**3,250**				**3,250**
Loans to banks - amortised cost (2)			**2,731**		**2,731**
Loans to customers - amortised cost (3)			**315,666**		**315,666**
Amounts due from holding companies and fellow subsidiaries	**67**	**-**	**2,928**	**503**	**3,498**
Other financial assets	**537**	**22,003**	**9,758**		**32,298**
Other assets				**7,720**	**7,720**
30 June 2024	**3,854**	**22,003**	**379,659**	**8,223**	**413,739**
Cash and balances at central banks			48,259		48,259
Derivatives (1)	3,184				3,184
Loans to banks - amortised cost (2)			3,355		3,355
Loans to customers - amortised cost (3)			318,466		318,466
Amounts due from holding companies and fellow subsidiaries	-	-	1,808	503	2,311
Other financial assets	453	23,495	7,996		31,944
Other assets				7,949	7,949
31 December 2023	3,637	23,495	379,884	8,452	415,468

	Held-for-trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Liabilities					
Bank deposits			**20,607**		**20,607**
Customer deposits			**313,353**		**313,353**
Amounts due to holding companies and fellow subsidiaries	**21**	**-**	**43,692**	**192**	**43,905**
Derivatives (1)	**1,299**				**1,299**
Other financial liabilities	**216**	**250**	**7,071**		**7,537**
Subordinated liabilities			**122**		**122**
Notes in circulation			**862**		**862**
Other liabilities (4)			**503**	**2,443**	**2,946**
30 June 2024	**1,536**	**250**	**386,210**	**2,635**	**390,631**
Bank deposits			18,052		18,052
Customer deposits			313,752		313,752
Amounts due to holding companies and fellow subsidiaries	17	-	46,956	279	47,252
Derivatives (1)	1,718				1,718
Other financial liabilities	13	-	8,998		9,011
Subordinated liabilities			122		122
Notes in circulation			806		806
Other liabilities (4)			569	2,756	3,325
31 December 2023	1,748	-	389,255	3,035	394,038

(1) Includes net hedging derivative assets of £972 million (31 December 2023 – £526 million) and net hedging derivative liabilities of £316 million (31 December 2023 – £405 million).
(2) Includes items in the course of collection from other banks of £22 million (31 December 2023 – £26 million).
(3) Includes finance lease receivables of £8,909 million (31 December 2023 – £8,664 million).
(4) Includes lease liabilities of £464 million (31 December 2023 – £513 million), held at amortised cost.

Notes

6. Financial instruments - valuation

Disclosures relating to the control environment, valuation techniques and related aspects pertaining to financial instruments measured at fair value are included in NatWest Bank Plc's 2023 Annual Report and Accounts. Valuation, sensitivity methodologies and inputs at 30 June 2024 are consistent with those described in Note 10 to the financial statements in the NatWest Bank Plc 2023 Annual Report and Accounts.

Fair value hierarchy

The table below shows the assets and liabilities held by NWB Group split by fair value hierarchy level. Level 1 are considered the most liquid instruments, and level 3 the most illiquid, valued using expert judgment and hence carry the most significant price uncertainty.

	30 June 2024				31 December 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Derivatives								
Interest rate	-	2,943	5	2,948	-	3,098	3	3,101
Foreign exchange	-	302	-	302	-	83	-	83
Amounts due from holding companies and fellow subsidiaries	-	67	-	67	-	-	-	-
Other financial assets								
Securities	13,670	8,340	3	22,013	14,159	9,334	2	23,495
Loans	-	326	201	527	-	278	175	453
Total financial assets held at fair value	13,670	11,978	209	25,857	14,159	12,793	180	27,132
As % of total fair value assets	53%	46%	1%		52%	47%	1%	
Liabilities								
Derivatives								
Interest rate	-	1,186	5	1,191	-	1,460	9	1,469
Foreign exchange	-	102	-	102	-	249	-	249
Other	-	6	-	6	-	-	-	-
Amounts due to holding companies and fellow subsidiaries	-	21	-	21	-	17	-	17
Other financial liabilities								
Deposits	-	466	-	466	-	13	-	13
Total financial liabilities held at fair value	-	1,781	5	1,786	-	1,739	9	1,748
As % of total fair value liabilities	-	100%	-		-	99%	1%	

(1) Level 1 – Instruments valued using unadjusted quoted prices in active and liquid markets, for identical financial instruments. Examples include government bonds, listed equity shares and certain exchange-traded derivatives.
Level 2 - Instruments valued using valuation techniques that have observable inputs. Observable inputs are those that are readily available with limited adjustments required. Examples include most government agency securities, investment-grade corporate bonds, certain mortgage products - including collateralised loan obligations (CLOs), most bank loans, repos and reverse repos, state and municipal obligations, most notes issued, certain money market securities, loan commitments and most over the counter (OTC) derivatives.
Level 3 - Instruments valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Examples include non-derivative instruments which trade infrequently, certain syndicated and commercial mortgage loans, private equity, and derivatives with unobservable model inputs.

(2) Transfers between levels are deemed to have occurred at the beginning of the quarter in which the instruments were transferred.

6. Financial instruments – valuation continued

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

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

	Carrying value	Fair value	Fair value hierarchy level			Items where fair value approximates carrying value
30 June 2024	£bn	£bn	Level 1 £bn	Level 2 £bn	Level 3 £bn	£bn
Financial assets						
Cash and balances at central banks	**48.6**	**48.6**	**-**	**-**	**-**	**48.6**
Loans to banks	**2.7**	**2.7**	**-**	**1.0**	**0.5**	**1.2**
Loans to customers	**315.7**	**309.4**	**-**	**24.0**	**285.4**	**-**
Amounts due from holding companies and fellow subsidiaries	**2.9**	**2.9**	**-**	**-**	**2.9**	**-**
Other financial assets						
Securities	**9.7**	**9.7**	**3.1**	**6.0**	**0.6**	**-**
31 December 2023						
Financial assets						
Cash and balances at central banks	48.3	48.3	-	-	-	48.3
Loans to banks	3.4	3.4	-	1.7	0.3	1.4
Loans to customers	318.5	310.7	-	25.9	284.8	-
Amounts due from holding companies and fellow subsidiaries	1.8	1.8	-	-	1.8	-
Other financial assets						
Securities	8.0	8.0	1.9	5.7	0.4	-
30 June 2024						
Financial liabilities						
Bank deposits	**20.6**	**20.5**	**-**	**17.5**	**-**	**3.0**
Customer deposits	**313.4**	**313.0**	**-**	**25.7**	**26.9**	**260.4**
Amounts due to holding companies and fellow subsidiaries	**43.7**	**43.9**	**-**	**26.5**	**12.7**	**4.7**
Other financial liabilities						
Settlement balances	**0.2**	**0.2**	**-**	**-**	**-**	**0.2**
Debt securities in issue	**6.9**	**6.9**	**-**	**0.8**	**6.1**	**-**
Subordinated liabilities	**0.1**	**0.2**	**-**	**0.2**	**-**	**-**
Notes in circulation	**0.9**	**0.9**	**-**	**-**	**-**	**0.9**
31 December 2023						
Financial liabilities						
Bank deposits	18.1	18.2	-	14.9	0.3	3.0
Customer deposits	313.8	313.4	-	26.8	27.1	259.5
Amounts due to holding companies		-	-			
and fellow subsidiaries	47.0	47.0	-	29.8	12.6	4.6
Other financial liabilities						
Settlement balances	-	-	-	-	-	-
Debt securities in issue	9.0	9.0	-	2.1	6.9	-
Subordinated liabilities	0.1	0.2	-	0.2	-	-
Notes in circulation	0.8	0.8	-	-	-	0.8

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, NWB Group's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Two principal methods are used to estimate fair value; contractual cash flows and expected cash flows.

Debt securities and subordinated liabilities

Most debt securities are valued using quoted prices in active markets or from quoted prices of similar financial instruments in active markets. For the remaining population, fair values are determined using market standard valuation techniques, such as discounted cash flows.

Bank and customer deposits

Fair value of deposits are estimated using discounted cash flow valuation techniques.

Notes

7. Loan impairment provisions

Economic loss drivers

Introduction

The portfolio segmentation and selection of economic loss drivers for IFRS 9 follows the approach used in stress testing. To enable robust modelling, the forecasting 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 (typically three to four) that best explain the movements in portfolio loss rates. The process to select economic loss drivers involves empirical analysis and expert judgement.

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

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

Economic scenarios

At 30 June 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, particularly in relation to the path of inflation and interest rates.

For 30 June 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.

Upside – This scenario assumes robust growth as inflation falls sharply and rates are lowered quicker than expected. Consumer spending is supported by quicker recovery in household income, and further helped by higher consumer confidence, fiscal support and strong business investment. The labour market remains resilient with the unemployment rate falling. The housing market shows robust growth.

Compared to 31 December 2023, the upside scenario remains similarly configured, exploring a more benign set of economic outcomes, including a stronger performing stock market, real estate prices, and supported by a stronger global growth backdrop, relative to the base case view.

Base case – Continued declining inflation allows an easing cycle to start in the second half of 2024. The unemployment rate rises modestly over 2024 but there are no wide-spread job losses. Inflation remains very close to the current level of 2% through the forecast period. Economic output also experiences modest but stable growth in contrast to the stagnation of recent years. The housing market experiences modest nominal price increase. Housing market activity gradually strengthens as interest rates fall and real incomes recover.

