

Financial statements



NatWest

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Independent auditors' report to the members of NatWest Group plc

Opinion

In our opinion:

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

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

Group:

- Consolidated balance sheet as at 31 December 2024;
- Consolidated income statement for the year then ended;
- Consolidated statement of comprehensive income for the year then ended;
- Consolidated statement of changes in equity for the year then ended;
- Consolidated cash flow statement for the year then ended;
- Accounting policies;
- Related Notes 1 to 33 to the financial statements;
- Annual remuneration report identified as 'audited';
- Risk and capital management section identified as 'audited'; and
- The Capital Requirements (Country-by-Country Reporting) Regulations report identified as 'audited'.

Parent Company:

- Balance sheet as at 31 December 2024;
- Statement of changes in equity for the year then ended;
- Cash flow statement for the year then ended; and
- Related Notes 1 to 12 to the financial statements, including critical accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

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

Independent auditors' report to the members of NatWest Group plc continued

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

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

The scoping for the current year is as follows:

| Component | Scope | Key locations |
|--|----------|--|
| NatWest Holdings Limited (NWH) | Full | United Kingdom |
| NatWest Markets Plc (NWM) | Full | United Kingdom, United States, Poland, India and Netherlands |
| The Royal Bank of Scotland International (Holdings) Limited (RBSI) | Specific | Channel Islands |
| RBS AA Holdings (UK) Limited (RBS AA Holdings) | Specific | United Kingdom |

We determined that centralised audit procedures can be performed across the identified components in the following audit areas:

Overview of our audit approach

| | |
|-------------------|--|
| Audit scope | – We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further two components. |
| | – We performed central procedures for certain audit areas and balances as outlined in the Tailoring the scope section of our report. |
| Key audit matters | – Expected credit loss provisions |
| | – Valuation of financial instruments with higher risk characteristics and fair value adjustments within NatWest Markets Plc (NWM) |
| | – Pension valuation and net pension balance |
| | – IT access management |
| | – Recognition and impairment of investments in group undertakings in the Parent Company's accounts |
| Materiality | – Overall Group materiality of £312 million (2023 - £316 million) which represents 5% of the profit before tax of the Group of £6,195 million (2023 - £6,178 million) adjusted for non-recurring conduct and litigation costs. |
| | – Parent Company materiality of £312 million (2023 - £316 million), which is 0.6% (2023 - 0.6%) of equity of the Parent Company. |

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

Tailoring the scope

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

Independent auditors' report to the members of NatWest Group plc continued

| Key audit area on which procedures were performed centrally | Component subject to central procedures |
|--|---|
| Financial control and reporting | All components |
| Modelled expected credit loss provisions | All components excluding RBSI |
| Pensions | All relevant components (NWH and NWM) |
| Recognition and impairment of investment in subsidiaries | NWG Parent Company |
| Information technology | All components |
| Provisions for customer redress, litigation and other regulatory matters | All relevant components (NWH, NWM and RBSI) |
| Taxation | All components |

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

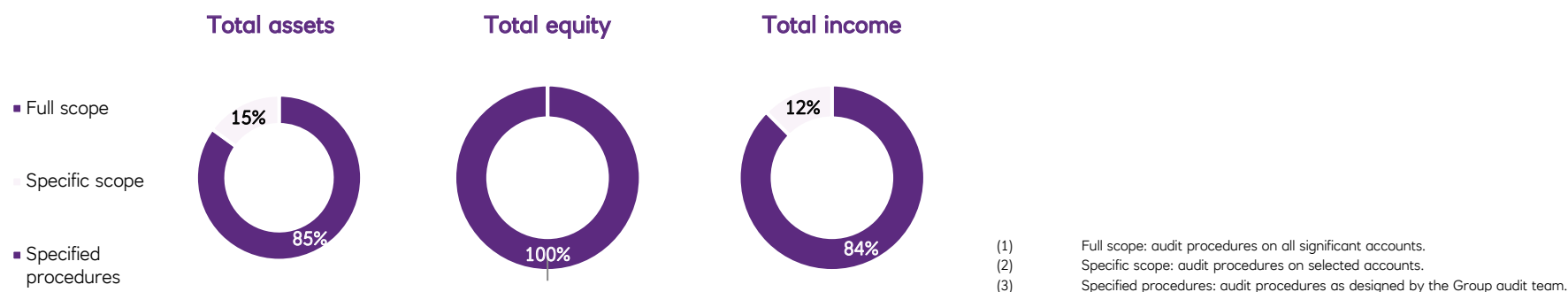
For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which centralised procedures will be performed, the reasons for identifying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

We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We did not identify additional scope required as we assessed the residual risk to not be material.

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

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

The charts below illustrate the coverage obtained from the work performed by our audit teams. We considered total assets, total equity and total income to verify we had appropriate overall coverage. The audit scope of the specific scope components may not have included testing of all significant accounts within the components. However, the testing will have contributed to the total coverage of significant accounts tested for the overall Group.





Independent auditors' report to the members of NatWest Group plc continued

Involvement with component audit teams

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

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

Climate change

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

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

The Group has explained in Accounting policies how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. These disclosures also explain the uncertainty regarding governmental policy response, technology development and customer behaviours. The Group notes that many of the impacts will be longer term in nature, with an inherent level of uncertainty, and have limited effect on

accounting judgements and estimates for the current period under the requirements of UK adopted IAS and IFRS as issued by the IASB. The Group has also explained within the Credit Risk section within the Risk and capital management section, their approach to quantifying the impact of climate transition policy within macroeconomic variables used in the calculation of expected credit losses.

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

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

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact within the key audit matter for expected credit loss provisions, Valuation of financial

instruments with higher risk characteristics within NWM, and Recognition and impairment of investments in group undertakings in the Parent Company's accounts. Details of our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

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

| Risk | Our response to the risk |
|---|---|
| <p>Expected credit loss (ECL) provisions</p> <p>At 31 December 2024 the Group reported total gross loans – amortised cost and fair value through other comprehensive income (FVOCI) of £410.2 billion (2023 – £392.0 billion) and £3.4 billion of expected credit losses (ECL) (2023 – £3.6 billion).</p> <p>Management's judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used. These include the impacts of continuing uncertain geopolitical and economic outlook. Aspects with increased complexity and judgements in respect of the timing and measurement of ECL include:</p> <ul style="list-style-type: none"> – Staging – Completeness and accuracy of allocation of assets into stage 1, 2 and 3 using criteria in accordance with IFRS 9. – Models and model assumptions – Appropriateness of accounting interpretations, modelling assumptions and data used to calculate the ECL, including Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). There is also complexity in assessing the adequacy of model performance in the current and forecasted economic environment. – Economic scenarios – Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios truly reflect the current macro-economic environment and are incorporated in the ECL appropriately as at 31 December 2024. – Post-model adjustments (PMAs) – Completeness and valuation of post-model adjustments which represent approximately 10% of total ECL (2023 – 13%), including adjustments required to address the limitation of models to adequately incorporate the risks of inflation, elevated interest rates, and other geopolitical and economic uncertainties, and the identification of vulnerable customers with higher risks of defaults than currently reflected; and | <p>Controls testing - We evaluated the design and operating effectiveness of controls over the ECL process, including those over management's judgements and estimates. These controls, among others, covered:</p> <ul style="list-style-type: none"> – the staging of assets per management's criteria, and their monitoring of stage effectiveness – model governance including development, monitoring and independent validation – input data accuracy and completeness – credit monitoring – the review and challenge of multiple economic scenarios approved – the governance and management review of post-model adjustments; and – the assessment and approval of individual provisions. <p>Overall assessment - We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable by performing peer benchmarking and sensitivity analysis, to assess the impact of changing selected key assumptions on the ECL provision, taking into consideration the current macroeconomic environment.</p> <p>Staging - We evaluated the criteria used to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9. We recalculated the staging of the complete population of assets based on management's criteria and performed sensitivity analysis to assess the impact of different criteria on the ECL and the impact of selected collective staging downgrades to industries, geographic regions and high-risk populations that are exposed to recent economic, political or climate change stresses.</p> <p>On the non-personal portfolio, we tested credit monitoring which drives the probability of default estimates used in the staging calculation, we recalculated the risk ratings for a sample of performing loans and focused our testing on high-risk industries, such as commercial real estate, telecommunications, private markets, automotive, health, power, utilities, retail and leisure.</p> <p>Models and model assumptions - We selected a sample of models based on both quantitative and qualitative factors. We involved EY modelling specialists to test the assumptions, inputs, methodology and model build. This included a combination of assessing model design and formulae, alternative modelling techniques, recalculating the PD, LGD and EAD, and implementation of new models during the year. We also considered the results of the Group's internal model monitoring and validation results.</p> <p>To evaluate data quality, we agreed a sample of key data points to source systems, including data used to run the models and historic loss data to monitor models. We also tested the ECL data reconciliations from the calculation engine through to the general ledger and disclosures.</p> <p>Economic scenarios - We involved EY economic specialists to assist us in evaluating the base case and alternative economic scenarios, including evaluating probability weights. This assessment included the impacts of the current geopolitical and economic environment, as well as the impacts of climate change on the economic variables. We assessed whether forecasted macroeconomic variables such as GDP, unemployment rate, Consumer Price Index, UK Stock Price Index, Bank of England base rates and the House Price Index were appropriate. With the support of our credit modelling specialists, we evaluated the correlation and translation of the macroeconomic factors, including the impacts of alternative paths or weights to ECL.</p> |

Independent auditors' report to the members of NatWest Group plc continued

| Risk | Our response to the risk |
|---|--|
| Expected credit loss (ECL) provisions continued | |
| <ul style="list-style-type: none"> – Individual provisions - Measurement of individual provisions including the assessment of multiple scenarios and probability weights, the impact of the current uncertain geopolitical and economic outlook on exit or recovery strategies, collateral valuations, and time to collect. | <p>Post-Model Adjustments (PMAs) – We, along with our modelling and economic specialists, tested the appropriateness, adequacy and completeness of the PMAs held at year end in response to model and data limitations. This included challenging management's identification of retail customers vulnerable to price and rate increases, commercial sub-sectors susceptible to inflation and liquidity challenges, loss given default assumptions, and time to collect. We have also challenged the continued recognition of PMAs from previous years, by checking the latest default trends in specific cohorts. We also assessed the use of PMAs against the risk of double counting of either certain portfolios/customers or identified risks.</p> <p>Individual provisions - We recalculated and challenged the scenarios, assumptions, and cash flows for a sample of individual provisions including the alternative scenarios and probability weights assigned, involving EY valuation specialists where appropriate. The samples considered higher risk sectors, such as commercial real estate, telecommunications, automotive, health, power, utilities, retail and leisure. We considered the impact of the current geopolitical and economic outlook and climate change had on collateral valuations and time to collect as well as whether planned exit strategies remained viable.</p> |
| How we scoped our audit to respond to the risk and involvement with component teams | |
| <p>We performed centralised procedures and full scope audit procedures over this risk, which covered 99% of the risk amount. Specific scope audit procedures pertaining to the RBSI component were undertaken by the component audit team, which covered 1% of the total risk amount. Total audit procedures covered 100% of the risk amount.</p> | |
| <p>The majority of audit procedures were undertaken by the Group audit team for the components excluding RBSI, with component audit teams supporting and reporting on the following audit procedures:</p> | |
| <ul style="list-style-type: none"> – Specific key data testing impacting the ECL calculation, and the credit risk disclosures; – Procedures over the valuation of a sample of individual provisions for cases managed outside of central restructuring; and – Procedures over the valuation of a sample of individual loans not identified as impaired. | |
| <p>The Group audit team's involvement with the component teams and procedures performed included:</p> | |
| <ul style="list-style-type: none"> – Risk assessment procedures and determining the type and extent of work to be undertaken at each of the components; – Regular interactions throughout the course of the audit, including planning meetings, maintaining regular communications on the status, and meetings on results and conclusions; – Undertaking component site visits to the Channel Islands as necessary; and – Reviewing key working papers and taking responsibility for the scope and direction of the audit process. | |
| Key observations communicated to the Group Audit Committee | |
| <p>We are satisfied that the ECL provisions were reasonable and recognised in accordance with IFRS 9. We highlighted the following matters to the Group Audit Committee that contributed to our overall conclusion:</p> | |
| <ul style="list-style-type: none"> – Effectiveness of the overall control environment, including the compensating controls identified by management, where deficiencies were identified. – Results of our testing of models, model assumptions, the key data elements used for ECL calculation, including the reasonableness of the macroeconomic variables, scenarios and weightings used. – Accuracy of staging and the reasonableness of management's staging criteria, and our independent sensitivity analysis on the staging criteria to assess appropriateness. – Reasonableness and adequacy of the post-model adjustments recorded to reflect risk in the portfolios. – Individually assessed impairments, the overall reasonableness of the provisions, including assumptions applied. | |
| Relevant references in the Annual Report and Accounts | |
| <p>Credit Risk section of the Risk and capital management section identified as 'audited'</p> <p>Accounting policies</p> <p>Note 14 to the financial statements</p> | |

| Risk | Our response to the risk |
|---|--|
| Valuation of financial instruments with higher risk characteristics within NWM | |
| <p>At 31 December 2024 the Group reported level 3 financial assets of £1.7 billion (2023 - £2.0 billion) and level 3 financial liabilities of £0.5 billion (2023 - £0.7 billion), which includes financial instruments with higher risk characteristics.</p> <p>The valuation of those financial instruments with higher risk characteristics can include significant judgement as outlined below. The fair value of these instruments can involve complex valuation models and significant fair value adjustments, both of which may be reliant on inputs where there is limited market observability.</p> <p>Management's estimates which required significant judgement include:</p> <ul style="list-style-type: none"> – Complex models - Complex model-dependent valuations of financial instruments, which include interest rate swaps linked to pre-payment behaviour and interest rate options with exotic features. – Illiquid inputs - Pricing inputs and calibrations for illiquid instrument, including fair value loan exposures for which there is no active market. Additionally derivative instruments whose valuation is dependent on discount rates associated with complex collateral arrangements; and – Fair value adjustments - the appropriateness of fair value adjustments made to derivative valuations including Funding Valuation Adjustments (FVA), Credit Valuation Adjustments (CVA), relating to derivative counterparties whose credit spread may not be observable, and material product and deal specific adjustments on long dated derivative portfolios. | <p>Controls testing: We evaluated the design and operating effectiveness of controls relating to financial instrument valuation including independent price verification, valuation models governance, collateral management, income statement analysis, and the associated controls over relevant information technology systems. We also observed the Valuation Committees where valuation inputs, assumptions and adjustments were discussed and approved.</p> <p>We involved our financial instrument valuation and modelling specialists to assist us in performing procedures including the following:</p> <ul style="list-style-type: none"> – Complex models - Testing complex model-dependent valuations by performing independent revaluation to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group. – Illiquid inputs - Independently re-pricing instruments that had been valued using illiquid pricing inputs, using alternative pricing sources where available, to evaluate management's valuation. – Fair value adjustments - Comparing fair value adjustment methodologies to current market practice and assessing the appropriateness and adequacy of the valuation adjustment framework in light of emerging market practice and changes in the risk profile of the underlying portfolio; and revaluing a sample of counterparty level FVA and CVA, comparing funding spreads to third party data, independently challenging illiquid CVA inputs, and testing material product and deal specific adjustments on the long-dated derivatives portfolio. <p>Throughout our audit procedures we considered the current uncertain geopolitical and economic outlook, including market volatility and the impact of climate change on the valuation of financial instruments. We performed analysis focusing on long-dated illiquid positions to understand if there were indicators that pricing did not appropriately capture climate related risks.</p> <p>In addition, we assessed whether there were any indicators of aggregate bias in financial instrument marking and methodology assumptions.</p> <p>We performed back-testing analysis of recent trade activity and asset disposals to evaluate the drivers of significant differences between book value and trade value to assess the impact on the fair value of similar instruments within the portfolio. We performed an analysis of significant collateral discrepancies with counterparties to assess the potential impact on the fair value of the underlying (and similar) financial instruments.</p> |

Independent auditors' report to the members of NatWest Group plc continued

Valuation of financial instruments with higher risk characteristics within NWM continued

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

The component audit team performed full scope audit procedures over this risk at the NWM component, which covered 100% of the risk amount. The Group audit team's involvement with the component teams and procedures performed included:

- Risk assessment procedures and determining the type and extent of work to be undertaken by the component;
- Regular interactions throughout the course of the audit, including planning meetings, maintaining regular communications on the status, and meetings on results and conclusions; and
- Reviewing key working papers and taking responsibility for the scope and direction of the audit process.

Key observations communicated to the Group Audit Committee

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

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

Relevant references in the Annual Report and Accounts

Accounting policies

Note 10 to the financial statements

Independent auditors' report to the members of NatWest Group plc continued

| Risk | Our response to the risk |
|---|--|
| <p>Pension valuation and net pension asset</p> <p>The Group operates a number of defined benefit schemes which in aggregate are significant in the context of the overall balance sheet. At 31 December 2024, the Group reported a net pension asset of £110 million (2023 - £102 million) comprising £190 million of schemes in surplus and £80 million of schemes in deficit (2023 - £201 million and £99 million, respectively). The net pension asset is sensitive to changes in the key judgements and estimates, including the effects of the current uncertain geopolitical and economic outlook and associated market volatility, which include:</p> <ul style="list-style-type: none"> – Assumptions - Actuarial assumptions and inputs including discount rate, inflation, pension payments and longevity to determine the valuation of retirement benefit liabilities; – Valuations - Pricing inputs and calibrations for illiquid or complex model-dependent valuations of certain investments held by the schemes; – Funding - the pension schemes have adequate liquidity to cover for any shortfall in derivative asset prices as a result of current economic conditions; and – Augmentation cap - Quantification of trustees' rights to unilaterally augment benefits (Augmentation cap) to determine the recognition of surplus. | <p>Controls testing - We evaluated the design and operating effectiveness of controls over the defined benefit obligation process including the setting of actuarial assumptions, the data inputs used in the actuarial calculation and the measurement of the fair value of the schemes' assets.</p> <p>Assumptions - We involved our actuarial specialists to evaluate the actuarial assumptions used to calculate the defined benefit obligation by comparing them to ranges independently developed from third party sources and market practice. We assessed the impact on pension liabilities due to changes in financial, demographic and longevity assumptions over the year, and whether these were supported by objective external evidence and rationales, including the effects of current uncertain geopolitical and economic outlook, including market volatility.</p> <p>Valuations - We tested the fair value of scheme assets by independently calculating the fair value for a sample of the assets held. Our sample included cash, equity and debt instruments, derivative financial instruments, and illiquid assets. We involved our valuation specialists to assess the appropriateness of management's valuation methodology used in the valuation of the complex, illiquid and buy-in insurance assets including the judgements made in the determining significant assumptions used.</p> <p>We independently re-priced illiquid and complex assets that had been valued using unobservable market inputs, using alternative pricing sources where available, to evaluate management's valuations.</p> <p>Funding - We assessed whether the pension schemes have adequate funding to cover for any shortfall in derivative asset prices given the current economic conditions.</p> <p>Augmentation cap and equalisation adjustments - We involved our actuarial specialists to assess the estimation of the Augmentation cap including the inputs used in the calculation. We also assessed the methodology and judgements made in calculating these estimates and the associated accounting treatment in accordance with IAS 19 and IFRIC 14.</p> <p>Disclosure - We assessed the adequacy of the disclosures made in the financial statements, including the appropriateness of the assumptions, sensitivities and disclosures over investment strategy and risk management.</p> |
| How we scoped our audit to respond to the risk and involvement with component teams | |
| We performed full scope audit procedures over this risk, undertaken by the Group audit team, which covered 100% of the risk amount. | |
| Key observations communicated to the Group Audit Committee | |
| We are satisfied that the valuation and disclosure of the net pension balance are reasonable and in accordance with IFRS. We highlighted the following matters to the Group Audit Committee: | |
| <ul style="list-style-type: none"> – Our benchmarking of key actuarial assumptions including the discount rate, inflation, longevity and pension payments concluded that assumptions were within a reasonable range. – No material differences were identified from our testing including our independent valuation testing for a sample of pension assets. – Management's accounting for the buy-in transactions during the year was appropriate. – Management's estimate of the impact of the augmentation cap was reasonable and the methodology consistent with IAS 19 and IFRIC 14. | |
| Relevant references in the Annual Report and Accounts | |
| Accounting policies Note 5 to the financial statements | |

| Risk | Our response to the risk |
|---|---|
| <p>IT access management</p> <p>The IT environment is complex and pervasive to the operations of the Group due to the large volume of transactions processed in numerous locations daily, with extensive reliance on automated controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. This risk is also impacted by the growing dependency on third parties, increasing use of cloud platforms, decommissioning of legacy systems, and migration to new systems. Such controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data.</p> <p>The Group has implemented user access management controls across IT applications, databases and operating systems. We have identified user access-related deficiencies in the past and similar thematic issues have been noted in the current year, and thus the risk of inappropriate access remains.</p> | <p>We evaluated the design and operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting.</p> <p>We tested user access by assessing the controls in place for in-scope applications, in particular testing the addition and periodic recertification of users' access. We continue to focus on key controls enforced by the Group's user access management tools, including ensuring the completeness of user data, automated identification of movers and leavers and the adequacy of the overall control environment in addressing access-related IT risks to financial reporting. There have been no significant changes in the suite of access management controls operated by the Group in the current year.</p> <p>For systems outsourced to third party service providers, we tested IT general controls through evaluating the relevant Service Organisation Controls ("SOC") reports (where available). This included assessing the timing of the reporting, the controls tested by the service auditor and whether they addressed relevant IT risks. We also tested required complementary user entity controls performed by management. Where a SOC report was not available, we identified and reviewed compensating business controls to address risks to financial reporting. Several systems have been migrated to a cloud-hosted infrastructure model, however access management processes and controls remained in-house, and they formed part of our testing.</p> <p>Where control deficiencies were identified, we tested remediation activities performed by management and/or compensating controls in place and assessed the impact, of any residual risk over financial statement reporting. We also performed a further aggregation analysis of access management deficiencies identified by EY, management, and Internal Audit to consider the pervasiveness of findings identified, and the impact on our overall approach to access management testing. We noted that no further changes to our approach were required.</p> |
| <p>How we scoped our audit to respond to the risk and involvement with component teams</p> | |
| <p>All audit work performed to address this risk was undertaken by the Group audit team.</p> | |
| <p>Key observations communicated to the Group Audit Committee</p> | |
| <p>Based on our testing procedures, including validating management's remediation activities, and testing of compensating controls, we are satisfied that reliance can be placed upon IT controls impacting material financial reporting systems. The following matters were reported to the Group Audit Committee:</p> <ul style="list-style-type: none"> – Overall, in combination with compensating controls, we are satisfied that the Group's overall IT control environment appropriately supports the financial reporting process. – While improvements have been made to further standardise IT access management processes and controls, there are still IT applications relevant to financial reporting which make use of bespoke tools and/or processes to perform access-related controls. Control deficiencies continued to be observed in these areas, which led to an increase in the overall number of reported IT control deficiencies requiring remediation by management. | |

Independent auditors' report to the members of NatWest Group plc continued

| Risk | Our response to the risk |
|--|--------------------------|
| <p>Recognition and impairment of investments in group undertakings in the Parent Company's accounts.</p> <p>At 31 December 2024 the Parent Company reported investments in group undertakings of £53.4 billion (2023 - £52.6 billion).</p> <p>Management assessed investments in subsidiaries of the Parent Company, as at 31 December 2024, for indicators of impairment or that impairment charges recognised in prior periods should be reversed in accordance with IAS 36. Where indicators have been identified, management assess any asset impairment based upon value in use. As a result of the assessment management concluded that in the Parent Company's accounts the carrying amount investments in group undertakings is recoverable.</p> <p>These estimates are based on the five-year revenue and cost forecasts and the output of a subsequent value in use computation, within which we identify the following key judgements / estimates:</p> <ul style="list-style-type: none"> – Profitability estimates; – Macroeconomic assumptions; – Capital forecasts; and – Modelling assumptions and inputs (including discount rate and long-term growth rate). | |
| <p>How we scoped our audit to respond to the risk and involvement with component teams</p> | |
| <p>Procedures performed to respond to this risk were undertaken by the Group audit team, which covered 100% of the risk amount pertaining to the Parent Company.</p> | |
| <p>Key observations communicated to the Group Audit Committee</p> | |
| <p>We are satisfied that the carrying value of investments in group undertakings in the Parent Company's accounts were reasonable and recognised in accordance with IFRS. We highlighted the following matters to the Group Audit Committee that contributed to our overall conclusion:</p> <ul style="list-style-type: none"> – Effectiveness of the overall control environment, including management's identification of compensating controls where deficiencies were identified; – Reasonableness of the methodologies, judgements and assumptions used by management to conclude upon the recognition of the related balances; – Management's approach to estimating the recoverable amounts for the subsidiaries of the Group is reasonable. Given that the Group's investment in NatWest Holdings shows indicators of impairment we focused on performing reasonable stresses on the VIU assumptions and ensuring these are appropriately disclosed. | |
| <p>Relevant references in the Annual Report and Accounts</p> | |
| <p>Accounting policies</p> | |
| <p>Note 8 to the Parent Company financial statements</p> | |

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



Independent auditors' report to the members of NatWest Group plc continued

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £312 million (2023 - £316 million), which is 5% (2023 - 5%) of the profit before tax of the Group of £6,195 million (2023 - 6,178 million) adjusted for non-recurring conduct and litigation costs. We believe removing these non-recurring charges reflects the most useful measure for users of the financial statements and is consistent with the prior year. The 5% basis used for Group materiality is consistent with the wider industry and is the standard for listed and regulated entities.

