



NatWest Markets Group Interim Results 2024

NatWest Markets Group (NWM Group)

Results for the half year ended 30 June 2024

As part of the NatWest Group Commercial & Institutional segment, we continued to support customers in navigating their financing and risk solutions requirements in a period of continued high interest rates and uncertain geopolitical outlook. We will maintain our focus on leveraging growth opportunities through the delivery of markets products and collaboration across the segment to meet our customers' needs.

Financial review

NWM Group maintained its robust capital and liquidity position in H1 2024 and reported a profit of £83 million, compared with a loss of £148 million in H1 2023. Total income of £650 million increased by £220 million compared with H1 2023, largely due to a stronger performance across the product suite, particularly in Capital Markets and Fixed Income, in addition to the impact of the profit share arrangement with fellow NatWest Group subsidiaries. Operating expenses increased by £58 million to £592 million, due to higher litigation and conduct costs and other operating expenses, partly offset by a credit recognised in the current period in relation to property charges.

Financial performance

- Total income of £650 million increased by £220 million compared with £430 million in H1 2023 largely due to a stronger performance across the product suite, particularly in Capital Markets and Fixed Income, in addition to the profit share arrangement with fellow NatWest Group subsidiaries, which was introduced in Q4 2023 and under which NWM Group recognised £81 million in H1 2024.
- Operating expenses of £592 million in H1 2024 were £58 million higher than £534 million in H1 2023. Litigation and conduct costs of £38 million reflected ongoing progress in closing legacy matters and were £46 million higher than £8 million credit in H1 2023. Other operating expenses increased by £12 million to £554 million in H1 2024, largely driven by increases in severance costs, staff costs, bank levies and other smaller movements, partly offset by a credit recognised in the current period in relation to property charges.
- NWM Group's total assets and liabilities decreased by £3.6 billion and £3.5 billion to £174.3 billion and £168.0 billion respectively at 30 June 2024, compared with 31 December 2023. The decreases were mainly driven by lower derivative fair values, largely reflecting market volatility across major currencies including the strengthening of USD and increases in interest rates, following contrasting trends in Q4 2023. This was partially offset by higher funded assets including cash and balances at central banks.

Capital and leverage

- Total NWM Plc RWAs were £20.5 billion at 30 June 2024, compared with £22.1 billion at 31 December 2023. The decrease in the period was primarily driven by lower market risk due to active risk management, lower counterparty credit risk, and a decrease from the annual update to operational risk RWAs.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 18.7% at 30 June 2024, compared with 17.1% at 31 December 2023. The increase in the period was largely driven by the decrease in RWAs and reserve movements.
- Total MREL for NWM Plc at 30 June 2024 was £8.7 billion, or 42.2% of RWAs, up from £7.6 billion or 34.5% of RWAs at 31 December 2023. The increase in total MREL in the current period was largely due to the issuance of two new MREL instruments with NatWest Group plc amounting to \$1.15 billion and two new internal Tier 2 instruments amounting to \$1.16 billion, partially offset by the redemption of an internal €0.95 billion Tier 2 instrument, and other reserve movements.
- NWM Plc's leverage ratio at 30 June 2024 was 5.2%, up from 5.0% at 31 December 2023.

Liquidity and funding

- NWM Plc's liquidity portfolio at 30 June 2024 was £18.5 billion with a liquidity coverage ratio (LCR) of 173% (31 December 2023 - £14.7 billion with LCR 183%).
- NWM Plc issued public benchmark transactions amounting to £4.3 billion in the six months ended 30 June 2024. Transactions comprised issuances under our EMTN programme of £2.5 billion and our US MTN programme of \$2.75 billion of notes respectively. NWM Plc also raised funding in other formats throughout the period including, but not limited to, structured note issuance.

ESG highlights

Climate and sustainable funding and financing have continued to perform well, and up to 30 June 2024 we had delivered £41.3 billion towards the NatWest Group climate and sustainable funding and financing target⁽¹⁾ of £100 billion between 1 July 2021 and the end of 2025.

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

Outlook⁽¹⁾

We retain the Outlook guidance provided in the NatWest Markets Plc 2023 Annual Report and Accounts.

(1) The guidance, targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in the 'Risk Factors' section in the NatWest Markets Plc 2023 Annual Report and Accounts, and the 'Summary Risk Factors' in this announcement. These statements constitute forward-looking statements. Refer to 'Forward-looking statements' in this announcement.

Financial review

The table below presents an analysis of key lines of NWM Group's income statement for the half year and quarter ended 30 June 2024. Commentary refers to the tables below as well as the condensed consolidated income statement shown on page 22.

	Half year ended		Quarter ended		
	30 June 2024 £m	30 June 2023 £m	30 June 2024 £m	31 March 2024 £m	30 June 2023 £m
Income statement					
Net interest income	237	78	116	121	43
Non-interest income	413	352	207	206	122
Total income	650	430	323	327	165
Litigation and conduct costs	(38)	8	(39)	1	16
Other operating expenses	(554)	(542)	(298)	(256)	(265)
Operating expenses	(592)	(534)	(337)	(255)	(249)
Operating profit/(loss) before impairment releases/losses	58	(104)	(14)	72	(84)
Impairment releases/(losses)	7	5	(1)	8	3
Operating profit/(loss) before tax	65	(99)	(15)	80	(81)
Tax credit/(charge)	18	(49)	16	2	(57)
Profit/(loss) for the period	83	(148)	1	82	(138)
Income (1)					
Fixed Income	129	105	66	63	35
Currencies	240	227	128	112	109
Capital Markets	331	218	166	165	107
Capital Management Unit & other (2)	(11)	(29)	(11)	-	(37)
Income including shared revenue before OCA	689	521	349	340	214
Transfer pricing arrangements with fellow NatWest Group subsidiaries (3)	(32)	(100)	(24)	(8)	(52)
Income excluding OCA	657	421	325	332	162
Own credit adjustments (OCA)	(7)	9	(2)	(5)	3
Total income	650	430	323	327	165

- (1) Product performance includes gross income earned on a NatWest Group-wide basis, including amounts contributed to other NatWest Group subsidiaries. Income including shared revenue before OCA includes revenue share from other NatWest Group subsidiaries but before revenue share is paid to or contributed to those subsidiaries.
- (2) Capital Management Unit was set up in Q3 2020 to manage capital usage and optimisation across all parts of NatWest Markets, with the income materially relating to legacy positions.
- (3) Transfer pricing arrangements with fellow NatWest Group subsidiaries includes shared revenue paid to or contributed to those subsidiaries and a profit share arrangement with fellow NatWest Group subsidiaries. The profit share arrangement was introduced during Q4 2023 to reward NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment, 2023 being the first full year with the Commercial & Institutional segment in place. The profit share is not allocated to individual NatWest Markets product areas.

Half year ended 30 June 2024 performance

- Net interest income** largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The increase of £159 million compared with H1 2023 largely reflects growth in lending activity and the impact of one-off items.
- Non-interest income** increased by £61 million compared with H1 2023, mainly due to the profit share arrangement with fellow NatWest Group subsidiaries which was introduced in Q4 2023 and under which NWM Group recognised £81 million in H1 2024, in addition to stronger performances in Fixed Income and Currencies offset by lower own credit adjustments and the impact of one-off items.
- Operating expenses** in H1 2024 increased by £58 million compared with H1 2023. Litigation and conduct costs in H1 2024 reflected ongoing progress on closing legacy matters and were up by £46 million compared with H1 2023. Other operating expenses increased by £12 million compared with H1 2023, largely driven by increases in severance costs, staff costs, bank levies and other smaller movements, partly offset by a credit recognised in the current period in relation to property charges.

Quarter ended 30 June 2024 performance

- Net interest income** decreased by £5 million compared to Q1 2024 and increased by £73 million compared to Q2 2023, primarily reflecting growth in lending activity.
- Non-interest income** increased by £1 million compared to Q1 2024, reflecting an improved performance in Currencies partially offset by lower income from the profit share arrangement with fellow NatWest Group subsidiaries. Non-interest income increased by £85 million compared with Q2 2023, mainly due to the profit share arrangement with fellow NatWest Group subsidiaries under which NWM Group recognised £36 million in Q2 2024, in addition to an improved performance across the product suite.
- Operating expenses** increased by £82 million compared with Q1 2024 and by £88 million compared to Q2 2023. Litigation and conduct costs in Q2 2024 reflected ongoing progress on closing legacy matters and were up by £40 million compared with Q1 2024 and by £55 million compared with Q2 2023. Other operating expenses in Q2 2024 increased by £42 million compared with Q1 2024, largely due to a credit recognised in the prior period in relation to property charges, in addition to an increase in severance costs. Other operating expenses increased by £33 million compared with Q2 2023, largely reflecting an increase in severance costs, staff costs and other smaller items.

Financial review

Balance sheet profile as at 30 June 2024

NWM Group's balance sheet profile is summarised below. Commentary refers to the table below as well as the condensed consolidated balance sheet on page 23.

Assets			Liabilities		
	30 June 2024 £bn	31 December 2023 £bn		30 June 2024 £bn	31 December 2023 £bn
Cash and balances at central banks	21.1	13.8			
Securities	19.7	12.0		9.7	9.8 Short positions
Reverse repos (1)	18.2	23.7		29.3	26.9 Repos (2)
Derivative cash collateral given (3)	7.5	8.9		13.8	15.1 Derivative cash collateral received (4)
Other trading assets	0.5	0.7		1.2	1.8 Other trading liabilities
Total trading assets	45.9	45.3		54.0	53.6 Total trading liabilities
Loans - amortised cost	15.2	14.2		10.7	9.3 Deposits - amortised cost
Settlement balances	6.2	7.2		6.9	6.6 Settlement balances
Amounts due from holding company and fellow subsidiaries	1.0	1.7		6.3	Amounts due to holding company and fellow subsidiaries
Other financial assets	16.7	15.7		29.0	23.6 Other financial liabilities
Other assets	0.6	0.7		0.4	0.6 Other liabilities
Funded assets	106.7	98.6		107.3	99.5 Liabilities excluding derivatives
Derivative assets	67.6	79.3		60.7	72.0 Derivative liabilities
Total assets	174.3	177.9		168.0	171.5 Total liabilities
					of which:
				30.7	25.1 Wholesale funding (5)
				13.1	9.9 Short-term wholesale funding (5)
Net derivative assets (6)	2.2	2.9		3.5	3.6 Net derivative liabilities (6)

(1) Comprises bank reverse repos of £6.1 billion (31 December 2023 – £6.3 billion) and customer reverse repos of £12.1 billion (31 December 2023 – £17.4 billion).

(2) Comprises bank repos of £6.4 billion (31 December 2023 – £4.0 billion) and customer repos of £22.9 billion (31 December 2023 – £22.9 billion).

(3) Comprises derivative cash collateral given relating to banks of £3.3 billion (31 December 2023 – £4.3 billion) and customers of £4.2 billion (31 December 2023 – £4.6 billion).

(4) Comprises derivative cash collateral received relating to banks of £5.7 billion (31 December 2023 – £6.8 billion) and customers of £8.1 billion (31 December 2023 – £8.3 billion).

(5) Predominantly comprises bank deposits (excluding repos), debt securities in issue and third party subordinated liabilities, of which short-term wholesale funding is the amount with contractual maturity of one year or less.

(6) Refer to page 12 for further details.

- **Total assets and liabilities** decreased by £3.6 billion and £3.5 billion respectively at 30 June 2024. The decreases were mainly driven by lower derivative fair values, largely reflecting market volatility across major currencies and increases in interest rates. Funded assets, which exclude derivatives, increased by £8.1 billion.
- **Cash and balances at central banks** increased by £7.3 billion mainly driven by funding raised to support banking book growth and liquidity requirements.
- **Trading assets** were up by £0.6 billion, largely reflecting an increase in securities partially offset by decreases in reverse repos and derivatives cash collateral given. **Trading liabilities** increased by £0.4 billion, driven by an increase in repos, partially offset by decreases in derivative cash collateral received and other trading liabilities.
- **Loans – amortised cost** increased by £1.0 billion, driven by higher loans to customers reflecting growth in private financing.
- **Deposits – amortised cost** were up by £1.4 billion, largely driven by an increase in customer deposits to match planned banking book activity.
- **Derivative assets and derivative liabilities** were down by £11.7 billion and £11.3 billion respectively, largely reflecting market volatility across major currencies including the strengthening of USD and increases in interest rates, following contrasting trends in Q4 2023.
- **Other financial liabilities** increased by £5.4 billion, largely driven by new issuance in the period, partially offset by maturities. The balance at 30 June 2024 includes £20.6 billion of medium-term notes issued.