Since 31 December 2023, the economic outlook has improved as household incomes continued to recover, and the labour market remained resilient. The declining inflation trend has continued, albeit the progress was slower than expected. As a result, rates are expected to remain higher-for-longer than previously expected. The unemployment rate still rises but the peak is marginally lower and is underpinned by a resilient labour market. House prices were assumed to decline previously in 2024, but there has been a better-than-expected recovery in early 2024 and prices are now expected to show a modest increase.

Downside – Core inflation remains persistently high leading to resurgent inflation. The economy experiences a recession as consumer confidence weakens due to a fall in real incomes. Interest rates are raised higher than the base case and remain higher-for-longer. High rates are assumed to have a more significant impact on the labour market. Unemployment is higher than the base case scenario while house prices lose approximately ten percent of their value.

Compared to 31 December 2023, the downside scenario is similarly configured and explores risks associated with high inflation and significantly higher interest rates across the period.

Extreme downside – This scenario assumes a significant economic downturn with a loss of consumer confidence leading to a deep economic recession. This results in widespread job losses with the unemployment rate rising above the levels seen during the 2008 financial crisis, further compounding consumer weakness. Rates are cut sharply in response to the demand shock, leading to some support to the recovery. House prices lose approximately a third of their value.

Compared to 31 December 2023, the extreme downside is similarly configured with an extreme set of economic outcomes, low interest rates, very sharp falls in asset prices and a marked deterioration in the labour market.

Notes

7. Loan impairment provisions continued

Main macroeconomic variables

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

	30 June 2024					31 December 2023				
	Upside	Base case	Downside	Extreme downside	Weighted average	Upside	Base case	Downside	Extreme downside	Weighted average
Five-year summary	%	%	%	%	%	%	%	%	%	%
GDP	1.9	1.2	0.6	(0.2)	1.1	1.8	1.0	0.5	(0.3)	0.9
Unemployment rate	3.5	4.3	5.4	7.1	4.7	3.5	4.6	5.2	6.8	4.8
House price index	5.3	3.3	1.0	(4.2)	2.5	3.9	0.3	(0.4)	(5.7)	0.3
Commercial real estate price	4.4	1.2	(0.7)	(5.1)	0.8	3.1	(0.2)	(2.0)	(6.8)	(0.6)
Consumer price index	1.1	2.1	4.8	1.3	2.3	1.7	2.6	5.2	1.8	2.8
Bank of England base rate	3.3	3.7	5.7	2.6	3.8	3.8	3.7	5.6	2.9	4.0
Stock price index	4.7	3.3	1.3	0.2	2.8	4.8	3.3	1.2	(0.4)	2.8
World GDP	3.7	3.1	2.7	1.8	3.0	3.7	3.2	2.7	1.8	3.0
Probability weight	22.0	45.0	19.4	13.6		21.2	45.0	20.4	13.4	

(1) The five-year summary runs from 2024-2028 for 30 June 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

NWB Group's quantitative approach to IFRS 9 multiple economic scenarios (MES) involves selecting a suitable set of discrete scenarios to characterise the distribution of risks in the economic outlook and assigning appropriate probability weights. This quantitative approach is used for 30 June 2024.

The approach involves comparing GDP paths for NWB Group's scenarios against a set of 1,000 model runs, following which, a percentile in the distribution is established that most closely corresponded to the scenario. 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 broadly comparable to those used at 31 December 2023 but with slightly less downside skew. This is reasonable as the inflation outturn since then has been encouraging, with inflation continuing to decline and a reduced risk of stagflation. However, the risks of persistent inflation remain elevated and there is considerable uncertainty in the economic outlook, particularly with respect to persistence and the range of outcomes on inflation. Given that backdrop, NWB Group judges it appropriate that downside-biased scenarios have higher combined probability weights than the upside-biased scenario. It presents good coverage to the range of outcomes assumed in the scenarios, including the potential for a robust recovery on the upside and exceptionally challenging outcomes on the downside. A 22% weighting was applied to the upside scenario, a 45% weighting applied to the base case scenario, a 19.4% weighting applied to the downside scenario and a 13.6% weighting applied to the extreme downside scenario.

7. Loan impairment provisions continued

Annual figures

GDP - annual growth	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2024	1.7	0.7	0.1	-	0.7
2025	3.9	1.2	(0.9)	(4.0)	0.7
2026	1.4	1.4	1.1	0.9	1.3
2027	1.2	1.4	1.3	1.2	1.3
2028	1.2	1.4	1.3	1.2	1.3
2029	1.3	1.4	1.3	1.3	1.3
Unemployment rate - annual average					
2024	4.2	4.4	4.6	4.8	4.4
2025	3.4	4.4	5.7	7.8	4.9
2026	3.2	4.3	5.7	8.3	4.9
2027	3.3	4.3	5.5	7.7	4.7
2028	3.3	4.2	5.4	7.1	4.6
2029	3.3	4.2	5.3	6.8	4.6
House price index - four quarter change					
2024	6.8	3.1	(1.2)	(3.3)	2.2
2025	8.9	3.1	(6.0)	(13.2)	0.6
2026	4.5	3.4	1.0	(14.5)	1.3
2027	3.1	3.4	6.6	5.4	4.1
2028	3.5	3.4	5.2	6.8	4.1
2029	3.4	3.4	3.4	3.4	3.4
Commercial real estate price - four quarter change					
2024	6.2	(1.3)	(4.2)	(7.7)	(1.1)
2025	5.5	1.7	(8.0)	(30.8)	(3.4)
2026	4.6	2.0	3.1	3.3	3.0
2027	3.8	2.2	3.4	7.8	3.3
2028	1.8	1.5	3.0	8.5	2.5
2029	1.4	1.4	1.4	1.4	1.4
Consumer price index - four quarter change					
2024	1.4	2.1	5.7	0.1	2.4
2025	0.5	2.1	6.7	0.5	2.5
2026	1.3	2.0	4.4	2.0	2.4
2027	1.2	2.0	3.8	2.0	2.2
2028	1.1	2.0	3.7	2.0	2.2
2029	2.0	2.0	2.0	2.0	2.0
Bank of England base rate - annual average					
2024	4.83	5.10	5.50	4.69	5.06
2025	3.46	4.06	6.35	2.38	4.14
2026	2.85	3.08	5.83	2.00	3.42
2027	2.75	3.00	5.50	2.00	3.29
2028	2.75	3.00	5.19	2.06	3.24
2029	2.75	3.00	5.00	2.25	3.23
Stock price index - four quarter change					
2024	6.8	3.3	(11.0)	(27.7)	(2.9)
2025	5.7	3.3	(1.5)	(7.4)	1.9
2026	4.1	3.3	8.6	21.2	6.0
2027	3.6	3.3	6.5	12.9	4.9
2028	3.2	3.3	5.3	10.2	4.4
2029	3.3	3.3	3.3	3.3	3.3

7. Loan impairment provisions continued

Worst points

	30 June 2024					31 December 2023				
	Downside %	Quarter	Extreme downside %	Quarter	Weighted average %	Downside %	Quarter	Extreme downside %	Quarter	Weighted average %
GDP	**(0.9)**	**Q1 2025**	**(4.2)**	**Q2 2025**	**0.6**	(1.2)	Q3 2024	(4.5)	Q4 2024	0.3
Unemployment rate - peak	**5.8**	**Q3 2025**	**8.5**	**Q4 2025**	**5.0**	5.8	Q1 2025	8.5	Q2 2025	5.2
House price index	**(8.0)**	**Q2 2026**	**(28.2)**	**Q4 2026**	**1.1**	(12.5)	Q4 2025	(31.7)	Q2 2026	(6.5)
Commercial real estate price	**(11.9)**	**Q3 2025**	**(36.5)**	**Q1 2026**	**(4.4)**	(16.6)	Q1 2025	(39.9)	Q3 2025	(10.2)
Consumer price index										
- highest four quarter change	**8.5**	**Q2 2025**	**3.5**	**Q1 2024**	**3.5**	10.3	Q1 2023	10.3	Q1 2023	10.3
Bank of England base rate										
- extreme level	**6.5**	**Q2 2025**	**5.3**	**Q1 2024**	**5.3**	6.5	Q4 2024	5.3	Q4 2023	5.3
Stock price index	**(16.0)**	**Q2 2025**	**(40.5)**	**Q2 2025**	**(4.2)**	(14.3)	Q4 2024	(39.3)	Q4 2024	(2.4)

(1) Unless specified otherwise, the figures show falls relative to the starting period. The calculations are performed over five years, with a starting point of Q4 2023 for 30 June 2024 scenarios and Q4 2022 for 31 December 2023 scenarios.

Use of the scenarios in Personal lending

Personal lending follows a discrete scenario approach. The probability of default (PD), exposure at default (EAD), loss given default (LGD) and resultant ECL for each discrete scenario is calculated using product specific economic response models. Probability weighted averages across the suite of economic scenarios are then calculated for each of the model outputs, with the weighted PD being used for staging purposes.

Business Banking utilises the Personal lending methodology rather than the Wholesale lending methodology.