We determined materiality for the Parent Company to be £312 million (2023 - £316 million), which is 0.6% (2023 - 0.6%) of equity of the Parent Company. We believe this reflects the most useful measure for users of the financial statements as the Parent Company's primary purpose is to act as a holding company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit-based measure is not relevant.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £234 million (2023 - £237 million). We have based the percentage of performance materiality on a number of considerations, including the number and amount of identified misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Audit work was undertaken at component teams for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £104 million to £208 million (2023 - £107 million to £207 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £16 million (2023 - £16 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report and Accounts, including the Strategic report, Financial review, Corporate governance, Report of the Group Nominations and Governance Committee, Report of the Group Audit Committee, Report of the Group Board Risk Committee, Report of the Group Sustainable Banking Committee, Report of the directors, Risk and capital management, Non-IFRS financial measures, Risk factors, Material contracts, and Additional information, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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



Independent auditors' report to the members of NatWest Group plc continued

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Group's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the:

- Strategic report or the Report of the directors; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Group.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the audit committee.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



Independent auditors' report to the members of NatWest Group plc continued

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

- The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, involving specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the Group Audit Committee, we were appointed by the Group at its annual general meeting on 4 May 2016 to audit the financial statements of the Group for the year ending 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering periods from our appointment through 31 December 2024.
- The audit opinion is consistent with the additional report to the Group Audit Committee.

Use of our report

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

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

Consolidated income statement

For the year ended 31 December 2024

| | Note | 2024 £m | 2023 £m | 2022 £m |
|---|------|----------------|------------|------------|
| Interest receivable | | 25,187 | 21,026 | 12,637 |
| Interest payable | | (13,912) | (9,977) | (2,795) |
| Net interest income | 1 | 11,275 | 11,049 | 9,842 |
| Fees and commissions receivable | | 3,175 | 2,983 | 2,915 |
| Fees and commissions payable | | (708) | (653) | (623) |
| Trading income | | 825 | 794 | 1,133 |
| Other operating income | | 136 | 579 | (111) |
| Non-interest income | 2 | 3,428 | 3,703 | 3,314 |
| Total income | | 14,703 | 14,752 | 13,156 |
| Staff costs | | (4,061) | (3,901) | (3,716) |
| Premises and equipment | | (1,211) | (1,153) | (1,112) |
| Other administrative expenses | | (1,819) | (2,008) | (2,026) |
| Depreciation and amortisation | | (1,058) | (934) | (833) |
| Operating expenses | 3 | (8,149) | (7,996) | (7,687) |
| Profit before impairment losses | | 6,554 | 6,756 | 5,469 |
| Impairment losses | 14 | (359) | (578) | (337) |
| Operating profit before tax | | 6,195 | 6,178 | 5,132 |
| Tax charge | 7 | (1,465) | (1,434) | (1,275) |
| Profit from continuing operations | | 4,730 | 4,744 | 3,857 |
| Profit/(loss) from discontinued operations, net of tax | | 81 | (112) | (262) |
| Profit for the year | | 4,811 | 4,632 | 3,595 |
| Attributable to: | | | | |
| Ordinary shareholders | | 4,519 | 4,394 | 3,340 |
| Paid-in equity holders | | 283 | 242 | 249 |
| Non-controlling interests | | 9 | (4) | 6 |
| | | 4,811 | 4,632 | 3,595 |
| Earnings per ordinary share - continuing operations | 8 | 52.5p | 49.2p | 36.5p |
| Earnings per ordinary share - discontinued operations | 8 | 1.0p | (1.2p) | (2.7p) |
| Total earnings per share attributable to ordinary shareholders - basic (2) | 8 | 53.5p | 47.9p | 33.8p |
| Earnings per ordinary share - fully diluted continuing operations | 8 | 52.1p | 48.9p | 36.2p |
| Earnings per ordinary share - fully diluted discontinued operations | 8 | 1.0p | (1.2p) | (2.6p) |
| Total earnings per share attributable to ordinary shareholders - fully diluted | 8 | 53.1p | 47.7p | 33.6p |

- (1) At the General Meeting and Class Meeting on 25 August 2022, the shareholders approved the proposed special dividend and share consolidation. On 30 August 2022 the issued ordinary share capital was consolidated in the ratio of 14 existing shares for 13 new shares. The average number of shares and earnings per share have been adjusted retrospectively.
- (2) In 2023, the unrounded Total earnings per share attributable to ordinary shareholders – basic is 47.948p. The unrounded Earnings per ordinary share – continuing operations was 49.170p. The unrounded Earnings per ordinary share – discontinued operations was (1.222p).

Consolidated statement of comprehensive income

For the year ended 31 December 2024

| | 2024 | 2023 | 2022 |
|--|--------------|--------------|----------------|
| | £m | £m | £m |
| Profit for the year | 4,811 | 4,632 | 3,595 |
| Items that do not qualify for reclassification | | | |
| Remeasurement of retirement benefit schemes | (166) | (280) | (840) |
| Changes in fair value of credit in financial liabilities designated at FVTPL | (33) | (39) | 50 |
| FVOCI financial assets | 6 | 17 | 59 |
| Tax | 59 | 79 | 187 |
| | (134) | (223) | (544) |
| Items that do qualify for reclassification | | | |
| FVOCI financial assets | (25) | 49 | (457) |
| Cash flow hedges (1) | 622 | 1,208 | (3,277) |
| Currency translation | 5 | (619) | 241 |
| Tax | (178) | (361) | 1,067 |
| | 424 | 277 | (2,426) |
| Other comprehensive income/(losses) after tax | 290 | 54 | (2,970) |
| Total comprehensive income for the year | 5,101 | 4,686 | 625 |
| Attributable to: | | | |
| Ordinary shareholders | 4,809 | 4,448 | 370 |
| Paid-in equity holders | 283 | 242 | 249 |
| Non-controlling interests | 9 | (4) | 6 |
| | 5,101 | 4,686 | 625 |

(1) Refer to footnotes 6 and 7 of the Consolidated statement of changes in equity.

Consolidated balance sheet

As at 31 December 2024

| | Note | 2024 £m | 2023 £m |
|--|------|----------------|----------------|
| Assets | | | |
| Cash and balances at central banks | 9 | 92,994 | 104,262 |
| Trading assets | 12 | 48,917 | 45,551 |
| Derivatives | 13 | 78,406 | 78,904 |
| Settlement balances | | 2,085 | 7,231 |
| Loans to banks - amortised cost | 9 | 6,030 | 6,914 |
| Loans to customers - amortised cost | 9 | 400,326 | 381,433 |
| Securities subject to repurchase agreements | | 13,555 | 8,764 |
| Other financial assets excluding securities subject to repurchase agreements | | 49,688 | 42,338 |
| Other financial assets | 15 | 63,243 | 51,102 |
| Intangible assets | 16 | 7,588 | 7,614 |
| Other assets | 17 | 8,396 | 9,662 |
| Total assets | | 707,985 | 692,673 |
| Liabilities | | | |
| Bank deposits | 9 | 31,452 | 22,190 |
| Customer deposits | 9 | 433,490 | 431,377 |
| Settlement balances | | 1,729 | 6,645 |
| Trading liabilities | 12 | 54,714 | 53,636 |
| Derivatives | 13 | 72,082 | 72,395 |
| Other financial liabilities | 18 | 61,087 | 55,089 |
| Subordinated liabilities | 19 | 6,136 | 5,714 |
| Notes in circulation | | 3,316 | 3,237 |
| Other liabilities | 20 | 4,601 | 5,202 |
| Total liabilities | | 668,607 | 655,485 |
| Ordinary shareholders' interests | | 34,070 | 33,267 |
| Other owners' interests | | 5,280 | 3,890 |
| Owners' equity | 21 | 39,350 | 37,157 |
| Non-controlling interests | | 28 | 31 |
| Total equity | | 39,378 | 37,188 |
| Total liabilities and equity | | 707,985 | 692,673 |

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

Richard Haythornthwaite
Chair

John-Paul Thwaite
Group Chief Executive Officer

Katie Murray
Group Chief Financial Officer

NatWest Group plc
Registered No. SC45551



Consolidated statement of changes in equity

For the year ended 31 December 2024

| | Share capital and share premium £m | Paid-in equity £m | Other statutory reserves (8) £m | Retained earnings £m | Other reserves | | | | Total owners' equity £m | Non controlling interests £m | Total equity £m |
|---|---------------------------------------|----------------------|------------------------------------|-------------------------|------------------|-------------------------------|------------------------|---------------|----------------------------|---------------------------------|--------------------|
| | | | | | Fair value £m | Cash flow hedging (6,7) £m | Foreign exchange £m | Merger £m | | | |
| At 1 January 2024 | 10,844 | 3,890 | 2,004 | 10,645 | (49) | (1,899) | 841 | 10,881 | 37,157 | 31 | 37,188 |
| Profit attributable to ordinary shareholders and other equity owners | | | | | | | | | | | |
| - continuing operations | | | | 4,721 | | | | | 4,721 | 9 | 4,730 |
| - discontinued operations | | | | 81 | | | | | 81 | | 81 |
| Other comprehensive income | | | | | | | | | | | |
| Realised gains in period on FVOCI equity shares | | | | 54 | (54) | | | | - | | - |
| Remeasurement of retirement benefit schemes | | | | (166) | | | | | (166) | | (166) |
| Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk | | | | (33) | | | | | (33) | | (33) |
| Unrealised losses | | | | | (40) | | | | (40) | | (40) |
| Amounts recognised in equity | | | | | | (872) | | | (872) | | (872) |
| Retranslation of net assets | | | | | | | (194) | | (194) | | (194) |
| Gains on hedges of net assets | | | | | | | 122 | | 122 | | 122 |
| Amount transferred from equity to earnings | | | | | 21 | 1,494 | 77 | | 1,592 | | 1,592 |
| Tax | | | | 48 | 19 | (166) | (20) | | (119) | | (119) |
| Total comprehensive income | | | | 4,705 | (54) | 456 | (15) | - | 5,092 | 9 | 5,101 |
| Transactions with owners | | | | | | | | | | | |
| Ordinary share dividends paid | | | | (1,505) | | | | | (1,505) | (12) | (1,517) |
| Paid-in equity dividends paid | | | | (283) | | | | | (283) | | (283) |
| Shares repurchased during the period (1,2,3) | (711) | | 711 | (2,176) | | | | | (2,176) | | (2,176) |
| Securities issued in the year | - | 1,390 | | - | | | | | 1,390 | | 1,390 |
| Employee share schemes | | | | 17 | | | | | 17 | | 17 |
| Shares vested under employee share schemes | | | 175 | | | | | | 175 | | 175 |
| Share-based payments | | | | 23 | | | | | 23 | | 23 |
| Own shares acquired (2) | | | (540) | | | | | | (540) | | (540) |
| At 31 December 2024 | 10,133 | 5,280 | 2,350 | 11,426 | (103) | (1,443) | 826 | 10,881 | 39,350 | 28 | 39,378 |

For the notes to this table refer to page 298.



Consolidated statement of changes in equity continued

| | Share capital and share premium £m | Paid-in equity £m | Other statutory reserves (8) £m | Retained earnings £m | Other reserves | | | | Total owners' equity £m | Non controlling interests £m | Total equity £m |
|---|---------------------------------------|----------------------|------------------------------------|-------------------------|------------------|-------------------------------|------------------------|--------------|----------------------------|---------------------------------|--------------------|
| | | | | | Fair value £m | Cash flow hedging (6,7) £m | Foreign exchange £m | Merger £m | | | |
| At 1 January 2023 | 11,700 | 3,890 | 1,393 | 10,019 | (102) | (2,771) | 1,478 | 10,881 | 36,488 | 8 | 36,496 |
| Profit/(loss) attributable to ordinary shareholders and other equity owners | | | | | | | | | | | |
| - continuing operations | | | | 4,748 | | | | | 4,748 | (4) | 4,744 |
| - discontinued operations | | | | (112) | | | | | (112) | | (112) |
| Other comprehensive income | | | | | | | | | | | |
| Realised gains in period on FVOCI equity shares | | | | 1 | (1) | | | | - | | - |
| Remeasurement of retirement benefit schemes | | | | (280) | | | | | (280) | | (280) |
| Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk | | | | (39) | | | | | (39) | | (39) |
| Unrealised gains | | | | | 22 | | | | 22 | | 22 |
| Amounts recognised in equity | | | | | | 187 | | | 187 | | 187 |
| Retranslation of net assets | | | | | | | (239) | | (239) | | (239) |
| Gains on hedges of net assets | | | | | | | 107 | | 107 | | 107 |
| Amount transferred from equity to earnings (4) | | | | | 44 | 1,021 | (487) | | 578 | | 578 |
| Tax | | | | 84 | (12) | (336) | (18) | | (282) | | (282) |
| Total comprehensive income | | | | 4,402 | 53 | 872 | (637) | - | 4,690 | (4) | 4,686 |
| Transactions with owners | | | | | | | | | | | |
| Ordinary share dividends paid | | | | (1,456) | | | | | (1,456) | (5) | (1,461) |
| Paid-in equity dividends paid | | | | (242) | | | | | (242) | | (242) |
| Shares repurchased during the period (1,2,3) | (856) | | 856 | (2,057) | | | | | (2,057) | | (2,057) |
| Employee share schemes | | | | 14 | | | | | 14 | | 14 |
| Shares vested under employee share schemes | | | 114 | | | | | | 114 | | 114 |
| Share-based payments | | | | (35) | | | | | (35) | | (35) |
| Own shares acquired (2) | | | (359) | | | | | | (359) | | (359) |
| Acquisition of subsidiary | | | | | | | | | | 32 | 32 |
| At 31 December 2023 | 10,844 | 3,890 | 2,004 | 10,645 | (49) | (1,899) | 841 | 10,881 | 37,157 | 31 | 37,188 |

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



Consolidated statement of changes in equity continued

| | Share capital and share premium | Paid-in equity | Other statutory reserves (8) | Retained earnings | Other reserves | | | | Total owners' equity | Non controlling interests | Total equity |
|---|---------------------------------|----------------|------------------------------|-------------------|----------------|-------------------------|------------------|--------|----------------------|---------------------------|--------------|
| | £m | £m | £m | £m | Fair value | Cash flow hedging (6,7) | Foreign exchange | Merger | £m | £m | £m |
| At 1 January 2022 | 12,629 | 3,890 | 351 | 12,966 | 269 | (395) | 1,205 | 10,881 | 41,796 | 7 | 41,803 |
| Profit/(loss) attributable to ordinary shareholders and other equity owners | | | | | | | | | | | |
| - continuing operations | | | | 3,851 | | | | | 3,851 | 6 | 3,857 |
| - discontinued operations | | | | (262) | | | | | (262) | | (262) |
| Other comprehensive income | | | | | | | | | | | |
| Realised gains in period on FVOCI equity shares | | | | 113 | (113) | | | | - | | - |
| Remeasurement of retirement benefit schemes | | | | (840) | | | | | (840) | | (840) |
| Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk | | | | 50 | | | | | 50 | | 50 |
| Unrealised gains | | | | | (570) | | | | (570) | | (570) |
| Amounts recognised in equity | | | | | | (2,973) | | | (2,973) | | (2,973) |
| Retranslation of net assets | | | | | | | 512 | | 512 | | 512 |
| Losses on hedges of net assets | | | | | | | (266) | | (266) | | (266) |
| Amount transferred from equity to earnings | | | | | 172 | (304) | (5) | | (137) | | (137) |
| Tax | | | | 181 | 140 | 901 | 32 | | 1,254 | | 1,254 |
| Total comprehensive income | | | | 3,093 | (371) | (2,376) | 273 | - | 619 | 6 | 625 |
| Transactions with owners | | | | | | | | | | | |
| Ordinary share dividends paid | | | | (1,205) | | | | | (1,205) | (5) | (1,210) |
| Special dividends paid | | | | (1,746) | | | | | (1,746) | - | (1,746) |
| Paid-in equity dividends paid | | | | (249) | | | | | (249) | | (249) |
| Shares repurchased during the period (1,2,3) | (929) | | 929 | (2,054) | | | | | (2,054) | | (2,054) |
| Redemption of preference shares (5) | | | | (750) | | | | | (750) | | (750) |
| Employee share schemes | | | | 6 | | | | | 6 | | 6 |
| Shares vested under employee share schemes | | | 113 | | | | | | 113 | | 113 |
| Share-based payments | | | | (6) | | | | | (6) | | (6) |
| Tax on redemption of paid-in equity | | - | | (36) | | | | | (36) | | (36) |
| At 31 December 2022 | 11,700 | 3,890 | 1,393 | 10,019 | (102) | (2,771) | 1,478 | 10,881 | 36,488 | 8 | 36,496 |

- (1) NatWest Group plc repurchased and cancelled 173.3 million (2023 - 460.3 million, of which 2.3 million were settled in January 2024, 2022 - 379.3 million) shares. The total consideration of these shares excluding fees was £450.9 million (2023 - £1,151.7 million of which 4.9 million were settled in January 2024, 2022 - £829.3 million), as part of the On Market Share Buyback Programmes. The nominal value of the share cancellations has been transferred to the capital redemption reserve.
- (2) In June 2024, there was an agreement to buy 392.4 million (May 2023 - 469.2 million, March 2022 - 549.9 million) ordinary shares of the Company from UK Government Investments Ltd (UKGI) at 316.2 pence per share (May 2023 - 268.4 pence per share, March 2022 - 220.05 pence per share) for the total consideration of £1.2 billion (2023 - £1.3 billion, 2022 - £1.2 billion). NatWest Group cancelled 222.4 million of the purchased ordinary shares, amounting to £706.9 million excluding fees and held the remaining 170.0 million shares as Own Shares Held, amounting to £540.2 million excluding fees. The nominal value of the share cancellation has been transferred to the capital redemption reserve.
- (3) In November 2024, there was an agreement to buy 262.6 million ordinary shares of the Company from UK Government Investments Ltd (UKGI) at 380.8p per share for the total consideration of £1,005.0 million. NatWest Group cancelled all the shares. The nominal value of the share cancellation has been transferred to the capital redemption reserve.
- (4) Includes £460 million foreign exchange recycled to profit or loss upon completion of a capital repayment by UBIDAC.
- (5) Following an announcement of a Regulatory Call in February 2022, the Series U preference shares were reclassified to liabilities. A £254 million loss was recognised in retained earnings as a result of foreign exchange unlocking.
- (6) The change in the cash flow hedging reserve is driven by realised accrued interest transferred into the income statement and an increase in swap rates in the year. The portfolio of hedging instruments are predominantly receive fixed swaps.
- (7) As referred in Note 13, the amount transferred from equity to the income statement is mostly recorded within net interest income mainly within loans to banks and customers - amortised cost, balances at central banks and customer deposits.
- (8) Other statutory reserves consist of Capital redemption reserves of £3,218 million (2023 - £2,507 million, 2022 - £1,651 million) and Own shares held reserves of £868 million (2023 - £503 million, 2022 - £258 million).

Consolidated cash flow statement

For the year ended 31 December 2024

| | Note | 2024 £m | 2023 £m | 2022 £m |
|---|------|-----------------|------------|------------|
| Cash flows from operating activities | | | | |
| Operating profit before tax from continuing operations | | 6,195 | 6,178 | 5,132 |
| Operating profit/(loss) before tax from discontinued operations | | 81 | (112) | (262) |
| Adjustments for: | | | | |
| Non-cash and other items | 26 | 4,365 | 3,208 | 1,203 |
| Change in operating assets and liabilities | 26 | (7,267) | (25,679) | (48,447) |
| Income taxes paid | | (1,602) | (1,033) | (1,223) |
| Net cash flows from operating activities (1,2) | | 1,772 | (17,438) | (43,597) |
| Cash flows from investing activities | | | | |
| Sale and maturity of other financial assets | | 41,618 | 25,195 | 36,975 |
| Purchase of other financial assets | | (53,961) | (44,906) | (23,510) |
| Income received on other financial assets | | 1,829 | 1,099 | 659 |
| Net movement in business interests and intangible assets | 27 | (1,919) | 4,601 | 5,420 |
| Sale of property, plant and equipment | | 198 | 128 | 154 |
| Purchase of property, plant and equipment | | (464) | (811) | (639) |
| Net cash flows from investing activities | | (12,699) | (14,694) | 19,059 |
| Cash flows from financing activities | | | | |
| Issue of paid-in equity | | 1,390 | - | - |
| Issue of subordinated liabilities | | 1,386 | 611 | 648 |
| Redemption of subordinated liabilities | | (999) | (1,250) | (3,693) |
| Interest paid on subordinated liabilities | | (459) | (439) | (374) |
| Issue of MRELS | | 5,051 | 3,973 | 3,721 |
| Maturity and redemption of MRELS | | (2,854) | (4,236) | (4,992) |
| Interest paid on MRELS | | (885) | (844) | (703) |
| Shares repurchased | | (2,716) | (2,416) | (2,054) |
| Dividends paid | | (1,800) | (1,703) | (3,205) |
| Net cash flows from financing activities | | (1,886) | (6,304) | (10,652) |
| Effects of exchange rate changes on cash and cash equivalents | | (1,166) | (1,189) | 2,933 |
| Net decrease in cash and cash equivalents | | (13,979) | (39,625) | (32,257) |
| Cash and cash equivalents at 1 January | | 118,824 | 158,449 | 190,706 |
| Cash and cash equivalents at 31 December | 29 | 104,845 | 118,824 | 158,449 |

(1) Includes interest received of £24,996 million (2023 - £20,345 million, 2022 - £12,638 million) and interest paid of £13,689 million (2023 - £8,871 million, 2022 - £2,357 million).

(2) The total cash outflow for leases is £95 million (2023 - £122 million; 2022 - £170 million), including payment of principal amount of £79 million (2023 - £102 million, 2022 - £145 million) which are included in the operating activities.

Accounting policies

This section includes the basis of preparation and critical and material accounting policies used to prepare the financial statements.

Our accounting policies are the specific principles, bases, conventions, rules, and practices we apply in preparing and presenting the financial statements. Further information is provided where judgement and estimation is applied to critical accounting policies and key sources of estimation uncertainty.

Future accounting developments details new, or amendments to existing, accounting standards, from when they are effective from and, we are assessing their impact on future financial statements.

1. Presentation of financial statements

NatWest Group plc is incorporated in the UK and registered in Scotland. The financial statements are presented in the functional currency, pounds sterling.

The audited financial statements include these accounting policies, the accompanying notes to the financial statements on pages 307 to 378 and the audited sections of the Risk and capital management section on pages 171 to 277 which together form an integral part of the primary financial statements.

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

directors) and in accordance with UK-adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The critical and material accounting policies and related judgements are set out below.

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

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

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

Our consolidated financial statements incorporate the results of NatWest Group plc and the entities it controls. Control arises when we have the power to direct the activities of an entity so as to affect the return from the entity. Control is assessed by reference to our ability to enforce our will on the other entity, typically through voting rights. The consolidated financial statements are prepared under consistent accounting policies.