Non-IFRS measures

This document contains a number of non-IFRS measures. For details of the basis of preparation and reconciliations, where applicable, refer to the non-IFRS measures section on page 47.

Risk and capital management

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Certain disclosures in the Risk and capital management section are within the scope of EY's review report and are marked as reviewed in the section header.

Market risk (reviewed)

One-day 99% traded internal VaR

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

	Half year ended											
	30 June 2024				30 June 2023				31 December 2023			
	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum	Period end
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Interest rate	6.7	12.0	3.6	6.6	9.0	19.3	4.3	16.5	10.5	17.3	4.4	7.4
Credit spread	8.1	10.1	6.7	7.6	5.9	6.9	4.9	6.1	6.4	7.1	5.3	6.8
Currency	2.1	6.7	0.8	1.9	2.1	4.9	1.0	1.5	2.4	7.0	0.9	1.8
Equity	0.1	0.1	0.1	0.1	-	0.1	-	-	-	0.1	-	0.1
Diversification (1)	(6.8)			(5.5)	(6.8)			(6.3)	(6.9)			(7.2)
Total	10.2	16.2	7.0	10.7	10.2	17.8	6.6	17.8	12.4	20.0	8.4	8.9

(1) NWM Group benefits from diversification across various financial instrument types, currencies and markets. The extent of the diversification benefit depends on the correlation between the assets and risk factors in the portfolio at a particular time. The diversification factor is the sum of the VaR on individual risk types less the total.

- The decrease in average interest rate VaR and total VaR, compared to 2023, reflected a decrease in yield curve risk in sterling and euro flow trading.
- The increase in average credit spread VaR mainly reflected a net longer credit profile over the period.

Risk and capital management

Capital, liquidity and funding risk

Introduction

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

Capital, RWAs and leverage

The capital resources, RWAs and leverage for NWM Plc are presented on a transitional basis for the remaining IFRS 9 relief in respect to ECL. Regulatory capital is monitored and reported at legal entity level for NWM Plc.

	30 June 2024	31 December 2023
	%	%
Capital adequacy ratios (1,2)		
CET1	18.7	17.1
Tier 1	22.0	20.2
Total	25.3	23.0
Total MREL	42.2	34.5
	£m	£m
Capital (1,2)		
CET1	3,840	3,776
Tier 1	4,519	4,455
Total	5,198	5,072
Total MREL (3)	8,672	7,627
Risk-weighted assets		
Credit risk	8,085	7,895
Counterparty credit risk	5,881	6,516
Market risk	5,574	6,366
Operational risk	1,002	1,322
Total RWAs	20,542	22,099

- (1) NWM Plc's total capital ratio requirement is 11.5%, comprising the minimum capital requirement of 8%, supplemented with the capital conservation buffer of 2.5% and the institution specific countercyclical buffer (CCyB) of 1%. The minimum CET1 ratio is 8%, including the minimum capital requirement of 4.5%. The CCyB is based on the weighted average of NWM Plc's geographical exposures.
- (2) In addition, NWM Plc is subject to Pillar 2A requirements for CET1, AT1 and T2. Refer to the NatWest Markets Plc Pillar 3 report for further details on these additional capital requirements.
- (3) Includes senior internal debt instruments issued to NatWest Group plc with a nominal value of £3.5 billion (31 December 2023 - £2.6 billion).

Leverage

The leverage ratio has been calculated in accordance with the Leverage Ratio (CRR) part of the PRA rulebook.

	30 June 2024	31 December 2023
Tier 1 capital (£m)	4,519	4,455
Leverage exposure (£m) (1)	86,275	89,929
Leverage ratio (%)	5.2	5.0

- (1) 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.

Risk and capital management

Capital, liquidity and funding risk continued

Capital resources (reviewed)

NWM Plc's regulatory capital is assessed against minimum requirements that are set out under the UK CRR to determine the strength of its capital base. The table below shows a reconciliation of shareholders' equity to regulatory capital.

	30 June 2024 £m	31 December 2023 £m
Shareholders' equity		
Shareholders' equity	6,240	6,313
Other equity instruments	(904)	(904)
	5,336	5,409
Regulatory adjustments and deductions		
Own credit	35	25
Defined benefit pension fund adjustment	(112)	(94)
Cash flow hedging reserve	217	187
Prudential valuation adjustments	(149)	(160)
Expected losses less impairments	(4)	(6)
Instruments of financial sector entities where the institution has a significant investment	(1,484)	(1,585)
Adjustments under IFRS 9 transitional arrangements	1	1
Other adjustments for regulatory purposes	-	(1)
	(1,496)	(1,633)
CET1 capital	3,840	3,776
Additional Tier 1 (AT1) capital		
Qualifying instruments and related share premium	904	904
Tier 1 deductions		
Instruments of financial sector entities where the institution has a significant investment	(225)	(225)
Tier 1 capital	4,519	4,455
Qualifying Tier 2 capital		
Qualifying instruments and related share premium	1,098	1,022
Tier 2 deductions		
Instruments of financial sector entities where the institution has a significant investment	(420)	(421)
Other regulatory adjustments	1	16
	(419)	(405)
Tier 2 capital	679	617
Total regulatory capital	5,198	5,072

Risk and capital management

Capital, liquidity and funding risk continued

Leverage exposure

The leverage exposure has been calculated in accordance with the Leverage Exposure (CRR) part of the PRA rulebook.

	30 June 2024 £m	31 December 2023 £m
Leverage		
Cash and balances at central banks	12,491	8,607
Trading assets	26,249	28,411
Derivatives	63,818	75,832
Financial assets	33,058	32,930
Other assets	6,012	4,878
Total assets	141,628	150,658
Derivatives		
- netting	(61,982)	(73,927)
- potential future exposures	15,110	15,691
Securities financing transactions gross up	1,649	1,301
Undrawn commitments	8,103	8,493
Regulatory deductions and other adjustments	(5,447)	(3,373)
Exclusion of core UK-group exposures	(297)	(310)
Claims on central banks	(12,489)	(8,604)
Leverage exposure	86,275	89,929

Liquidity portfolio (reviewed)

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

	Liquidity value	
	30 June 2024 £m	31 December 2023 £m
NatWest Markets Plc		
Cash and balances at central banks	12,375	8,547
High quality government/MDB/PSE and GSE bonds (1)	5,060	6,054
Extremely high quality covered bonds	1	1
LCR Level 1 eligible assets	17,436	14,602
LCR Level 2 eligible assets (2)	1,051	104
Primary liquidity (HQLA) (3)	18,487	14,706
Secondary liquidity (4)	30	39
Total liquidity value	18,517	14,745

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

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

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

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

Risk and capital management

Capital, liquidity and funding risk continued

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

	GBP £m	USD £m	EUR £m	Other £m	Total £m
Total liquidity portfolio					
30 June 2024	8,470	2,573	6,600	874	18,517
31 December 2023	5,153	3,350	6,150	92	14,745

Funding sources (reviewed)

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

	30 June 2024			31 December 2023		
	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m
Bank deposits	2,196	772	2,968	1,622	645	2,267
<i>of which: repos (amortised cost)</i>	451	-	451	452	-	452
Customer deposits	7,634	61	7,695	6,990	8	6,998
<i>of which: repos (amortised cost)</i>	255	-	255	418	-	418
Trading liabilities (1)						
Repos (2)	29,021	300	29,321	26,634	268	26,902
Derivative cash collateral received	13,814	-	13,814	15,062	-	15,062
Other bank and customer deposits	478	322	800	768	382	1,150
Debt securities in issue	80	227	307	418	288	706
	43,393	849	44,242	42,882	938	43,820
Other financial liabilities						
Customer deposits (designated fair value)	210	1,165	1,375	193	1,066	1,259
Debt securities in issue						
Commercial paper and certificates of deposits	6,352	361	6,713	4,228	205	4,433
Medium term notes (MTNs)	4,662	15,959	20,621	3,759	13,849	17,608
Subordinated liabilities	-	266	266	-	274	274
	11,224	17,751	28,975	8,180	15,394	23,574
Amounts due to holding company and fellow subsidiaries (3)						
Internal MREL	-	3,504	3,504	434	2,636	3,070
Other bank and customer deposits	1,559	-	1,559	1,620	-	1,620
Subordinated liabilities	-	1,101	1,101	839	183	1,022
	1,559	4,605	6,164	2,893	2,819	5,712
Total funding	66,006	24,038	90,044	62,567	19,804	82,371
<i>Of which: available in resolution (4)</i>		4,871				3,093

(1) Funding sources excludes short positions of £9,709 million (31 December 2023 - £9,803 million) reflected as trading liabilities on the balance sheet.

(2) Comprises central and other bank repos of £6,442 million (31 December 2023 - £3,957 million), other financial institution repos of £19,956 million (31 December 2023 - £20,394 million) and other corporate repos of £2,923 million (31 December 2023 - £2,551 million).

(3) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments of £130 million (31 December 2023 - £90 million) and intercompany settlement balances of nil (31 December 2023 - nil) have been excluded from the table.

(4) Eligible liabilities (as defined in the Banking Act 2009 as amended from time to time) that meet the eligibility criteria set out in the regulations, rules, policies, guidelines, or statements of the Bank of England including the Statement of Policy published in December 2021 (updated June 2018).

Risk and capital management

Capital, liquidity and funding risk continued

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

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

	Trading liabilities	Other financial liabilities				Amounts due to holding company and fellow subsidiaries		
	Debt securities in issue	Debt securities in issue			Total	Subordinated liabilities		Total notes in issue
	MTNs	Commercial paper and CDs	MTNs	Subordinated liabilities		Internal MREL	Subordinated liabilities	in issue
		£m	£m	£m		£m	£m	
30 June 2024								
Less than 1 year	80	6,352	4,662	-	11,014	-	-	11,094
1-3 years	18	361	10,763	-	11,124	2,641	-	13,783
3-5 years	-	-	4,591	-	4,591	863	974	6,428
More than 5 years	209	-	605	266	871	-	127	1,207
Total	307	6,713	20,621	266	27,600	3,504	1,101	32,512

31 December 2023

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

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

	GBP £m	USD £m	EUR £m	Other £m	Total £m
30 June 2024					
Commercial paper and CDs	2,062	1,718	2,933	-	6,713
MTNs	1,653	6,474	10,042	2,759	20,928
External subordinated liabilities	19	17	230	-	266
Internal MREL due to NatWest Group plc	-	2,641	863	-	3,504
Subordinated liabilities due to NatWest Group plc	-	1,101	-	-	1,101
Total	3,734	11,951	14,068	2,759	32,512
31 December 2023	2,948	8,153	13,017	2,995	27,113

Risk and capital management

Credit risk – Trading activities (reviewed)

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

Securities financing transactions and collateral

The table below shows securities financing transactions in NWM Group. Balance sheet captions include balances held at all classifications under IFRS 9.