Use of the scenarios in Wholesale lending

Wholesale lending follows a continuous scenario approach to calculate ECL. PD and LGD values arising from multiple economic forecasts (based on the concept of credit cycle indices) are simulated around the central projection. The central projection is a weighted average of economic scenarios with the scenarios translated into credit cycle indices using the Wholesale economic response models.

UK economic uncertainty

The high inflation environment alongside high interest rates are presenting significant headwinds for some businesses and consumers, in many cases compounding. These cost pressures remain a feature of the economic environment, though they are expected to moderate over 2024 and 2025 in the base case scenario. NWB Group has considered where these are most likely to affect the customer base, with the cost of borrowing during 2023 and 2024 for both businesses and consumers presenting an additional affordability challenge.

The effects of these risks are not expected to be fully captured by forward-looking credit modelling, particularly given the high inflation environment, low unemployment base case outlook. Any incremental ECL effects for these risks will be captured via post model adjustments and are detailed further in the Governance and post model adjustments section.

Notes

7. Loan impairment provisions continued

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to NWB 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 NWB Group's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends with a particular focus on segments of the portfolio (both commercial and consumer) that are likely to be more susceptible to high inflation, high interest rates and supply chain disruption.

ECL post model adjustments

The table below shows ECL post model adjustments.

	Retail Banking		Private	Commercial &	Central items	
	Mortgages	Other	Banking	Institutional	& other	Total
30 June 2024	£m	£m	£m	£m	£m	£m
Deferred model calibrations	**-**	**-**	**1**	**12**	**-**	**13**
Economic uncertainty	**72**	**35**	**8**	**125**	**4**	**244**
Other adjustments	**-**	**-**	**-**	**3**	**-**	**3**
Total	**72**	**35**	**9**	**140**	**4**	**260**
Of which:						
- *Stage 1*	***34***	***15***	***5***	***55***	***4***	***113***
- *Stage 2*	***31***	***20***	***4***	***83***	***-***	***138***
- *Stage 3*	***7***	***-***	***-***	***2***	***-***	***9***
31 December 2023						
Deferred model calibrations	-	-	1	14	-	15
Economic uncertainty	109	31	13	191	3	347
Other adjustments	1	-	-	6	-	7
Total	110	31	14	211	3	369
Of which:						
- *Stage 1*	*72*	*11*	*6*	*83*	*-*	*172*
- *Stage 2*	*29*	*20*	*8*	*124*	*3*	*184*
- *Stage 3*	*9*	*-*	*-*	*4*	*-*	*13*

Notes

7. Loan impairment provisions continued

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 adjustment for economic uncertainty decreased to £107 million (31 December 2023 – £140 million). This reduction primarily reflected a revision to the cost of living post model adjustment to £99 million (31 December 2023 – £130 million), 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 customers with lower income in fuel poverty, over-indebted borrowers and customers vulnerable to a potential mortgage rate shock.
- Commercial & Institutional – The post model adjustment for economic uncertainty decreased to £125 million (31 December 2023 – £191 million). The inflation, supply chain and liquidity post model adjustment of £101 million (31 December 2023 - £153 million) was maintained for lending prior to 1 January 2024, with a sector-level downgrade being applied to the sectors that were considered most at risk from the ongoing pressures from inflation and concerns around reducing cash reserves across many sectors. The £52 million reduction reflected the reduced risks along with portfolio improvements and exposure reduction.
- A £24 million (31 December 2023 – £38 million) post model adjustment to cover the residual risks from COVID-19 remains for the risks surrounding associated debt to customers that have utilised government support schemes. This adjustment is reducing as customers default or repay.
- The £12 million (31 December 2023 – £14 million) judgemental overlay for deferred model calibrations relates to refinance risk, with the existing mechanistic modelling approach not fully capturing the risk on deteriorated exposures.

Measurement uncertainty and ECL sensitivity analysis

The recognition and measurement of ECL is complex and involves the use of significant judgment 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. These scenarios are used in the methodology for Personal multiple economic scenarios as described in the Economic loss drivers section. In the simulations, NWB Group has assumed that the economic macro variables associated with these scenarios replace the existing base case economic assumptions, giving them a 100% probability weighting and therefore serving as a single economic scenario.

These scenarios were applied to all modelled portfolios in the analysis below, with the simulation impacting both PDs and LGDs. Post model adjustments included in the ECL estimates that were modelled were sensitised in line with the modelled ECL movements, but those that were judgmental 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 30 June 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.

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

Notes

7. Loan impairment provisions continued

Measurement uncertainty and ECL sensitivity analysis

30 June 2024	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Stage 1 modelled loans (£m)					
Retail Banking - mortgages	157,805	158,237	158,631	155,136	148,976
Retail Banking - unsecured	8,160	8,232	8,332	7,953	7,385
Wholesale - property	18,614	18,647	18,747	18,342	15,507
Wholesale - non-property	90,292	90,949	91,201	88,838	73,966
	274,871	276,065	276,911	270,269	245,834
Stage 1 modelled ECL (£m)					
Retail Banking - mortgages	44	43	42	44	42
Retail Banking - unsecured	191	184	170	209	203
Wholesale - property	53	39	30	72	107
Wholesale - non-property	162	140	115	202	246
	450	406	357	527	598
Stage 2 modelled loans (£m)					
Retail Banking - mortgages	18,395	17,963	17,569	21,064	27,224
Retail Banking - unsecured	2,558	2,486	2,386	2,765	3,333
Wholesale - property	2,179	2,146	2,046	2,451	5,286
Wholesale - non-property	9,082	8,425	8,173	10,536	25,408
	32,214	31,020	30,174	36,816	61,251
Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	64	56	51	76	114
Retail Banking - unsecured	326	301	262	381	500
Wholesale - property	46	41	36	58	136
Wholesale - non-property	220	190	165	283	536
	656	588	514	798	1,286
Stage 1 and Stage 2 modelled loans (£m)					
Retail Banking - mortgages	176,200	176,200	176,200	176,200	176,200
Retail Banking - unsecured	10,718	10,718	10,718	10,718	10,718
Wholesale - property	20,793	20,793	20,793	20,793	20,793
Wholesale - non-property	99,374	99,374	99,374	99,374	99,374
	307,085	307,085	307,085	307,085	307,085
Stage 1 and Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	108	99	93	120	156
Retail Banking - unsecured	517	485	432	590	703
Wholesale - property	99	80	66	130	243
Wholesale - non-property	382	330	280	485	782
	1,106	994	871	1,325	1,884
Stage 1 and Stage 2 coverage (%)					
Retail Banking - mortgages	0.06%	0.06%	0.05%	0.07%	0.09%
Retail Banking - unsecured	4.82%	4.53%	4.03%	5.50%	6.56%
Wholesale - property	0.48%	0.38%	0.32%	0.63%	1.17%
Wholesale - non-property	0.38%	0.33%	0.28%	0.49%	0.79%
	0.36%	0.32%	0.28%	0.43%	0.61%
Reconciliation to Stage 1 and Stage 2 ECL (£m)					
ECL on modelled exposures	1,106	994	871	1,325	1,884
ECL on non-modelled exposures	26	26	26	26	26
Total Stage 1 and Stage 2 ECL	1,132	1,020	897	1,351	1,910
Variance to actual total Stage 1 and Stage 2 ECL		(112)	(235)	219	778
Reconciliation to Stage 1 and Stage 2 flow exposure (£m)					
Modelled loans	307,085	307,085	307,085	307,085	307,085
Non-modelled loans	16,532	16,532	16,532	16,532	16,532
Other asset classes	64,217	64,217	64,217	64,217	64,217

(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 30 June 2024 and therefore does not include variation in future undrawn exposure values.
(2) Reflects ECL for all modelled exposure in scope for IFRS 9. The analysis excludes non-modelled portfolios and exposure relating to bonds and cash.
(3) Exposures related to Ulster Bank RoI continuing operations were not included in the simulations, the current Ulster Bank RoI ECL was included across all scenarios to enable reconciliation to other disclosures.
(4) All simulations were run on a stand-alone basis and are independent of each other, with the potential ECL impact reflecting the simulated impact as at 30 June 2024. The simulations change the composition of Stage 1 and Stage 2 exposure but total exposure is unchanged under each scenario as the loan population is static.
(5) Refer to the Economic loss drivers section for details of economic scenarios.
(6) Refer to the NatWest Bank Plc 2023 Annual Report and Accounts for 31 December 2023 comparatives.

7. Loan impairment provisions continued

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 around £0.8 billion (approximately 69%). In this scenario, Stage 2 exposure increased and was the key driver of the simulated ECL rise. The movement in Stage 2 balances in the other simulations was far less significant and the impact to ECL less material.
- In the Wholesale portfolio, there was a significant increase in ECL under the extreme downside scenario. The Wholesale property ECL increase was mainly due to commercial real estate prices which showed negative growth particularly in 2025 and significant deterioration in the stock index in 2024 and 2025. The non-property increase was mainly due to GDP contraction in 2025 and significant deterioration in the stock index.
- Given that continued uncertainty remained due to persistent inflation, high interest rates and liquidity concerns at H1 2024, NWB Group utilised a framework of quantitative and qualitative measures to support the levels of ECL coverage. This included economic data, credit performance insights, supply chain contagion analysis and problem debt trends. This was particularly important for consideration of post model adjustments.
- As the effects of these economic risks evolve during 2024, there is a risk of further credit deterioration. However, the income statement effect of this should have been mitigated by the forward-looking provisions retained on the balance sheet at 30 June 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 and GDP in the economies in which NWB Group operates.