A subsidiary is included in the consolidated financial statements at fair value on acquisition from the date it is controlled by us until the date we cease to control it through a sale or a significant change in circumstances.

Changes in our interest in a subsidiary that do not result in us ceasing to control that subsidiary are accounted for as equity transactions.

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

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

The judgements and assumptions involved in our accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are noted below. The use of estimates, assumptions or models that differ from those adopted by us would affect our reported results.

How Climate risk affects our accounting judgements and estimates Business planning

Key financial estimates are based on management's latest five-year revenue and cost forecasts. The outputs from this forecast affect forward-looking accounting estimates.

Measurement of deferred tax and expected credit losses are highly sensitive to reasonably possible changes in those anticipated conditions. In 2024, our scenario planning was enhanced by the further integration of NatWest Group's climate transition plan, including the assessment of climate-related risks and opportunities.

Our Climate transition plan includes an assessment of:

- changes in products, services and business operations to support customer transition towards net zero;
- financial impacts of supporting customer transition, including investment required. The linkage between our financial plan and our Climate transition plan will continue to be developed and refreshed annually as part of the financial planning cycle;
- the climate impact of policies, using the UK Climate Change Committee (UK CCC) Balanced Net Zero (BNZ) pathway scenario, aligned with the UK's Sixth Carbon Budget. In addition, we have used the credibility ratings for sectoral policies provided by the UK CCC 2024 Progress Report, published in July, to the Parliament to develop a BNZ adjusted pathway to reflect estimated time delays of these policies.

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

Accounting policies continued

Information used in other accounting estimates

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

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

Effect of climate change in the estimation of expected credit loss

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

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

2. Critical accounting policies

The judgements and assumptions involved in our accounting policies that are considered by the Board to be the most important to the portrayal of our financial condition are noted below. The use of estimates, assumptions or models that differ from those adopted by us would affect our reported results. Management's consideration of uncertainty is outlined in the relevant sections, including the ECL estimate in the Risk and capital management section.

Information used for significant estimate

| Policy | Judgement | Estimate | Further information |
|---|--|---|---------------------|
| Deferred tax | Determination of whether sufficient sustainable taxable profits will be generated in future years to recover the deferred tax asset. | Our estimates are based on the five-year revenue and cost forecasts (which include inherent uncertainties). | Note 7 |
| Fair value – financial instruments | Classification of a fair value instrument as level 3, where the valuation is driven by unobservable inputs. | Estimation of the fair value, where it is reasonably possible to have alternative assumptions in determining the FV. | Note 10 |
| Loan impairment provisions | Definition of default against which to apply PD, LGD and EAD models. Selection of multiple economic scenarios. Criteria for a significant increase in credit risk. Identification of risks not captured by the models. | ECL estimates contain a number of measurement uncertainties (such as the weighting of multiple economic scenarios) and disclosures include sensitivities to show the impact on other reasonably possible scenarios. | Note 14 |

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

Accounting policies continued

2.1. Deferred tax

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

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

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

2.2. Fair value – financial instruments

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

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

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

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

2.3. Loan impairment provisions: expected credit losses (ECL)

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

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

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

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

Judgement is exercised as follows:

- **Non-modelled portfolios** – use a standardised capital requirement under Basel II. Under IFRS 9, they have bespoke treatments for the identification of significant increase in credit risk. Benchmark PDs, EADs and LGDs are reviewed annually for appropriateness. The ECL calculation is based on expected future cash flows, which is typically applied at a portfolio level.

- **Multiple economic scenarios (MES)** – the central, or base, scenario is most critical to the ECL calculation, independent of the method used to generate a range of alternative outcomes and their probabilities.
- **Significant increase in credit risk** – IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the current probability of default over the remaining lifetime) with the equivalent lifetime PD as determined at the date of initial recognition.

On restructuring where a financial asset is not derecognised, the revised cash flows are used in re-estimating the credit loss. Where restructuring causes derecognition of the original financial asset, the fair value of the replacement asset is used as the closing cash flow of the original asset.

Where in the course of the orderly realisation of a loan, it is exchanged for equity shares or property, the exchange is accounted for as the sale of the loan and the acquisition of equity securities or investment property. Where our acquired interest is in equity shares, relevant policies for control, associates and joint ventures apply.

Impaired financial assets are written off and therefore derecognised from the balance sheet when we conclude that there is no longer any realistic prospect of recovery of part, or all, of the loan. For financial assets that are individually assessed for impairment, the timing of the write-off is determined on a case-by-case basis.



Accounting policies continued

Such financial assets are reviewed regularly and write-off will be prompted by bankruptcy, insolvency, re-negotiation, and similar events

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

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

3. Material accounting policies

3.1. Revenue recognition

Interest receivable and payable are recognised in the income statement using the effective interest rate method for all financial instruments measured at amortised cost; debt instruments measured as fair value through other comprehensive income; and the effective part of any related accounting hedging instruments.

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

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value and is reported in income from trading activities or other operating income as relevant. Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

3.2. Discontinued operations, held for sale and disposal groups

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

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

3.3. Staff costs

Employee costs, such as salaries, paid absences, and other benefits are recognised over the period in which the employees provide the related services to us.

Employees may receive variable compensation in cash, in deferred cash or debt instruments of NatWest Group or in ordinary shares of NatWest Group plc subject to deferral, clawback and forfeiture criteria. We operate a number of share-based compensation schemes under which we grant awards of NatWest Group plc shares and share options to our employees. Such awards are subject to vesting conditions.

Variable compensation that is settled in cash or debt instruments is charged to the income statement on a straight-line basis over the period during which services are provided, taking account of forfeiture and clawback criteria. The value of employee services received in exchange for NatWest Group plc shares and share options is recognised as an expense over the vesting period, subject to deferral, clawback, cancellation and forfeiture criteria with a corresponding increase in equity. The fair value of shares granted is the market price adjusted for the expected effect of dividends as employees are not entitled to dividends until shares are vested.

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

Defined contribution pension scheme

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

Defined benefit pension scheme

A scheme that defines the benefit an employee will receive on retirement and is dependent on one or more factors such as age, salary, and years of service. The net of the recognisable scheme assets and obligations is reported on the balance sheet in other assets or other liabilities. The defined benefit obligation is measured on an actuarial basis.

The charge to the income statement for pension costs (mainly the service cost and the net interest on the net defined benefit asset or liability) is recognised in operating expenses.

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

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

We will recognise a liability where a minimum funding requirement exists for any of our defined benefit pension schemes. This reflects agreed minimum funding and the availability of a net surplus as described above.

Accounting policies continued

When estimating the liability for minimum funding requirements we only include contributions that are substantively or contractually agreed and do not include contingent and discretionary features, including dividend-linked contributions or contributions subject to contingent events requiring future verification.

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

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

3.4. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance acquired or developed by us, and are stated at cost less accumulated amortisation and impairment losses. Amortisation is a method to spread the cost of such assets over time in the income statement.

This is charged to the income statement over the assets' estimated useful economic lives using methods that best reflect the pattern of economic benefits.

The estimated useful economic lives are:

Computer software 3 to 10 years

Other acquired intangibles 3 to 5 years

Direct costs relating to the development of internal-use computer software are reported on the balance sheet after technical feasibility and economic viability have been established. These direct costs include payroll, the costs of materials and services, and directly attributable overheads. Capitalisation of costs ceases when the software can operate as intended.

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

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

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

3.5. Impairment of non-financial assets

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

At each balance sheet date, we assess whether there is any indication that other

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

The recoverable amount of an asset that does not generate cash flows that are independent from those of other assets or groups of assets, is determined as part of the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to our cash-generating units or groups of cash-generating units expected to benefit from the combination.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell or its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been considered in estimating future cash flows.

The assessment of asset impairment is based upon value in use. This represents the value of future cashflows and uses our five-year revenue and cost forecasts and the expectation of long term economic growth beyond this period. The

five-year forecast takes account of management's current expectations of competitiveness and profitability, including near-term effects of climate transition risk. The long-term growth rate reflects external indicators which will include market expectations on climate risk. We do not consider any additional adjustments to this indicator.

3.6. Foreign currencies

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

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates ruling at the dates the values are determined. Translation differences are recognised in the income statement except for differences arising on non-monetary financial assets classified as fair value through other comprehensive income.

Income and expenses of foreign subsidiaries and branches are translated into sterling at average exchange rates unless these do not approximate the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on the translation of a foreign operation are recognised in other comprehensive income. The amount accumulated in equity is reclassified from equity to the income statement on disposal of a foreign operation.



Accounting policies continued

3.7. Tax

Tax encompassing current tax and deferred tax is recognised in the income statement except when taxable items are recognised in other comprehensive income or equity. Tax consequences arising from servicing financial instruments classified as equity are recognised in the income statement.

Accounting for taxes is judgemental and carries a degree of uncertainty because tax law is subject to interpretation, which might be questioned by the relevant tax authority. We recognise the most likely current and deferred tax liability or asset, assessed for uncertainty using consistent judgements and estimates. Current and deferred tax assets are only recognised where their recovery is deemed probable, and current and deferred tax liabilities are recognised at the amount that represents the best estimate of the probable outcome having regard to their acceptance by the tax authorities.

3.8. Financial instruments

Financial instruments are measured at fair value on initial recognition on the balance sheet.

Monetary financial assets are classified into one of the following subsequent measurement categories (subject to business model assessment and review of contractual cash flow for the purposes of sole payments of principal and interest where applicable):

- **amortised cost** measured at cost using the effective interest rate method, less any impairment allowance;
- **fair value through other comprehensive income (FVOCI)** measured at fair value, using the effective interest rate method and changes in fair value through other comprehensive income;

- **mandatory fair value through profit or loss (MFVTPL)** measured at fair value and changes in fair value reported in the income statement; or
- **designated at fair value through profit or loss (DFV)** measured at fair value and changes in fair value reported in the income statement.

Classification by business model reflects how we manage our financial assets to generate cash flows. A business model assessment helps to ascertain the measurement approach depending on whether cash flows result from holding financial assets to collect the contractual cash flows, from selling those financial assets, or both.

Business model assessment of assets is made at portfolio level, being the level at which they are managed to achieve a predefined business objective. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives for the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio. When a significant change to our business is communicated to external parties, we reassess our business model for managing those financial assets. We reclassify financial assets if we have a significant change to the business model. A reclassification is applied prospectively from the reclassification date.

The contractual terms of a financial asset; any leverage features; prepayment and extension terms; and discounts or penalties to interest rates that are part of meeting environmental, social and governance targets as well as other contingent and leverage features, non-recourse arrangements and features that could modify the timing and/or amount of

the contractual cash flows that might reset the effective rate of interest; are considered in determining whether cash flows are solely payments of principal and interest.

Certain financial assets may be designated at fair value through profit or loss (DFV) upon initial recognition if such designation eliminates, or significantly reduces, accounting mismatch.

Equity shares are measured at fair value through profit or loss unless specifically elected as at fair value through other comprehensive income (FVOCI).

Upon disposal, the cumulative gains or losses in fair value through other comprehensive income reserve are recycled to the income statement for monetary assets and for non-monetary assets (equity shares) the cumulative gains or losses are transferred directly to retained earnings.

Regular way purchases and sales of financial assets classified as amortised cost are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

Financial liabilities are classified into one of following measurement categories:

- amortised cost measured at cost using the effective interest rate method;
- held for trading measured at fair value and changes in fair value reported in income statement; or
- designated at fair value through profit or loss measured at fair value and changes in fair value reported in the income statement except changes in

fair value attributable to the credit risk component recognised in other comprehensive income when no accounting mismatch occurs.

3.9. Netting

Financial assets and financial liabilities are offset, and the net amount presented on the balance sheet when, and only when, we currently have a legally enforceable right to set off the recognised amounts and we intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. We are party to a number of arrangements, including master netting agreements, that give us the right to offset financial assets and financial liabilities, but where we do not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented separately on the balance sheet.

3.10. Capital instruments

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

The consideration for any ordinary shares of NatWest Group plc purchased by us (known as treasury shares or own shares held) is deducted from retained earnings. On the cancellation of treasury shares their nominal value is removed from retained earnings and a consequential amount recognised in capital redemption reserve in compliance with the Companies Act 2006.



Accounting policies continued

On the sale or re-issue of treasury shares the consideration received and related tax are credited to equity, net of any directly attributable incremental costs.

3.11. Derivatives and hedging

Derivatives are reported on the balance sheet at fair value.

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

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

Hedge accounting

Hedge accounting relationships are designated and documented at inception in line with the requirements of IAS 39 Financial instruments – Recognition and Measurement.

The documentation identifies the hedged item, the hedging instrument and details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. When designating a hedging relationship, we consider: the economic relationship between the hedged item (including the risk being hedged) and the hedging instrument; the nature of the risk; the risk management objective and strategy for undertaking the hedge; and the appropriateness of the method that will be used to assess hedge effectiveness.

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

We enter into three types of hedge accounting relationships.

Fair value hedge – the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk is recognised in the income statement. Where the hedged item is measured at amortised cost, the balance sheet amount of the hedged item is also adjusted.

Cash flow hedge – the effective portion of the designated hedge relationship is recognised in other comprehensive income and the ineffective portion in the income statement. When the hedged item (forecasted cash flows) results in the recognition of a financial asset or financial liability, the cumulative gain or loss is reclassified from equity to the income statement in the same periods in which the hedged forecasted cash flows affect the income statement.

Hedge of net investment in a foreign operation – in the hedge of a net investment in a foreign operation, the effective portion of the designated hedge relationship is recognised in other comprehensive income. Any ineffective portion is recognised in profit or loss. Non-derivative financial liabilities as well as derivatives may be designated as a hedging instrument in a net investment hedge.

Discontinuation of hedge accounting

Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting i.e. the hedge is not highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the documented risk management strategy; the hedging instrument expires or is sold, terminated or exercised; or if hedge designation is revoked.

For fair value hedging any cumulative adjustment is amortised to the income statement over the life of the hedged item. Where the hedged item is no longer on the balance sheet the adjustment to the hedged item is reported in the income statement. For cash flow hedging the cumulative unrealised gain or loss is reclassified from equity to the income statement when the hedged cash flows occur or, if the forecast transaction results in the recognition of a financial asset or financial liability, when the hedged forecast cash flows affect the income statement. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is reclassified from equity to the income statement immediately.

For net investment hedging on disposal or partial disposal of a foreign operation, the amount accumulated in equity is reclassified from equity to the income statement.

3.12. Provisions

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

Provision is made for restructuring costs, including the costs of redundancy, when we have a constructive obligation.

An obligation exists when we have a detailed formal plan for the restructuring and have raised a valid expectation in those affected either by starting to implement the plan or by announcing its main features.

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

4. Future accounting developments**International Financial Reporting Standards****Effective 1 January 2026**

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

Effective 1 January 2027

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

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

Notes to the consolidated financial statements

1 Net interest income

Net interest income is the difference between the interest NatWest Group earns from its interest-bearing assets, such as loans, balances with central banks and other financial assets, and the interest paid on its interest-bearing liabilities, such as deposits and subordinated liabilities.

Interest receivable on financial instruments classified as amortised cost, debt instruments classified as FVOCI and the interest element of the effective portion of any designated hedging relationships are measured using the effective interest rate method, which allocates the interest receivable or interest payable over the expected life of the financial instrument at the rate that exactly discounts all estimated future cash flows to equal the financial instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the financial instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows. Negative interest on financial assets is presented in interest payable and negative interest on financial liabilities is presented in interest receivable. Included in interest receivable is finance lease income of £549 million (2023 - £484 million; 2022 - £314 million) which is recognised at a constant periodic rate of return before tax on the net investment.

For accounting policy information refer to Accounting policy 3.1.

| | 2024 £m | 2023 £m | 2022 £m |
|---|------------|------------|------------|
| Continuing operations | | | |
| Balances at central banks and loans to banks - amortised cost | 4,047 | 3,737 | 1,987 |
| Loans to customers - amortised cost | 18,295 | 15,553 | 10,085 |
| Other financial assets | 2,845 | 1,736 | 565 |
| Interest receivable | 25,187 | 21,026 | 12,637 |
| Bank deposits | 1,534 | 1,039 | 379 |
| Customer deposits | 8,332 | 5,276 | 785 |
| Other financial liabilities | 3,096 | 2,977 | 1,196 |
| Subordinated liabilities | 465 | 464 | 370 |
| Internal funding of trading businesses | 485 | 221 | 65 |
| Interest payable | 13,912 | 9,977 | 2,795 |
| Net interest income | 11,275 | 11,049 | 9,842 |

2 Non-interest income

There are three main categories of non-interest income: net fees and commissions, trading income, and other operating income.

Net fees and commissions is the difference between fees received from customers for services provided by NatWest Group, such as credit card annual fees, underwriting fees, payment services, brokerage fees, trade finance, investment management fees, trustee and fiduciary services, and fees incurred in the provision of those services, such as credit card interchange fees, customer incentives, loan administration, foreign currency transaction charges, and brokerage fees.

Trading income is earned from short-term financial assets and financial liabilities to either make a spread between purchase and sale price or held to take advantage of movements in prices and yields.

Other operating income includes revenue from other operating activities which are not related to the principal activities of the company, such as: share of profit or loss from associates; operating lease income; the profit or loss on the sale of a subsidiary or property, plant and equipment profit or loss on own debt; and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss.

For accounting policy information refer to Accounting policies 3.1 and 3.6.

| | 2024 £m | 2023 £m | 2022 £m |
|---|------------|------------|------------|
| Continuing operations | | | |
| Net fees and commissions (1) | 2,467 | 2,330 | 2,292 |
| Trading income | | | |
| Foreign exchange | 310 | 270 | 305 |
| Interest rate (2) | 687 | 595 | 752 |
| Credit | (163) | (72) | 17 |
| Changes in fair value of own debt and derivative liabilities attributable to own credit risk - debt securities in issue | (9) | (2) | 42 |
| Equities, commodities and other | - | 3 | 17 |
| | 825 | 794 | 1,133 |
| Other operating income | | | |
| Gain/(loss) on redemption of own debt | - | 3 | (161) |
| Rental income on operating lease assets and investment property | 233 | 234 | 230 |
| Changes in fair value of financial assets and liabilities designated at fair value through profit or loss (3) | (137) | (150) | 17 |
| Changes in fair value of other financial assets at fair value through profit or loss (4) | 75 | 50 | (45) |
| Hedge ineffectiveness | 2 | 52 | (20) |
| Profit/(loss) on disposal of amortised cost assets and liabilities | 5 | (5) | (15) |
| Loss on disposal of fair value through other comprehensive income assets | (19) | (43) | (168) |
| Profit/(loss) on sale of property, plant and equipment | 31 | (21) | (5) |
| Share of profits/(losses) of associated entities | 19 | (9) | (30) |
| Foreign exchange recycling (losses)/gains | (76) | 484 | 5 |
| Other income (5) | 3 | (16) | 81 |
| | 136 | 579 | (111) |
| | 3,428 | 3,703 | 3,314 |

(1) Refer to Note 4 for further analysis.

(2) Includes fair value changes on derivatives not designated in a hedge accounting relationship, and gains and losses from structural hedges.

(3) Includes related derivatives.

(4) Includes instruments that have failed solely payments of principal and interest testing under IFRS 9.

(5) 2022 includes £92 million profit from insurance liabilities.

Notes to the consolidated financial statements continued

3 Operating expenses

Operating expenses are expenses NatWest Group incurs in the running of its business such as all staff costs (for example salaries, bonus awards, pension costs and social security costs), premises and equipment costs that arise from the occupation of premises and the use of equipment, depreciation and amortisation and other administrative expenses.

For accounting policy information refer to Accounting policies 3.3, 3.4 and 3.5.

| | 2024 | 2023 | 2022 |
|------------------------------------|-------|-------|-------|
| | £m | £m | £m |
| Continuing operations | | | |
| Salaries | 2,477 | 2,483 | 2,250 |
| Bonus awards | 411 | 353 | 334 |
| Temporary and contract costs | 162 | 199 | 234 |
| Social security costs | 371 | 352 | 328 |
| Pension costs | 311 | 313 | 363 |
| - defined benefit schemes (Note 5) | 86 | 122 | 205 |
| - defined contribution schemes | 225 | 191 | 158 |
| Other | 329 | 201 | 207 |
| Staff costs | 4,061 | 3,901 | 3,716 |
| Premises and equipment | 1,211 | 1,153 | 1,112 |
| UK bank levy | 142 | 109 | 101 |
| Depreciation and amortisation (1) | 1,058 | 934 | 833 |
| Other administrative expenses (2) | 1,677 | 1,899 | 1,925 |
| Administrative expenses | 4,088 | 4,095 | 3,971 |
| | 8,149 | 7,996 | 7,687 |

(1) Includes depreciation of right of use assets of £103 million (2023 - £104 million; 2022 - £119 million).

(2) Includes litigation and conduct costs, net of amounts recovered. Refer to Note 20 for further details.

The average number of persons employed, rounded to the nearest hundred, during the year, excluding temporary staff, was 60,700 (2023 – 61,500; 2022 – 60,000). The average number of temporary employees during 2024 was 1,400 (2023 – 2,100; 2022 – 2,500).

The number of persons employed at 31 December, excluding temporary staff, by reportable segment, was as follows:

| | 2024 | 2023 | 2022 |
|------------------------------|--------|--------|--------|
| Continuing operations | | | |
| Retail Banking | 13,000 | 14,300 | 15,100 |
| Private Banking | 2,200 | 2,400 | 2,300 |
| Commercial & Institutional | 12,700 | 12,400 | 12,200 |
| Central items & other (1) | 31,800 | 32,500 | 31,400 |
| Total | 59,700 | 61,600 | 61,000 |
| UK | 40,100 | 41,500 | 41,200 |
| India | 17,600 | 16,900 | 15,700 |
| Poland | 800 | 1,500 | 1,500 |
| USA | 300 | 300 | 300 |
| Republic of Ireland | 100 | 400 | 1,400 |
| Rest of the World | 800 | 1,000 | 900 |
| Total | 59,700 | 61,600 | 61,000 |

(1) Central items & other includes Ulster Bank Rol. The total number of persons employed in Ulster Bank Rol of 200 (2023 – 500; 2022 – 2,200) includes nil people employed in discontinued operations at 31 December 2024 (2023 – nil; 2022 – 400).



Notes to the consolidated financial statements continued

3 Operating expenses continued

Share-based payments

| Award plan | Eligible employees | Nature of award | Vesting conditions (1) | Settlement |
|-----------------------------|--|--|---|--------------|
| Sharesave | UK, Channel Islands, Gibraltar, Isle of Man, Poland and India. | Option to buy shares under employee savings plan | Continuing employment or leavers in certain circumstances | 2025 to 2029 |
| Deferred performance awards | All | Awards of ordinary shares and conditional shares | Continuing employment or leavers in certain circumstances | 2025 to 2032 |
| Long-term incentives (2,3) | Senior employees | Awards of ordinary shares and conditional shares | Continuing employment or leavers in certain circumstances and/or satisfaction of the pre-vesting assessment and underpins | 2025 to 2031 |
| Sharing in Success (4) | All | Awards of ordinary shares and conditional shares | Future continuing employment and achievement of pre-defined measures. | 2025 |

(1) All awards are subject to discretion of Remuneration Committee.

(2) Long-term incentives include buy-out awards offered to compensate certain new hires for the loss of forfeited awards from their previous employment. Existing Long-term incentives vest over 3 to 7 years.

(3) The existing Restricted Share Plan scheme would be replaced by Performance Share Plan in 2025.

(4) In 2024 16 million shares at total value of £49 million were granted and vested under Sharing in Success.

Sharesave

| | 2024 | | 2023 | | 2022 | |
|----------------|------------------------|---------------------|------------------------|---------------------|------------------------|---------------------|
| | Average exercise price | Shares under option | Average exercise price | Shares under option | Average exercise price | Shares under option |
| | £ | (million) | £ | (million) | £ | (million) |
| At 1 January | 1.59 | 114 | 1.63 | 99 | 1.61 | 95 |
| Granted | 2.94 | 24 | 1.42 | 43 | 1.86 | 25 |
| Exercised | 1.52 | (32) | 1.44 | (23) | 1.88 | (15) |
| Cancelled | 1.60 | (5) | 1.72 | (5) | 1.60 | (6) |
| At 31 December | 1.93 | 101 | 1.59 | 114 | 1.63 | 99 |

The fair value of Sharesave options granted in 2024 was determined using a pricing model that included: expected volatility of share price determined at the grant date based on historical share price volatility over a period of up to five years; expected option lives that equal the vesting period; estimated dividend yield on equity shares; and risk-free interest rates determined from UK gilts with terms matching the expected lives of the options.