	Reverse repos			Repos		
	Total	Of which: can be offset	Outside netting arrangements	Total	Of which: can be offset	Outside netting arrangements
	£m	£m	£m	£m	£m	£m
30 June 2024						
Gross	46,151	46,066	85	56,427	55,339	1,088
IFRS offset	(26,399)	(26,399)	-	(26,399)	(26,399)	-
Carrying value	19,752	19,667	85	30,028	28,940	1,088
Master netting arrangements	(1,454)	(1,454)	-	(1,454)	(1,454)	-
Securities collateral	(17,941)	(17,941)	-	(27,486)	(27,486)	-
Potential for offset not recognised under IFRS	(19,395)	(19,395)	-	(28,940)	(28,940)	-
Net	357	272	85	1,088	-	1,088
31 December 2023						
Gross	41,750	41,292	458	44,028	43,308	720
IFRS offset	(16,257)	(16,257)	-	(16,257)	(16,257)	-
Carrying value	25,493	25,035	458	27,771	27,051	720
Master netting arrangements	(669)	(669)	-	(669)	(669)	-
Securities collateral	(24,175)	(24,175)	-	(26,382)	(26,382)	-
Potential for offset not recognised under IFRS	(24,844)	(24,844)	-	(27,051)	(27,051)	-
Net	649	191	458	720	-	720

Debt securities

The table below shows debt securities held at mandatory fair value through profit or loss by issuer as well as ratings based on the lowest of Standard & Poor's, Moody's and Fitch. Refer to Note 6 Trading assets and trading liabilities for details on short positions.

	Central and local government			Financial		Total
	UK	US	Other	institutions	Corporate	
	£m	£m	£m	£m	£m	£m
30 June 2024						
AAA	-	-	1,302	1,406	-	2,708
AA to AA+	-	5,507	45	672	12	6,236
A to AA-	5,170	-	2,049	504	378	8,101
BBB- to A-	-	-	1,250	465	645	2,360
Non-investment grade	-	-	-	153	178	331
Total	5,170	5,507	4,646	3,200	1,213	19,736
31 December 2023						
AAA	-	-	1,333	1,132	-	2,465
AA to AA+	-	2,600	19	762	4	3,385
A to AA-	2,729	-	1,017	251	283	4,280
BBB- to A-	-	-	693	295	489	1,477
Non-investment grade	-	-	-	198	149	347
Total	2,729	2,600	3,062	2,638	925	11,954

Risk and capital management

Credit risk – Trading activities continued (reviewed)

Derivatives

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

	30 June 2024							31 December 2023		
	Notional				Total	Assets	Liabilities	Notional	Assets	Liabilities
	GBP	USD	EUR	Other						
	£bn	£bn	£bn	£bn	£bn	£m	£m	£bn	£m	£m
Gross exposure						68,674	62,677		83,276	76,879
IFRS offset						(2,308)	(2,308)		(5,242)	(5,242)
Carrying value	2,908	3,093	5,572	1,189	12,762	66,366	60,369	12,773	78,034	71,637
Of which:										
Interest rate (1)	2,592	1,625	4,936	268	9,421	40,070	34,761	9,656	43,767	37,974
Exchange rate	315	1,463	627	921	3,326	26,153	25,343	3,101	34,085	33,337
Credit	1	5	9	-	15	143	265	16	182	326
Equity and commodity	-	-	-	-	-	-	-	-	-	-
Carrying value					12,762	66,366	60,369	12,773	78,034	71,637
Counterparty mark-to-market netting						(50,136)	(50,136)		(59,827)	(59,827)
Cash collateral						(11,092)	(5,627)		(12,272)	(6,590)
Securities collateral						(2,965)	(1,118)		(3,084)	(1,663)
Net exposure						2,173	3,488		2,851	3,557
Banks (2)						212	431		333	556
Other financial institutions (3)						1,115	1,251		1,424	1,295
Corporate (4)						811	1,788		1,058	1,667
Government (5)						35	18		36	39
Net exposure						2,173	3,488		2,851	3,557
UK						1,136	1,834		1,277	1,884
Europe						551	1,084		800	1,209
US						404	384		607	381
RoW						82	186		167	83
Net exposure						2,173	3,488		2,851	3,557
Asset quality of uncollateralised derivative assets										
AQ1-AQ4						1,859			2,376	
AQ5-AQ8						312			471	
AQ9-AQ10						2			4	
Net exposure						2,173			2,851	

- (1) The notional amount of interest rate derivatives includes £6,320 billion (31 December 2023 – £6,677 billion) in respect of contracts cleared through central clearing counterparties.
- (2) Transactions with certain counterparties with which NWM Group has netting arrangements but collateral is not posted on a daily basis; certain transactions with specific terms that may not fall within netting and collateral arrangements; derivative positions in certain jurisdictions, where the collateral agreements are not deemed to be legally enforceable.
- (3) Includes transactions with securitisation vehicles and funds where collateral posting is contingent on NWM Group's external rating.
- (4) Mainly large corporates with whom NWM Group may have netting arrangements in place, but operational capability does not support collateral posting.
- (5) Sovereigns and supranational entities with no collateral arrangements, collateral arrangements that are not considered enforceable, or one-way collateral agreements in their favour.

Risk and capital management

Credit risk – Economics (reviewed)

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 UK portfolios include UK gross domestic product (GDP), world GDP, and the unemployment rate. Similar metrics are used for other key country exposures in NWM Group.

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.

Risk and capital management

Credit risk – Economics continued (reviewed)

Economic loss drivers

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.

Main macroeconomic variables

	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

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

The approach involves comparing GDP paths for NWM Group's scenarios against a set of 1,000 model runs, following which, a percentile in the distribution is established that most closely corresponded to the scenario. 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, NWM Group judges it appropriate that downside-biased scenarios have higher combined probability weights than the upside-biased scenario. It presents good coverage to the range of outcomes assumed in the scenarios, including the potential for a robust recovery on the upside and exceptionally challenging outcomes on the downside. A 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.

Risk and capital management

Credit risk – Economics continued (reviewed)

Economic loss drivers

Annual figures

	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
GDP - annual growth					
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

Risk and capital management

Credit risk – Economics continued (reviewed)

Economic loss drivers

Worst points

	30 June 2024					31 December 2023				
	Downside		Extreme downside		Weighted average	Downside		Extreme downside		Weighted average
	%	Quarter	%	Quarter	%	%	Quarter	%	Quarter	%
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 lending

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 economic response models.

UK economic uncertainty

The high inflation environment alongside high interest rates is 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. NWM 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.

Risk and capital management

Credit risk – Economics continued (reviewed)

Governance and post model adjustments

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

Post model adjustments will remain a key focus area of NWM 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.

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. In the simulations, NWM Group has assumed that the economic macro variables associated with these scenarios replace the existing base case economic assumptions, giving them a 100% probability weighting and therefore serving as a single economic scenario.

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

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

Risk and capital management

Credit risk – Measurement uncertainty and ECL sensitivity analysis continued (reviewed)

30 June 2024	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Stage 1 modelled loans (£m)	16,535	16,535	16,553	16,535	15,829
Stage 1 modelled ECL (£m)	23	20	18	27	38
Stage 1 coverage (%)	0.14%	0.12%	0.11%	0.16%	0.24%
Stage 2 modelled loans (£m)	289	289	271	289	995
Stage 2 modelled ECL (£m)	6	6	5	7	18
Stage 2 coverage (%)	2.08%	2.08%	1.85%	2.42%	1.81%
Stage 1 and Stage 2 modelled loans (£m)	16,824	16,824	16,824	16,824	16,824
Stage 1 and Stage 2 modelled ECL (£m)	29	26	23	34	56
Stage 1 and Stage 2 coverage (%)	0.17%	0.15%	0.14%	0.20%	0.33%
Variance - (lower)/higher to actual total Stage 1 and Stage 2 ECL (£m)		(3)	(6)	5	27
Reconciliation to Stage 1 and Stage 2 flow exposure (£m)					
Modelled loans	16,824	16,824	16,824	16,824	16,824
Other asset classes	32,220	32,220	32,220	32,220	32,220

- (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.
- (3) All simulations are run on a stand-alone basis and are independent of each other, with the potential ECL impact reflecting the simulated impact as at 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.
- (4) Refer to the Economic loss drivers section for details of economic scenarios.
- (5) Refer to the NatWest Markets Plc 2023 Annual Report and Accounts for 31 December 2023 comparatives.

Measurement uncertainty and ECL adequacy

- If the economics were as negative as observed in the extreme downside (i.e. 100% probability weighting), total Stage 1 and Stage 2 ECL was simulated to increase. 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.
- There was a significant increase in ECL under the extreme downside scenario.
- Given that continued uncertainty remained due to persistent inflation, high interest rates and liquidity concerns at H1 2024, NWM 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 NWM Group operates.

Risk and capital management

Credit risk – Banking activities (reviewed)

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

Portfolio summary

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

	30 June 2024 £m	31 December 2023 £m
Loans - amortised cost and fair value through other comprehensive income (FVOCI)		
Stage 1	14,890	13,686
Stage 2	264	558
Stage 3	34	25
<i>Of which: individual</i>	26	17
<i>Of which: collective</i>	8	8
Inter-group (1)	301	1,264
Total	15,489	15,533
ECL provisions		
Stage 1	23	24
Stage 2	6	8
Stage 3	17	24
<i>Of which: individual</i>	10	16
<i>Of which: collective</i>	7	8
Inter-group (1)	-	1
Total	46	57
ECL provisions coverage (2)		
Stage 1 (%)	0.15	0.18
Stage 2 (%)	2.27	1.43
Stage 3 (%)	50.00	96.00
Total	0.30	0.39
	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Impairment (releases)/losses		
ECL (release)/charge		
Stage 1	(3)	(2)
Stage 2	-	1
Stage 3	(4)	(4)
<i>Of which: individual</i>	(4)	(2)
<i>Of which: collective</i>	-	(2)
Third party	(7)	(5)
Total	(7)	(5)
Amounts written-off	2	2

(1) NWM Group's intercompany assets were classified in Stage 1. The ECL for these loans was £0.1 million (31 December 2023 – £0.6 million).

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

(3) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. For further details, refer to Financial instruments within the scope of the IFRS 9 ECL framework on page 58 of the NWM Group 2023 Annual Report and Accounts. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £21.1 billion (31 December 2023 – £13.8 billion) and debt securities of £16.5 billion (31 December 2023 – £15.6 billion).

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

Risk and capital management

Credit risk – Banking activities continued (reviewed)

Sector analysis – portfolio summary

The table below shows ECL by stage, and selected sectors 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
Property	20	17	5	42	94	7	-	1	3	4
Financial institutions (1)	13,755	152	-	13,907	6,680	746	19	2	-	21
Sovereign	580	-	-	580	-	-	1	-	-	1
Corporate	535	95	29	659	6,639	16	3	3	14	20
Of which:										
Agriculture	-	-	-	-	1	-	-	-	-	-
Airlines and aerospace	2	-	-	2	295	-	-	-	-	-
Automotive	2	-	-	2	588	-	-	-	-	-
Building materials	4	-	-	4	166	1	-	-	-	-
Chemicals	8	2	-	10	63	-	-	-	-	-
Industrials	30	19	-	49	262	5	1	1	-	2
Land transport and logistics	48	4	-	52	568	-	-	-	-	-
Leisure	3	-	-	3	159	-	-	-	-	-
Mining and metals	-	-	3	3	-	-	-	-	3	3
Oil and gas	2	-	18	20	51	1	-	-	3	3
Power utilities	89	-	-	89	2,662	2	-	-	-	-
Retail	3	-	-	3	194	2	1	-	-	1
Shipping	2	-	-	2	-	-	-	-	-	-
Water and waste	30	13	-	43	34	-	-	-	-	-
Total	14,890	264	34	15,188	13,413	769	23	6	17	46

31 December 2023

Property	19	21	10	50	188	13	-	-	7	7
Financial institutions (1)	12,387	411	-	12,798	8,150	747	19	5	-	24
Sovereign	358	-	-	358	-	-	1	-	-	1
Corporate	922	126	15	1,063	6,507	20	4	3	17	24
Of which:										
Agriculture	1	-	-	1	1	-	-	-	-	-
Airlines and aerospace	23	-	-	23	279	-	-	-	-	-
Automotive	2	-	-	2	601	-	-	-	-	-
Building materials	4	-	4	8	171	1	-	-	2	2
Chemicals	11	-	-	11	67	-	-	-	-	-
Industrials	29	57	-	86	235	5	1	1	-	2
Land transport and logistics	51	5	-	56	311	2	-	-	-	-
Leisure	3	-	-	3	158	-	-	-	-	-
Mining and metals	-	-	3	3	-	-	-	-	3	3
Oil and gas	2	-	1	3	52	1	-	-	3	3
Power utilities	113	-	-	113	2,735	2	-	-	-	-
Retail	5	2	-	7	392	2	-	1	-	1
Shipping	2	-	-	2	-	-	-	-	-	-
Water and waste	30	14	-	44	35	-	-	-	-	-
Total	13,686	558	25	14,269	14,845	780	24	8	24	56

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

Risk and capital management

Credit risk – Banking activities continued (reviewed)

Flow statement

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

- Financial assets include treasury liquidity portfolios, comprising balances at central banks and debt securities, as well as loans. Both modelled and non-modelled portfolios are included.
- Stage transfers (for example, exposures moving from Stage 1 into Stage 2) are a key feature of the ECL movements, with the net re-measurement cost of transitioning to a worse stage being a primary driver of income statement charges. Similarly, there is an ECL benefit for accounts improving stage.
- Changes in risk parameters shows the reassessment of the ECL within a given stage, including any ECL overlays and residual income statement gains or losses at the point of write-off or accounting write-down.
- Other (P&L only items) includes any subsequent changes in the value of written-down assets along with other direct write-off items such as direct recovery costs. Other (P&L only items) affects the income statement but does not affect balance sheet ECL movements.
- Amounts written-off represent the gross asset written-down against accounts with ECL, including the net asset write-down for any debt sale activity.