Loan exposure and impairment metrics

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

	30 June 2024 £m	31 December 2023 £m
Loans - amortised cost		
Stage 1	**284,823**	288,772
Stage 2	**31,990**	31,727
Stage 3	**4,629**	4,405
Inter-group (1)	**2,931**	1,809
Total	**324,373**	326,713
ECL provisions (2)		
Stage 1	**466**	566
Stage 2	**666**	794
Stage 3	**1,520**	1,512
Inter-group	**3**	1
	2,655	2,873
ECL provisions coverage (3)		
Stage 1 (%)	**0.16**	0.20
Stage 2 (%)	**2.08**	2.50
Stage 3 (%)	**32.84**	34.32
Inter-group (%)	**0.10**	0.06
	0.83	0.88

	Half year ended 30 June 2024 £m	30 June 2023 £m
Impairment losses		
ECL (release)/charge (4)		
Stage 1	**(303)**	(167)
Stage 2	**170**	237
Stage 3	**179**	119
Third party	**46**	189
Inter-group	**1**	2
	47	191
Amounts written-off	**298**	88

(1) NWB Group's intercompany assets were classified in Stage 1.
(2) Includes £4 million (31 December 2023 – £8 million) related to assets classified as fair value through other comprehensive income (FVOCI).
(3) ECL provisions coverage is calculated as ECL provisions divided by loans – amortised cost and FVOCI. It is calculated on loans and total ECL provisions, including ECL for other (non-loan) assets and unutilised exposure. Some segments with a high proportion of debt securities or unutilised exposure may result in a not meaningful coverage ratio.
(4) Includes £6 million (30 June 2023 – £2 million) related to other financial assets, of which £5 million (30 June 2023 – £1 million) related to assets classified as FVOCI; and £3 million (30 June 2023 – nil) related to contingent liabilities.
(5) The table shows gross loans only and excludes amounts that were outside the scope of the ECL framework. Refer to the Financial instruments within the scope of the IFRS 9 ECL framework section in the NatWest Bank Plc 2023 Annual Report and Accounts for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totaling £48.2 billion (31 December 2023 – £47.8 billion) and debt securities of £31.5 billion (31 December 2023 – £31.5 billion).

Notes

7. Loan impairment provisions continued

- During the first half of the year, overall ECL decreased with increases from Stage 3 inflows more than offset by write-offs, including debt sale activity on Personal unsecured assets, reductions in economic uncertainty post model adjustments, as well as reflecting balance reductions and positive portfolio performance across NWB Group.
- In the Personal portfolios, Stage 3 default rates during H1 2024 reduced relative to H2 2023 with trends on PDs and Stage 2 either stable or improving.
- For the Wholesale portfolio, Stage 3 defaults increased but were still below historic trends.
- Judgemental ECL post model adjustments, decreased from 31 December 2023 and now represents 10% of total ECL (31 December 2023 – 13%). Refer to the Governance and post model adjustments section for further details.

Sector analysis

The table below shows ECL by stage, for the Personal portfolio and selected sectors of the Wholesale portfolio including those that contain an element of exposure classified as heightened climate-related risk.

	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
30 June 2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Personal	181,449	20,928	2,790	205,167	32,071	42	239	390	840	1,469
Mortgages	171,524	18,425	1,950	191,899	10,315	-	46	63	209	318
Credit cards	3,743	1,488	130	5,361	15,061	-	69	158	88	315
Other personal	6,182	1,015	710	7,907	6,695	42	124	169	543	836
Wholesale	103,374	11,062	1,839	116,275	56,978	2,861	227	276	680	1,183
Property	19,554	2,131	483	22,168	8,829	194	53	47	138	238
Financial institutions	30,664	158	70	30,892	3,551	520	18	3	40	61
Sovereign	251	263	22	536	151	-	7	2	4	13
Corporate	52,905	8,510	1,264	62,679	44,447	2,147	149	224	498	871
Of which:										
Agriculture	*3,364*	*709*	*105*	*4,178*	*774*	*15*	*11*	*23*	*29*	*63*
Airlines and aerospace	*1,851*	*235*	*4*	*2,090*	*1,546*	*219*	*4*	*2*	*2*	*8*
Automotive	*6,560*	*640*	*52*	*7,252*	*3,335*	*74*	*13*	*11*	*18*	*42*
Building materials	*1,371*	*201*	*17*	*1,589*	*1,239*	*59*	*4*	*6*	*6*	*16*
Chemicals	*325*	*74*	*1*	*400*	*634*	*11*	*1*	*1*	*1*	*3*
Industrials	*1,751*	*361*	*69*	*2,181*	*2,095*	*102*	*5*	*10*	*26*	*41*
Land transport and logistics	*3,776*	*284*	*48*	*4,108*	*2,125*	*174*	*7*	*10*	*13*	*30*
Leisure	*3,622*	*1,553*	*223*	*5,398*	*1,725*	*67*	*19*	*49*	*78*	*146*
Mining and metals	*147*	*22*	*1*	*170*	*256*	*2*	-	-	*1*	*1*
Oil and gas	*451*	*11*	*51*	*513*	*1,401*	*112*	*1*	-	*46*	*47*
Power utilities	*5,059*	*298*	*79*	*5,436*	*4,415*	*519*	*11*	*7*	*32*	*50*
Retail	*4,413*	*869*	*153*	*5,435*	*3,703*	*309*	*11*	*22*	*65*	*98*
Shipping	*193*	*9*	*3*	*205*	*57*	*20*	-	-	*1*	*1*
Water and waste	*3,456*	*323*	*20*	*3,799*	*1,686*	*114*	*3*	*3*	*5*	*11*
Total	284,823	31,990	4,629	321,442	89,049	2,903	466	666	1,520	2,652
31 December 2023										
Personal	184,964	18,945	2,689	206,598	28,344	45	270	424	889	1,583
Mortgages	176,085	15,951	1,774	193,810	7,537	-	83	55	183	321
Credit cards	3,115	1,640	110	4,865	13,862	-	59	167	73	299
Other personal	5,764	1,354	805	7,923	6,945	45	128	202	633	963
Wholesale	103,808	12,782	1,716	118,306	56,995	2,508	296	370	623	1,289
Property	18,341	2,282	411	21,034	9,023	216	74	69	123	266
Financial institutions	32,311	189	11	32,511	3,928	318	22	8	3	33
Sovereign	1,552	-	22	1,574	122	-	7	1	2	10
Corporate	51,604	10,311	1,272	63,187	43,922	1,974	193	292	495	980
Of which:										
Agriculture	*3,305*	*821*	*75*	*4,201*	*768*	*14*	*16*	*28*	*26*	*70*
Airlines and aerospace	*1,330*	*303*	*3*	*1,636*	*1,260*	*152*	*4*	*5*	*2*	*11*
Automotive	*6,749*	*989*	*73*	*7,811*	*3,078*	*34*	*17*	*17*	*25*	*59*
Building materials	*1,112*	*250*	*67*	*1,429*	*1,265*	*67*	*6*	*8*	*5*	*19*
Chemicals	*311*	*61*	*4*	*376*	*684*	*11*	*1*	*9*	*1*	*11*
Industrials	*1,814*	*450*	*63*	*2,327*	*2,379*	*107*	*8*	*15*	*17*	*40*
Land transport and logistics	*3,533*	*529*	*23*	*4,085*	*2,408*	*132*	*9*	*13*	*10*	*32*
Leisure	*3,435*	*1,867*	*233*	*5,535*	*1,446*	*98*	*25*	*58*	*74*	*157*
Mining and metals	*127*	*30*	*1*	*158*	*376*	*2*	-	-	*1*	*1*
Oil and gas	*607*	*124*	*25*	*756*	*1,415*	*132*	*2*	*2*	*25*	*29*
Power utilities	*4,961*	*417*	*39*	*5,417*	*5,023*	*405*	*12*	*13*	*24*	*49*
Retail	*4,032*	*1,152*	*209*	*5,393*	*3,703*	*357*	*18*	*30*	*110*	*158*
Shipping	*191*	*8*	*3*	*202*	*54*	*21*	-	-	*2*	*2*
Water and waste	*3,487*	*120*	*12*	*3,619*	*1,820*	*68*	*4*	*4*	*4*	*12*
Total	288,772	31,727	4,405	324,904	85,339	2,553	566	794	1,512	2,872

Notes

7. Loan impairment provisions continued

- **Personal –** Loans to customers were lower than Q4 2023, mainly due to a reduction in mortgage balances where higher redemptions were only partly offset by new mortgage lending. Unsecured lending grew overall, driven by growth in credit cards. New lending and portfolio credit quality was maintained with limited increases in arrears in line with expectations. Total ECL coverage decreased during H1 2024 reflective of Q2 2024 debt sale activity on unsecured portfolios reductions in economic uncertainty post model adjustments, and stable underlying portfolio performance. The reduction in good book coverage in the first half of the year was also a result of unsecured probability of default modelling updates alongside an improved view on forward looking economics, underpinning a reduction in Stage 2 balances. Post model adjustments to capture increased affordability pressures on customers due to high inflation and interest rates decreased since Q4 2023, reflecting a revision of portfolio subsegments deemed most at risk, supported by back-testing of default outcomes. Flow rates into Stage 3 reduced during H1 2024.
- **Wholesale –** Exposure decreased in H1 2024 mainly due to financial institutions and sovereigns, partially offset by increases in property. Sector appetite continues to be reviewed regularly, with particular focus on sector clusters deemed to represent a heightened risk. Total ECL reduced in H1 2024 due to releases in post model adjustments, positive portfolio performance and improved economic scenarios. This was partially offset by an increase in Stage 3 ECL, from flows into default on individually assessed customers. The ECL decrease results in a reduction in coverage levels, but coverage on Stage 1 and Stage 2 was still significantly above pre-COVID-19 levels, reflecting that a degree of economic uncertainty remains.