The exercise price of options and the fair value on granting awards of fully paid shares is the average market price over the five trading days (three trading days for Sharesave) preceding grant date. When estimating the fair value of the award, the number of shares granted and the prevailing market price as defined on page 151 are used. The fair value of the award is recognised as services are provided by employees over the vesting period.

Options are exercisable within six months of vesting; 8.9 million options were exercisable at 31 December 2024 (2023 – 19.0 million; 2022 – 5.1 million). The weighted average share price at the date of exercise of options was £4.03 (2023 – £2.20; 2022 – £2.59). At 31 December 2024, exercise prices ranged from £1.42 to £2.94 (2023 – £1.12 to £1.89; 2022 – £1.12 to £2.27) and the remaining average contractual life was 2.35 years (2023 – 2.25 years; 2022 – 2 years). The fair value of options granted in 2024 was £28.3 million (2023 – £27.3 million; 2022 – £22.1 million).

Deferred performance awards

| | 2024 | | 2023 | | 2022 | |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Value at grant | Shares awarded | Value at grant | Shares awarded | Value at grant | Shares awarded |
| | £m | (million) | £m | (million) | £m | (million) |
| At 1 January | 76 | 35 | 93 | 46 | 132 | 65 |
| Granted | 50 | 23 | 52 | 20 | 46 | 20 |
| Forfeited | (3) | (1) | (2) | (1) | (4) | (2) |
| Vested | (57) | (27) | (67) | (30) | (81) | (37) |
| At 31 December | 66 | 30 | 76 | 35 | 93 | 46 |

The awards granted in 2024 vest in equal tranches on the anniversary of the award, predominantly over three years.

Long-term incentives

| | 2024 | | 2023 | | 2022 | |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Value at grant | Shares awarded | Value at grant | Shares awarded | Value at grant | Shares awarded |
| | £m | (million) | £m | (million) | £m | (million) |
| At 1 January | 49 | 23 | 49 | 23 | 44 | 21 |
| Granted | 9 | 5 | 11 | 5 | 16 | 7 |
| Vested/exercised | (11) | (5) | (10) | (4) | (10) | (4) |
| Lapsed | (7) | (4) | (1) | (1) | (1) | (1) |
| At 31 December | 40 | 19 | 49 | 23 | 49 | 23 |

The market value of awards vested/exercised in 2024 was £19.3 million (2023 – £9.5 million; 2022 – £11.7 million).



Notes to the consolidated financial statements continued

3 Operating expenses continued

Bonus awards

| | 2024 £m | 2023 £m | Change % |
|---|------------|------------|-------------|
| March awards (1) | 63 | 43 | 47% |
| Deferred cash awards | 324 | 262 | 24% |
| Deferred share awards | 61 | 51 | 20% |
| Total deferred bonus awards | 385 | 313 | 23% |
| Total bonus awards (2) | 448 | 356 | 26% |
| Bonus awards as a % of operating profit before tax and bonus awards | 7% | 5% | |
| Proportion of bonus awards that are deferred | | | |
| - deferred cash awards | 86% | 86% | |
| - deferred share awards | 14% | 14% | |

Reconciliation of bonus awards to income statement charge

| | 2024 £m | 2023 £m | 2022 £m |
|--|------------|------------|------------|
| Bonus awarded | 448 | 356 | 370 |
| Less: deferral of charge for amounts awarded for current year | (144) | (114) | (127) |
| Income statement charge for amounts awarded in current year | 304 | 242 | 243 |
| Add: current year charge for amounts deferred from prior years | 109 | 115 | 94 |
| Less: forfeiture of amounts deferred from prior years | (2) | (4) | (3) |
| Income statement charge for amounts deferred from prior years | 107 | 111 | 91 |
| Income statement charge for bonus awards (2) | 411 | 353 | 334 |

(1) March cash awards are limited to £2,000 for all employees.

(2) Excludes other performance-related compensation.

Year in which income statement charge is expected to be taken for deferred bonus awards

| | Actual | | | Expected | |
|---|------------|------------|------------|------------|-----------------------|
| | 2022 £m | 2023 £m | 2024 £m | 2025 £m | 2026 and beyond £m |
| Bonus awards deferred from 2022 and earlier | 94 | 115 | 17 | 8 | 6 |
| Bonus awards deferred from 2023 | - | - | 92 | 8 | 9 |
| Less: forfeiture of amounts deferred from prior years | (3) | (4) | (2) | - | - |
| Bonus awards deferred for 2024 | - | - | - | 122 | 22 |
| | 91 | 111 | 107 | 138 | 37 |

4 Segmental analysis

NatWest Group analyses its performance between the different operating segments of the Group as required by IFRS 8, Operating segments. The presentation is consistent with internal financial reporting and how senior management assesses the performance of each operating segment.

Reportable operating segments:

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

Retail Banking serves personal customers in the UK, including Ulster Bank customers in Northern Ireland.

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

Commercial & Institutional consists of customer businesses reported under Business Banking, Commercial Mid-market and Corporate & Institutions, supporting our customers across the full non-personal customer lifecycle, both domestically and internationally. Our Markets offering helps our customers manage financial risks across different geographies, while our International offering provides full-service banking operations in the Channel Islands, Isle of Man, Gibraltar and Luxembourg.

Central items & other includes corporate functions, such as treasury, finance, risk management, compliance, legal, communications and human resources. Central functions manage NatWest Group capital resources and NatWest Group-wide regulatory projects and provide services to the reportable segments. Central items & other includes businesses and amounts not directly related to any of the other reportable segments. Ulster Bank Rol is no longer an operating segment and its continuing operations now form part of Central items & other.

Allocation of central balance sheet items

NatWest Group allocates all central costs relating to central functions to the business using appropriate drivers; these are reported as indirect costs in the segmental income statements. Assets and risk-weighted assets held centrally, mainly relating to NatWest Group Treasury, are allocated to the business using appropriate drivers.

| | Retail Banking | Private Banking | Commercial & Institutional | Central items & other | Total |
|-------------------------------|-------------------|--------------------|-------------------------------|--------------------------|---------|
| | £m | £m | £m | £m | £m |
| 2024 | | | | | |
| Continuing operations | | | | | |
| Net interest income | 5,233 | 645 | 5,339 | 58 | 11,275 |
| Net fees and commissions | 408 | 290 | 1,765 | 4 | 2,467 |
| Other non-interest income | 9 | 34 | 853 | 65 | 961 |
| Total income | 5,650 | 969 | 7,957 | 127 | 14,703 |
| Depreciation and amortisation | (1) | (1) | (154) | (902) | (1,058) |
| Other operating expenses | (2,936) | (715) | (4,120) | 680 | (7,091) |
| Impairment (losses)/releases | (282) | 11 | (98) | 10 | (359) |
| Operating profit/(loss) | 2,431 | 264 | 3,585 | (85) | 6,195 |
| 2023 | | | | | |
| Continuing operations | | | | | |
| Net interest income | 5,496 | 710 | 5,044 | (201) | 11,049 |
| Net fees and commissions | 427 | 249 | 1,654 | - | 2,330 |
| Other non-interest income | 8 | 31 | 723 | 611 | 1,373 |
| Total income | 5,931 | 990 | 7,421 | 410 | 14,752 |
| Depreciation and amortisation | (1) | (1) | (154) | (778) | (934) |
| Other operating expenses | (2,827) | (684) | (3,937) | 386 | (7,062) |
| Impairment losses | (465) | (14) | (94) | (5) | (578) |
| Operating profit | 2,638 | 291 | 3,236 | 13 | 6,178 |
| 2022 | | | | | |
| Continuing operations | | | | | |
| Net interest income | 5,224 | 777 | 4,171 | (330) | 9,842 |
| Net fees and commissions | 422 | 250 | 1,580 | 40 | 2,292 |
| Other non-interest income | - | 29 | 662 | 331 | 1,022 |
| Total income | 5,646 | 1,056 | 6,413 | 41 | 13,156 |
| Depreciation and amortisation | - | - | (161) | (672) | (833) |
| Other operating expenses | (2,593) | (622) | (3,583) | (56) | (6,854) |
| Impairment (losses)/releases | (229) | 2 | (122) | 12 | (337) |
| Operating profit/(loss) | 2,824 | 436 | 2,547 | (675) | 5,132 |



Notes to the consolidated financial statements continued

4 Segmental analysis continued

Total revenue ⁽¹⁾

| | Retail Banking £m | Private Banking £m | Commercial & Institutional £m | Central items & other £m | Total £m |
|------------------------------|-------------------------|--------------------------|-------------------------------------|--------------------------------|---------------|
| 2024 | | | | | |
| Continuing operations | | | | | |
| External | 9,041 | 1,250 | 14,194 | 4,838 | 29,323 |
| Inter-segmental (2) | 11 | 1,538 | (1,769) | 220 | - |
| Total | 9,052 | 2,788 | 12,425 | 5,058 | 29,323 |
| 2023 | | | | | |
| Continuing operations | | | | | |
| External | 7,366 | 1,157 | 12,519 | 4,340 | 25,382 |
| Inter-segmental (2) | 5 | 1,000 | (1,602) | 597 | - |
| Total | 7,371 | 2,157 | 10,917 | 4,937 | 25,382 |
| 2022 | | | | | |
| Continuing operations | | | | | |
| External | 5,773 | 874 | 7,258 | 2,669 | 16,574 |
| Inter-segmental (2) | - | 389 | (395) | 6 | - |
| Total | 5,773 | 1,263 | 6,863 | 2,675 | 16,574 |

Total income

| | Retail Banking £m | Private Banking £m | Commercial & Institutional £m | Central items & other £m | Total £m |
|------------------------------|-------------------------|--------------------------|-------------------------------------|--------------------------------|---------------|
| 2024 | | | | | |
| Continuing operations | | | | | |
| External | 4,743 | 26 | 8,250 | 1,684 | 14,703 |
| Inter-segmental (2) | 907 | 943 | (293) | (1,557) | - |
| Total | 5,650 | 969 | 7,957 | 127 | 14,703 |
| 2023 | | | | | |
| Continuing operations | | | | | |
| External | 4,170 | 327 | 7,730 | 2,525 | 14,752 |
| Inter-segmental (2) | 1,761 | 663 | (309) | (2,115) | - |
| Total | 5,931 | 990 | 7,421 | 410 | 14,752 |
| 2022 | | | | | |
| Continuing operations | | | | | |
| External | 4,956 | 778 | 5,920 | 1,502 | 13,156 |
| Inter-segmental (2) | 690 | 278 | 493 | (1,461) | - |
| Total | 5,646 | 1,056 | 6,413 | 41 | 13,156 |

For the notes to this table refer to page 315.



Notes to the consolidated financial statements continued

4 Segmental analysis continued

Analysis of net fees and commissions

| | Retail Banking £m | Private Banking £m | Commercial & Institutional £m | Central items & other £m | Total £m |
|---|-------------------------|--------------------------|-------------------------------------|--------------------------------|--------------|
| 2024 | | | | | |
| Continuing operations | | | | | |
| Fees and commissions receivable | | | | | |
| - Payment services | 322 | 37 | 700 | - | 1,059 |
| - Credit and debit card fees | 402 | 13 | 261 | 5 | 681 |
| - Lending and financing | 18 | 5 | 771 | - | 794 |
| - Brokerage | 34 | 9 | 46 | - | 89 |
| - Investment management, trustee and fiduciary services | 2 | 235 | 48 | 19 | 304 |
| - Underwriting fees | - | - | 155 | - | 155 |
| - Other | 7 | 11 | 95 | (20) | 93 |
| Total | 785 | 310 | 2,076 | 4 | 3,175 |
| Fees and commissions payable | (377) | (20) | (311) | - | (708) |
| Net fees and commissions | 408 | 290 | 1,765 | 4 | 2,467 |
| 2023 | | | | | |
| Continuing operations | | | | | |
| Fees and commissions receivable | | | | | |
| - Payment services | 324 | 32 | 671 | 3 | 1,030 |
| - Credit and debit card fees | 400 | 13 | 260 | 3 | 676 |
| - Lending and financing | 14 | 5 | 709 | 1 | 729 |
| - Brokerage | 35 | 6 | 42 | - | 83 |
| - Investment management, trustee and fiduciary services | 2 | 209 | 45 | 10 | 266 |
| - Underwriting fees | - | - | 123 | - | 123 |
| - Other | 4 | 5 | 73 | (6) | 76 |
| Total | 779 | 270 | 1,923 | 11 | 2,983 |
| Fees and commissions payable | (352) | (21) | (269) | (11) | (653) |
| Net fees and commissions | 427 | 249 | 1,654 | - | 2,330 |
| 2022 | | | | | |
| Continuing operations | | | | | |
| Fees and commissions receivable | | | | | |
| - Payment services | 314 | 25 | 642 | 43 | 1,024 |
| - Credit and debit card fees | 401 | 15 | 227 | 18 | 661 |
| - Lending and financing | 17 | 8 | 673 | 3 | 701 |
| - Brokerage | 43 | 6 | 44 | - | 93 |
| - Investment management, trustee and fiduciary services | 4 | 219 | 46 | - | 269 |
| - Underwriting fees | - | - | 120 | - | 120 |
| - Other | - | 3 | 88 | (44) | 47 |
| Total | 779 | 276 | 1,840 | 20 | 2,915 |
| Fees and commissions payable | (357) | (26) | (260) | 20 | (623) |
| Net fees and commissions | 422 | 250 | 1,580 | 40 | 2,292 |



Notes to the consolidated financial statements continued

4 Segmental analysis continued

| | 2024 | | 2023 | | 2022 | |
|----------------------------|---------|-------------|---------|-------------|---------|-------------|
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| | £m | £m | £m | £m | £m | £m |
| Retail Banking | 232,835 | 198,795 | 228,684 | 191,936 | 226,375 | 192,282 |
| Private Banking | 28,593 | 42,603 | 26,894 | 37,806 | 29,867 | 41,491 |
| Commercial & Institutional | 398,750 | 367,342 | 384,958 | 359,766 | 404,817 | 383,768 |
| Central items & other | 47,807 | 59,867 | 52,137 | 65,977 | 58,994 | 66,016 |
| Total | 707,985 | 668,607 | 692,673 | 655,485 | 720,053 | 683,557 |

Segmental analysis of goodwill

The total carrying value of goodwill at 31 December 2024 was £5,675 million (2023 - £5,680 million) comprising: Retail Banking £2,607 million (2023 - £2,607 million); Commercial & Institutional £2,904 million (2023 - £2,905 million); Private Banking £9 million (2023 - £9 million) and Central items & other £155 million (2023 - £159 million).

Geographical segments

The geographical analysis in the tables below has been compiled on the basis of location of office where the transactions are recorded.

| | UK | USA | Europe | RoW | Total |
|--|----------|--------|--------|-------|----------|
| 2024 | £m | £m | £m | £m | £m |
| Continuing operations | | | | | |
| Total revenue (1) | 28,067 | 297 | 857 | 102 | 29,323 |
| Interest receivable | 24,276 | 32 | 859 | 20 | 25,187 |
| Interest payable | (13,328) | (63) | (516) | (5) | (13,912) |
| Net fees and commissions | 2,096 | 108 | 207 | 56 | 2,467 |
| Trading income | 648 | 135 | 18 | 24 | 825 |
| Other operating income | 403 | (4) | (264) | 1 | 136 |
| Total income (3) | 14,095 | 208 | 304 | 96 | 14,703 |
| Operating profit/(loss) before tax | 6,146 | 75 | (151) | 125 | 6,195 |
| Total assets | 627,519 | 25,793 | 53,392 | 1,281 | 707,985 |
| Total liabilities | 608,708 | 23,495 | 35,602 | 802 | 668,607 |
| Contingent liabilities and commitments (4) | 132,035 | - | 7,925 | 1 | 139,961 |

| | UK | USA | Europe | RoW | Total |
|--|---------|--------|--------|-------|---------|
| 2023 | £m | £m | £m | £m | £m |
| Continuing operations | | | | | |
| Total revenue (1) | 24,096 | 167 | 1,016 | 103 | 25,382 |
| Interest receivable | 20,192 | 39 | 774 | 21 | 21,026 |
| Interest payable | (9,500) | (1) | (472) | (4) | (9,977) |
| Net fees and commissions | 2,052 | 49 | 172 | 57 | 2,330 |
| Trading income | 704 | 66 | 1 | 23 | 794 |
| Other operating income | 556 | (10) | 30 | 3 | 579 |
| Total income (3) | 14,004 | 143 | 505 | 100 | 14,752 |
| Operating profit/(loss) before tax | 6,196 | 45 | (149) | 86 | 6,178 |
| Total assets | 610,831 | 23,725 | 56,001 | 2,116 | 692,673 |
| Total liabilities | 594,250 | 22,106 | 37,506 | 1,623 | 655,485 |
| Contingent liabilities and commitments (4) | 124,298 | - | 7,561 | 21 | 131,880 |

2022

| | | | | | |
|--|---------|--------|---------|-------|---------|
| Continuing operations | | | | | |
| Total revenue (1) | 15,795 | 117 | 558 | 104 | 16,574 |
| Interest receivable | 12,242 | 37 | 344 | 14 | 12,637 |
| Interest payable | (2,567) | (2) | (221) | (5) | (2,795) |
| Net fees and commissions | 1,983 | 44 | 207 | 58 | 2,292 |
| Trading income | 1,208 | 1 | (104) | 28 | 1,133 |
| Other operating income | (140) | 14 | 12 | 3 | (111) |
| Total income (3) | 12,726 | 94 | 238 | 98 | 13,156 |
| Operating (loss)/profit before tax | 5,716 | (46) | (620) | 82 | 5,132 |
| Total assets | 589,758 | 25,979 | 101,164 | 3,152 | 720,053 |
| Total liabilities | 579,476 | 27,039 | 75,092 | 1,950 | 683,557 |
| Contingent liabilities and commitments (4) | 127,854 | - | 8,965 | 17 | 136,836 |

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

(2) Revenue and income from transactions between segments of the group are reported as inter-segment in both the current and comparative information.

(3) Total income excludes internal service fee income which has been calculated on a cost plus mark-up basis.

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

5 Pensions

NatWest Group operates two types of pension scheme: defined contribution and defined benefit. The defined contribution schemes invest contributions in a choice of funds and the accumulated contributions and investment returns are used by the employee to provide benefits on retirement. There is no legal or constructive obligation for NatWest Group to pay any further contributions or benefits. The defined benefit schemes provide pensions in retirement based on employees' pensionable salaries and service.

NatWest Group's balance sheet includes any defined benefit pension scheme surplus or deficit as a retirement benefit asset or liability reported in other assets and other liabilities. The surplus or deficit is the difference between the liabilities to be paid from the defined benefit scheme and the assets held by the scheme to meet these liabilities. The liabilities are calculated by external actuaries using a number of financial and demographic assumptions.

For some NatWest Group defined benefit schemes where there is a net defined benefit surplus in excess of the present value of any economic benefits that can be obtained from that surplus, the application of accounting standards means we do not recognise that surplus on the balance sheet.

For accounting policy information refer to Accounting policy 3.3.

Defined contribution schemes

NatWest Group sponsors several defined contribution schemes in different territories, which new employees are entitled to join. NatWest Group pays specific contributions into individual investment funds on employees' behalf. Once those contributions are paid, there is no further liability on the NatWest Group balance sheet relating to the defined contribution schemes.

Defined benefit schemes

NatWest Group sponsors a number of pension schemes in the UK and overseas, including the Main section of the NatWest Group Pension Fund (the Main section) which operates under UK trust law and is managed and administered on behalf of its members in accordance with the terms of the trust deed, the scheme rules and UK legislation.

Pension fund trustees are appointed to operate each fund and ensure benefits are paid in accordance with the scheme rules and national law. The trustees are the legal owner of a scheme's assets, and have a duty to act in the best interests of all scheme members.

The schemes generally provide a pension of one-sixtieth of final pensionable salary for each year of service prior to retirement up to a maximum of 40 years and are contributory for current members.

These have been closed to new entrants for over ten years, although active members continue to build up additional pension benefits, currently subject to 2% maximum annual salary inflation, while they remain employed by NatWest Group.

The Main section corporate trustee is NatWest Pension Trustee Limited (the Trustee), a wholly owned subsidiary of NWB Plc, Principal Employer of the Main section.

The Board of the Trustee includes member trustee directors selected from eligible active staff, deferred and pensioner members who apply and trustee directors appointed by NatWest Group.

Under UK legislation, a defined benefit pension scheme is required to meet the statutory funding objective of having sufficient and appropriate assets to cover its liabilities (the pensions that have been promised to members).

Similar governance principles apply to NatWest Group's other defined benefit pension schemes.

Investment strategy

The assets of the Main section represent 90% of all plan assets at 31 December 2024 (2023 - 91%) and are invested as shown below.

Within the non-insured portfolio the Main section employs physical, derivative and non-derivative instruments to achieve a desired asset class exposure and to reduce the section's interest rate, inflation, and currency risk. This means that the net funding position is considerably less sensitive to changes in market conditions than the value of the assets or liabilities in isolation. In particular, movements in interest rate and inflation are substantially hedged by the Trustee.

During 2023, the Trustee completed a buy-in insurance transaction for the AA section of the Group Pension Fund. Further transactions for the Main section were completed during 2024. Each transaction saw a premium paid to an insurer in exchange for a buy-in insurance contract. The contracts provide a stream of cashflows to the Trustee replicating payments due to members, thereby passing material demographic and market risk to the insurer.

At 31 December 2024, the Main section included buy-in insurance contracts covering around a third of the liabilities, while around 99% of AA section liabilities were insured.

The premium for each transaction was determined by the insurer using its pricing basis. Under IAS 19, the value placed on this asset mirrors the valuation of the defined benefit obligations covered, incorporating an assessment of credit risk. Since the insurer's pricing basis is more conservative than the best-estimate valuation under IAS 19, a material asset loss arises at the outset. However, the asset loss is offset by a corresponding movement in the asset ceiling, meaning the net balance sheet and OCI impacts are neutral. Once the contract has been established, the value of the buy-in insurance contracts will move in line with movements in the defined benefit obligations covered, protecting the scheme against demographic and market risk.

Notes to the consolidated financial statements continued

5 Pensions continued

Major classes of plan assets as a percentage of total plan assets of the Main section

| | 2024 | | | 2023 | | |
|----------------------------|--------|----------|-------|--------|----------|-------|
| | Quoted | Unquoted | Total | Quoted | Unquoted | Total |
| | % | % | % | % | % | % |
| Equities | 0.1 | 6.6 | 6.7 | 0.1 | 6.7 | 6.8 |
| Index-linked bonds | 23.6 | - | 23.6 | 36.7 | - | 36.7 |
| Government bonds | 9.9 | - | 9.9 | 13.3 | - | 13.3 |
| Corporate and other bonds | 14.4 | 4.1 | 18.5 | 19.2 | 6.4 | 25.6 |
| Real estate | - | 2.4 | 2.4 | - | 4.5 | 4.5 |
| Derivatives | - | 0.1 | 0.1 | - | 2.7 | 2.7 |
| Buy-in insurance contracts | - | 27.0 | 27.0 | - | - | - |
| Cash and other assets | - | 11.8 | 11.8 | - | 10.4 | 10.4 |
| | 48.0 | 52.0 | 100.0 | 69.3 | 30.7 | 100.0 |

The Main section's holdings of derivative instruments are summarised in the table below:

| | 2024 | | | 2023 | | |
|------------------------------|------------------|------------|-------------|------------------|------------|-------------|
| | Notional amounts | Fair value | | Notional amounts | Fair value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| | £bn | £m | £m | £bn | £m | £m |
| Inflation rate swaps | 24 | 1,548 | 812 | 29 | 1,929 | 940 |
| Interest rate swaps | 57 | 3,096 | 3,763 | 52 | 3,121 | 3,394 |
| Currency forwards | 8 | 60 | 130 | 13 | 235 | 34 |
| Equity and bond call options | - | - | - | - | - | - |
| Equity and bond put options | - | - | - | - | - | 4 |
| Other | 1 | 22 | 4 | 1 | 8 | 20 |

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

At 31 December 2024, the gross notional value of the swaps was £81 billion (2023 - £81 billion) and had a net positive fair value of £73 million (2023 - £714 million) against which the scheme had posted 85% collateral.