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
NWM Group								
At 1 January 2024	49,168	24	687	8	24	24	49,879	56
Currency translation and other adjustments	(249)	-	(6)	-	1	(5)	(254)	(5)
Inter-Group transfers	-	-	-	-	-	-	-	-
Transfers from Stage 1 to Stage 2	(399)	(1)	399	1	-	-	-	-
Transfers from Stage 2 to Stage 1	456	3	(456)	(3)	-	-	-	-
Transfers from Stage 3	-	-	-	-	-	-	-	-
Net re-measurement of ECL on stage transfer		(2)		3		-		1
Changes in risk parameters		(5)		(2)		2		(5)
Other changes in net exposure	(329)	4	(227)	(1)	(2)	(2)	(558)	1
Other (P&L only items)		-		-		(4)		(4)
Income statement releases		(3)		-		(4)		(7)
Amounts written-off	-	-	-	-	(2)	(2)	(2)	(2)
Unwinding of discount		-		-		-		-
At 30 June 2024	48,647	23	397	6	21	17	49,065	46
Net carrying amount	48,624		391		4		49,019	
At 1 January 2023	39,875	20	491	8	58	26	40,424	54
2023 movements	1,436	(2)	(158)	(2)	(29)	(1)	1,249	(5)
At 30 June 2023	41,311	18	333	6	29	25	41,673	49
Net carrying amount	41,293		327		4		41,624	

Condensed consolidated income statement

For the half year ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024	30 June 2023
	£m	£m
Interest receivable	1,357	895
Interest payable	(1,120)	(817)
Net interest income	237	78
Fees and commissions receivable	254	186
Fees and commissions payable	(111)	(74)
Income from trading activities	229	251
Other operating income	41	(11)
Non-interest income	413	352
Total income	650	430
Staff costs	(241)	(222)
Premises and equipment	(36)	(31)
Other administrative expenses	(311)	(274)
Depreciation and amortisation	(4)	(7)
Operating expenses	(592)	(534)
Profit/(loss) before impairment releases/losses	58	(104)
Impairment releases	7	5
Operating profit/(loss) before tax	65	(99)
Tax credit/(charge)	18	(49)
Profit/(loss) for the period	83	(148)
Attributable to:		
Ordinary shareholders	40	(183)
Paid-in equity holders	34	35
Non-controlling interests	9	-
	83	(148)

Condensed consolidated statement of comprehensive income

For the half year ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024	30 June 2023
	£m	£m
Profit/(loss) for the period	83	(148)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of retirement benefit schemes	(3)	-
Changes in fair value of financial liabilities designated at fair value through profit or loss (FVTPL) due to changes in credit risk	(26)	(4)
FVOCI financial assets	3	3
Tax	18	(1)
	(8)	(2)
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
FVOCI financial assets	6	4
Cash flow hedges (1)	(73)	(104)
Currency translation	(50)	(144)
Tax	20	(16)
	(97)	(260)
Other comprehensive loss after tax	(105)	(262)
Total comprehensive loss for the period	(22)	(410)
Attributable to:		
Ordinary shareholders	(65)	(445)
Paid-in equity holders	34	35
Non-controlling interests	9	-
	(22)	(410)

(1) Refer to footnote 1 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	21,057	13,831
Trading assets	45,946	45,324
Derivatives	67,565	79,332
Settlement balances	6,226	7,227
Loans to banks - amortised cost	1,139	1,246
Loans to customers - amortised cost	14,055	12,986
Amounts due from holding company and fellow subsidiaries	1,005	1,730
Other financial assets	16,704	15,723
Other assets	640	518
Total assets	174,337	177,917
Liabilities		
Bank deposits	2,968	2,267
Customer deposits	7,695	6,998
Amounts due to holding company and fellow subsidiaries	6,294	5,802
Settlement balances	6,936	6,641
Trading liabilities	53,951	53,623
Derivatives	60,663	71,981
Other financial liabilities	28,975	23,574
Other liabilities	538	653
Total liabilities	168,020	171,539
Owners' equity	6,310	6,380
Non-controlling interests	7	(2)
Total equity	6,317	6,378
Total liabilities and equity	174,337	177,917

Condensed consolidated statement of changes in equity

For the half year 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	400	400
Share premium account - at beginning and end of period	1,946	1,946
Paid-in equity - at beginning and end of period	904	904
Merger reserve - at beginning of period	(14)	-
Amortisation	1	-
At end of period	(13)	-
FVOCI reserve - at beginning of period	13	3
Unrealised gains	9	7
Realised gains	(2)	-
Tax	1	(1)
At end of period	21	9
Cash flow hedging reserve - at beginning of period	(164)	(294)
Amount recognised in equity (1)	(212)	(30)
Amount transferred from equity to earnings	139	(74)
Tax	21	(16)
At end of period	(216)	(414)
Foreign exchange reserve - at beginning of period	100	232
Retranslation of net assets	(66)	(181)
Foreign currency gains on hedges of net assets	19	36
Recycled to profit or loss on disposal of businesses	(3)	1
At end of period	50	88
Retained earnings - at beginning of period	3,195	3,374
Profit/ (loss) attributable to ordinary shareholders and other equity owners	74	(148)
Capital contribution (2)	-	96
Paid-in equity dividends paid	(34)	(35)
Remeasurement of retirement benefit schemes		
- gross	(3)	-
- tax	14	-
Realised gains in period on FVOCI equity shares	2	-
Changes in fair value of financial liabilities designated at FVTPL due to changes in credit risk		
- gross	(26)	(4)
- tax	2	-
Share-based payments	(5)	(19)
Amortisation of merger reserve	(1)	-
At end of period	3,218	3,264
Owners' equity at end of period	6,310	6,197
Non-controlling interests - at beginning of period	(2)	(2)
Profit attributable to non-controlling interests	9	-
At end of period	7	(2)
Total equity at end of period	6,317	6,195
Attributable to:		
Ordinary shareholders	5,406	5,293
Paid-in equity holders	904	904
Non-controlling interests	7	(2)
	6,317	6,195

(1) The change in the cash flow hedging reserve is driven from realised accrued interest transferred into the income statement. This is offset by a loss from an increase in swap rates compared to 31 December 2023. The portfolio of hedging instruments is predominantly receive fixed swaps.

(2) During H1 2023, NatWest Markets invoked a claim against the parent, NatWest Group plc, in respect of a legacy (non-trading) matter which was covered by an indemnity agreement. This resulted in a capital contribution.

Condensed consolidated cash flow statement
For the half year ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Cash flows from operating activities		
Operating profit/(loss) before tax	65	(99)
Adjustments for non-cash and other items	50	263
Net cash flows from trading activities	115	164
Changes in operating assets and liabilities	5,379	7,164
Net cash flows from operating activities before tax	5,494	7,328
Income taxes (paid)/received	(101)	69
Net cash flows from operating activities	5,393	7,397
Net cash flows from investing activities	(665)	(425)
Net cash flows from financing activities	399	(911)
Effects of exchange rate changes on cash and cash equivalents	(346)	(751)
Net increase in cash and cash equivalents	4,781	5,310
Cash and cash equivalents at beginning of period	24,943	26,828
Cash and cash equivalents at end of period	29,724	32,138

Notes

1. Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Markets 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. Non-interest income

	Half year ended	
	30 June 2024	30 June 2023
	£m	£m
Analysis of net fees and commissions		
Fees and commissions receivable		
- Lending and financing	59	39
- Brokerage	22	20
- Underwriting fees	93	71
- Other	80	56
Total	254	186
Fees and commissions payable	(111)	(74)
Net fees and commissions	143	112
Income from trading activities		
Foreign exchange	89	64
Interest rate	225	212
Credit	(78)	(34)
Changes in fair value of own debt and derivative liabilities attributable to own credit risk		
- debt securities in issue and derivative liabilities	(7)	9
	229	251
Other operating income		
Loss on redemption of own debt	-	(14)
Changes in fair value of financial assets and liabilities designated at fair value through profit or loss (1)	(41)	(7)
Changes in fair value of other financial assets and liabilities designated at fair value through profit or loss	4	5
Other income (2)	78	5
	41	(11)
Total	413	352

(1) Includes related derivatives.

(2) Other income includes a new profit share agreement with fellow NatWest Group subsidiaries that commenced in Q4 2023. The profit share arrangement was introduced during the year to reward NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment, 2023 being the first full year with the Commercial & Institutional segment in place. Variable consideration is only recognised to the extent it is considered highly probable that a reversal of the amount of revenue will not occur once the uncertainty is subsequently resolved. In making this assessment, a review of historical performance and forecasts was undertaken to reach the conclusion that it is highly probable that a reversal of revenue will not occur.

Notes

3. Operating expenses

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Salaries	148	130
Bonus awards	60	59
Temporary and contract costs	5	3
Social security costs	23	23
Pension costs	5	7
- defined benefit schemes	(7)	(3)
- defined contribution schemes	12	10
Staff costs	241	222
Premises and equipment	36	31
Depreciation and amortisation	4	7
Other administrative expenses (1,2)	311	274
Administrative expenses	351	312
Operating expenses	592	534

(1) Includes £253 million (30 June 2023 - £258 million) of recharges from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.

(2) Includes litigation and other regulatory costs. Further details are provided in Note 10.

4. Tax

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

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Profit/(loss) before tax	65	(99)
Expected tax (charge)/credit	(16)	23
Losses and temporary differences in period where no deferred tax asset recognised	(1)	-
Foreign profits taxed at other rates	-	(2)
Items not allowed for tax:		
- losses on disposals and write-downs	2	-
- UK Bank Levy	(3)	(2)
- regulatory and legal actions	-	2
Non-taxable items:		
- RPI-related uplift on index-linked gilts	18	6
- other non-taxable items	9	1
Unrecognised losses brought forward and utilised	9	8
Decrease in the carrying value of deferred tax assets in respect of UK losses	-	(3)
Banking surcharge	4	8
Tax on paid-in equity dividends	10	5
Adjustments in respect of prior years	(14)	(95)
Actual tax credit/(charge)	18	(49)

At 30 June 2024, NWM Group has recognised a deferred tax asset of £107 million (31 December 2023 - £55 million) and a deferred tax liability of £36 million (31 December 2023 - £54 million). These amounts include deferred tax assets recognised in respect of trading losses of £49 million (31 December 2023 - £55 million). NWM Group has considered the carrying value of these assets as at 30 June 2024 and concluded that they are recoverable.