Flow statements

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 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
NWB Group total	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**361,888**	**566**	**33,756**	**794**	**4,440**	**1,512**	**400,084**	**2,872**
Currency translation and other adjustments	**(540)**	**-**	**(23)**	**1**	**58**	**72**	**(505)**	**73**
Transfers from Stage 1 to Stage 2	**(17,351)**	**(88)**	**17,351**	**88**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**12,989**	**284**	**(12,989)**	**(284)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(107)**	**(2)**	**(1,370)**	**(120)**	**1,477**	**122**	**-**	**-**
Transfers from Stage 3	**158**	**8**	**222**	**14**	**(380)**	**(22)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(203)**		**276**		**118**		**191**
Changes in risk parameters		**(160)**		**(36)**		**135**		**(61)**
Other changes in net exposure	**(2,464)**	**61**	**(3,686)**	**(67)**	**(771)**	**(62)**	**(6,921)**	**(68)**
Other (P&L only items)		**(1)**		**(3)**		**(12)**		**(16)**
Income statement (releases)/charges		**(303)**		**170**		**179**		**46**
Amounts written-off	**-**	**-**	**-**	**-**	**(298)**	**(298)**	**(298)**	**(298)**
Unwinding of discount		**-**		**-**		**(57)**		**(57)**
At 30 June 2024	**354,573**	**466**	**33,261**	**666**	**4,526**	**1,520**	**392,360**	**2,652**
Net carrying amount	**354,107**		**32,595**		**3,006**		**389,708**	
At 1 January 2023	359,432	506	39,087	813	3,862	1,262	402,381	2,581
2023 movements	(16,772)	26	(2,383)	(35)	308	121	(18,847)	112
At 30 June 2023	342,660	532	36,704	778	4,170	1,383	383,534	2,693
Net carrying amount	342,128		35,926		2,787		380,841	

Notes

7. Loan impairment provisions continued

Flow statements

Retail Banking - mortgages	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	**163,974**	**83**	**15,942**	**55**	**1,600**	**171**	**181,516**	**309**
Currency translation and other adjustments	**-**	**-**	**1**	**(1)**	**37**	**39**	**38**	**38**
Transfers from Stage 1 to Stage 2	**(9,282)**	**(11)**	**9,282**	**11**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**5,274**	**11**	**(5,274)**	**(11)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(29)**	**-**	**(452)**	**(3)**	**481**	**3**	**-**	**-**
Transfers from Stage 3	**15**	**-**	**119**	**3**	**(134)**	**(3)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(6)**		**14**		**2**		**10**
Changes in risk parameters		**(27)**		**(1)**		**37**		**9**
Other changes in net exposure	**(2,111)**	**(4)**	**(1,223)**	**(4)**	**(202)**	**(24)**	**(3,536)**	**(32)**
Other (P&L only items)		**(1)**		**1**		**(3)**		**(3)**
Income statement (releases)/charges		**(38)**		**10**		**12**		**(16)**
Amounts written-off	**-**	**-**	**-**	**-**	**(5)**	**(5)**	**(5)**	**(5)**
Unwinding of discount		**-**		**-**		**(24)**		**(24)**
At 30 June 2024	**157,841**	**46**	**18,395**	**63**	**1,777**	**196**	**178,013**	**305**
Net carrying amount	**157,795**		**18,332**		**1,581**		**177,708**	
At 1 January 2023	153,791	74	16,557	55	1,321	139	171,669	268
2023 movements	5,339	12	941	3	88	17	6,368	32
At 30 June 2023	159,130	86	17,498	58	1,409	156	178,037	300
Net carrying amount	159,044		17,440		1,253		177,737	

- ECL levels for mortgages remained broadly stable overall during H1 2024, with growth in Stage 3 ECL offset by a reduction in good book ECL, primarily driven by the reduction in economic uncertainty post model adjustment levels.
- As well as a net reduction in book size, aligned to trends in the UK mortgage market, the decrease in Stage 1 ECL was also driven by the cost of living post model adjustment reduction, which proportionately allocated more ECL to Stage 1 given the forward-looking nature of the affordability threat. Refer to the Governance and post model adjustments section for further details.
- Stage 3 inflows remained broadly stable, with signs of improvement in default rates in recent months. Default rates had been increasing during 2023 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 alongside lower levels of write-offs.
- There were net flows into Stage 2 from Stage 1 with an upward trend in early arrears coupled with the collective migration into Stage 2 of higher risk customers utilising new Mortgage Charter treatments.
- The relatively small ECL cost for net re-measurement on stage transfer 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.

7. Loan impairment provisions continued

Flow statements

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	2,869	58	1,656	166	117	73	4,642	297
Currency translation and other adjustments	-	(1)	-	1	2	2	2	2
Transfers from Stage 1 to Stage 2	(693)	(13)	693	13	-	-	-	-
Transfers from Stage 2 to Stage 1	606	42	(606)	(42)	-	-	-	-
Transfers to Stage 3	(9)	-	(64)	(24)	73	24	-	-
Transfers from Stage 3	1	1	3	1	(4)	(2)	-	-
Net re-measurement of ECL on stage transfer		(26)		64		18		56
Changes in risk parameters		1		2		7		10
Other changes in net exposure	680	6	(173)	(25)	(19)	(1)	488	(20)
Other (P&L only items)		-		-		1		1
Income statement (releases)/charges		(19)		41		25		47
Amounts written-off	-	-	-	-	(30)	(30)	(30)	(30)
Unwinding of discount		-		-		(3)		(3)
At 30 June 2024	3,454	68	1,509	156	139	88	5,102	312
Net carrying amount	3,386		1,353		51		4,790	
At 1 January 2023	2,420	47	855	91	88	57	3,363	195
2023 movements	140	-	351	24	12	8	503	32
At 30 June 2023	2,560	47	1,206	115	100	65	3,866	227
Net carrying amount	2,513		1,091		35		3,639	

- Overall ECL for cards remained broadly in-line with the 2023 year-end, with portfolio growth mitigated by stable portfolio performance and PD trends.
- While portfolio performance remained stable, a net flow into Stage 2 from Stage 1 was observed in Q1 2024 with the typical maturation of lending after a period of strong growth in recent years albeit Stage 2 reduced during the second quarter as PDs reduced after PD modelling updates.
- Credit card balances continued to grow during 2024, reflecting continued customer demand whilst remaining within risk appetite.
- Flow rates into Stage 3 reduced in H1 2024, in line with broader portfolio performance.

Notes

7. Loan impairment provisions continued

Flow statements

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	**4,247**	**126**	**1,371**	**201**	**796**	**625**	**6,414**	**952**
Currency translation and other adjustments	**(1)**	**(1)**	**1**	**-**	**7**	**8**	**7**	**7**
Transfers from Stage 1 to Stage 2	**(726)**	**(35)**	**726**	**35**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**799**	**118**	**(799)**	**(118)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(30)**	**(1)**	**(132)**	**(58)**	**162**	**59**	**-**	**-**
Transfers from Stage 3	**4**	**1**	**10**	**4**	**(14)**	**(5)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(86)**		**115**		**10**		**39**
Changes in risk parameters		**(35)**		**6**		**53**		**24**
Other changes in net exposure	**349**	**35**	**(154)**	**(16)**	**(65)**	**(18)**	**130**	**1**
Other (P&L only items)		**-**		**-**		**11**		**11**
Income statement (releases)/charges		**(86)**		**105**		**56**		**75**
Amounts written-off	**-**	**-**	**-**	**-**	**(184)**	**(184)**	**(184)**	**(184)**
Unwinding of discount		**-**		**-**		**(15)**		**(15)**
At 30 June 2024	**4,642**	**122**	**1,023**	**169**	**702**	**533**	**6,367**	**824**
Net carrying amount	**4,520**		**854**		**169**		**5,543**	
At 1 January 2023	3,813	92	1,666	225	638	516	6,117	833
2023 movements	259	18	(128)	(34)	94	77	225	61
At 30 June 2023	4,072	110	1,538	191	732	593	6,342	894
Net carrying amount	3,962		1,347		139		5,448	

- Total ECL decreased, mainly in Stage 3 due to the reduction of balances from debt sale activity on Personal unsecured portfolios of £0.2 billion.
- Stable portfolio performance and updates to PD modelling resulted in a net migration from Stage 2 into Stage 1 with performing book ECL and coverage levels showing a modest reduction since the 2023 year-end, supported by improved economic outlook.
- Flow rates into Stage 3 reduced in H1 2024, in line with broader portfolio performance.
- Unsecured retail performing balances grew steadily during H1 2024, largely in line with industry trends.
- Write-off occurs once recovery activity with the customer has been concluded or there are no further recoveries expected, but no later than six years after default.