The schemes do not invest directly in NatWest Group but may have exposure to NatWest Group through indirect holdings. The trustees of the respective UK schemes are responsible for ensuring that indirect investments in NatWest Group do not exceed the regulatory limit of 5% of plan assets.



Notes to the consolidated financial statements continued

5 Pensions continued

Changes in value of net pension assets/(liability)

| | Main section | | | | All schemes | | | |
|--|---------------------------------|---|--------------------------------------|-------------------------------------|---------------------------------|---|--------------------------------------|------------------------------|
| | Fair value of plan assets £m | Present value of defined benefit obligation (1) £m | Asset ceiling/ minimum funding £m | Net pension assets/ liability £m | Fair value of plan assets £m | Present value of defined benefit obligation (1) £m | Asset ceiling/ minimum funding £m | Net pension assets (2) £m |
| At 1 January 2023 | 34,016 | (24,733) | (9,283) | - | 37,598 | (27,601) | (9,777) | 220 |
| Currency translation and other adjustments | - | - | - | - | (21) | 21 | 4 | 4 |
| Income statement - operating expenses | 1,677 | (1,286) | (464) | (73) | 1,841 | (1,478) | (485) | (122) |
| Other comprehensive income | (1,042) | (1,737) | 2,643 | (136) | (1,182) | (1,939) | 2,841 | (280) |
| Contributions by employer | 209 | - | - | 209 | 278 | 2 | - | 280 |
| Contributions by plan participants and other scheme members | 7 | (7) | - | - | 12 | (12) | - | - |
| Assets/liabilities extinguished upon settlement | - | - | - | - | (50) | 50 | - | - |
| Benefits paid | (1,229) | 1,229 | - | - | (1,365) | 1,365 | - | - |
| At 1 January 2024 | 33,638 | (26,534) | (7,104) | - | 37,111 | (29,592) | (7,417) | 102 |
| Currency translation and other adjustments | - | - | - | - | (5) | 9 | (4) | - |
| Income statement - operating expenses | 1,589 | (1,244) | (341) | 4 | 1,737 | (1,374) | (355) | 8 |
| Net interest expense | - | (72) | - | (72) | - | (99) | - | (99) |
| Past service cost | - | (3) | - | (3) | - | (3) | - | (3) |
| Loss on curtailments and settlements | - | - | - | - | - | 8 | - | 8 |
| | 1,589 | (1,319) | (341) | (71) | 1,737 | (1,468) | (355) | (86) |
| Other comprehensive income | | | | | | | | |
| Return on plan assets excluding recognised interest income (3) | (4,612) | - | - | (4,612) | (4,860) | - | - | (4,860) |
| Experience gains and losses | - | 13 | - | 13 | - | (3) | - | (3) |
| Effect of changes in actuarial financial assumptions | - | 2,182 | - | 2,182 | - | 2,343 | - | 2,343 |
| Effect of changes in actuarial demographic assumptions | - | (77) | - | (77) | - | (62) | - | (62) |
| Asset ceiling adjustments (3) | - | - | 2,360 | 2,360 | - | - | 2,416 | 2,416 |
| | (4,612) | 2,118 | 2,360 | (134) | (4,860) | 2,278 | 2,416 | (166) |
| Contributions by employer (4) | 205 | - | - | 205 | 250 | - | - | 250 |
| Contributions by plan participants and other scheme members | 7 | (7) | - | - | 11 | (11) | - | - |
| Assets/liabilities extinguished upon settlement | - | - | - | - | (42) | 42 | - | - |
| Benefits paid | (1,281) | 1,281 | - | - | (1,445) | 1,455 | - | 10 |
| At 31 December 2024 (5) | 29,546 | (24,461) | (5,085) | - | 32,757 | (27,287) | (5,360) | 110 |

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

(2) NatWest Group recognises the net pension scheme surplus or deficit as a net asset or liability. In doing so, the funded status is adjusted to reflect any schemes with a surplus that NatWest Group may not be able to access, as well as any minimum funding requirement to pay in additional contributions. This is most relevant to the Main section, where the surplus is not recognised as the trustees have rights over the use of the surplus. Other NatWest Group schemes that this applies to include the Ulster Bank Pension Scheme (NI) and the NatWest Markets section.

(3) Buy-in transactions have had a significant, offsetting impact on the 'Return on plan assets excluding recognised income' and 'Asset ceiling adjustments' line items recognised in OCI.

(4) NatWest Group expects to make contributions to the Main section of £39 million in 2025.

(5) During 2024, the Court of Appeal upheld the initial High Court ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others), calling into question the validity of rule amendments made between 1997 and 2016. In 2023, a selection of amendments from the relevant period judged as material, were reviewed. While uncertainties remain, the review indicated the risk of a change in the defined benefit obligation (DBO) was remote, so no adjustment was made to the DBO value. This position is unchanged at year end.

Notes to the consolidated financial statements continued

5 Pensions continued

Amounts recognised on the balance sheet

| | All schemes | |
|-----------------------------------|-------------|----------|
| | 2024 | 2023 |
| | £m | £m |
| Fund asset at fair value | 32,757 | 37,111 |
| Present value of fund liabilities | (27,287) | (29,592) |
| Funded status | 5,470 | 7,519 |
| Assets ceiling/minimum funding | (5,360) | (7,417) |
| | 110 | 102 |

Net pension asset/(liability) comprises

| | 2024 | 2023 |
|--|------|------|
| | £m | £m |
| Net assets of schemes in surplus (refer to Note 17) | 190 | 201 |
| Net liabilities of schemes in deficit (refer to Note 20) | (80) | (99) |
| | 110 | 102 |

Funding and contributions by NatWest Group

In the UK, the trustees of defined benefit pension schemes are required to perform funding valuations every three years. The trustees and the sponsor, with the support of the Scheme Actuary, agree the assumptions used to value the liabilities and to determine future contribution requirements. The funding assumptions incorporate a margin for prudence over and above the expected cost of providing the benefits promised to members, taking into account the sponsor's covenant and the investment strategy of the scheme. Similar arrangements apply in the other territories where NatWest Group sponsors defined benefit pension schemes.

A full triennial funding valuation of the Main section, effective 31 December 2023, was completed during financial year 2024.

This triennial funding valuation determined the funding level to be 115%, pension liabilities to be £29 billion and the surplus to be £4 billion, all assessed on the agreed funding basis. The average cost of the future service of current members is 21.2% of salary before contributions from those members. Given the strong funding level, it was agreed that future service contributions would cease from 1 January 2025. The sponsor will continue to meet administrative expenses.

The key assumptions used to determine the uninsured funding liabilities were the discount rate, which is determined based on fixed interest swap and gilt yields plus 0.64% per annum, and mortality assumptions, which result in life expectancies of 27.1/29.1 years for male/female pensioners who were age 60 and 28.5/30.6 years from age 60 for males/females who were age 40 at the valuation date.

Accounting Assumptions

Placing a value on NatWest Group's defined benefit pension schemes' liabilities requires NatWest Group's management to make a number of assumptions, with the support of independent actuaries. The ultimate cost of the defined benefit obligations depends upon actual future events and the assumptions made are unlikely to be exactly borne out in practice, meaning the final cost may be higher or lower than expected.

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

| | Principal IAS 19 actuarial assumptions ⁽¹⁾ | |
|---|---|--------------|
| | 2024 | 2023 |
| | % | % |
| Discount rate | 5.6 | 4.8 |
| Inflation assumption (RPI) | 3.2 | 3.1 |
| Rate of increase in salaries | 1.8 | 1.8 |
| Rate of increase in deferred pensions | 3.4 | 3.2 |
| Rate of increase in pensions in payment | 2.6 | 2.4 |
| Lump sum conversion rate at retirement | 18.0 | 18.0 |
| Longevity at age 60: | years | years |
| Current pensioners | | |
| Males | 26.5 | 26.8 |
| Females | 28.5 | 28.6 |
| Future pensioners, currently aged 40 | | |
| Males | 27.5 | 27.7 |
| Females | 29.7 | 29.5 |

(1) The above financial assumptions are long-term assumptions set with reference to the period over which the obligations are expected to be settled.

Notes to the consolidated financial statements continued

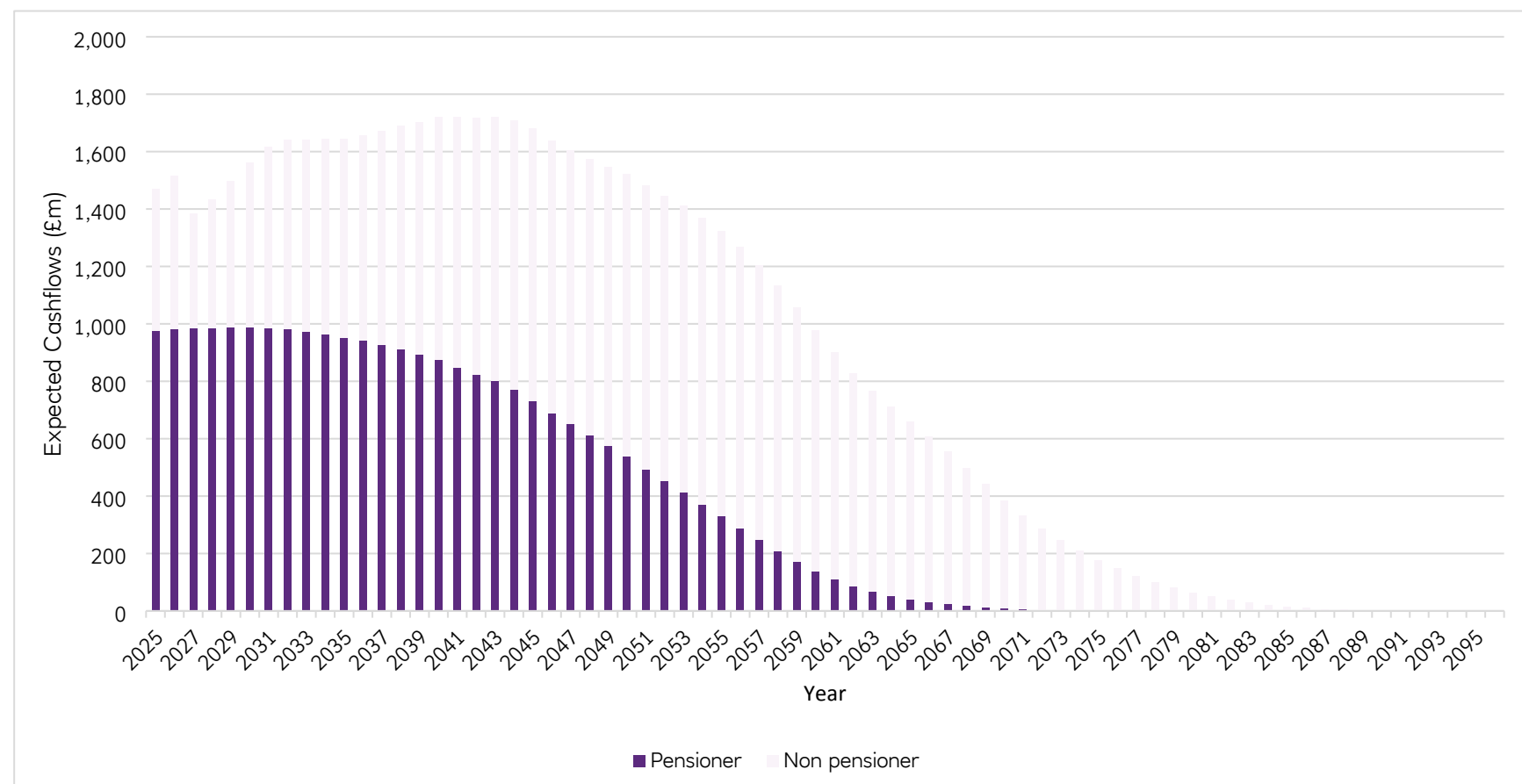
5 Pensions continued

Discount rate

The IAS 19 valuation uses a single discount rate set by reference to the yield on a basket of high quality sterling corporate bonds.

Significant judgement is required when setting the criteria for bonds to be included in the basket of bonds that is used to determine the discount rate used in the IAS 19 valuations. The criteria include issue size, quality of pricing and the exclusion of outliers. Judgement is also required in determining the shape of the yield curve at long durations; a constant credit spread relative to gilts is assumed. Sensitivity to the main assumptions is presented below.

The weighted average duration of the Main section's defined benefit obligation at 31 December 2024 is 13 years (2023 – 14.0 years). The chart below shows the projected benefit payment pattern for the Main section in nominal terms. These cashflows are based on the most recent formal actuarial valuation, effective 31 December 2023.





Notes to the consolidated financial statements continued

5 Pensions continued

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

| | (Decrease)/ increase in value of assets £m | (Decrease)/ increase in value of liabilities £m | Increase in net pension (obligations)/assets £m |
|--|---|--|--|
| 2024 | | | |
| 0.5% increase in interest rates/discount rate | (1,554) | (1,529) | (25) |
| 0.25% increase in inflation | 648 | 571 | 77 |
| 0.5% increase in credit spreads | (4) | (1,529) | 1,525 |
| Longevity increase of one year | 295 | 832 | (537) |
| 0.25% additional rate of increase in pensions in payment | 205 | 605 | (400) |
| Increase in equity values of 10% (1) | 199 | na | 199 |
| 2023 | | | |
| 0.5% increase in interest rates/discount rate | (2,292) | (1,746) | (546) |
| 0.25% increase in inflation | 811 | 578 | 233 |
| 0.5% increase in credit spreads | (12) | (1,746) | 1,734 |
| Longevity increase of one year | na | 902 | (902) |
| 0.25% additional rate of increase in pensions in payment | na | 706 | (706) |
| Increase in equity values of 10% (1) | 229 | na | 229 |

na = not applicable

(1) Includes both quoted and private equity.

The table below shows the combined change in defined benefit obligation from larger movements in these assumptions, assuming no changes in other assumptions.

| | | Change in life expectancies | | | | |
|--------------------------|-----------|-----------------------------|-----------------|------------------|-----------------|------------------|
| | | - 2 years £bn | - 1 year £bn | No change £bn | + 1 year £bn | + 2 years £bn |
| 2024 | | | | | | |
| Change in credit spreads | +50 bps | (3.1) | (2.3) | (1.5) | (0.7) | - |
| | No change | (1.7) | (0.9) | - | 0.8 | 1.7 |
| | -50 bps | (0.2) | 0.7 | 1.7 | 2.5 | 3.4 |
| 2023 | | | | | | |
| Change in credit spreads | +50 bps | (3.5) | (2.6) | (1.7) | (0.9) | (0.1) |
| | No change | (1.9) | (0.9) | - | 0.9 | 1.8 |
| | -50 bps | - | 1.0 | 2.0 | 2.9 | 3.9 |

Notes to the consolidated financial statements continued

5 Pensions continued

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

| | 2024 | 2023 |
|---------------------------|-------|-------|
| Membership category | % | % |
| Active members | 6.9 | 7.5 |
| Deferred members | 40.7 | 41.9 |
| Pensioners and dependants | 52.4 | 50.6 |
| | 100.0 | 100.0 |

The experience history of NatWest Group schemes is shown below:

| | Main section | | | | | All schemes | | | | |
|---|--------------|----------|----------|----------|----------|-------------|----------|----------|----------|----------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2024 | 2023 | 2022 | 2021 | 2020 |
| Experience history of defined benefit schemes | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Fair value of plan assets | 29,546 | 33,638 | 34,016 | 52,021 | 51,323 | 32,757 | 37,111 | 37,598 | 57,787 | 57,249 |
| Present value of plan obligations | (24,461) | (26,534) | (24,733) | (42,020) | (43,870) | (27,287) | (29,592) | (27,601) | (46,808) | (48,864) |
| Net surplus | 5,085 | 7,104 | 9,283 | 10,001 | 7,453 | 5,470 | 7,519 | 9,997 | 10,979 | 8,385 |
| Experience (losses)/gains on plan liabilities | 13 | (1,531) | (2,053) | 241 | 427 | (3) | (1,599) | (2,137) | 237 | 455 |
| Experience (losses)/gains on plan assets | (4,612) | (1,042) | (18,180) | 841 | 5,486 | (4,860) | (1,182) | (20,326) | 872 | 6,027 |
| Actual return on plan assets | (3,023) | 634 | (17,248) | 1,554 | 6,422 | (3,123) | 659 | (19,285) | 1,667 | 7,064 |
| Actual return on plan assets | (9.0%) | 1.9% | (33.2%) | 3.0% | 13.8% | (8.4%) | 1.8% | (33.4%) | 2.9% | 13.6% |

6 Auditor's remuneration

Amounts payable to NatWest Group's auditors for statutory audit and other services are set out below.

All audit-related and other services are approved by the Group Audit Committee and are subject to strict controls to ensure the external auditor's independence is unaffected by the provision of other services. The Group Audit Committee recognises that for certain assignments, the auditors are best placed to perform the work economically; for other work, NatWest Group selects the supplier best placed to meet its requirements. NatWest Group's auditors are permitted to tender for such work in competition with other firms where the work is permissible under audit independence rules.

| | 2024 | 2023 | 2022 |
|---|------|------|------|
| | £m | £m | £m |
| Fees payable for: | | | |
| - the audit of NatWest Group's annual accounts (1) | 5.1 | 4.9 | 4.7 |
| - the audit of NatWest Group plc's subsidiaries (1) | 32.5 | 32.3 | 31.9 |
| - audit-related assurance services (1,2) | 4.2 | 4.5 | 3.9 |
| Total audit and audit-related assurance services fees | 41.8 | 41.7 | 40.5 |
| Other assurance services | 1.0 | 0.7 | 1.2 |
| Corporate finance services (3) | 3.1 | 0.7 | 0.5 |
| Total other services | 4.1 | 1.4 | 1.7 |

(1) The 2024 audit fee was approved by the Group Audit Committee. At 31 December 2024, £16 million has been billed and paid in respect of the 2024 NatWest Group audit fees.

(2) Comprises fees of £1.4 million (2023 - £1.4 million) for reviews of interim financial information and £2.8 million (2023 - £2.8 million) for reports to NatWest Group's regulators in the UK and overseas.

(3) Comprises fees of £2.3 million (2023 - nil) in relation to a retail share offering and £0.8 million (2023 - £0.7 million) for work performed by the auditors as reporting accountants on debt and equity issuances undertaken by NatWest Group.

Notes to the consolidated financial statements continued

7 Tax

NatWest Group's corporate income tax charge for the period is set out below, together with a reconciliation to the expected tax charge calculated using the UK standard corporation tax rate and details of the NatWest Group's deferred tax balances.

For accounting policy information refer to Accounting policies 2.1 and 3.7.

Analysis of the tax charge for the year

The tax charge comprises current and deferred tax in respect of profits and losses recognised or originating in the income statement. Tax on items originating outside the income statement is charged to other comprehensive income or direct to equity (as appropriate) and is therefore not reflected in the table below.

Current tax is tax payable or recoverable in respect of the taxable profit or loss for the year and any adjustments to tax payable in prior years. Deferred tax is explained on page 325.

| | 2024 £m | 2023 £m | 2022 £m |
|--|----------------|----------------|----------------|
| Continuing operations | | | |
| Current tax | | | |
| Charge for the year | (1,415) | (1,373) | (1,611) |
| (Under)/over provision in respect of prior years | (145) | (123) | 100 |
| | (1,560) | (1,496) | (1,511) |
| Deferred tax | | | |
| (Charge)/credit for the year | (343) | (281) | 47 |
| UK tax rate change impact | - | - | (10) |
| Net increase in the carrying value of deferred tax assets in respect of UK, RoI and Netherlands losses | 428 | 385 | 267 |
| Over/(under) provision in respect of prior years | 10 | (42) | (68) |
| Tax charge for the year | (1,465) | (1,434) | (1,275) |

Factors affecting the tax charge for the year

Taxable profits differ from profits reported in the income statement as certain amounts of income and expense may not be taxable or deductible. In addition, taxable profits may reflect items that have been included outside the income statement (for instance, in other comprehensive income) or adjustments that are made for tax purposes only.

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

The expected tax charge for the year is calculated by applying the standard UK corporation tax rate of 25% (2023 – 23.5% and 2022 – 19%) to the Operating profit or loss before tax in the income statement.

Notes to the consolidated financial statements continued

7 Tax continued

The actual tax charge differs from the expected tax charge as follows:

| | 2024 £m | 2023 £m | 2022 £m |
|---|----------------|------------|------------|
| Continuing operations | | | |
| Expected tax charge | (1,549) | (1,452) | (975) |
| Losses and temporary differences in year where no deferred tax asset recognised | (18) | (56) | (118) |
| Foreign profits and losses taxed at other rates | 37 | 10 | (62) |
| Items not allowed for tax: | | | |
| - losses on disposals and write-downs | (22) | (63) | (10) |
| - UK bank levy | (31) | (27) | (20) |
| - regulatory and legal actions | (47) | (1) | (7) |
| - other disallowable items | (61) | (57) | (51) |
| Non-taxable items: | | | |
| - foreign exchange recycling on UBIDAC capital reduction | - | 114 | - |
| - RPI-related uplift on index linked gilts | 18 | 6 | 67 |
| - other non-taxable items | 11 | 20 | 29 |
| Taxable foreign exchange movements | 7 | 9 | (19) |
| Unrecognised losses brought forward and utilised | 33 | 27 | 6 |
| Net increase/(decrease) in the carrying value of deferred tax assets in respect of: | | | |
| - UK losses (2) | 378 | 371 | 272 |
| - Rol losses | - | (1) | (5) |
| - Netherlands losses | 50 | 15 | - |
| Banking surcharge | (169) | (236) | (447) |
| Pillar 2 top-up tax | (20) | - | - |
| Tax on paid-in equity dividends | 53 | 52 | 43 |
| UK tax rate change impact | - | - | (10) |
| Adjustments in respect of prior years (1, 2) | (135) | (165) | 32 |
| Actual tax charge | (1,465) | (1,434) | (1,275) |

(1) Prior year tax adjustments incorporate refinements to tax computations made on submission and agreement with the tax authorities and adjustments to provisions in respect of uncertain tax positions.

(2) Includes a net £61 million benefit from UK group relief and loss relief claims at higher tax rates (refer to the Deferred Tax section below for details of the recent changes in UK tax rates).

Global minimum top-up tax

The Group is subject to the global minimum top-up tax under Pillar Two tax legislation. The top-up tax relates to the Group's operations in Jersey, Guernsey, Isle of Man and Gibraltar where the statutory tax rate is below 15%. The Group recognised a current tax expense of £20 million related to the top-up tax (2023 - £0 million) which is levied on NatWest Group plc.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. In October 2024, Jersey enacted new tax legislation to implement a domestic minimum top-up tax, which is effective from 1 January 2025. As a result, from 2025, The Royal Bank of Scotland International Limited will be liable for the top-up tax in relation to its operations instead of NatWest Group plc.

Judgement: tax contingencies

NatWest Group's corporate income tax charge and its provisions for corporate income taxes necessarily involve a degree of estimation and judgement. The tax treatment of some transactions is uncertain and tax computations are yet to be agreed with the relevant tax authorities. NatWest Group recognises anticipated tax liabilities based on all available evidence and, where appropriate, in the light of external advice. Any difference between the final outcome and the amounts provided will affect current and deferred income tax charges in the period when the matter is resolved.

7 Tax continued

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences where the carrying amount of an asset or liability differs for accounting and tax purposes. Deferred tax liabilities reflect the expected amount of tax payable in the future on these temporary differences. Deferred tax assets reflect the expected amount of tax recoverable in the future on these differences.

The net deferred tax asset recognised by the NatWest Group is shown below, together with details of the accounting judgements and tax rates that have been used to calculate the deferred tax. Details are also provided of any deferred tax assets or liabilities that have not been recognised on the balance sheet.