Notes

5. Financial instruments - classification

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

	MFVTPL £m	DFV £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Assets						
Cash and balances at central banks				21,057		21,057
Trading assets	45,946					45,946
Derivatives (1)	67,565					67,565
Settlement balances				6,226		6,226
Loans to banks - amortised cost (2)				1,139		1,139
Loans to customers - amortised cost				14,055		14,055
Amounts due from holding company and fellow subsidiaries	71	-	-	880	54	1,005
Other financial assets	47	5	4,415	12,237		16,704
Other assets					640	640
30 June 2024	113,629	5	4,415	55,594	694	174,337

Cash and balances at central banks				13,831		13,831
Trading assets	45,324					45,324
Derivatives (1)	79,332					79,332
Settlement balances				7,227		7,227
Loans to banks - amortised cost (2)				1,246		1,246
Loans to customers - amortised cost				12,986		12,986
Amounts due from holding company and fellow subsidiaries	273	-	-	1,263	194	1,730
Other financial assets	48	5	4,115	11,555		15,723
Other assets					518	518
31 December 2023	124,977	5	4,115	48,108	712	177,917

	Held-for- trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Liabilities					
Bank deposits (3)			2,968		2,968
Customer deposits			7,695		7,695
Amounts due to holding company and fellow subsidiaries	963	-	5,205	126	6,294
Settlement balances			6,936		6,936
Trading liabilities	53,951				53,951
Derivatives (1)	60,663				60,663
Other financial liabilities		3,245	25,730		28,975
Other liabilities (4)			42	496	538
30 June 2024	115,577	3,245	48,576	622	168,020

Bank deposits (3)			2,267		2,267
Customer deposits			6,998		6,998
Amounts due to holding company and fellow subsidiaries	1,028	-	4,696	78	5,802
Settlement balances			6,641		6,641
Trading liabilities	53,623				53,623
Derivatives (1)	71,981				71,981
Other financial liabilities		3,106	20,468		23,574
Other liabilities (4)			48	605	653
31 December 2023	126,632	3,106	41,118	683	171,539

(1) Includes net hedging derivative assets of £51 million (31 December 2023 - £118 million) and net hedging derivative liabilities of £328 million (31 December 2023 - £267 million).

(2) Includes items in the course of collection from other banks of £128 million (31 December 2023 - £92 million).

(3) Includes items in the course of transmission to other banks of £452 million (31 December 2023 - £81 million).

(4) Includes lease liabilities of £39 million (31 December 2023 - £41 million), held at amortised cost.

Notes

5. 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 Markets 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 NatWest Markets Plc's 2023 Annual Report and Accounts.

Fair value hierarchy

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

	30 June 2024				31 December 2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Trading assets								
Loans	-	25,981	229	26,210	-	33,161	209	33,370
Securities	15,097	4,639	-	19,736	8,447	3,493	14	11,954
Derivatives								
Interest rate	-	40,682	573	41,255	1	44,272	670	44,943
Foreign exchange	-	26,035	132	26,167	-	34,143	65	34,208
Other	-	74	69	143	-	73	108	181
Amounts due from holding company and fellow subsidiaries	-	71	-	71	-	273	-	273
Other financial assets								
Loans	-	2	108	110	-	-	111	111
Securities	3,031	1,234	92	4,357	2,905	1,058	94	4,057
Total financial assets held at fair value	18,128	98,718	1,203	118,049	11,353	116,473	1,271	129,097
As % of total fair value assets	15%	84%	1%		9%	90%	1%	
Liabilities								
Amounts due to holding company and fellow subsidiaries	-	963	-	963	-	1,028	-	1,028
Trading liabilities								
Deposits	-	43,935	-	43,935	-	43,113	1	43,114
Debt securities in issue	-	307	-	307	-	706	-	706
Short positions	7,843	1,864	2	9,709	7,936	1,865	2	9,803
Derivatives								
Interest rate	-	34,536	451	34,987	-	37,838	454	38,292
Foreign exchange	-	25,344	67	25,411	-	33,306	58	33,364
Other	-	114	151	265	-	137	188	325
Other financial liabilities								
Deposits	-	1,376	-	1,376	-	1,259	-	1,259
Debt securities in issue	-	1,637	3	1,640	-	1,607	3	1,610
Subordinated liabilities	-	229	-	229	-	237	-	237
Total financial liabilities held at fair value	7,843	110,305	674	118,822	7,936	121,096	706	129,738
As % of total fair value liabilities	7%	92%	1%		6%	93%	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 CLOs, most bank loans, repos and reverse repos, state and municipal obligations, most notes issued, certain money market securities, loan commitments and most 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.
- (3) For an analysis of debt securities held at mandatorily fair value through profit or loss by issuer as well as ratings and derivatives, by type and contract, refer to Risk and capital management - Credit risk.

Notes

5. Financial instruments – valuation continued

Valuation adjustments

When valuing financial instruments in the trading book, adjustments are made to mid-market valuations to cover bid-offer spread, funding and credit risk. These adjustments are presented in the table below. For further information refer to the descriptions of valuation adjustments within 'Financial instruments – valuation' on page 119 of NatWest Markets Plc's 2023 Annual Report and Accounts.

	30 June 2024 £m	31 December 2023 £m
Funding valuation adjustments	(5)	9
Credit valuation adjustments	220	236
Bid-offer	56	70
Product and deal specific	149	104
Total	420	419

- Valuation reserves comprising credit valuation adjustments (CVA), funding valuation adjustment (FVA), bid-offer and product and deal specific reserves, increased to £420 million at 30 June 2024 (31 December 2023 – £419 million).
- The movements in FVA and CVA were driven by a reduction in exposure as interest rates increased. The decrease in bid-offer was driven by risk reduction over the period. Product and deal specific increased following valuation adjustments on specific trades.

Level 3 sensitivities

The table below shows the high and low range of fair value of the level 3 assets and liabilities.

	30 June 2024			31 December 2023		
	Level 3 £m	Favourable £m	Unfavourable £m	Level 3 £m	Favourable £m	Unfavourable £m
Assets						
Trading assets						
Loans	229	-	-	209	-	-
Securities	-	-	-	14	-	-
Derivatives						
Interest rate	573	20	(20)	670	20	(20)
Foreign exchange	132	10	(10)	65	-	-
Other	69	-	-	108	10	(10)
Other financial assets						
Loans	108	-	-	111	-	-
Securities	92	10	(10)	94	10	(10)
Total	1,203	40	(40)	1,271	40	(40)
Liabilities						
Trading liabilities						
Deposits	-	-	-	1	-	-
Short positions	2	-	-	2	-	-
Derivatives						
Interest rate	451	10	(10)	454	10	(10)
Foreign exchange	67	-	-	58	-	-
Other	151	10	(10)	188	10	(10)
Other financial liabilities - debt securities in issue	3	-	-	3	-	-
Total	674	20	(20)	706	20	(20)

Alternative assumptions

Reasonably plausible alternative assumptions of unobservable inputs are determined based on a specified target level of certainty of 90%. Alternative assumptions are determined with reference to all available evidence including consideration of the following: quality of independent pricing information considering consistency between different sources, variation over time, perceived tradability or otherwise of available quotes; consensus service dispersion ranges; volume of trading activity and market bias (e.g. one-way inventory); day 1 profit or loss arising on new trades; number and nature of market participants; market conditions; modelling consistency in the market; size and nature of risk; length of holding of position; and market intelligence.

Notes

5. Financial instruments - valuation continued

Movement in level 3 assets and liabilities

The following table shows the movement in level 3 assets and liabilities.

	Derivatives assets £m	Other trading assets (2) £m	Other financial assets (3) £m	Total assets £m	Derivatives liabilities £m	Other trading liabilities £m	Other financial liabilities £m	Total liabilities £m
At 1 January 2024	843	223	205	1,271	700	3	3	706
Amounts recorded in the income statement (1)	(78)	2	(3)	(79)	(28)	-	-	(28)
Amount recorded in the statement of comprehensive income	-	-	(1)	(1)	-	-	-	-
Level 3 transfers in	7	-	-	7	1	-	-	1
Level 3 transfers out	(2)	(15)	-	(17)	(2)	(1)	-	(3)
Purchases/originations	82	25	2	109	67	1	-	68
Settlements/other decreases	(38)	(7)	-	(45)	(29)	-	-	(29)
Sales	(40)	-	(2)	(42)	(38)	(1)	-	(39)
Foreign exchange and other adjustments	-	1	(1)	-	(2)	-	-	(2)
At 30 June 2024	774	229	200	1,203	669	2	3	674
Amounts recorded in the income statement in respect of balance held at period end: - unrealised	108	-	(2)	106	123	-	-	123

At 1 January 2023	1,023	396	237	1,656	999	1	-	1,000
Amounts recorded in the income statement (1)	(54)	(28)	(1)	(83)	(82)	-	-	(82)
Amount recorded in the statement of comprehensive income	-	-	8	8	-	-	-	-
Level 3 transfers in	4	-	-	4	6	1	-	7
Level 3 transfers out	(2)	(32)	-	(34)	(5)	-	-	(5)
Purchases/originations	86	6	-	92	89	-	-	89
Settlements/other decreases	(20)	(4)	-	(24)	(27)	-	-	(27)
Sales	(92)	(59)	(24)	(175)	(54)	-	-	(54)
Foreign exchange and other adjustments	(1)	(2)	(1)	(4)	(5)	-	-	(5)
At 30 June 2023	944	277	219	1,440	921	2	-	923

Amounts recorded in the income statement in respect of balance held at period end: - unrealised	-	(82)	(1)	(83)	(82)	-	-	(82)
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(1) Net losses on trading assets and liabilities of £48 million (30 June 2023 – nil) were recorded in income from trading activities. Net losses on other instruments of £3 million (30 June 2023 – £1 million losses) were recorded in other operating income and interest income as appropriate.

(2) Other trading assets and other trading liabilities comprise assets and liabilities held at fair value in trading portfolios.

(3) Other financial assets comprise fair value through other comprehensive income, designated as at fair value through profit or loss and other fair value through profit or loss.

Notes

5. 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 £bn	Fair value £bn	Fair value hierarchy level		Items where fair value approximates carrying value £bn
			Level 2 £bn	Level 3 £bn	
30 June 2024					
Financial assets					
Cash and balances at central banks	21.1	21.1	-	-	21.1
Settlement balances	6.2	6.2	-	-	6.2
Loans to banks	1.1	1.1	0.3	-	0.8
Loans to customers	14.1	14.0	1.2	12.8	-
Amounts due from holding company and fellow subsidiaries	0.9	0.9	-	0.2	0.7
Other financial assets - securities	12.2	12.2	4.6	7.6	-

31 December 2023

Financial assets					
Cash and balances at central banks	13.8	13.8	-	-	13.8
Settlement balances	7.2	7.2	-	-	7.2
Loans to banks	1.2	1.2	0.2	0.1	0.9
Loans to customers	13.0	13.0	1.6	11.4	-
Amounts due from holding company and fellow subsidiaries	1.3	1.3	-	1.2	0.1
Other financial assets - securities	11.6	11.5	0.9	10.6	-

30 June 2024

Financial liabilities					
Bank deposits	3.0	3.0	-	2.5	0.5
Customer deposits	7.7	7.8	0.3	7.4	0.1
Amounts due to holding company and fellow subsidiaries	5.2	5.3	4.7	0.6	-
Settlement balances	6.9	6.9	-	-	6.9
Other financial liabilities - debt securities in issue	25.7	25.5	21.4	4.1	-

31 December 2023

Financial liabilities					
Bank deposits	2.3	2.3	0.5	1.7	0.1
Customer deposits	7.0	7.0	0.4	6.5	0.1
Amounts due to holding company and fellow subsidiaries	4.7	4.7	4.1	0.6	-
Settlement balances	6.6	6.6	-	-	6.6
Other financial liabilities - debt securities in issue	20.4	20.2	16.5	3.7	-

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, and customer demand deposits, carrying value is deemed a reasonable approximation of fair value.

Loans to banks and customers

In estimating the fair value of net loans to customers and banks measured at amortised cost, NWM Group's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. 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 values of deposits are estimated using discounted cash flow valuation techniques.

Notes

6. Trading assets and liabilities

Trading assets and liabilities comprise assets and liabilities held at fair value in trading portfolios.