Notes

7. Loan impairment provisions continued

Flow statements

Commercial & Institutional total	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	71,897	262	13,062	349	1,657	610	86,616	1,221
Currency translation and other adjustments	(82)	-	(22)	-	10	22	(94)	22
Transfers from Stage 1 to Stage 2	(5,942)	(27)	5,942	27	-	-	-	-
Transfers from Stage 2 to Stage 1	5,351	103	(5,351)	(103)	-	-	-	-
Transfers to Stage 3	(29)	-	(606)	(34)	635	34	-	-
Transfers from Stage 3	110	6	76	6	(186)	(12)	-	-
Net re-measurement of ECL on stage transfer		(78)		79		87		88
Changes in risk parameters		(87)		(37)		35		(89)
Other changes in net exposure	3,443	21	(2,012)	(22)	(426)	(19)	1,005	(20)
Other (P&L only items)		(1)		(3)		(19)		(23)
Income statement (releases)/charges		(145)		17		84		(44)
Amounts written-off	-	-	-	-	(79)	(79)	(79)	(79)
Unwinding of discount		-		-		(13)		(13)
At 30 June 2024	74,748	200	11,089	265	1,611	665	87,448	1,130
Net carrying amount	74,548		10,824		946		86,318	
At 1 January 2023	63,844	259	18,360	419	1,567	524	83,771	1,202
2023 movements	5,207	(5)	(3,006)	(25)	94	15	2,295	(15)
At 30 June 2023	69,051	254	15,354	394	1,661	539	86,066	1,187
Net carrying amount	68,797		14,960		1,122		84,879	

- ECL levels decreased during H1 2024 with significant reductions in Stage 1 and Stage 2 partially offset by increases in Stage 3. Improved economic variables and risk metrics reduced Stage 1 and Stage 2 ECL, with lower PDs contributing to reductions in modelled ECL and post model adjustments.
- Stage 3 ECL increased, mainly due to transfers into Stage 3 and the re-measurement of ECL at the point of transfer. This was partially offset by write-offs.
- Exposure levels in Stage 1 and Stage 2 increased with new exposures captured in Stage 1 more than offsetting repayments in Stage 2.

Notes

7. Loan impairment provisions continued

Flow statements

Commercial & Institutional - corporate	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	49,945	185	10,287	281	1,213	484	61,445	950
Currency translation and other adjustments	(58)	1	(19)	-	9	22	(68)	23
Inter-group transfers	63	-	27	3	1	-	91	3
Transfers from Stage 1 to Stage 2	(4,482)	(21)	4,482	21	-	-	-	-
Transfers from Stage 2 to Stage 1	4,238	82	(4,238)	(82)	-	-	-	-
Transfers to Stage 3	(27)	-	(449)	(22)	476	22	-	-
Transfers from Stage 3	93	4	57	5	(150)	(9)	-	-
Net re-measurement of ECL on stage transfer		(63)		64		51		52
Changes in risk parameters		(57)		(33)		23		(67)
Other changes in net exposure	1,310	12	(1,598)	(20)	(270)	(15)	(558)	(23)
Other (P&L only items)		(1)		(3)		(18)		(22)
Income statement (releases)/charges		(109)		8		41		(60)
Amounts written-off	-	-	-	-	(74)	(74)	(74)	(74)
Unwinding of discount		-		-		(11)		(11)
At 30 June 2024	51,082	143	8,549	217	1,205	493	60,836	853
Net carrying amount	50,939		8,332		712		59,983	

- ECL levels decreased during H1 2024 with significant reductions in Stage 1 and Stage 2. Improved economic variables and risk metrics reduced Stage 1 and Stage 2 ECL, with lower PDs contributing to reductions in modelled ECL and post model adjustments.
- Stage 3 ECL marginally increased with the impact from transfers and the re-measurement of ECL at the point of transfer, largely offset by write-offs.
- Exposure levels in the performing portfolio, Stage 1 and Stage 2, remained broadly consistent with new exposures captured in Stage 1 offset by repayments in Stage 2.

Commercial & Institutional - property	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	16,667	66	2,141	63	395	119	19,203	248
Currency translation and other adjustments	(5)	-	-	-	2	1	(3)	1
Inter-group transfers	(8)	-	(27)	(3)	(2)	-	(37)	(3)
Transfers from Stage 1 to Stage 2	(1,195)	(5)	1,195	5	-	-	-	-
Transfers from Stage 2 to Stage 1	1,091	20	(1,091)	(20)	-	-	-	-
Transfers to Stage 3	(3)	-	(96)	(6)	99	6	-	-
Transfers from Stage 3	17	1	18	2	(35)	(3)	-	-
Net re-measurement of ECL on stage transfer		(14)		13		7		6
Changes in risk parameters		(28)		(7)		12		(23)
Other changes in net exposure	986	8	(38)	(3)	(134)	(3)	814	2
Other (P&L only items)		-		1		(2)		(1)
Income statement (releases)/charges		(34)		4		14		(16)
Amounts written-off	-	-	-	-	(5)	(5)	(5)	(5)
Unwinding of discount		-		-		(3)		(3)
At 30 June 2024	17,550	48	2,102	44	320	131	19,972	223
Net carrying amount	17,502		2,058		189		19,749	

- There was a reduction in ECL during H1 2024 with decreases in Stage 1 and Stage 2 partially offset by increases in Stage 3.
- Improved economic variables and risk metrics reduced Stage 1 and Stage 2 ECL, with lower PDs contributing to reductions in modelled ECL and post model adjustments.
- Stage 3 exposure reduced with the primary driver being repayments on the collective portfolio.
- Exposure levels in Stage 1 increased, mainly due to new exposures.

Notes

7. Loan impairment provisions continued

Flow statements

Commercial & Institutional - other	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2024	**5,285**	**11**	**634**	**5**	**49**	**7**	**5,968**	**23**
Currency translation and other adjustments	**(20)**	**-**	**(2)**	**-**	**-**	**(1)**	**(22)**	**(1)**
Inter-group transfers	**(55)**	**-**	**-**	**-**	**-**	**-**	**(55)**	**-**
Transfers from Stage 1 to Stage 2	**(264)**	**(1)**	**264**	**1**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**22**	**1**	**(22)**	**(1)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**-**	**-**	**(61)**	**(6)**	**61**	**6**	**-**	**-**
Transfers from Stage 3	**1**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(1)**		**2**		**30**		**31**
Changes in risk parameters		**(2)**		**3**		**-**		**1**
Other changes in net exposure	**1,147**	**1**	**(375)**	**-**	**(23)**	**(1)**	**749**	**-**
Other (P&L only items)		**-**		**-**		**-**		**-**
Income statement (releases)/charges		**(2)**		**5**		**29**		**32**
Amounts written-off	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Unwinding of discount		**-**		**-**		**-**		**-**
At 30 June 2024	**6,116**	**9**	**438**	**4**	**86**	**41**	**6,640**	**54**
Net carrying amount	**6,107**		**434**		**45**		**6,586**	

- ECL levels increased during H1 2024 with a rise in Stage 3 only partially offset by minor reductions in Stage 1 and Stage 2.
- Stage 3 exposure and ECL increased mainly related to an increase in ECL on newly defaulted individually assessed customers. These defaults also contributed to a reduction in Stage 2 as the ECL was transferred to Stage 3 at the point of default.

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			
30 June 2024	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
≤50%	**54,007**	**6,285**	**818**	**61,110**	**10**	**14**	**89**	**113**	**-**	**0.2**	**10.9**	**0.2**
>50% and ≤70%	**58,551**	**7,151**	**708**	**66,410**	**18**	**24**	**69**	**111**	**-**	**0.3**	**9.8**	**0.2**
>70% and ≤80%	**24,852**	**2,268**	**156**	**27,276**	**8**	**10**	**17**	**35**	**-**	**0.4**	**10.9**	**0.1**
>80% and ≤90%	**14,686**	**1,556**	**80**	**16,322**	**6**	**9**	**10**	**25**	**-**	**0.6**	**12.5**	**0.2**
>90% and ≤100%	**6,597**	**950**	**27**	**7,574**	**3**	**6**	**4**	**13**	**0.1**	**0.6**	**14.8**	**0.2**
>100%	**68**	**26**	**12**	**106**	**-**	**-**	**5**	**5**	**-**	**-**	**41.7**	**4.7**
Total with LTVs	**158,761**	**18,236**	**1,801**	**178,798**	**45**	**63**	**194**	**302**	**-**	**0.4**	**10.8**	**0.2**
Other	**254**	**1**	**3**	**258**	**1**	**-**	**2**	**3**	**0.4**	**-**	**66.7**	**1.2**
Total	**159,015**	**18,237**	**1,804**	**179,056**	**46**	**63**	**196**	**305**	**-**	**0.4**	**10.9**	**0.2**
31 December 2023												
≤50%	61,263	6,230	832	68,325	24	16	88	128	-	0.3	10.6	0.2
>50% and ≤70%	63,356	6,478	629	70,463	34	24	58	116	0.1	0.4	9.2	0.2
>70% and ≤80%	22,141	1,580	100	23,821	13	7	11	31	0.1	0.4	11.0	0.1
>80% and ≤90%	13,330	1,097	43	14,470	9	6	5	20	0.1	0.6	11.6	0.1
>90% and ≤100%	2,968	361	11	3,340	2	2	2	6	0.1	0.6	18.2	0.2
>100%	21	6	9	36	-	-	4	4	-	-	44.4	11.1
Total with LTVs	163,079	15,752	1,624	180,455	82	55	168	305	0.1	0.4	10.3	0.2
Other	172	-	2	174	1	-	1	2	0.6	-	50.0	1.2
Total	163,251	15,752	1,626	180,629	83	55	169	307	0.1	0.4	10.4	0.2

Notes

8. Provisions for liabilities and charges

	Redress and other litigation £m	Property £m	Financial commitments and guarantees £m	Other (1) £m	Total £m
At 1 January 2024	247	64	56	89	456
Expected credit losses impairment release	-	-	(17)	-	(17)
Currency translation and other movements	1	-	-	-	1
Charge to income statement	30	28	-	202	260
Release to income statement	(14)	(17)	-	(15)	(46)
Provisions utilised	(37)	(8)	-	(53)	(98)
At 30 June 2024	227	67	39	223	556

(1) Other materially comprises provisions relating to restructuring costs.