Analysis of deferred tax

| | 2024 | | | | | | 2023 |
|------------------------|-------|--|--|--|--|--|-------|
| | £m | | | | | | £m |
| Deferred tax asset | 1,876 | | | | | | 1,894 |
| Deferred tax liability | (99) | | | | | | (141) |
| Net deferred tax asset | 1,777 | | | | | | 1,753 |

| | Pension | Accelerated capital allowances | Expense provisions | Financial instruments (1) | Tax losses carried forward | Other | Total |
|---|---------|--------------------------------|--------------------|---------------------------|----------------------------|-------|-------|
| | £m | £m | £m | £m | £m | £m | £m |
| At 1 January 2023 | (23) | 75 | 82 | 805 | 952 | 60 | 1,951 |
| (Charge)/credit to income statement: | | | | | | | |
| - continuing operations | (1) | 1 | (21) | (16) | 67 | 32 | 62 |
| - discontinued operations | - | - | - | - | - | - | - |
| Credit/(charge) to other comprehensive income | 8 | - | - | (249) | - | (17) | (258) |
| Currency translation and other adjustments | - | - | - | (2) | - | - | (2) |
| At 1 January 2024 | (16) | 76 | 61 | 538 | 1,019 | 75 | 1,753 |
| Credit/(charge) to income statement: | | | | | | | |
| - continuing operations | 3 | 85 | 16 | (57) | 90 | (42) | 95 |
| - discontinued operations | - | - | - | - | - | - | - |
| (Charge)/credit to other comprehensive income | (15) | - | - | (77) | - | 26 | (66) |
| Currency translation and other adjustments | (1) | - | - | (1) | (3) | - | (5) |
| At 31 December 2024 | (29) | 161 | 77 | 403 | 1,106 | 59 | 1,777 |

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

Notes to the consolidated financial statements continued

7 Tax continued

Deferred tax assets in respect of carried forward tax losses are recognised if the losses can be used to offset probable future taxable profits after taking into account the expected reversal of other temporary differences. Recognised deferred tax assets in respect of tax losses are analysed further below.

| | 2024 £m | 2023 £m |
|-------------------------------------|------------|------------|
| UK tax losses carried forward | | |
| - NWM Plc | - | - |
| - NWB Plc | 333 | 362 |
| - RBS plc | 685 | 597 |
| Total | 1,018 | 959 |
| Overseas tax losses carried forward | | |
| - UBIDAC | 5 | 5 |
| - NWM N.V. | 83 | 55 |
| | 1,106 | 1,019 |

Critical accounting policy: Deferred tax

NatWest Group has recognised a deferred tax asset of £1,876 million (2023 - £1,894 million) and a deferred tax liability of £99 million (2023 - £141 million). These include amounts recognised in respect of UK and overseas tax losses of £1,106 million (2023 - £1,019 million).

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

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

Estimates – For entities with mature business models and a longer track record of profitability and stable earnings, these estimates are partly based on forecast performance beyond the horizon for management's detailed plans. They have regard to inherent uncertainties. The deferred tax assets in NWM Plc and UBIDAC are supported substantially by future reversing taxable temporary differences on which deferred tax liabilities are recognised at 31 December 2024.

UK tax losses

Under UK tax rules, tax losses can be carried forward indefinitely. As the recognised tax losses in NatWest Group arose prior to 1 April 2015, credit in future periods is given against 25% of profits at the main rate of UK corporation tax, excluding the Banking Surcharge rate introduced by The Finance (No. 2) Act 2015.

NWM Plc – No deferred tax assets have been recognised at 31 December 2024 (2023 - nil). The basis of recognition in NWM plc is by way of future reversing taxable temporary differences on which deferred tax liabilities are recognised at 31 December 2024. Losses

of £5,520 million have not been recognised in the deferred tax balance at 31 December 2024.

NWB Plc – A deferred tax asset of £333 million (2023 - £362 million) has been recognised in respect of losses of £1,333 million of total losses of £2,195 million carried forward at 31 December 2024. The losses arose principally as a result of significant impairment and conduct charges between 2009 and 2012 during challenging economic conditions in the UK banking sector. NWB Plc returned to tax profitability during 2015, and based on a seven year recovery period, expects the deferred tax asset to be utilised against future taxable profits by the end of 2031.

RBS plc – A deferred tax asset of £685 million (2023 - £597 million) has been recognised in respect of losses of £2,740 million of total losses of £2,948 million carried forward at 31 December 2024. The losses were transferred from NatWest Markets Plc as a consequence of the ring fencing regulations. Based on a 7-year recovery period, RBS plc expects the deferred tax asset to be utilised against future taxable profits by the end of 2031.

Overseas tax losses

UBIDAC – A deferred tax asset of £5 million (2023 - £5 million) has been recognised in respect of losses of £40 million, and is now entirely supported by way of future reversing taxable temporary differences on which deferred tax liabilities are recognised at 31 December 2024.

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

Unrecognised deferred tax

Deferred tax assets of £4,960 million (2023 - £5,168 million; 2022 - £5,534 million) have not been recognised in respect of tax losses and other deductible temporary differences carried forward of £23,238 million (2023 - £24,438 million; 2022 - £25,742 million) in jurisdictions where doubt exists over the availability of future taxable profits. Of these losses and other deductible temporary differences, £4,535 million expire after 10 years. The balance of tax losses and other deductible temporary differences carried forward has no expiry date.

Deferred tax liabilities of £269 million (2023 - £256 million; 2022 - £257 million) on aggregate underlying temporary differences of £1,241 million (2023 - £1,005 million; 2022 - £1,010 million) have not been recognised in respect of retained earnings of overseas subsidiaries and held-over gains on the incorporation of certain overseas branches. Retained earnings of overseas subsidiaries are expected to be reinvested indefinitely or remitted to the UK free from further taxation. No taxation is expected to arise in the foreseeable future in respect of held-over gains on which deferred tax is not recognised. UK tax legislation largely exempts from UK tax overseas dividends received.

8 Earnings per share

Earnings per share measures how much profit NatWest Group makes for each share in issue during the year. Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding. Diluted earnings per ordinary share is calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding plus the weighted average number of ordinary shares that would be issued on conversion of dilutive share options and convertible securities. The assessment of whether the effect of share options and convertible securities is dilutive or not, is based on the earnings from continuing operations.

| | 2024 £m | 2023 £m | 2022 £m |
|---|------------|------------|------------|
| Earnings | | | |
| Profit from continuing operations attributable to ordinary shareholders | 4,438 | 4,506 | 3,602 |
| Profit/(loss) from discontinued operations attributable to ordinary shareholders | 81 | (112) | (262) |
| Profit attributable to ordinary shareholders | 4,519 | 4,394 | 3,340 |
| Weighted average number of shares (millions) | | | |
| Weighted average number of ordinary shares outstanding during the year ⁽¹⁾ | 8,450 | 9,164 | 9,872 |
| Effect of dilutive share options and convertible securities | 66 | 55 | 57 |
| Diluted weighted average number of ordinary shares outstanding during the year | 8,516 | 9,219 | 9,929 |
| Earnings per ordinary share - continuing operations | 52.5p | 49.2p | 36.5p |
| Earnings per ordinary share - discontinued operations | 1.0p | (1.2p) | (2.7p) |
| Total earnings per share attributable to ordinary shareholders - basic ⁽²⁾ | 53.5p | 47.9p | 33.8p |
| Earnings per ordinary share - fully diluted continuing operations | 52.1p | 48.9p | 36.2p |
| Earnings per ordinary share - fully diluted discontinued operations | 1.0p | (1.2p) | (2.6p) |
| Total earnings per share attributable to ordinary shareholders - fully diluted | 53.1p | 47.7p | 33.6p |

- (1) At the General Meeting and Class Meeting on 25 August 2022, the shareholders approved the proposed special dividend and share consolidation. On 30 August 2022 the issued ordinary share capital was consolidated in the ratio of 14 existing shares for 13 new shares. The average number of shares and earnings per share have been adjusted retrospectively.
- (2) In 2023, the unrounded Total earnings per share attributable to ordinary shareholders – basic is 47.948p. The unrounded Earnings per ordinary share – continuing operations was 49.170p. The unrounded Earnings per ordinary share – discontinued operations was (1.222p).

9 Financial instruments - classification

Financial instruments are contracts that give rise to a financial asset of one entity and a corresponding financial liability or equity instrument of a counterparty entity, such as cash, derivatives, loans, deposits and settlement balances. This note presents financial instruments classified in accordance with IFRS 9 – Financial Instruments.

Judgement: classification of financial assets

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

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

For accounting policy information refer to Accounting policies 3.8, 3.9 and 3.11.

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 | | | | 92,994 | | 92,994 |
| Trading assets | 48,917 | | | | | 48,917 |
| Derivatives (1) | 78,406 | | | | | 78,406 |
| Settlement balances | | | | 2,085 | | 2,085 |
| Loans to bank - amortised cost (2) | | | | 6,030 | | 6,030 |
| Loans to customers - amortised cost (3) | | | | 400,326 | | 400,326 |
| Other financial assets | 798 | 5 | 37,843 | 24,597 | | 63,243 |
| Intangible assets | | | | | 7,588 | 7,588 |
| Other assets (4) | | | | | 8,396 | 8,396 |
| 31 December 2024 | 128,121 | 5 | 37,843 | 526,032 | 15,984 | 707,985 |
| Cash and balances at central banks | | | | 104,262 | | 104,262 |
| Trading assets | 45,551 | | | | | 45,551 |
| Derivatives (1) | 78,904 | | | | | 78,904 |
| Settlement balances | | | | 7,231 | | 7,231 |
| Loans to bank - amortised cost (2) | | | | 6,914 | | 6,914 |
| Loans to customers - amortised cost (3) | | | | 381,433 | | 381,433 |
| Other financial assets | 703 | 5 | 28,699 | 21,695 | | 51,102 |
| Intangible assets | | | | | 7,614 | 7,614 |
| Other assets (4) | | | | | 9,662 | 9,662 |
| 31 December 2023 | 125,158 | 5 | 28,699 | 521,535 | 17,276 | 692,673 |

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

Notes to the consolidated financial statements continued

9 Financial instruments – classification continued

| Liabilities | Held-for-trading £m | DFV £m | Amortised cost £m | Other liabilities £m | Total £m |
|---------------------------------|------------------------|-----------|-------------------------|----------------------------|-------------|
| Bank deposits (5) | | | 31,452 | | 31,452 |
| Customer deposits | | | 433,490 | | 433,490 |
| Settlement balances | | | 1,729 | | 1,729 |
| Trading liabilities | 54,714 | | | | 54,714 |
| Derivatives (1) | 72,082 | | | | 72,082 |
| Other financial liabilities (6) | | 3,548 | 57,539 | | 61,087 |
| Subordinated liabilities | | 234 | 5,902 | | 6,136 |
| Notes in circulation | | | 3,316 | | 3,316 |
| Other liabilities (7) | | | 684 | 3,917 | 4,601 |
| 31 December 2024 | 126,796 | 3,782 | 534,112 | 3,917 | 668,607 |
| Bank deposits (5) | | | 22,190 | | 22,190 |
| Customer deposits | | | 431,377 | | 431,377 |
| Settlement balances | | | 6,645 | | 6,645 |
| Trading liabilities | 53,636 | | | | 53,636 |
| Derivatives (1) | 72,395 | | | | 72,395 |
| Other financial liabilities (6) | | 2,888 | 52,201 | | 55,089 |
| Subordinated liabilities | | 237 | 5,477 | | 5,714 |
| Notes in circulation | | | 3,237 | | 3,237 |
| Other liabilities (7) | | | 748 | 4,454 | 5,202 |
| 31 December 2023 | 126,031 | 3,125 | 521,875 | 4,454 | 655,485 |

- (1) Includes net hedging derivatives assets of £118 million (2023 - £114 million) and net hedging derivatives liabilities of £464 million (2023 - £270 million).
- (2) Includes items in the course of collection from other banks of £59 million (2023 - £255 million).
- (3) Includes finance lease receivables of £8,998 million (2023 - £8,731 million).
- (4) Includes assets of disposal groups held at FVTPL of nil (2023 - £841 million). The portfolio is classified as level 3 in the fair value hierarchy.
- (5) Includes items in the course of transmission to other banks of £136 million (2023 - £92 million).
- (6) The carrying amount of customer deposits designated at fair value through profit or loss is materially the same as the principal amount for both periods. No amounts have been recognised in the profit or loss for changes in credit risk associated with these liabilities as the changes are immaterial both during the period and cumulatively.
- (7) Includes lease liabilities of £630 million (2023 - £670 million), held at amortised cost.

Notes to the consolidated financial statements continued

9 Financial instruments – classification continued

We originate loans that include features that change the contractual cash flows based on the borrower meeting certain contractually specified environmental, social and governance (ESG) targets. These are known as ESG-linked, or sustainability-linked, loans. As part of the terms of these loans, the contractual interest rate is reduced or increased if the borrower meets, or fails to meet, specific targets linked to the activity of the borrower, for example reducing carbon emissions, increasing the level of diversity at Board level, or achieving a sustainable supply chain. ESG features are first assessed to ascertain whether the adjustment to the contractual cash flows results in a de minimis exposure to risks or volatility in those contractual cash flows. If this is the case the classification of the loan is not affected. If the effect of the ESG feature is assessed as being more than de minimis, we apply judgement to ensure that the ESG features do not generate compensation for risks that are not in line with a basic lending arrangement. This includes, amongst other aspects, a review of the consistency of the ESG targets with the asset or activity of the borrower, and consideration of the targets within our risk appetite. Some of these loans are an integral part of our climate and sustainable funding and financing target disclosed on page 13.

The table below analyses financial assets forming a component of ESG-linked loans and other products with contractual terms that could change the timing or amount of cash flows. This is based on balance sheet values as at 31 December and the maximum impact of the potential margin changes on these over a 12 month period.

| | 2024 | | | 2023 |
|---|----------------|-----------------------------------|-----------------------------------|----------------|
| | Carrying value | Positive impact on product margin | Negative impact on product margin | Carrying value |
| | £bn | bps | bps | £bn |
| Sustainability-linked loans | 6.9 | 3.1 | 4.0 | 6.5 |
| Other products | 20.2 | - | - | 16.1 |
| Lending subject to performance triggers | 27.1 | | | 22.6 |

Additional information on finance lease receivables

The following table shows the reconciliation of undiscounted finance lease receivables to net investment in finance leases which are presented under Loans to customers-amortised cost on the balance sheet.

| | 2024 | 2023 |
|---|---------|---------|
| | £m | £m |
| Amount receivable under finance leases | | |
| Within 1 year | 3,493 | 3,340 |
| 1 to 2 years | 2,499 | 2,358 |
| 2 to 3 years | 1,612 | 1,625 |
| 3 to 4 years | 842 | 900 |
| 4 to 5 years | 464 | 388 |
| After 5 years | 1,043 | 1,079 |
| Total lease payments | 9,953 | 9,690 |
| Unguaranteed residual values | 150 | 169 |
| Future drawdowns | (12) | (12) |
| Unearned income | (1,001) | (1,025) |
| Present value of lease payments | 9,090 | 8,822 |
| Impairments | (92) | (91) |
| Net investment in finance leases | 8,998 | 8,731 |



Notes to the consolidated financial statements continued

9 Financial instruments – classification continued

Financial instruments – financial assets and liabilities that can be offset

The tables below present information on financial assets and financial liabilities that are offset on the balance sheet under IFRS or subject to enforceable master netting agreements together with financial collateral received or given.

| | Instruments which can be offset | | | Potential for offset not recognised by IFRS | | | | Instruments outside netting agreements | Balance sheet total |
|---------------------------|---------------------------------|-------------------|---------------------|---|-----------------------|-----------------------------|--|--|---------------------|
| | Gross £m | IFRS offset £m | Balance sheet £m | Effect of master netting and similar agreements £m | Cash collateral £m | Securities collateral £m | Net amount after netting agreements and effect of related collateral £m | | |
| 2024 | | | | | | | | | |
| Derivative assets | 96,624 | (18,746) | 77,878 | (61,883) | (10,005) | (4,072) | 1,918 | 528 | 78,406 |
| Derivative liabilities | 92,620 | (21,027) | 71,593 | (61,883) | (5,801) | (896) | 3,013 | 489 | 72,082 |
| Net position (1) | 4,004 | 2,281 | 6,285 | - | (4,204) | (3,176) | (1,095) | 39 | 6,324 |
| Trading reverse repos | 42,261 | (15,174) | 27,087 | (1,469) | - | (25,406) | 212 | 40 | 27,127 |
| Trading repos | 45,033 | (15,174) | 29,859 | (1,469) | - | (28,390) | - | 703 | 30,562 |
| Net position | (2,772) | - | (2,772) | - | - | 2,984 | 212 | (663) | (3,435) |
| Non trading reverse repos | 45,600 | (8,709) | 36,891 | (80) | - | (36,811) | - | - | 36,891 |
| Non trading repos | 22,288 | (8,709) | 13,579 | (80) | - | (13,499) | - | - | 13,579 |
| Net position | 23,312 | - | 23,312 | - | - | (23,312) | - | - | 23,312 |
| 2023 | | | | | | | | | |
| Derivative assets | 99,023 | (20,597) | 78,426 | (60,355) | (12,284) | (3,408) | 2,379 | 478 | 78,904 |
| Derivative liabilities | 95,734 | (23,869) | 71,865 | (60,355) | (6,788) | (1,663) | 3,059 | 530 | 72,395 |
| Net position (1) | 3,289 | 3,272 | 6,561 | - | (5,496) | (1,745) | (680) | (52) | 6,509 |
| Trading reverse repos | 39,573 | (16,257) | 23,316 | (664) | - | (22,461) | 191 | 378 | 23,694 |
| Trading repos | 42,442 | (16,257) | 26,185 | (664) | - | (25,520) | 1 | 717 | 26,902 |
| Net position | (2,869) | - | (2,869) | - | - | 3,059 | 190 | (339) | (3,208) |
| Non trading reverse repos | 37,477 | (9,646) | 27,831 | (5) | - | (27,826) | - | 80 | 27,911 |
| Non trading repos | 23,605 | (9,646) | 13,959 | (5) | - | (13,954) | - | 3 | 13,962 |
| Net position | 13,872 | - | 13,872 | - | - | (13,872) | - | 77 | 13,949 |

(1) Net IFRS offset balance of £2,281 million (2023 - £3,272 million) relates to variation margin netting reflected on other balance sheet lines.

10 Financial instruments - valuation

Financial instruments recognised at fair value are revalued using techniques that can include observable inputs (pricing information that is readily available in the market, for example UK Government securities), and unobservable inputs (pricing information that is not readily available, for example unlisted securities). Gains and losses are recognised in the income statement and statement of comprehensive income as appropriate. This note presents information on the valuation of financial instruments.

The table below provides an overview of the various sections contained within the note.

Critical accounting policy: Fair value – financial instruments

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

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

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

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

For accounting policy information refer to Accounting policies 2.2, 3.8 and 3.11.

Valuation

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(D) = Descriptive; (T) = Table



Notes to the consolidated financial statements continued

10 Financial instruments – valuation continued

Fair value hierarchy

Financial instruments carried at fair value have been classified under the fair value hierarchy. The classification ranges from level 1 to level 3, with more expert judgement and price uncertainty for those classified at level 3.

The determination of an instrument's level cannot be made at a global product level as a single product type can be in more than one level. For example, a single name corporate credit default swap could be in level 2 or level 3 depending on the level of market activity for the referenced entity.

Level 1 – instruments valued using unadjusted quoted prices in active and liquid markets, for identical financial instruments. Examples include government bonds, listed equity shares and certain exchange-traded derivatives.

Level 2 – instruments valued using valuation techniques that have observable inputs. Observable inputs are those that are readily available with limited adjustments required. Examples include most government agency securities, investment-grade corporate bonds, certain mortgage products – including collateralised loan obligations (CLOs), most bank loans, repos and reverse repos, state and municipal obligations, most notes issued, certain money market securities, loan commitments and most over the counter (OTC) derivatives.

Level 3 – instruments valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data.

Examples include non-derivative instruments which trade infrequently, certain syndicated and commercial mortgage loans, private equity, and derivatives with unobservable model inputs.

Valuation techniques

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

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

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

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

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

Fair value classification of modelled instruments is either level 2 or level 3, depending on the product/model combination, the observability and quality of input parameters and other factors. All these must be assessed to classify a position.

The modelled product is assigned to the lowest fair value hierarchy level of any significant input used in that valuation.

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

Inputs to valuation models

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

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

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

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

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

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

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

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

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



Notes to the consolidated financial statements continued

Valuation control

NatWest Group's control environment for the determination of the fair value of financial instruments includes formalised procedures for the review and validation of fair values. The review of market prices and inputs is performed by an independent price verification (IPV) team.

IPV is a key element of the control environment. Valuations are first performed by the business which entered into the transaction. These valuations are then reviewed by the IPV team, independent of those trading the financial instruments, in light of available pricing evidence.

Independent pricing data is collated from a range of sources. Each source is reviewed for quality and the independent data applied in the IPV processes using a formalised input quality hierarchy. Consensus services are one source of independent data and encompass interest rate, currency, credit, and bond markets, providing comprehensive coverage of vanilla products and a wide selection of exotic products.

Where measurement differences are identified through the IPV process these are grouped by the quality hierarchy of the independent data. If the size of the difference exceeds defined thresholds, an adjustment is made to bring the valuation to within the independently calculated fair value range.

IPV takes place at least monthly, for all fair value financial instruments. The IPV control includes formalised reporting and escalation of any valuation differences in breach of established thresholds.

The quality and completeness of the information gathered in the IPV process gives an indication as to the liquidity and valuation uncertainty of an instrument and forms part of the information considered when determining fair value hierarchy classifications.

Initial fair value level classification of a financial instrument is carried out by the IPV team. These initial classifications are subject to senior management review. Particular attention is paid to instruments transferring from one level to another, new instrument classes or products, instruments where the transaction price is significantly different from the fair value and instruments where valuation uncertainty is high.

Valuation Committees are made up of valuation specialists and senior business representatives from various functions and oversees pricing, reserving and valuations issues. These committees meet monthly to review and ratify any methodology changes. The Executive Valuation Committee meets quarterly to address key material and subjective valuation issues, to review items escalated by Valuation Committees and to discuss other relevant industry matters.

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

Key areas of judgement

Over the years the business has simplified, with most products classified as level 1 or 2 of the fair value hierarchy. However, the diverse range of products historically traded by NatWest Group means some products remain classified as level 3. Level 3 indicates a significant level of pricing uncertainty, where expert judgement is used. As such, extra disclosures are required in respect of level 3 instruments.

In general, the degree of expert judgement used and hence valuation

uncertainty depends on the degree of liquidity of an instrument or input.

Where markets are liquid, little judgement is required. However, when the information regarding the liquidity in a particular market is not clear, a judgement may need to be made. For example, for an equity traded on an exchange, daily volumes of trading can be seen, but for an OTC derivative, assessing the liquidity of the market with no central exchange is more challenging.

A key related matter is where a market moves from liquid to illiquid or vice versa. Where this movement is considered temporary, the fair value level is not changed. For example, if there is little market trading in a product on a reporting date but at the previous reporting date and during the intervening period the market has been liquid. In this case, the instrument will continue to be classified at the same level in the hierarchy. This is to provide consistency so that transfers between levels are driven by genuine changes in market liquidity and do not reflect short term or seasonal effects. Material movements between levels are reviewed quarterly by the business and IPV.

The breadth and depth of the IPV data allows for a rules-based quality assessment to be made of market activity, liquidity, and pricing uncertainty, which assists with the process of allocation to an appropriate level. Where suitable independent pricing information is not readily available, the quality assessment will result in the instrument being assessed as level 3.