	30 June 2024 £m	31 December 2023 £m
Assets		
Loans		
Reverse repos	18,245	23,694
Collateral given	7,478	8,914
Other loans	487	762
Total loans	26,210	33,370
Securities		
Central and local government		
- UK	5,170	2,729
- US	5,507	2,600
- Other	4,646	3,062
Financial institutions and corporate	4,413	3,563
Total securities	19,736	11,954
Total	45,946	45,324
Liabilities		
Deposits		
Repos	29,321	26,902
Collateral received	13,814	15,062
Other deposits	800	1,150
Total deposits	43,935	43,114
Debt securities in issue	307	706
Short positions		
Central and local government		
- UK	2,515	1,893
- US	813	2,071
- Other	4,836	4,049
Financial institutions and corporate	1,545	1,790
Total short positions	9,709	9,803
Total	53,951	53,623

Notes

7. Loan impairment provisions

Portfolio summary

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

	30 June 2024 £m	31 December 2023 £m
Loans - amortised cost and fair value through other comprehensive income (FVOCI)		
Stage 1	14,890	13,686
Stage 2	264	558
Stage 3	34	25
<i>Of which: individual</i>	26	17
<i>Of which: collective</i>	8	8
Inter-group (1)	301	1,264
Total	15,489	15,533
ECL provisions		
Stage 1	23	24
Stage 2	6	8
Stage 3	17	24
<i>Of which: individual</i>	10	16
<i>Of which: collective</i>	7	8
Inter-group	-	1
Total	46	57
ECL provisions coverage (2)		
Stage 1 (%)	0.15	0.18
Stage 2 (%)	2.27	1.43
Stage 3 (%)	50.00	96.00
Inter-group (%)	-	0.08
Total	0.30	0.39
	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Impairment losses		
ECL charge/(release)		
Stage 1	(3)	(2)
Stage 2	-	1
Stage 3	(4)	(4)
<i>Of which: individual</i>	(4)	(2)
<i>Of which: collective</i>	-	(2)
Third party	(7)	(5)
Inter-group	-	—
Total	(7)	(5)
Amounts written-off	2	2

(1) NWM Group's intercompany assets were classified in Stage 1. The ECL for these loans was £0.1 million (31 December 2023 – £1 million).

(2) ECL provisions coverage is calculated as ECL provisions divided by loans – amortised cost and FVOCI. It is calculated on third party loans and total ECL provisions.

(3) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. For further details, refer to Financial instruments within the scope of the IFRS 9 ECL framework on page 58 of the NatWest Markets Plc 2023 Annual Report and Accounts. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £21.1 billion (31 December 2023 – £13.8 billion) and debt securities of £16.5 billion (31 December 2023 – £15.6 billion).

Notes

8. Provisions for liabilities and charges

	Litigation and other regulatory £m	Other (1) £m	Total £m
At 1 January 2024	141	39	180
Currency translation and other movements	2	(3)	(1)
Charge to income statement	10	7	17
Release to income statement	(19)	-	(19)
Provisions utilised	(17)	(2)	(19)
At 30 June 2024	117	41	158

(1) Materially comprises provisions relating to restructuring costs.

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

9. 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 the NWM Group is exposed to credit risk in the event of a customer's failure to meet its obligations, the amounts shown do not, and are not intended to, provide any indication of NWM Group's expectation of future losses.

	30 June 2024 £m	31 December 2023 £m
Contingent liabilities and commitments		
Guarantees	768	754
Other contingent liabilities	17	26
Standby facilities, credit lines and other commitments	13,468	14,690
Total	14,253	15,470

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

Risk-sharing arrangements

NWM Plc and NWM N.V. have limited risk-sharing arrangements in place to facilitate the smooth provision of services to NatWest Markets' customers. The arrangements, which NWM Plc recognises as financial guarantees within Amounts due to subsidiaries, include:

- The provision of a funded guarantee of up to £0.85 billion by NWM Plc to NWM N.V. that limits certain NWM N.V.'s exposures to large individual customer credits. Funding is provided by NWM Plc deposits placed with NWM N.V. of not less than the guaranteed amount. At 30 June 2024 the deposits amounted to £0.5 billion and the guaranteed fees in the period were £1.8 million.
- The provision of funded and unfunded guarantees by NWM Plc in respect of NWM N.V.'s legacy portfolio. At 30 June 2024 the exposure at default covered by the guarantees was approximately £0.2 billion (of which none was cash collateralised). Fees of £0.4 million in relation to the guarantees were recognised in the period.

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 NWB Plc transferring businesses and ring-fenced bank obligations and NWB Plc is indemnified by NWM Plc against losses relating to NWM Plc transferring businesses and non-ring-fenced bank obligations with effect from the relevant transfer date.

Notes

10. Litigation and regulatory matters

NWM Plc and its subsidiary and associated undertakings (NWM Group) are party to various legal proceedings and are involved in, or subject to, various regulatory matters, including as the subject of investigations and other regulatory and governmental action (Matters) in the United Kingdom (UK), the United States (US), the European Union (EU) and other jurisdictions.

NWM Group recognises a provision for a liability in relation to these Matters when it is probable that an outflow of economic benefits will be required to settle an obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

In many of the Matters, it is not possible to determine whether any loss is probable, or to estimate reliably the amount of any loss, either as a direct consequence of the relevant proceedings and regulatory matters or as a result of adverse impacts or restrictions on NWM Group's reputation, businesses and operations. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and document production exercises and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before the probability of a liability, if any, arising can reasonably be estimated in respect of any Matter. NWM Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, damages, fine, penalty or other relief, if any, may be, particularly for Matters that are at an early stage in their development or where claimants seek substantial or indeterminate damages.

There are situations where NWM Group may pursue an approach that in some instances leads to a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, or in order to take account of the risks inherent in defending or contesting Matters, even for those for which NWM Group believes it has credible defences and should prevail on the merits. The uncertainties inherent in all Matters affect the amount and timing of any potential economic outflows for both Matters with respect to which provisions have been established and other contingent liabilities in respect of any such Matter.

It is not practicable to provide an aggregate estimate of potential liability for our Matters as a class of contingent liabilities.

The future economic outflow in respect of any Matter may ultimately prove to be substantially greater than, or less than, the aggregate provision, if any, that NWM Group has recognised in respect of such Matter. Where a reliable estimate of the economic outflow cannot be reasonably made, no provision has been recognised. NWM Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NWM Group will be necessary, in amounts that are expected to be substantial in some instances. Refer to Note 8 for information on material provisions.

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

For a discussion of certain risks associated with NWM Group's litigation and regulatory matters (including the Matters), refer to the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on pages 185 to 186 of the NatWest Markets Plc 2023 Annual Report and Accounts.

Litigation

London Interbank Offered Rate (LIBOR) and other rates litigation

NWM Plc and certain other members of NatWest Group, including NatWest Group plc, are defendants in a number of claims pending in the United States District Court for the Southern District of New York (SDNY) with respect to the setting of USD LIBOR. The complainants allege that the NWM Group defendants and other panel banks violated various federal laws, including the US commodities and antitrust laws, and state statutory and common law, as well as contracts, by manipulating LIBOR and prices of LIBOR-based derivatives in various markets through various means.

Several purported class actions relating to USD LIBOR, as well as more than a dozen non-class actions concerning USD LIBOR and involving NWM Group companies, are part of a co-ordinated proceeding in the SDNY. The class actions include claims on behalf of persons who purchased LIBOR-linked instruments from defendants, bonds issued by defendants, persons who transacted futures and options on exchanges, and lenders who made LIBOR-based loans. The coordinated proceeding is currently in the discovery phase.

In March 2024, NatWest Group companies reached an agreement, which remains subject to final court approval, to settle the USD LIBOR class action that asserts claims on behalf of lenders who made LIBOR based loans. In April 2024, NatWest Group companies reached an agreement, which remains subject to final court approval, to settle the USD LIBOR class action that asserts claims on behalf of persons who transacted futures and options on exchanges. The settlement amounts are covered in full by existing provisions.

Notes

10. Litigation and regulatory matters continued

The non-class claims filed in the SDNY include claims that the Federal Deposit Insurance Corporation (FDIC) is asserting on behalf of certain failed US banks. In July 2017, the FDIC, on behalf of 39 of those failed US banks, commenced substantially similar claims against NWM Plc, NatWest Group plc and others in the High Court of Justice of England and Wales. The action alleges collusion with regard to the setting of USD LIBOR and that the defendants breached UK and European competition law, as well as asserting common law claims of fraud under US law. The defendant banks consented to a request by the FDIC for discontinuance of the claim in respect of 20 failed US banks, leaving 19 failed US banks as claimants. The trial is currently anticipated to commence in Q1 2026.

In addition to the USD LIBOR cases described above, there is a class action relating to derivatives allegedly tied to JPY LIBOR and Euroyen TIBOR, which was dismissed by the SDNY in relation to NWM Plc and other NatWest Group companies in September 2021. That dismissal may be the subject of a future appeal.

Two other IBOR-related class actions involving NWM Plc, concerning alleged manipulation of Euribor and Pound Sterling LIBOR, were previously dismissed by the SDNY for various reasons. The plaintiffs' appeals in those two cases remain pending.

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

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.

NWM Plc is also named as a defendant in a motion to certify a class action relating to LIBOR in the Tel Aviv District Court in Israel. NWM Plc filed a motion for cancellation of service outside the jurisdiction, which was granted in July 2020. The claimants appealed that decision and in November 2020 the appeal was refused and the claim dismissed by the Appellate Court. The claim could in future be recommenced depending on the outcome of an appeal to Israel's Supreme Court in respect of the dismissal of the substantive case against banks that had a presence in Israel.

Foreign exchange litigation

NWM Plc, NWMSI and/or NatWest Group plc are defendants in several cases relating to NWM Plc's foreign exchange (FX) business.

An FX-related class action, on behalf of 'consumers and end-user businesses', was proceeding in the SDNY against NWM Plc and others. In March 2023, the court granted summary judgment in favour of the defendants, dismissing the plaintiffs' claims. The plaintiffs appealed that decision but the appeal was denied by the United States Court of Appeals for the Second Circuit (US Court of Appeals), subject to potential review by the United States Supreme Court.

In May 2019, a cartel class action was filed in the Federal Court of Australia against NWM Plc and four other banks on behalf of persons who bought or sold currency through FX spots or forwards between 1 January 2008 and 15 October 2013 with a total transaction value exceeding AUD 0.5 million. The claimant has alleged that the banks, including NWM Plc, contravened Australian competition law by sharing information, coordinating conduct, widening spreads and manipulating FX rates for certain currency pairs during this period. NatWest Group plc and NWMSI have been named in the action as 'other cartel participants', but are not respondents. The claim was served in June 2019 and NWM Plc filed its defence in March 2022. The court has ordered that potential class members are required to either opt out of the proceedings or register to be included in or benefit from any potential settlement of the claim.

In July and December 2019, two separate applications seeking opt-out collective proceedings orders were filed in the UK Competition Appeal Tribunal (CAT) against NatWest Group plc, NWM Plc and other banks. Both applications were brought on behalf of persons who, between 18 December 2007 and 31 January 2013, entered into a relevant FX spot or outright forward transaction in the European Economic Area with a relevant financial institution or on an electronic communications network. In March 2022, the CAT declined to certify as collective proceedings either of the applications, which was appealed by the applicants and the subject of an application for judicial review.

In its amended judgment in November 2023, the Court of Appeal allowed the appeal and decided that the claims should proceed on an opt-out basis. Separately, the court determined which of the two competing applicants can proceed as class representative, and dismissed the application for judicial review of the CAT's decision. The other applicant has discontinued its claim and withdrawn from the proceedings. The banks sought permission to appeal the Court of Appeal decision directly to the UK Supreme Court, which was granted in April 2024.

Notes

10. Litigation and regulatory matters continued

Two motions to certify FX-related class actions were filed in the Tel Aviv District Court in Israel in September and October 2018, and were subsequently consolidated into one motion. The consolidated motion to certify, which names The Royal Bank of Scotland plc (now NWM Plc) and several other banks as defendants, was served on NWM Plc in May 2020. The applicants sought the court's permission to amend their motions to certify the class actions. NWM Plc filed a motion challenging the permission granted by the court for the applicants to serve the consolidated motion outside the Israeli jurisdiction. That NWM Plc motion remains pending. In February 2024, NWM Plc executed an agreement to settle the claim, subject to court approval. The settlement amount is covered in full by an existing provision.