Provisions are liabilities of uncertain timing or amount and are recognised when there is a present obligation as a result of a past event, the outflow of economic benefit is probable and the outflow can be estimated reliably. Any difference between the final outcome and the amounts provided will affect the reported results in the period when the matter is resolved.

9. Dividends

The Board of National Westminster Bank Plc has declared an interim dividend for H1 2024 of £1,636 million to be paid to NWH Ltd in H2 2024 (H1 2023 - £838 million).

10. 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 30 June 2024. Although NWB Group is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of NWB Group's expectation of future losses.

	30 June 2024 £m	31 December 2023 £m
Contingent liabilities and commitments		
Guarantees	1,788	1,376
Other contingent liabilities	1,027	1,003
Standby facilities, credit lines and other commitments	79,969	77,149
Total	82,784	79,528

Commitments and contingent obligations are subject to NWB Group's normal credit approval processes.

Indemnity deed

In April 2019, NWM Plc and NWB Plc entered into a cross indemnity agreement for losses incurred within the entities in relation to business transferred to or from the ring-fenced bank under the NatWest Group's structural re-organisation. Under the agreement, NWM Plc is indemnified by NWB Plc against losses relating to the NWB Plc transferring businesses and ringfenced bank obligations and NWB Plc is indemnified by NWM Plc against losses relating to NWM Plc transferring businesses and non-ring-fenced bank obligations with effect from the relevant transfer date.

Notes

11. Litigation and regulatory matters

NWB Plc and its subsidiary and associated undertakings ('NWB 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.

NWB 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 NWB 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. NWB Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, damages, fine, penalty or other relief, if any, may be, particularly for Matters that are at an early stage in their development or where claimants seek substantial or indeterminate damages.

There are situations where NWB 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 NWB 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 NWB 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. NWB Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NWB Group will be necessary, in amounts that are expected to be substantial in some instances. Refer to Note 8 for information on material provisions.

Matters which are, or could be, material, either individually or in aggregate, having regard to NWB Group, considered as a whole, in which NWB Group is currently involved are set out below. We have provided information on the procedural history of certain Matters, where we believe appropriate, to aid the understanding of the Matter.

For a discussion of certain risks associated with NWB Group's litigation and regulatory matters (including the Matters), refer to the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on page 185 of NatWest Bank Plc's 2023 Annual Report and Accounts.

Litigation

London Interbank Offered Rate (LIBOR) and other rates litigation

In August 2020, a complaint was filed in the United States District Court for the Northern District of California by several United States retail borrowers against the USD ICE LIBOR panel banks and their affiliates (including NatWest Group plc, NWM Plc, NatWest Markets Securities Inc. and NWB Plc), alleging (i) that the very process of setting USD ICE LIBOR amounts to illegal price-fixing; and (ii) that banks in the United States have illegally agreed to use LIBOR as a component of price in variable retail loans. In September 2022, the district court dismissed the complaint.

The plaintiffs filed an amended complaint but in October 2023, the district court dismissed that complaint as well, and indicated that further amendment would not be permitted. The plaintiffs have commenced an appeal to the United States Court of Appeals for the Ninth Circuit, which is currently pending.

Offshoring VAT assessments

HMRC issued protective tax assessments in 2018 against NatWest Group plc totalling £143 million relating to unpaid VAT in respect of the UK branches of two NatWest Group companies registered in India. NatWest Group formally requested reconsideration by HMRC of their assessments, and this process was completed in November 2020. HMRC upheld their original decision and, as a result, NatWest Group plc lodged an appeal with the Tax Tribunal and an application for judicial review with the High Court of Justice of England and Wales, both in December 2020. In order to lodge the appeal with the Tax Tribunal, NatWest Group plc was required to pay £143 million to HMRC, and payment was made in December 2020. The appeal and the application for judicial review have both been stayed pending resolution of separate cases involving other banks.

Notes

11. Litigation and regulatory matters continued

Regulatory matters

NWB Group's financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, the US, the EU and elsewhere. NWB Group and/or NatWest Group have engaged, and will continue to engage, in discussions with relevant governmental and regulatory authorities, including in the UK, the US, the EU and elsewhere, on an ongoing and regular basis, and in response to informal and formal inquiries or investigations, regarding operational, systems and control evaluations and issues including those related to compliance with applicable laws and regulations, including consumer protection, investment advice, business conduct, competition/anti-trust, VAT recovery, anti-bribery, anti-money laundering and sanctions regimes.

NWB 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 NWB Group, remediation of systems and controls, public or private censure, restriction of NWB 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 NWB Group, its business, authorisations and licences, reputation, results of operations or the price of securities issued by it, or lead to material additional provisions being taken.

NWB Group is co-operating fully with the matters described below.

Investment advice review

In October 2019, the FCA notified NatWest Group of its intention to appoint a Skilled Person under section 166 of the Financial Services and Markets Act 2000 to conduct a review of whether NatWest Group's past business review of investment advice provided during 2010 to 2015 was subject to appropriate governance and accountability and led to appropriate customer outcomes. The Skilled Person's review has concluded and, after discussion with the FCA, NatWest Group is undertaking additional review / remediation work.

Reviews into customer account closures

In July 2023, NatWest Group plc commissioned an independent review by the law firm Travers Smith LLP into issues that had arisen from treatment of a customer in connection with an account closure decision that attracted significant public attention and certain related interactions with the media. NatWest Group plc received reports in connection with that review (and in October and December 2023 published summaries of the key findings and recommendations).

In addition, NatWest Group plc has conducted internal reviews with respect to certain governance processes, policies, systems and controls, including with respect to customer account closures.

A programme of work is underway to implement the recommendations of the external and internal reviews.

The FCA is conducting supervisory work into how the governance, systems and controls of NatWest Group and Coutts & Company are working, to identify and address any significant shortcomings.

12. Related party transactions

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 30 June 2024 HM Treasury's holding in NatWest Group plc's ordinary shares was 20.92% (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.

At 12 July 2024 HM Treasury's holding in NatWest Group plc's ordinary shares fell below 20% to 19.97%.

NWB Group enters into transactions with many of these bodies. Transactions include the payment of: taxes – principally UK corporation tax and value added tax; national insurance contributions; local authority rates; regulatory fees and levies; together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

Bank of England facilities

NWB Group may participate in a number of schemes operated by the Bank of England in the normal course of business.

Notes

12. Related party transactions continued

Other related parties

(a) In their roles as providers of finance, NWB Group companies provide development and other types of capital support to businesses. These investments are made in the normal course of business.

(b) To further strategic partnerships, NWB Group may seek to invest in third parties or allow third parties to hold a minority interest in a subsidiary of NWB Group. We disclose as related parties for associates and joint ventures and where equity interest are over 10 per cent. Ongoing business transactions with these entities are on normal commercial terms.

(c) NWB Group recharges the NatWest Group Pension Fund with the cost of pension management services incurred by it.

(d) In accordance with IAS 24, transactions or balances between NWB Group entities that have been eliminated on consolidation are not reported.

Full details of NWB Group's related party transactions for the year ended 31 December 2023 are included in NatWest Bank Plc's 2023 Annual Report and Accounts.

NWB Group's financial assets and liabilities include amounts due from/to holding companies and fellow subsidiaries as below:

	30 June 2024			31 December 2023		
	Holding companies £m	Fellow subsidiaries £m	Total £m	Holding companies £m	Fellow subsidiaries £m	Total £m
Assets						
Loans to banks - amortised cost	-	2,915	2,915	-	1,797	1,797
Loans to customers - amortised cost	-	13	13	-	11	11
Other financial assets	67	-	67	-	-	-
Other assets	113	390	503	104	399	503
Amounts due from holding companies and fellow subsidiaries	180	3,318	3,498	104	2,207	2,311
Derivatives (1)	211	1,901	2,112	275	2,045	2,320
Liabilities						
Bank deposits	-	27,450	27,450	-	30,499	30,499
Customer deposits	5,574	11	5,585	6,262	11	6,273
Subordinated liabilities	3,586	-	3,586	3,636	-	3,636
MREL instruments issued to NatWest Holdings Ltd	6,493	-	6,493	6,548	-	6,548
Other financial liabilities	-	599	599	-	17	17
Other liabilities	72	120	192	43	236	279
Amounts due to holding companies and fellow subsidiaries	15,725	28,180	43,905	16,489	30,763	47,252
Derivatives (1)	261	559	820	258	710	968

(1) Intercompany derivatives are included within derivative classification on the balance sheet.