Notes to the consolidated financial statements continued

10 Financial instruments – valuation continued

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

| | 2024 | | | | 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 | - | 34,761 | 278 | 35,039 | - | 33,388 | 209 | 33,597 |
| Securities | 8,772 | 5,106 | - | 13,878 | 8,447 | 3,493 | 14 | 11,954 |
| Derivatives | | | | | | | | |
| Interest rate | - | 37,026 | 473 | 37,499 | 1 | 43,912 | 650 | 44,563 |
| Foreign exchange | - | 40,687 | 110 | 40,797 | - | 34,096 | 65 | 34,161 |
| Other | - | 63 | 47 | 110 | - | 72 | 108 | 180 |
| Other financial assets | | | | | | | | |
| Loans | - | 288 | 565 | 853 | - | 108 | 657 | 765 |
| Securities | 23,943 | 13,641 | 209 | 37,793 | 17,848 | 10,536 | 258 | 28,642 |
| Total financial assets held at fair value | 32,715 | 131,572 | 1,682 | 165,969 | 26,296 | 125,605 | 1,961 | 153,862 |
| As a % of total fair value assets | 20% | 79% | 1% | | 17% | 82% | 1% | |
| Liabilities | | | | | | | | |
| Trading liabilities | | | | | | | | |
| Deposits | - | 43,966 | - | 43,966 | - | 43,126 | 1 | 43,127 |
| Debt securities in issue | - | 257 | - | 257 | - | 706 | - | 706 |
| Short positions | 8,766 | 1,724 | 1 | 10,491 | 7,936 | 1,865 | 2 | 9,803 |
| Derivatives | | | | | | | | |
| Interest rate | - | 31,253 | 279 | 31,532 | - | 38,044 | 439 | 38,483 |
| Foreign exchange | - | 40,240 | 66 | 40,306 | - | 33,528 | 58 | 33,586 |
| Other | - | 124 | 120 | 244 | - | 138 | 188 | 326 |
| Other financial liabilities | | | | | | | | |
| Debt securities in issue | - | 1,733 | 3 | 1,736 | - | 1,605 | 3 | 1,608 |
| Other deposits | - | 1,787 | 25 | 1,812 | - | 1,280 | - | 1,280 |
| Subordinated liabilities | - | 234 | - | 234 | - | 237 | - | 237 |
| Total financial liabilities held at fair value | 8,766 | 121,318 | 494 | 130,578 | 7,936 | 120,529 | 691 | 129,156 |
| As a % of total fair value liabilities | 7% | 93% | 0% | | 6% | 93% | 1% | |

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

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

Notes to the consolidated financial statements continued

10 Financial instruments – valuation continued

Valuation adjustments

When valuing financial instruments in the trading book, adjustments are made to mid-market valuations to cover bid-offer spread, funding and credit risk. These adjustments are presented in the table below:

| Adjustment | 2024 £m | 2023 £m |
|-------------------------------|------------|------------|
| Funding valuation adjustments | 123 | 132 |
| Credit valuation adjustments | 190 | 236 |
| Bid-offer | 76 | 86 |
| Product and deal specific | 157 | 103 |
| Total | 546 | 557 |

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

Funding valuation adjustments (FVA)

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

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

Credit valuation adjustments (CVA)

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

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

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

Bid-offer

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

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

Netting is applied on a portfolio basis to reflect the value at which NatWest Group believes it could exit the net risk of the portfolio, rather than the sum of exit costs for each of the portfolio's individual trades. This is applied where the asset and liability positions are managed as a portfolio for risk and reporting purposes.

Product and deal specific

On initial recognition of financial assets and liabilities valued using valuation techniques which have a significant dependence on information other than observable market data, any difference between the transaction price and that derived from the valuation technique is deferred. Such amounts are recognised in the income statement over the life of the transaction, when market data becomes observable, or when the transaction matures or is closed out as appropriate. On 31 December 2024, net gains of £139 million (2023 - £78 million) were carried forward. During the year, net gains of £218 million (2023 - £119 million) were deferred and £157 million (2023 - £115 million) were recognised in the income statement.

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

Own credit

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



Notes to the consolidated financial statements continued

10 Financial instruments – valuation continued

Level 3 additional information

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

Level 3 ranges of unobservable inputs

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

| Financial instrument | Valuation technique | Unobservable inputs | Units | 2024 | | 2023 | |
|---|---------------------------|--------------------------|-------|------|--------|------|--------|
| | | | | Low | High | Low | High |
| Trading assets and Other financial assets | | | | | | | |
| Loans | Price-based | Price | % | 88 | 123 | 88 | 123 |
| | Discount cash flow | Credit spreads | bps | 36 | 93 | 49 | 119 |
| Debt securities | Price-based | Price | % | - | 116 | - | 119 |
| Equity Shares | Price-based | Price | GBP | - | 47,312 | - | 32,142 |
| | Price-based | Price | % | - | 15 | - | 30 |
| | Discount cash flow | Discount margin | % | 9 | 13 | 7 | 9 |
| | Net asset valuation | Fund NAV | % | 80 | 120 | 80 | 120 |
| Derivative assets and liabilities | | | | | | | |
| Credit derivatives | Credit derivative pricing | Credit spreads | bps | 15 | 86 | 13 | 600 |
| | Option pricing | Correlation | % | (15) | 95 | (15) | 95 |
| | | Volatility | % | 30 | 80 | 30 | 80 |
| | | Upfront points | % | - | 99 | - | 99 |
| | | Recovery rate | % | - | 60 | - | 60 |
| Interest rate & FX derivatives | Option pricing | Correlation | % | (50) | 98 | (50) | 99 |
| | | Volatility | % | 3 | 99 | 30 | 111 |
| | | Constant Prepayment Rate | % | 2 | 20 | 2 | 22 |
| | | Mean Reversion | % | - | 20 | - | 20 |
| | | Inflation volatility | % | 1 | 2 | 2 | 2 |
| | | Inflation rate | % | 2 | 2 | 2 | 3 |

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

(2) NatWest Group does not have any material liabilities measured at fair value that are issued with an inseparable third-party credit enhancement.

Level 3 sensitivities

The level 3 sensitivities presented on the next page are calculated at a trade or low-level portfolio basis rather than an overall portfolio basis. As individual sensitivities are aggregated with no reflection of the correlated nature between instruments, the overall portfolio sensitivity may not be accurately reflected. For example, some portfolios may be negatively correlated to others, where a downwards movement in one asset would produce an upwards movement in another. However, due to the additive presentation of the above figures this correlation impact cannot be displayed. As such, the actual potential downside sensitivity of the total portfolio may be less than the non-correlated sum of the additive figures as shown in the table on the next page.



Notes to the consolidated financial statements continued

10 Financial instruments – valuation continued

Alternative assumptions

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

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

Other considerations

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

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

The table below shows the high and low range of fair value of the level 3 assets and liabilities. This range incorporates the range of fair value inputs as described in the previous table.

| | 2024 | | | 2023 | | |
|---|---------------|------------------|--------------------|---------------|------------------|--------------------|
| | Level 3 £m | Favourable £m | Unfavourable £m | Level 3 £m | Favourable £m | Unfavourable £m |
| Assets | | | | | | |
| Trading assets | | | | | | |
| Loans | 278 | - | - | 209 | - | - |
| Securities | - | - | - | 14 | - | - |
| Derivatives | | | | | | |
| Interest rate | 473 | 20 | (20) | 650 | 20 | (20) |
| Foreign exchange | 110 | - | - | 65 | - | - |
| Other | 47 | - | - | 108 | 10 | (10) |
| Other financial assets | | | | | | |
| Loans | 565 | - | (10) | 657 | - | (40) |
| Securities | 209 | 20 | (30) | 258 | 20 | (50) |
| Total financial assets held at fair value | 1,682 | 40 | (60) | 1,961 | 50 | (120) |
| Liabilities | | | | | | |
| Trading liabilities | | | | | | |
| Deposits | - | - | - | 1 | - | - |
| Short positions | 1 | - | - | 2 | - | - |
| Derivatives | | | | | | |
| Interest rate | 279 | 10 | (10) | 439 | 10 | (10) |
| Foreign exchange | 66 | - | - | 58 | - | - |
| Other | 120 | 10 | (10) | 188 | 10 | (10) |
| Other financial liabilities | | | | | | |
| Debt securities in issue | 3 | - | - | 3 | - | - |
| Other deposits | 25 | 10 | (20) | - | - | - |
| Total financial liabilities held at fair value | 494 | 30 | (40) | 691 | 20 | (20) |



Notes to the consolidated financial statements continued

10 Financial instruments – valuation continued

Movement in level 3 assets and liabilities

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

| | Derivatives assets | Other trading assets (2) | Other financial assets (3) | Total assets | Derivatives liabilities | Other trading liabilities (2) | Other financial liabilities | Total liabilities |
|---|-----------------------|--------------------------------|----------------------------------|-----------------|----------------------------|-------------------------------------|-----------------------------------|----------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| 2024 | | | | | | | | |
| At 1 January | 823 | 223 | 915 | 1,961 | 685 | 3 | 3 | 691 |
| Amounts recorded in the income statement (1) | (122) | (17) | 12 | (127) | (121) | - | - | (121) |
| Amount recorded in the statement of comprehensive income | - | - | 13 | 13 | - | - | - | - |
| Level 3 transfers in | 7 | 1 | 56 | 64 | 1 | 2 | 25 | 28 |
| Level 3 transfers out | (3) | (19) | (241) | (263) | (2) | (3) | - | (5) |
| Purchases/originations | 147 | 118 | 117 | 382 | 121 | 1 | - | 122 |
| Settlements/other decreases | (44) | (27) | (18) | (89) | (32) | - | - | (32) |
| Sales | (178) | - | (72) | (250) | (182) | (2) | - | (184) |
| Foreign exchange and other adjustments | - | (1) | (8) | (9) | (5) | - | - | (5) |
| At 31 December | 630 | 278 | 774 | 1,682 | 465 | 1 | 28 | 494 |
| Amounts recorded in the income statement in respect of balances held at period end – unrealised | 83 | 1 | 12 | 96 | 56 | - | - | 56 |
| 2023 | | | | | | | | |
| At 1 January | 1,007 | 396 | 930 | 2,333 | 975 | 1 | - | 976 |
| Amounts recorded in the income statement (1) | (156) | (88) | 1 | (243) | (313) | - | - | (313) |
| Amount recorded in the statement of comprehensive income | - | - | 32 | 32 | - | - | - | - |
| Level 3 transfers in | 6 | 15 | 16 | 37 | 7 | 2 | - | 9 |
| Level 3 transfers out | (5) | (32) | (190) | (227) | (9) | (2) | - | (11) |
| Purchases/originations | 180 | 8 | 275 | 463 | 195 | 2 | 3 | 200 |
| Settlements/other decreases | (70) | (8) | (86) | (164) | (51) | - | - | (51) |
| Sales | (137) | (65) | (52) | (254) | (116) | - | - | (116) |
| Foreign exchange and other adjustments | (2) | (3) | (11) | (16) | (3) | - | - | (3) |
| At 31 December | 823 | 223 | 915 | 1,961 | 685 | 3 | 3 | 691 |
| Amounts recorded in the income statement in respect of balances held at period end – unrealised | 67 | (39) | 1 | 29 | (121) | - | - | (121) |

(1) There were net losses on trading assets and liabilities of £18 million (2023 – net gains of £69 million) was included in income from trading activities. Net gains on other instruments of £12 million (2023 – net gains of £1 million) was included in other operating income or 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 to the consolidated financial statements continued

10 Financial instruments – valuation continued

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

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

| | Carrying value | Fair value | Fair value hierarchy level | | | Items where fair value approximates carrying value |
|-------------------------------------|----------------|------------|----------------------------|----------------|----------------|--|
| | £bn | £bn | Level 1 £bn | Level 2 £bn | Level 3 £bn | £bn |
| 2024 | | | | | | |
| Financial assets | | | | | | |
| Cash and balances at central banks | 93.0 | 93.0 | - | - | - | 93.0 |
| Settlement balances | 2.1 | 2.1 | - | - | - | 2.1 |
| Loans to banks | 6.0 | 5.9 | - | 1.8 | 0.5 | 3.6 |
| Loans to customers | 400.3 | 396.6 | - | 34.9 | 361.7 | - |
| Other financial assets - securities | 24.6 | 24.6 | 4.3 | 12.4 | 7.9 | - |
| 2023 | | | | | | |
| Financial assets | | | | | | |
| Cash and balances at central banks | 104.3 | 104.3 | - | - | - | 104.3 |
| Settlement balances | 7.2 | 7.2 | - | - | - | 7.2 |
| Loans to banks | 6.9 | 7.0 | - | 2.2 | 0.6 | 4.2 |
| Loans to customers | 381.4 | 373.2 | - | 27.5 | 345.7 | - |
| Other financial assets - securities | 21.7 | 21.6 | 4.0 | 6.6 | 11.0 | - |
| 2024 | | | | | | |
| Financial liabilities | | | | | | |
| Bank deposits | 31.5 | 31.2 | - | 23.9 | 3.0 | 4.3 |
| Customer deposits | 433.5 | 433.3 | - | 24.3 | 46.0 | 363.0 |
| Settlement balances | 1.7 | 1.7 | - | - | - | 1.7 |
| Other financial liabilities | | | | | | |
| - debt securities in issue | 57.5 | 57.6 | - | 48.9 | 8.7 | - |
| Subordinated liabilities | 5.9 | 6.0 | - | 6.0 | - | - |
| Notes in circulation | 3.3 | 3.3 | - | - | - | 3.3 |
| 2023 | | | | | | |
| Financial liabilities | | | | | | |
| Bank deposits | 22.2 | 22.3 | - | 15.4 | 2.7 | 4.2 |
| Customer deposits | 431.4 | 431.0 | - | 30.7 | 48.8 | 351.5 |
| Settlement balances | 6.6 | 6.6 | - | - | - | 6.6 |
| Other financial liabilities | | | | | | |
| - debt securities in issue | 52.2 | 52.2 | - | 41.7 | 10.5 | - |
| Subordinated liabilities | 5.5 | 5.4 | - | 5.4 | - | - |
| Notes in circulation | 3.2 | 3.2 | - | - | - | 3.2 |

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

Short-term financial instruments

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

Loans to banks and customers

In estimating the fair value of net loans to customers and banks measured at amortised cost, NatWest 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 that are discounted using a market discount rate that incorporates the current spread for the borrower or where this is not observable, the spread for borrowers of a similar credit standing.
- Expected cash flows (unadjusted for credit losses) are discounted at the current offer rate for the same or similar products. The current methodology caps all loan values at par rather than modelling clients' option to repay loans early. This approach is adopted for lending portfolios in Retail Banking, Commercial & Institutional (SME loans) and Private Banking in order to reflect the homogeneous nature of these portfolios.

Debt securities and subordinated liabilities

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

Bank and customer deposits

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

11 Financial instruments – maturity analysis

This note shows the maturity profile of NatWest Group's financial assets and liabilities by contractual date of maturity and contractual cash flows.

Remaining maturity

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

| | 2024 | | | 2023 | | |
|-------------------------------------|------------------------|------------------------|---------|------------------------|------------------------|---------|
| | Less than 12 months | More than 12 months | Total | Less than 12 months | More than 12 months | Total |
| | £m | £m | £m | £m | £m | £m |
| Assets | | | | | | |
| Cash and balances at central banks | 92,994 | - | 92,994 | 104,262 | - | 104,262 |
| Trading assets | 37,168 | 11,749 | 48,917 | 36,723 | 8,828 | 45,551 |
| Derivatives | 34,267 | 44,139 | 78,406 | 29,839 | 49,065 | 78,904 |
| Settlement balances | 2,085 | - | 2,085 | 7,231 | - | 7,231 |
| Loans to banks - amortised cost | 5,360 | 670 | 6,030 | 6,650 | 264 | 6,914 |
| Loans to customers - amortised cost | 99,793 | 300,533 | 400,326 | 87,663 | 293,770 | 381,433 |
| Other financial assets | 14,524 | 48,719 | 63,243 | 10,192 | 40,910 | 51,102 |
| Liabilities | | | | | | |
| Bank deposits | 21,675 | 9,777 | 31,452 | 8,954 | 13,236 | 22,190 |
| Customer deposits | 430,693 | 2,797 | 433,490 | 424,893 | 6,484 | 431,377 |
| Settlement balances | 1,729 | - | 1,729 | 6,645 | - | 6,645 |
| Trading liabilities | 44,683 | 10,031 | 54,714 | 45,349 | 8,287 | 53,636 |
| Derivatives | 34,134 | 37,948 | 72,082 | 30,721 | 41,674 | 72,395 |
| Other financial liabilities | 22,773 | 38,314 | 61,087 | 20,310 | 34,779 | 55,089 |
| Subordinated liabilities | 1,051 | 5,085 | 6,136 | 1,047 | 4,667 | 5,714 |
| Notes in circulation | 3,316 | - | 3,316 | 3,237 | - | 3,237 |
| Lease liabilities | 94 | 536 | 630 | 102 | 568 | 670 |

Assets and liabilities by contractual cash flows up to 20 years

The tables on the following page show the contractual undiscounted cash flows receivable and payable, up to a period of 20 years, including future receipts and payments of interest of financial assets and liabilities by contractual maturity. The balances in the following tables do not agree directly with the consolidated balance sheet, as the tables include all cash flows relating to principal and future coupon payments, presented on an undiscounted basis. The tables have been prepared on the following basis:

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by NatWest Group. Financial liabilities are included at the earliest date on which the counterparty can require repayment, regardless of whether or not such early repayment results in a penalty. If the repayment of a financial instrument is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the time band that contains the latest date on which it can be repaid, regardless of early repayment. The liability is included in the time band that contains the earliest possible date on which the conditions could be fulfilled, without considering the probability of the conditions being met.

Notes to the consolidated financial statements continued

11 Financial instruments – maturity analysis continued

For example, if a structured note is automatically prepaid when an equity index exceeds a certain level, the cash outflow will be included in the less than three months period, whatever the level of the index at the year end. The settlement date of debt securities in issue, issued by certain securitisation vehicles consolidated by NatWest Group, depends on when cash flows are received from the securitised assets. Where these assets are prepayable, the timing of the cash outflow relating to securities assumes that each asset will be prepaid at the earliest possible date. As the repayments of assets and liabilities are linked, the repayment of assets in securitisations is shown on the earliest date that the asset can be prepaid, as this is the basis used for liabilities.

The principal amounts of financial assets and liabilities that are repayable after 20 years or where the counterparty has no right to repayment of the principal are excluded from the table, as are interest payments after 20 years.

The maturity of guarantees and commitments is based on the earliest possible date they would be drawn in order to evaluate NatWest Group's liquidity position.

MFVTPL assets of £128 billion (2023 - £125.1 billion) and HFT liabilities of £126.3 billion (2023 - £125.8 billion) have been excluded from the following tables.

| 2024 | 0-3 months £m | 3-12 months £m | 1-3 years £m | 3-5 years £m | 5-10 years £m | 10-20 years £m |
|---|------------------|-------------------|-----------------|-----------------|------------------|-------------------|
| Assets by contractual maturity up to 20 years | | | | | | |
| Cash and balances at central banks | 92,994 | - | - | - | - | - |
| Derivatives held for hedging | 17 | 66 | 107 | 61 | 53 | 76 |
| Settlement balances | 2,085 | - | - | - | - | - |
| Loans to banks - amortised cost | 5,080 | 297 | 612 | 9 | 23 | 158 |
| Loans to customers - amortised cost | 59,702 | 56,264 | 82,995 | 63,857 | 99,837 | 123,946 |
| Other financial assets (1) | 7,068 | 9,414 | 17,417 | 11,643 | 11,843 | 7,493 |
| Finance lease | 27 | 89 | 126 | 105 | 207 | 325 |
| | 166,973 | 66,130 | 101,257 | 75,675 | 111,963 | 131,998 |
| Liabilities by contractual maturity up to 20 years | | | | | | |
| Bank deposits | 16,914 | 5,315 | 10,114 | 81 | 79 | - |
| Customer deposits | 396,703 | 34,316 | 2,713 | 82 | - | 14 |
| Settlement balances | 1,729 | - | - | - | - | - |
| Derivatives held for hedging | 63 | 343 | 335 | 271 | 43 | 2 |
| Other financial liabilities | 8,305 | 13,501 | 22,869 | 15,350 | 4,710 | 987 |
| Subordinated liabilities | 53 | 1,201 | 2,059 | 2,927 | 754 | 339 |
| Other liabilities - Notes in circulation | 3,316 | - | - | - | - | - |
| Lease liabilities | 24 | 68 | 185 | 96 | 168 | 102 |
| | 427,107 | 54,744 | 38,275 | 18,807 | 5,754 | 1,444 |
| Guarantees and commitments - notional amount (2) | | | | | | |
| Guarantees (3) | 3,060 | - | - | - | - | - |
| Commitments (4) | 132,958 | - | - | - | - | - |
| | 136,018 | - | - | - | - | - |

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



Notes to the consolidated financial statements continued

11 Financial instruments – maturity analysis continued

| 2023 | 0-3 months £m | 3-12 months £m | 1-3 years £m | 3-5 years £m | 5-10 years £m | 10-20 years £m |
|---|------------------|-------------------|-----------------|-----------------|------------------|-------------------|
| Assets by contractual maturity up to 20 years | | | | | | |
| Cash and balances at central banks | 104,262 | - | - | - | - | - |
| Derivatives held for hedging | 31 | 29 | 128 | 104 | 49 | 49 |
| Settlement balances | 7,231 | - | - | - | - | - |
| Loans to banks - amortised cost | 5,234 | 1,437 | 23 | 302 | - | - |
| Loans to customers - amortised cost | 52,175 | 46,894 | 81,445 | 61,465 | 96,577 | 114,806 |
| Other financial assets (1) | 4,897 | 6,756 | 12,304 | 11,183 | 10,019 | 8,063 |
| Finance lease | 61 | 242 | 735 | 401 | 656 | 359 |
| | 173,891 | 55,358 | 94,635 | 73,455 | 107,301 | 123,277 |
| Liabilities by contractual maturity up to 20 years | | | | | | |
| Bank deposits | 8,334 | 1,279 | 6,069 | 8,307 | - | - |
| Customer deposits | 393,363 | 31,900 | 6,464 | 11 | 14 | 19 |
| Settlement balances | 6,645 | - | - | - | - | - |
| Derivatives held for hedging | 71 | 175 | 366 | 192 | 92 | 8 |
| Other financial liabilities | 9,094 | 12,319 | 18,843 | 13,818 | 4,769 | 346 |
| Subordinated liabilities | 72 | 1,167 | 2,301 | 1,512 | 1,406 | 342 |
| Other liabilities - Notes in circulation | 3,237 | - | - | - | - | - |
| Lease liabilities | 30 | 79 | 172 | 111 | 175 | 132 |
| | 420,846 | 46,919 | 34,215 | 23,951 | 6,456 | 847 |
| Guarantees and commitments - notional amount (2) | | | | | | |
| Guarantees (3) | 2,833 | - | - | - | - | - |
| Commitments (4) | 124,790 | - | - | - | - | - |
| | 127,623 | - | - | - | - | - |

(1) Other financial assets exclude equity shares.

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

(3) NatWest Group is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. NatWest Group expects most guarantees it provides to expire unused.

(4) NatWest Group has given commitments to provide funds to customers under undrawn formal facilities, credit lines and other commitments to lend subject to certain conditions being met by the counterparty. NatWest Group does not expect all facilities to be drawn, and some may lapse before drawdown.

12 Trading assets and liabilities

Trading assets and liabilities comprise assets and liabilities held at fair value and classified as held-for-trading. Financial instruments are classified as held-for-trading if they are held for the purpose of selling or repurchasing them in the short term, to make a spread between purchase and sale price or held to take advantage of movements in prices and yields.

For accounting policy information refer to Accounting policy 3.8.

| | 2024 £m | 2023 £m |
|--------------------------------------|------------|------------|
| Assets | | |
| Loans | | |
| Reverse repos | 27,127 | 23,694 |
| Collateral given | 7,367 | 9,141 |
| Other loans | 545 | 762 |
| Total loans | 35,039 | 33,597 |
| Securities | | |
| Central and local government | | |
| - UK | 2,077 | 2,729 |
| - US | 3,734 | 2,600 |
| - Other | 3,506 | 3,062 |
| Financial institutions and corporate | 4,561 | 3,563 |
| Total securities | 13,878 | 11,954 |
| Total | 48,917 | 45,551 |
| Liabilities | | |
| Deposits | | |
| Repos | 30,562 | 26,902 |
| Collateral received | 12,509 | 15,075 |
| Other deposits | 895 | 1,150 |
| Total deposits | 43,966 | 43,127 |
| Debt securities in issue | 257 | 706 |
| Short positions | | |
| Central and local government | | |
| - UK | 2,680 | 1,893 |
| - US | 1,677 | 2,071 |
| - Other | 4,755 | 4,049 |
| Financial institutions and Corporate | 1,379 | 1,790 |
| Total short positions | 10,491 | 9,803 |
| Total | 54,714 | 53,636 |

13 Derivatives

Derivative is a term covering a wide range of financial instruments that derive their fair value from an underlying rate or price, for example interest rates or exchange rates (the underlying). NatWest Group uses derivatives as a part of its trading activities, to manage its own risks such as interest rate, foreign exchange, or credit risk and in certain customer transactions. This note shows contracted volumes of derivatives, how they are used for hedging purposes and the effects of the application of hedge accounting.