In December 2021, a summons was served in the Netherlands against NatWest Group plc, NWM Plc and NWM N.V. by Stichting FX Claims on behalf of a number of parties, seeking declarations from the court concerning liability for anti-competitive FX market conduct described in decisions of the European Commission (EC) of 16 May 2019, along with unspecified damages. The claimant amended its claim to also refer to a 2 December 2021 decision by the EC, which described anti-competitive FX market conduct. NatWest Group plc, NWM Plc and other defendants contested the jurisdiction of the Dutch court. In March 2023, the district court in Amsterdam accepted that it has jurisdiction to hear claims against NWM N.V. but refused jurisdiction to hear any claims against the other defendant banks (including NatWest Group plc and NWM Plc) brought on behalf of the parties represented by the claimant that are domiciled outside of the Netherlands. The claimant is appealing that decision. The defendant banks have brought cross-appeals which seek a ruling that the Dutch court has no jurisdiction to hear any claims against the defendant banks domiciled outside of the Netherlands, irrespective of whether the claim has been brought on behalf of a party represented by the claimant that is domiciled within or outside of the Netherlands. The Amsterdam Court of Appeal has stayed these appeal proceedings until the Court of Justice of the European Union has answered preliminary questions that have been referred to it in another matter.

In September 2023, second summonses were served by Stichting FX Claims on NWM N.V., NatWest Group plc and NWM Plc, for claims on behalf of a new group of parties that have been brought before the district court in Amsterdam. The summonses seek declarations from the Dutch court concerning liability for anti-competitive FX market conduct described in the above referenced decisions of the EC of 16 May 2019 and 2 December 2021, along with unspecified damages. NatWest Group plc, NWM Plc and other defendants are contesting the Dutch court's jurisdiction. The district court has stayed proceedings pending judgment in the above-mentioned appeals.

In May 2024, a new letter of claim was received from Stichting FX Claims on behalf of a further group of parties, containing allegations that are similar in nature to those contained in the above-mentioned claims.

Certain other foreign exchange transaction related claims have been or may be threatened. NWM Group cannot predict whether all or any of these claims will be pursued.

Government securities antitrust litigation

Class action antitrust claims commenced in March 2019 are pending in the SDNY against NWM Plc, NWMSI and other banks in respect of Euro-denominated bonds issued by various European central banks (European government bonds or EGBs). The complaint alleges a conspiracy among dealers of EGBs to widen the bid-ask spreads they quoted to customers, thereby increasing the prices customers paid for the EGBs or decreasing the prices at which customers sold EGBs. The class consists of those who purchased or sold EGBs in the US between 2007 and 2012. Previously, in March 2022, the SDNY dismissed the claims against NWM Plc and NWMSI on the ground that the complaint's conspiracy allegations were insufficient. However, in September 2023, the SDNY ruled that new allegations which plaintiffs have included in an amended complaint are sufficient to bring those NatWest entities back into the case as defendants.

In March 2024, NatWest Group companies reached an agreement, subject to court approval, to settle the class action. The settlement amount is covered in full by an existing provision.

Swaps antitrust litigation

NWM Plc, NWMSI and NatWest Group plc, as well as a number of other interest rate swap dealers, are defendants in several cases pending in the SDNY alleging violations of the US antitrust laws in the market for interest rate swaps. There is a consolidated class action complaint on behalf of persons who entered into interest rate swaps with the defendants, as well as non-class action claims by three swap execution facilities (TeraExchange, Javelin, and trueEx). The plaintiffs allege that the swap execution facilities would have successfully established exchange-like trading of interest rate swaps if the defendants had not unlawfully conspired to prevent that from happening through boycotts and other means. Discovery in the non-class action claims is complete. In March 2024, NatWest Group companies reached an agreement to settle the class action, which remains subject to court approval. The settlement amount is covered in full by an existing provision.

Notes

10. Litigation and regulatory matters continued

In June 2021, a class action antitrust complaint was filed against a number of credit default swap dealers, in New Mexico federal court on behalf of persons who, from 2005 onwards, settled credit default swaps in the United States by reference to the ISDA credit default swap auction protocol. The complaint alleges that the defendants conspired to manipulate that benchmark through various means in violation of the antitrust laws and the Commodity Exchange Act. The defendants filed a motion to dismiss the complaint and, in June 2023, such motion was denied as regards to NWMSI and other financial institutions, but granted as regards to NWM Plc on the ground that the court lacks jurisdiction over that entity. As a result, the case entered the discovery phase as against the non-dismissed defendants. In January 2024, the SDNY issued an order barring the plaintiffs in the New Mexico case from pursuing claims based on conduct occurring before 30 June 2014 on the ground that such claims were extinguished by a 2015 settlement agreement that resolved a prior class action relating to credit default swaps. The SDNY's decision is the subject of a pending appeal to the US Court of Appeals.

Odd lot corporate bond trading antitrust litigation

In July 2024, the US Court of Appeals vacated the SDNY's October 2021 dismissal of the class action antitrust complaint alleging that from August 2006 onwards various securities dealers, including NWMSI, conspired artificially to widen spreads for odd lots of corporate bonds bought or sold in the United States secondary market and to boycott electronic trading platforms that would have allegedly promoted pricing competition in the market for such bonds. The appellate court held that the district judge who made the decision should not have been presiding over the case because a member of the judge's family had owned stock in one of the defendants while the motion was pending. The case will now return to the SDNY where the defendants will seek dismissal by a different district court judge.

Spoofing litigation

In December 2021, three substantially similar class actions complaints were filed in federal court in the United States against NWM Plc and NWMSI alleging Commodity Exchange Act and common law unjust enrichment claims arising from manipulative trading known as spoofing. The complaints refer to NWM Plc's December 2021 spoofing-related guilty plea (described below under "US investigations relating to fixed-income securities") and purport to assert claims on behalf of those who transacted in US Treasury securities and futures and options on US Treasury securities between 2008 and 2018. In July 2022, defendants filed a motion to dismiss these claims, which have been consolidated into one matter in the United States District Court for the Northern District of Illinois.

Madoff

NWM N.V. was named as a defendant in two actions filed by the trustee for the bankrupt estates of Bernard L. Madoff and Bernard L. Madoff Investment Securities LLC, in bankruptcy court in New York, which together seek to clawback more than US\$298 million that NWM N.V. allegedly received from certain Madoff feeder funds and certain swap counterparties. The claims were previously dismissed, but as a result of an August 2021 decision by the US Court of Appeals, they are now proceeding in the discovery phase in the bankruptcy court, where they have been consolidated into one action.

US Anti-Terrorism Act litigation

NWM N.V. and certain other financial institutions are defendants in several actions filed by a number of US nationals (or their estates, survivors, or heirs), most of whom are or were US military personnel, who were killed or injured in attacks in Iraq between 2003 and 2011. NWM Plc is also a defendant in some of these cases. According to the plaintiffs' allegations, the defendants are liable for damages arising from the attacks because they allegedly conspired with and/or aided and abetted Iran and certain Iranian banks to assist Iran in transferring money to Hezbollah and the Iraqi terror cells that committed the attacks, in violation of the US Anti-Terrorism Act, by agreeing to engage in 'stripping' of transactions initiated by the Iranian banks so that the Iranian nexus to the transactions would not be detected.

The first of these actions, alleging conspiracy claims but not aiding and abetting claims, was filed in the United States District Court for the Eastern District of New York in November 2014. In September 2019, the district court dismissed the case, finding that the claims were deficient for several reasons, including lack of sufficient allegations as to the alleged conspiracy and causation. In January 2023, the US Court of Appeals affirmed the district court's dismissal of this case. The plaintiffs have now filed a motion in the district court to re-open the case to assert aiding and abetting claims that they previously did not assert, which the defendants are opposing. Another action, filed in the SDNY in 2017, which asserted both conspiracy and aiding and abetting claims, was dismissed by the SDNY in March 2019 on similar grounds as the first case, but remains subject to appeal to the US Court of Appeals. Other follow-on actions that are substantially similar to those described above are pending in the same courts.

Notes

10. Litigation and regulatory matters continued

1MDB litigation

A Malaysian court claim was served in Switzerland in November 2022 by 1MDB, a sovereign wealth fund, in which Coutts & Co Ltd was named, along with six others, as a defendant in respect of losses allegedly incurred by 1MDB. It is claimed that Coutts & Co Ltd is liable as a constructive trustee for having dishonestly assisted the directors of 1MDB in the breach of their fiduciary duties by failing (amongst other alleged claims) to undertake due diligence in relation to a customer of Coutts & Co Ltd, through which funds totalling c.US\$1 billion were received and paid out between 2009 and 2011. 1MDB seeks the return of that amount plus interest. Coutts & Co Ltd filed an application in January 2023 challenging the validity of service and the Malaysian court's jurisdiction to hear the claim, and a hearing took place in February 2024. In March 2024, the court granted that application. 1MDB filed an appeal in April 2024.

Coutts & Co Ltd (a subsidiary of RBS Netherlands Holdings B.V., which in turn is a subsidiary of NWM Plc) is a company registered in Switzerland and is in wind-down following the announced sale of its business assets in 2015.

Regulatory matters

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

Any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, other action being taken by governmental and regulatory authorities, increased costs being incurred by NWM Group, remediation of systems and controls, public or private censure, restriction of NWM Group's business activities and/or fines. Any of the events or circumstances mentioned in this paragraph or below could have a material adverse effect on NWM Group, its business, authorisations and licences, reputation, results of operations or the price of securities issued by it, or lead to material additional provisions being taken.

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

US investigations relating to fixed-income securities

In December 2021, NWM Plc pled guilty in the United States District Court for the District of Connecticut to one count of wire fraud and one count of securities fraud in connection with historical spoofing conduct by former employees in US Treasuries markets between January 2008 and May 2014 and, separately, during approximately three months in 2018. The 2018 trading occurred during the term of a non-prosecution agreement (NPA) between NWMSI and the United States Attorney's Office for the District of Connecticut (USAO CT), under which non-prosecution was conditioned on NWMSI and affiliated companies not engaging in criminal conduct during the term of the NPA. The relevant trading in 2018 was conducted by two NWM traders in Singapore and breached that NPA. The plea agreement reached with the US Department of Justice (DOJ) and the USAO CT resolved both the spoofing conduct and the breach of the NPA.

As required by the resolution and sentence imposed by the court, NWM Plc is subject to a probationary period until the conclusion of the independent monitorship, which is also required under the plea agreement. In addition, NWM Plc has committed to compliance programme reviews and improvements and agreed to reporting and co-operation obligations.

In the event that NWM Plc does not meet its obligations to the DOJ, this may lead to adverse consequences such as increased costs from any extension of monitorship and/or the period of the probation, findings that NWM Plc violated its probation term and possible re-sentencing, amongst other consequences. Other material adverse collateral consequences may occur as a result of this matter, as further described in the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on pages 185 to 186 of the NatWest Markets Plc 2023 Annual Report and Accounts.

11. 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%.

NWM 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

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

Other related parties

(a) In their roles as providers of finance, NWM Group companies provide development and other types of capital support to businesses.

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

(c) NWM Group is recharged from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.

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

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

Notes

11. Related party transactions continued

Amounts due to/from holding company and fellow subsidiaries

NWM Group's financial assets and liabilities include amounts due from/to the holding company and fellow subsidiaries as below:

	30 June 2024			31 December 2023		
	Holding company £m	Fellow subsidiaries £m	Total £m	Holding company £m	Fellow subsidiaries £m	Total £m
Assets						
Trading assets	-	70	70	-	273	273
Loans to banks - amortised cost	-	284	284	-	1,246	1,246
Loans to customers - amortised cost	17	-	17	17	-	17
Settlement balances	-	578	578	-	-	-
Other assets	-	56	56	-	194	194
Amounts due from holding company and fellow subsidiaries	17	988	1,005	17	1,713	1,730
Derivatives (1)	813	386	1,199	761	537	1,298
Liabilities						
Bank deposits - amortised cost	-	548	548	-	537	537
Customer deposits - amortised cost	-	48	48	-	55	55
Trading liabilities	785	178	963	735	293	1,028
Other financial liabilities - subordinated liabilities	1,101	-	1,101	1,022	-	1,022
MREL instruments issued to NatWest Group plc	3,504	-	3,504	3,070	-	3,070
Other liabilities	17	113	130	17	73	90
Amounts due to holding company and fellow subsidiaries	5,407	887	6,294	4,844	958	5,802
Derivatives (1)	65	230	295	84	260	344

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

12. Post balance sheet events

Other than as disclosed in this document, there have been no other 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.