Notes

13. Acquisitions

On 20 June 2024 NatWest Group plc announced an agreement with Sainsbury's Bank plc to acquire the retail banking assets and liabilities of Sainsbury's Bank plc, subject to court and regulatory approvals. We expect to acquire approximately £2.5 billion of gross customer assets, comprising £1.4 billion of unsecured personal loans and £1.1 billion of credit cards balances, together with approximately £2.6 billion of customer deposits. NatWest Group plc is entering into this transaction through its subsidiary, National Westminster Bank Plc.

NatWest Group plc has also agreed to acquire a £2.5 billion portfolio of prime UK residential mortgages from Metro Bank plc, with a weighted average current loan to value of c.62%. Completion is conditional on a satisfactory response from the Competition and Markets Authority and is expected to occur during H2 2024. On completion of the transaction, NatWest Group plc expects to welcome around 10,000 customer accounts which will continue to be serviced by Metro Bank plc, in accordance with current arrangements, following the transfer to NatWest Group plc. NatWest Group plc is entering into this transaction through its subsidiary, National Westminster Bank plc.

14. Post balance sheet events

Other than as disclosed in this document there have been no significant events between 30 June 2024 and the date of approval of this announcement which would require a change to, or additional disclosure in, the announcement.

15. Date of approval

This announcement was approved by the Board of Directors on 25 July 2024.

Independent review report to National Westminster Bank Plc

Conclusion

We have been engaged by National Westminster Bank Plc ("the Group") to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises of the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement, and related Notes 1 to 15 (together "the condensed consolidated financial statements"). We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2024 are not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the United Kingdom (UK) and as issued by the International Accounting Standards Board (IASB), and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with UK adopted International Accounting Standards, and International Financial Reporting Standards as issued by the International Accounting Standards Board. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, as adopted by the UK and as issued by the IASB and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Conclusions relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

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

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Group a conclusion on the condensed consolidated financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London, United Kingdom
25 July 2024

NatWest Bank Plc Summary Risk Factors

Summary of Principal Risks and Uncertainties

Set out below is a summary of the principal risks and uncertainties for the remaining six months of the financial year which could adversely affect NWB Group. This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties; a fuller description of these and other risk factors is included on pages 173 to 193 of the NatWest Bank Plc 2023 Annual Report and Accounts. Any of the risks identified may have a material adverse effect on NatWest Group's business, operations, financial condition or prospects.

Economic and political risk

- NWB Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, fiscal and monetary policy changes (such as increases in bank levies), and geopolitical developments.
- Changes in interest rates will continue to affect NWB Group's business and results.
- Fluctuations in currency exchange rates may adversely affect NWB Group's results and financial condition.
- Continuing uncertainty regarding the effects and extent of the UK's post Brexit divergence from EU laws and regulation, and NWB Group's post Brexit EU operating model may adversely affect NWB Group and its operating environment.
- HM Treasury (or UKGI on its behalf) could exercise a significant degree of influence over NatWest Group and NWB Group is controlled by NatWest Group.

Business change and execution risk

- NatWest Group (of which NWB Group forms part) continues to implement its strategy, which carries significant execution and operational risks and it may not achieve its stated aims and targeted outcomes.
- Acquisitions, divestments or other transactions by NatWest Group (and/or NWB Group) may not be successful, and consolidation or fragmentation of the financial services industry may adversely affect NatWest Group.
- The transfer of NatWest Group's Western European corporate portfolio involves certain risks.

Financial resilience risk

- NWB Group may not achieve its ambitions, targets and guidance it communicates or generate sustainable returns.
- NWB Group has significant exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on NWB Group.
- NWB Group operates in markets that are highly competitive, with competitive pressures and technology disruption.
- NWB Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options.
- NWB Group may not meet the prudential regulatory requirements for regulatory capital and MREL, or manage its capital effectively, which could trigger the execution of certain management actions or recovery options.
- NWB Group is reliant on NatWest Group for capital and funding support, and is substantially reliant on NatWest Group plc's ability to issue sufficient amounts of capital and external MREL securities and downstream the proceeds to NWB Group. The inability to do so may adversely affect NWB Group.
- Any reduction in the credit rating and/or outlooks assigned to NatWest Group plc, any of its subsidiaries (including NWB Plc or other NWB Group subsidiaries) or any of their respective debt securities could adversely affect the availability of funding for NWB Group, reduce NWB Group's liquidity position and funding and increase the cost of funding.
- NWB Group may be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests.
- NWB Group could incur losses or be required to maintain higher levels of capital as a result of limitations or failure of various models.
- NWB Group's financial statements are sensitive to underlying accounting policies, judgements, estimates and assumptions.
- Changes in accounting standards may materially impact NWB Group's financial results.
- NatWest Group (including NWB Group) may become subject to the application of UK statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of NWB Group's eligible liabilities.
- NatWest Group is subject to Bank of England and PRA oversight in respect of resolution, and NWB Group could be adversely affected should the Bank of England in the future deem NatWest Group's preparations to be inadequate.

Climate and sustainability-related risks

- NWB Group and its value chain face climate-related and sustainability-related risk that may adversely affect NWB Group.
- Climate-related risks may adversely affect the global financial system, NWB Group or its value chain.
- NWB Group and its value chain may face other sustainability-related risks that may adversely affect NWB Group.
- NatWest Group's climate change related strategy, ambitions, targets and transition plan entail significant execution and/or reputational risks and are unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes.
- There are significant limitations related to accessing accurate, reliable, verifiable, auditable, consistent and comparable climate and other sustainability-related data that contribute to substantial uncertainties in accurately modelling and reporting on climate and sustainability information, as well as making appropriate important internal decisions.
- Failure to implement effective governance, procedures, systems and controls in compliance with legal, regulatory requirements and societal expectations to manage climate and sustainability-related risks and opportunities could adversely affect NWB Group.
- Increasing levels of climate and other sustainability-related laws, regulation and oversight may adversely affect NWB Group.

Summary of Principal Risks and Uncertainties continued

Climate and sustainability-related risks continued

- Increasing regulation of “greenwashing” is likely to increase the risk of regulatory enforcement and investigation and litigation.
- NWB Group may be subject to potential climate and other sustainability-related litigation, enforcement proceedings, investigations and conduct risk.
- A reduction in the ESG ratings of NatWest Group (including NWB Group) could have a negative impact on NatWest Group’s (including NWB Group) reputation and on investors’ risk appetite and customers’ willingness to deal with NatWest Group (including NWB Group).

Operational and IT resilience risk

- Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWB Group’s businesses.
- NWB Group is subject to sophisticated and frequent cyberattacks.
- NWB Group operations and strategy are highly dependent on the accuracy and effective use of data.
- NWB Group’s operations are highly dependent on its complex IT systems and any IT failure could adversely affect NWB Group.
- NWB Group relies on attracting, retaining and developing diverse senior management and skilled personnel, and is required to maintain good employee relations.
- A failure in NWB Group’s risk management framework could adversely affect NWB Group, including its ability to achieve its strategic objectives.
- NWB Group’s operations are subject to inherent reputational risk.

Legal, regulatory and conduct risk

- NWB Group’s businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWB Group.
- NWB Group is exposed to the risks of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWB Group.
- Changes in tax legislation or failure to generate future taxable profits may impact the recoverability of certain deferred tax assets recognised by NWB Group.

Statement of directors' responsibilities

We, the directors listed below, confirm that to the best of our knowledge:

- the condensed financial statements have been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Richard Haythornthwaite Chair	John-Paul Thwaite Chief Executive Officer	Katie Murray Chief Financial Officer

25 July 2024

Board of directors

Chair

Richard Haythornthwaite

Executive directors

John-Paul Thwaite
Katie Murray

Non-executive directors

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

Additional Information

Presentation of information

National Westminster Bank Plc (NWB Plc or NatWest Bank Plc) is a wholly-owned subsidiary of NatWest Holdings Limited (NWH Ltd or 'the intermediate holding company'). The term 'NatWest Bank Group' or 'NWB Group' refers to NWB Plc and its subsidiary and associated undertakings. 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 subsidiary and associated undertakings.

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

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2023 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

Contact

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Forward-looking statements

This document may include forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NWB Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWB Group in respect of, but not limited to: its economic and political risks, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of NatWest Group's strategy, its climate and sustainability related targets, its access to adequate sources of liquidity and funding, increasing competition from incumbents, challengers and new entrants and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, and NWB Group's exposure to, operational risk, conduct risk, cyber, data and IT risk, financial crime risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, and general economic and political conditions and the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or the NWB Group's actual results are discussed in the NWB Plc's 2023 Annual Report and Accounts (ARA), and NWB Plc's Interim Results for H1 2024. The forward-looking statements contained in this document speak only as of the date of this document and NWB Plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

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