13. Date of approval

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

Independent review report to NatWest Markets Plc

Conclusion

We have been engaged by NatWest Markets 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 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 13 and the Risk and capital management disclosures for those identified as within the scope of our review (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 Markets 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 NWM 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 165 to 186 of the NatWest Markets Plc 2023 Annual Report and Accounts and pages 16 to 49 of the NWM Plc Registration Document dated 18 March 2024 (as supplemented and amended from time to time). Any of the risks identified may have a material adverse effect on NWM Group's business, operations, financial condition or prospects.

Economic and political risk

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

Business change and execution risk

- NWM Group has been in a period of significant structural and other change, including as a result of NatWest Group's strategy and NatWest Group's creation of its C&I business segment (of which NWM Group forms part) and may continue to be subject to significant structural and other change.
- The transfer of NatWest Group's Western European corporate portfolio involves certain risks.

Financial resilience risk

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

NatWest Markets Plc Summary Risk Factors

Summary of Principal risks and uncertainties continued

Climate and sustainability-related risks

- NWM Group and its value chain face climate-related and sustainability-related risk that may adversely affect NWM Group.
- Climate-related risks may adversely affect the global financial system, NWM Group or its value chain.
- NWM Group and its value chain may face other sustainability-related risks that may adversely affect NWM 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 NWM Group.
- Increasing levels of climate and other sustainability-related laws, regulation and oversight may adversely affect NWM Group.
- Increasing regulation of "greenwashing" is likely to increase the risk of regulatory enforcement and investigation and litigation.
- NWM 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 or NWM Group could have a negative impact on NatWest Group's or NWM Group's reputation and on investors' risk appetite and customers' willingness to deal with NatWest Group or NWM Group.

Operational and IT resilience risk

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

Legal, regulatory and conduct risk

- NWM Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM Group.
- NWM Group is exposed to the risks of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM Group.
- Changes in tax legislation or failure to generate future taxable profits may impact the recoverability of certain deferred tax assets recognised by NWM 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 IAS 34 'Interim Financial Reporting', as adopted by the UK and as issued by the International Accounting Standards Board (IASB);
- 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

Frank Dangeard
Chairman

Robert Begbie
Chief Executive Officer

Simon Lowe
Chief Financial Officer

25 July 2024

Board of directors

Chairman

Frank Dangeard

Executive directors

Robert Begbie
Simon Lowe

Non-executive directors

Vivek Ahuja
Tamsin Rowe
Anne Simpson
Sabrina Wilson

Non-IFRS financial measures

NWM Group prepares its financial statements in accordance with IFRS as issued by the IASB which constitutes a body of generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP or non-IFRS financial measures. These measures are adjusted for certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. These non-IFRS measures are not measures within the scope of IFRS and are not a substitute for IFRS measures. These measures include:

- Management analysis of operating expenses shows litigation and conduct costs on a separate line. These amounts are included within staff costs and other administrative expenses in the statutory analysis. Other operating expenses excludes litigation and conduct costs which are more volatile and may distort comparisons with prior periods.
- Funded assets are defined as total assets less derivative assets. This measure allows review of balance sheet trends exclusive of the volatility associated with derivative fair values.
- Management view of income by business including shared revenue and before own credit adjustments. This measure is used to show underlying income generation in NatWest Markets excluding the impact of own credit adjustments.
- Revenue share refers to income generated by NatWest Markets products from customers that have their primary relationship with other NatWest Group subsidiaries, a proportion of which is shared between NatWest Markets and those subsidiaries.
- Transfer Pricing arrangements with fellow NatWest Group subsidiaries includes revenue share and a profit share arrangement with fellow NatWest Group subsidiaries. The profit share arrangement was introduced during 2023 to reward NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment, 2023 being the first full year with the Commercial & Institutional segment in place. The profit share is not allocated to individual NatWest Markets product areas.
- Own credit adjustments are applied to positions where it is believed that the counterparties would consider NWM Group's creditworthiness when pricing trades. The fair value of certain issued debt securities, including structured notes, is adjusted to reflect the changes in own credit spreads and the resulting gain or loss recognised in income.

Non-IFRS financial measures

Operating expenses – management view

	Half year ended					
	30 June 2024			30 June 2023		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m	£m	£m	£m
Staff costs	14	227	241	4	218	222
Premises and equipment	-	36	36	-	31	31
Depreciation and amortisation	-	4	4	-	7	7
Other administrative expenses	24	287	311	(12)	286	274
Total	38	554	592	(8)	542	534

	Quarter ended		
	30 June 2024		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m
Staff costs	7	110	117
Premises and equipment	-	19	19
Depreciation and amortisation	-	2	2
Other administrative expenses	32	167	199
Total	39	298	337

	Quarter ended		
	31 March 2024		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m
Staff costs	6	118	124
Premises and equipment	-	17	17
Depreciation and amortisation	-	2	2
Other administrative expenses	(7)	119	112
Total	(1)	256	255

	Quarter ended		
	30 June 2023		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m
Staff costs	3	106	109
Premises and equipment	-	16	16
Depreciation and amortisation	-	4	4
Other administrative expenses	(19)	139	120
Total	(16)	265	249

Additional Information

Presentation of information

NatWest Markets Plc (NWM Plc) is a wholly owned subsidiary of NatWest Group plc or 'the ultimate holding company'. The NatWest Markets Group (NWM Group) comprises NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' or 'we' refers to NatWest Group plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NatWest Holdings Limited (NWH) and its subsidiary and associated undertakings. The term 'NatWest Bank Plc' or 'NWB Plc' refers to National Westminster Bank Plc.

NWM Plc publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling ('GBP'), respectively, and references to 'pence' represent pence in the United Kingdom ('UK'). 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, and references to 'cents' represent cents in the US. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively, and references to 'cents' represent cents in the European Union ('EU').

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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Investor Relations

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Forward-looking statements

Cautionary statement regarding forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include 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. In particular, this document includes forward-looking targets and guidance relating to financial performance measures, such as income growth, operating expense, cost reductions, impairment loss rates, balance sheet reduction, including the reduction of RWAs, CET1 ratio (and key drivers of the CET1 ratio, including timing, impact and details), Pillar 2 and other regulatory buffer requirements and MREL and non-financial performance measures, such as climate and sustainability-related performance ambitions, targets and metrics, including in relation to initiatives to transition to a net zero economy, Climate and Sustainable Funding and Financing (CSFF) and financed emissions. In addition, this document includes forward-looking statements relating, but not limited to: planned cost reductions, disposal losses and strategic costs; implementation of NatWest Group's and NWM Group's strategy (including in relation to investment programmes relating to digital transformation of their operations and services and inorganic opportunities); the timing and outcome of litigation and government and regulatory investigations; funding plans and credit risk profile; managing its capital position; liquidity ratio; portfolios; net interest margin; and drivers related thereto; lending and income growth, product share and growth in target segments; impairments and write-downs; restructuring and remediation costs and charges; NWM Group's exposure to political risk, economic assumptions and risk, climate, environmental and sustainability risk, operational risk, conduct risk, financial crime risk, cyber, data and IT risk and credit rating risk and to various types of market risk, including interest rate risk, foreign exchange rate risk and commodity and equity price risk; customer experience, including our Net Promoter Score (NPS); employee engagement and gender balance in leadership positions.

Limitations inherent to forward-looking statements

These statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's and NWM Group's strategy or operations, which may result in NWM Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future results, gains or losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein, whether to reflect any change in our expectations with regard thereto, any change in events, conditions or circumstances on which any such statement is based, or otherwise, except to the extent legally required.

Important factors that could affect the actual outcome of the forward-looking statements

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements described in this document. These factors include, but are not limited to, those set forth in the risk factors and the other uncertainties described in NatWest Markets Plc's Annual Report and its other public filings. The principal risks and uncertainties that could adversely affect NWM Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, include, but are not limited to: economic and political risk (including in respect of: economic and political risks and uncertainties in the UK and global markets, including as a result of GDP growth, 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 and foreign currency exchange rates; uncertainty regarding the effects of Brexit; and HM Treasury's ownership of NatWest Group plc); business change and execution risk (including in respect of: NatWest Group's strategy and NatWest Group's creation of its Commercial & Institutional franchise (of which NWM Group forms part); financial resilience risk (including in respect of: NWM Group's ability to meet targets, generate returns or implement its strategy effectively; prudential regulatory requirements for capital and MREL; NWM Group's reliance on access to capital markets directly or indirectly through its parent (NatWest Group); capital, funding and liquidity risk; reductions in the credit ratings; the competitive environment; the requirements of regulatory stress tests; counterparty and borrower risk; model risk; sensitivity to accounting policies, judgments, estimates and assumptions (and the economic, climate, competitive and other forward looking information affecting those judgments, estimates and assumptions); changes in applicable accounting standards; the adequacy of NatWest Group's resolution plans; and the application of UK statutory stabilisation or resolution powers to NatWest Group); climate and sustainability risk (including in respect of: risks relating to climate change and sustainability-related risks; both the execution and reputational risk relating to NatWest Group's climate change-related strategy, ambitions, targets and transition plan; climate and sustainability-related data and model risk; the failure to implement climate change resilient governance, procedures, systems and controls; increasing levels of climate, environmental, human rights and other sustainability-related laws, regulation and oversight; climate, environmental, human rights and other sustainability-related litigation, enforcement proceedings, investigations and conduct risk; and reductions in ESG ratings); operational and IT resilience risk (including in respect of: operational risks (including reliance on third party suppliers); cyberattacks; the accuracy and effective use of data; attracting, retaining and developing senior management and skilled personnel; complex IT systems; NWM Group's risk management framework; and NWM Group's reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; the outcome of legal, regulatory and governmental actions and investigations as well as remedial undertakings; and changes in tax legislation or failure to generate future taxable profits).

Climate and sustainability-related disclosures

Climate and sustainability-related disclosures in this document are not measures within the scope of International Financial Reporting Standards ('IFRS'), use a greater number and level of judgments, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities, than our reporting of historical financial information in accordance with IFRS. These judgments, assumptions and estimates are highly likely to change materially over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. In addition, our climate risk analysis, net zero strategy, including the implementation of our climate transition plan, remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. The process we have adopted to define, gather and report data on our performance on climate and sustainability-related measures is not subject to the formal processes adopted for financial reporting in accordance with IFRS and there are currently limited industry standards or globally recognised established practices for measuring and defining climate and sustainability-related metrics. As a result, we expect that certain climate and sustainability-related disclosures made in this document are likely to be amended, updated, recalculated or restated in the future. Please also refer to the cautionary statement in the section entitled 'Climate-related and other forward-looking statements and metrics' of the NatWest Group 2023 Climate-related Disclosures Report published by NatWest Group plc for the consolidated group, including NatWest Markets Plc.

Cautionary statement regarding Non-IFRS financial measures and APMs

NWM Group prepares its financial statements in accordance with UK-adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). This document may contain financial measures and ratios not specifically defined under GAAP or IFRS ('Non-IFRS') and/or alternative performance measures ('APMs') as defined in European Securities and Markets Authority ('ESMA') guidelines. Non-IFRS measures and APMs are adjusted for notable and other defined items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. Non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. Any Non-IFRS measures and/or APMs included in this document, are not measures within the scope of IFRS, are based on a number of assumptions that are subject to uncertainties and change, and are not a substitute for IFRS measures.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or a solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

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