For accounting policy information refer to Accounting policies 3.8 and 3.11.

| | Notional | | | Asset | | | Liability | | |
|------------------------------|--------------------------------|-------------------------|---------------|--------------------------------|-------------------------|---------------|--------------------------------|-------------------------|---------------|
| | Traded on recognised exchanges | Traded over the counter | Total | Traded on recognised exchanges | Traded over the counter | Total | Traded on recognised exchanges | Traded over the counter | Total |
| | £bn | £bn | £bn | £m | £m | £m | £m | £m | £m |
| 2024 | | | | | | | | | |
| Interest rate | 1,066 | 9,267 | 10,333 | 20 | 37,479 | 37,499 | 2 | 31,530 | 31,532 |
| - Swaps | - | 7,015 | 7,015 | - | 28,960 | 28,960 | - | 23,138 | 23,138 |
| - Options | 736 | 1,490 | 2,226 | 20 | 8,519 | 8,539 | 2 | 8,392 | 8,394 |
| - Forwards and futures | 330 | 762 | 1,092 | - | - | - | - | - | - |
| Exchange rate | 1 | 3,278 | 3,279 | 6 | 40,791 | 40,797 | 15 | 40,291 | 40,306 |
| - Swaps | - | 454 | 454 | - | 8,450 | 8,450 | - | 8,195 | 8,195 |
| - Options | 1 | 851 | 852 | 6 | 5,385 | 5,391 | 15 | 5,561 | 5,576 |
| - Spot, forwards and futures | - | 1,973 | 1,973 | - | 26,956 | 26,956 | - | 26,535 | 26,535 |
| Credit | - | 14 | 14 | - | 110 | 110 | - | 244 | 244 |
| Equity and commodity | - | 2 | 2 | - | - | - | - | - | - |
| Total | 1,067 | 12,561 | 13,628 | 26 | 78,380 | 78,406 | 17 | 72,065 | 72,082 |
| 2023 | | | | | | | | | |
| Interest rate | 819 | 9,449 | 10,268 | 48 | 44,515 | 44,563 | 34 | 38,449 | 38,483 |
| - Swaps | - | 6,533 | 6,533 | - | 33,807 | 33,807 | - | 27,424 | 27,424 |
| - Options | 510 | 1,674 | 2,184 | 48 | 10,708 | 10,756 | 34 | 11,025 | 11,059 |
| - Forwards and futures | 309 | 1,242 | 1,551 | - | - | - | - | - | - |
| Exchange rate | 1 | 3,119 | 3,120 | - | 34,161 | 34,161 | - | 33,586 | 33,586 |
| - Swaps | - | 449 | 449 | - | 8,173 | 8,173 | - | 7,370 | 7,370 |
| - Options | 1 | 674 | 675 | - | 4,181 | 4,181 | - | 4,197 | 4,197 |
| - Spot, forwards and futures | - | 1,996 | 1,996 | - | 21,807 | 21,807 | - | 22,019 | 22,019 |
| Credit | - | 15 | 15 | - | 180 | 180 | - | 326 | 326 |
| Equity and commodity | - | - | - | - | - | - | - | - | - |
| Total | 820 | 12,583 | 13,403 | 48 | 78,856 | 78,904 | 34 | 72,361 | 72,395 |

Included in the table above is the notional amount of £7,321 billion (2023 - £7,280 billion) of interest rate derivatives that are traded over the counter and settled through central clearing counterparties. NatWest Group has no other type of derivatives that are settled through central counterparties.

Notes to the consolidated financial statements continued

13 Derivatives continued

Hedge accounting using derivatives

NatWest Group applies hedge accounting to reduce the accounting mismatch caused in the income statement by using derivatives to hedge the following risks: interest rate, foreign exchange and the foreign exchange risk associated with net investment in foreign operations.

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

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

Suitable larger fixed rate financial instruments are subject to fair value hedging in line with documented risk management strategies.

Fair value hedges of interest rate risk involve interest rate swaps transforming the fixed interest rate risk in financial assets and financial liabilities to floating. The hedged risk is the risk of changes in the hedged item's fair value attributable to changes in the interest rate risk component of the hedged item. The significant interest rates identified as risk components are SOFR, EURIBOR, ESTR and SONIA. These risk components are identified using the risk management systems of NatWest Group and encompass the majority of the hedged item's fair value risk.

NatWest Group hedges the exchange rate risk of its net investment in foreign currency denominated operations with currency borrowings and forward foreign exchange contracts.

NatWest Group reviews the value of the investments' net assets, executing hedges where appropriate to reduce the sensitivity of capital ratios to foreign exchange rate movement. Hedge accounting relationships will be designated where required.

Exchange rate risk also arises in NatWest Group where payments are denominated in currencies other than the functional currency. Residual risk positions are hedged with foreign exchange derivatives, fixing the exchange rate the payments will be settled in. The derivatives are documented as cash flow hedges.

For all cash flow hedging, fair value hedge relationships and net investment hedging, NatWest Group determines that there is an economic relationship between the hedged item and hedging instrument via assessing the initial and ongoing effectiveness by comparing movements in the fair value of the expected highly probable forecast interest cash flows/ fair value of the hedged item attributable to the hedged risk with movements in the fair value of the expected changes in cash flows from the hedging instrument. The method used for comparing movements is either regression testing, or the dollar offset method. The method for testing effectiveness and the period over which the test is performed depends on the applicable risk management strategy and is applied consistently to each risk management strategy. Hedge effectiveness is assessed on a cumulative basis and the determination of effectiveness is in line with the requirements of IAS 39.

NatWest Group uses either the actual ratio between the hedged item and hedging instrument(s) or one that minimises hedge ineffectiveness to establish the hedge ratio for hedge accounting. Hedge ineffectiveness is measured in line with the requirements of IAS 39 and recognised in the income statement as it arises.



Notes to the consolidated financial statements continued

13 Derivatives continued

Derivatives in hedge accounting relationships

Included in the table below are derivatives held for hedging purposes as follows.

| | 2024 | | | | 2023 | | | |
|---|-----------------|--------------|-------------------|---|-----------------|--------------|-------------------|---|
| | Notional £bn | Assets £m | Liabilities £m | Changes in fair value used for hedge ineffectiveness (1) £m | Notional £bn | Assets £m | Liabilities £m | Changes in fair value used for hedge ineffectiveness (1) £m |
| Fair value hedging | | | | | | | | |
| Interest rate contracts (2) | 83.1 | 1,096 | 1,965 | 958 | 67.6 | 1,139 | 2,607 | 406 |
| Cash flow hedging | | | | | | | | |
| Interest rate contracts | 167.9 | 1,424 | 3,300 | 581 | 140.0 | 1,924 | 4,970 | 1,211 |
| Exchange rate contracts | 14.4 | 116 | 457 | 1 | 16.9 | 112 | 254 | (12) |
| Net investment hedging | | | | | | | | |
| Exchange rate contracts (3) | 0.3 | 2 | 1 | 9 | 0.3 | 2 | 7 | (3) |
| | 265.7 | 2,638 | 5,723 | 1,549 | 224.8 | 3,177 | 7,838 | 1,602 |
| IFRS netting and clearing house settlements | | (2,520) | (5,259) | | | (3,063) | (7,568) | |
| | | 118 | 464 | | | 114 | 270 | |

(1) The change in fair value used for hedge ineffectiveness includes instruments that were derecognised in the year.

(2) The hedged risk includes inflation risk.

(3) In addition to the derivative hedging instruments above, NatWest Group held nationals of £3,144 million (2023 - £3,054 million) of non-derivative hedging instruments with a carrying value of £3,163 million (2023 - £3,061 million), that were used in net investment hedges. The non-derivative instruments are other financial liabilities - debt securities in issue.

Hedge ineffectiveness

Hedge ineffectiveness recognised in other operating income comprises.

| | 2024 £m | 2023 £m | 2022 £m |
|--|------------|------------|------------|
| Fair value hedging | | | |
| Loss on hedged items attributable to the hedged risk | (954) | (364) | (442) |
| Gain on the hedging instruments | 958 | 406 | 482 |
| Fair value hedging ineffectiveness | 4 | 42 | 40 |
| Cash flow hedging | | | |
| Interest rate risk | (2) | 10 | (60) |
| Cash flow hedging ineffectiveness | (2) | 10 | (60) |
| Total | 2 | 52 | (20) |

The main sources of ineffectiveness for interest rate risk hedge accounting relationships are:

- The effect of the counterparty credit risk on the fair value of the interest rate swap which is not reflected in the fair value of the hedged item attributable to the change in interest rate (fair value hedge);
- Differences in the repricing basis between the hedging instrument and hedged cash flows (cash flow hedge); and
- Upfront present values on the hedging derivatives where hedge accounting relationships have been designated after the trade date (cash flow hedge and fair value hedge).



Notes to the consolidated financial statements continued

13 Derivatives continued

Maturity of notional hedging contracts

The following table shows the period in which the notional of hedging contract ends.

| | 0-3 months | 3-12 months | 1-3 years | 3-5 years | 5-10 years | Over 10 years | Total |
|---------------------------|------------|-------------|-----------|-----------|------------|---------------|-------|
| | £bn | £bn | £bn | £bn | £bn | £bn | £bn |
| 2024 | | | | | | | |
| Fair value hedging | | | | | | | |
| Interest rate risk (1) | | | | | | | |
| Hedging assets | 4.0 | 5.5 | 12.6 | 9.7 | 6.6 | 3.7 | 42.1 |
| Hedging liabilities | 0.8 | 4.3 | 14.2 | 15.5 | 5.7 | 0.5 | 41.0 |
| 2023 | | | | | | | |
| Fair value hedging | | | | | | | |
| Interest rate risk (1) | | | | | | | |
| Hedging assets | 0.1 | 1.7 | 7.1 | 9.0 | 5.9 | 4.7 | 28.5 |
| Hedging liabilities | 2.7 | 3.3 | 13.4 | 11.3 | 7.7 | 0.7 | 39.1 |
| 2024 | | | | | | | |
| Cash flow hedging | | | | | | | |
| Interest rate risk | | | | | | | |
| Hedging assets | 10.6 | 10.8 | 22.0 | 30.3 | 12.0 | - | 85.7 |
| Hedging liabilities | 2.5 | 17.1 | 50.7 | 10.1 | 1.4 | 0.4 | 82.2 |
| Exchange rate risk | | | | | | | |
| Hedging assets | 0.5 | 0.8 | 0.5 | - | - | - | 1.8 |
| Hedging liabilities | 3.1 | 2.5 | 3.7 | 3.3 | - | - | 12.6 |
| 2023 | | | | | | | |
| Cash flow hedging | | | | | | | |
| Interest rate risk | | | | | | | |
| Hedging assets | 3.9 | 14.5 | 33.9 | 22.8 | 10.1 | - | 85.2 |
| Hedging liabilities | 0.8 | 3.9 | 39.1 | 10.1 | 0.3 | 0.6 | 54.8 |
| Exchange rate risk | | | | | | | |
| Hedging assets | 0.3 | 0.7 | 1.6 | - | - | - | 2.6 |
| Hedging liabilities | 8.4 | 0.8 | 2.4 | 2.5 | 0.2 | - | 14.3 |

(1) The hedged risk includes inflation risk.



Notes to the consolidated financial statements continued

13 Derivatives continued

Average fixed interest rates

The following table shows average fixed rate for cash flow hedges, interest rate risk.

| | 0-3 months % | 3-12 months % | 1-3 years % | 3-5 years % | 5-10 years % | Over 10 years % | Total % |
|------------------------------------|-----------------|------------------|----------------|----------------|-----------------|--------------------|-------------|
| 2024 | | | | | | | |
| Average fixed interest rate | | | | | | | |
| Hedging assets | 3.85 | 0.98 | 2.52 | 3.32 | 2.84 | 3.12 | 2.82 |
| Hedging liabilities | 4.34 | 4.76 | 3.97 | 3.09 | 3.64 | 4.18 | 4.03 |
| 2023 | | | | | | | |
| Average fixed interest rate | | | | | | | |
| Hedging assets | 1.16 | 2.46 | 1.19 | 3.3 | 1.77 | 3.12 | 2.04 |
| Hedging liabilities | 0.93 | 2.54 | 4.36 | 2.28 | 2.36 | 4.5 | 3.79 |

Average foreign exchange rates

For cash flow hedging of exchange rate risk, the average foreign exchange rates applicable across the relationships were as below for the main currencies hedged.

| | 2024 | 2023 |
|---------|---------------|--------|
| INR/GBP | 109.07 | 105.03 |
| USD/GBP | 1.30 | 1.28 |
| CHF/GBP | 1.08 | 1.08 |
| JPY/GBP | 176.04 | 170.54 |
| JPY/USD | 130.79 | 129.75 |
| NOK/USD | 9.21 | 9.21 |

Notes to the consolidated financial statements continued

13 Derivatives continued

Analysis of hedged items and related hedging instruments

The table below analyses assets and liabilities subject to hedging derivatives.

| | Carrying value of hedged assets and liabilities £m | Impact on hedged items included in carrying value £m | Changes in fair value used as a basis to determine ineffectiveness (1) £m |
|--|--|--|--|
| 2024 | | | |
| Fair value hedging - interest rate (2) | | | |
| Loans to banks and customers - amortised cost | 5,318 | (478) | (182) |
| Other financial assets - securities | 36,724 | (29) | (347) |
| Total (3) | 42,042 | (507) | (529) |
| Bank and customer deposits | 382 | - | (3) |
| Other financial liabilities - debt securities in issue (5) | 37,548 | (784) | (315) |
| Subordinated liabilities | 5,772 | (244) | (107) |
| Total | 43,702 | (1,028) | (425) |
| 2023 | | | |
| Fair value hedging - interest rate (2) | | | |
| Loans to banks and customers - amortised cost | 5,663 | (316) | 167 |
| Other financial assets - securities | 22,896 | 174 | 636 |
| Total (3) | 28,559 | (142) | 803 |
| Bank and customer deposits | 745 | (3) | (6) |
| Other financial liabilities - debt securities in issue (5) | 36,305 | (1,151) | (1,023) |
| Subordinated liabilities | 5,346 | (320) | (138) |
| Total | 42,396 | (1,474) | (1,167) |

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



Notes to the consolidated financial statements continued

13 Derivatives continued

| | Carrying value of hedged assets and liabilities £m | Changes in fair value used as a basis to determine ineffectiveness (1) £m |
|--|--|--|
| 2024 | | |
| Cash flow hedging - interest rate | | |
| Loans to banks and customers - amortised cost (4) | 84,065 | (190) |
| Other financial assets - securities | 1,625 | (2) |
| Total | 85,690 | (192) |
| Bank and customer deposits | 82,081 | (391) |
| Other financial liabilities - debt securities in issue | 149 | - |
| Total | 82,230 | (391) |
| Cash flow hedging - exchange rate | | |
| Loans to banks and customers - amortised cost (4) | 223 | - |
| Other financial assets - securities | 1,598 | - |
| Total | 1,821 | - |
| Other financial liabilities - debt securities in issue | 8,279 | (1) |
| Other | 195 | - |
| Total | 8,474 | (1) |
| 2023 | | |
| Cash flow hedging - interest rate | | |
| Loans to banks and customers - amortised cost (4) | 84,583 | (2,796) |
| Other financial assets - securities | 623 | (22) |
| Total | 85,206 | (2,818) |
| Bank and customer deposits | 54,675 | 1,610 |
| Other financial liabilities - debt securities in issue | 156 | 7 |
| Total | 54,831 | 1,617 |
| Cash flow hedging - exchange rate | | |
| Loans to banks and customer - amortised cost (4) | 583 | - |
| Other financial assets - securities | 1,839 | - |
| Total | 2,422 | - |
| Other financial liabilities - debt securities in issue | 11,460 | 9 |
| Other | 201 | 3 |
| Total | 11,661 | 12 |

(1) The change in fair value used for hedge ineffectiveness includes instruments that were derecognised in the year.

(2) The hedged risk includes inflation risk.

(3) Carrying values include £46 million (2023 - £57 million) adjustment for discontinued fair value hedges.

(4) Includes cash and balances at central banks.

(5) The carrying value include £4,631 million (2023 - £2,957 million) of debt securities held at amortised cost.



Notes to the consolidated financial statements continued

13 Derivatives continued

Analysis of cash flow and foreign exchange hedge reserve

The following table shows an analysis of the pre-tax cash flow hedge reserve and foreign exchange hedge reserve.

| | 2024 | | 2023 | |
|-----------------------|----------------------------------|--|----------------------------------|--|
| | Cash flow hedge reserve £m | Foreign exchange hedge reserve £m | Cash flow hedge reserve £m | Foreign exchange hedge reserve £m |
| Continuing | | | | |
| Interest rate risk | (1,564) | - | (2,330) | - |
| Foreign exchange risk | (6) | 15 | 1 | (18) |
| De-designated | | | | |
| Interest rate risk | (437) | - | (304) | - |
| Foreign exchange risk | 2 | (663) | 4 | (771) |
| Total | (2,005) | (648) | (2,629) | (789) |

| | 2024 | | 2023 | |
|---|----------------------------------|--|----------------------------------|--|
| | Cash flow hedge reserve £m | Foreign exchange hedge reserve £m | Cash flow hedge reserve £m | Foreign exchange hedge reserve £m |
| Amount recognised in equity | | | | |
| Interest rate risk | (931) | - | 137 | - |
| Foreign exchange risk | 59 | 122 | 50 | 107 |
| Total | (872) | 122 | 187 | 107 |
| Amount transferred from equity to earnings | | | | |
| Interest rate risk to net interest income | 1,562 | - | 1,112 | - |
| Interest rate risk to non interest income | - | - | (10) | - |
| Foreign exchange risk to net interest income | (73) | - | (74) | - |
| Foreign exchange risk to non interest income | - | 19 | (9) | 69 |
| Foreign exchange risk to operating expenses | 5 | - | 2 | - |
| Total | 1,494 | 19 | 1,021 | 69 |

14 Loan impairment provisions

There is a risk that customers and counterparties fail to meet their contractual obligation to settle outstanding amounts, for which we hold expected credit losses (ECL). The calculation of ECL considers historical, current, and forward-looking information to determine the amount we do not expect to recover. It considers losses on both defaulted exposures and performing exposures that may default in future. ECL is recognised on drawn exposures, loans commitments, and contingent liabilities.

For accounting policy information refer to Accounting policy 2.3. Further disclosures on credit risk and information on ECL methodology are shown from page 181.

Loan exposure and impairment metrics

The table below summarises loans and credit impairment measures within the scope of IFRS 9 Expected credit loss framework.

| | 2024 £m | 2023 £m |
|---|------------|------------|
| Loans - amortised cost and FVOCI (1,2) | | |
| Stage 1 | 363,821 | 348,586 |
| Stage 2 | 40,474 | 37,891 |
| Stage 3 | 5,930 | 5,563 |
| <i>Of which: individual</i> | 1,285 | 1,031 |
| <i>Of which: collective</i> | 4,645 | 4,532 |
| | 410,225 | 392,040 |
| ECL provisions (3) | | |
| - Stage 1 | 598 | 709 |
| - Stage 2 | 787 | 976 |
| - Stage 3 | 2,040 | 1,960 |
| <i>Of which: individual</i> | 451 | 332 |
| <i>Of which: collective</i> | 1,589 | 1,628 |
| | 3,425 | 3,645 |
| ECL provision coverage (4) | | |
| - Stage 1 (%) | 0.16 | 0.20 |
| - Stage 2 (%) | 1.94 | 2.58 |
| - Stage 3 (%) | 34.40 | 35.23 |
| | 0.83 | 0.93 |
| Continuing operations | | |
| Impairment (releases)/losses | | |
| ECL charge (5) | 359 | 578 |
| Stage 1 | (438) | (397) |
| Stage 2 | 360 | 645 |
| Stage 3 | 437 | 330 |
| <i>Of which: individual</i> | 192 | 89 |
| <i>Of which: collective</i> | 245 | 241 |
| Amounts written off | 654 | 319 |
| <i>Of which: individual</i> | 144 | 42 |
| <i>Of which: collective</i> | 510 | 277 |

- (1) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to Financial instruments within the scope of the IFRS 9 ECL framework for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £91.8 billion (2023 - £103.1 billion) and debt securities of £62.4 billion (2023 - £50.1 billion).
- (2) Includes loans to customers and banks.
- (3) Includes £4 million (2023 - £9 million) related to assets classified as FVOCI and £0.1 billion (2023 - £0.1 billion) related to off-balance sheet exposures.
- (4) 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.
- (5) Includes a £12 million release (2023 - £16 million release) related to other financial assets, of which £4 million release (2023 - £6 million charge) related to assets classified as FVOCI; and £5 million release (2023 - £9 million release) related to contingent liabilities.



14 Loan impairment provisions continued

Credit risk enhancement and mitigation

For information on Credit risk enhancement and mitigation held as security, refer to Risk and capital management – Credit risk enhancement and mitigation section.

Critical accounting policy: Loan impairment provisions

Accounting policy 2.3 sets out how the expected loss approach is applied. At 31 December 2024, impairment provisions amounted to £3,425 million (2023 – £3,645 million). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan was advanced. Such evidence includes changes in the credit rating of a borrower, the failure to make payments in accordance with the loan agreement, significant reduction in the value of any security, breach of limits or covenants, and observable data about relevant macroeconomic measures.

The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

The measurement of credit impairment under the IFRS expected loss model depends on management's assessment of any potential deterioration in the creditworthiness of the borrower, its modelling of expected performance and the application of economic forecasts. All three elements require judgements that are potentially significant to the estimate of impairment losses. For further information and sensitivity analysis, refer to Risk and capital management – Measurement uncertainty and ECL sensitivity analysis section.

IFRS 9 ECL model design principles

Refer to Credit risk – IFRS 9 ECL model design principles section for further details.

Approach for multiple economic scenarios (MES)

The base scenario plays a greater part in the calculation of ECL than the approach to MES. Refer to Credit risk – Economic loss drivers - Probability weightings of scenarios section for further details.

Notes to the consolidated financial statements continued

15 Other financial assets

Other financial assets consist of debt securities, equity shares and loans that are not held for trading. Balances consist of local and central government securities, a part of NatWest Group's liquidity portfolio.

For accounting policy information refer to Accounting policy 3.8.

| | Debt securities | | | | | | | |
|---|------------------------------|-------|-------|------------|--------|---------------|-------|--------|
| | Central and local government | | | | Total | Equity shares | Loans | Total |
| | UK | US | Other | Other debt | | | | |
| 2024 | £m | £m | £m | £m | £m | £m | £m | £m |
| Mandatory fair value through profit or loss | - | - | - | 1 | 1 | 4 | 793 | 798 |
| Designated at fair value | - | - | 2 | 3 | 5 | - | - | 5 |
| Fair value through other comprehensive income (1) | 13,281 | 4,587 | 6,192 | 13,476 | 37,536 | 247 | 60 | 37,843 |
| Amortised cost | 3,571 | 500 | 85 | 20,441 | 24,597 | - | - | 24,597 |
| Total | 16,852 | 5,087 | 6,279 | 33,921 | 62,139 | 251 | 853 | 63,243 |
| | | | | | | | | |
| 2023 | | | | | | | | |
| Mandatory fair value through profit or loss | - | - | - | 1 | 1 | 2 | 700 | 703 |
| Designated at fair value | - | - | 3 | 2 | 5 | - | - | 5 |
| Fair value through other comprehensive income (1) | 6,441 | 5,517 | 5,738 | 10,627 | 28,323 | 311 | 65 | 28,699 |
| Amortised cost | 2,889 | 647 | 35 | 18,124 | 21,695 | - | - | 21,695 |
| Total | 9,330 | 6,164 | 5,776 | 28,754 | 50,024 | 313 | 765 | 51,102 |

(1) Upon initial recognition, NatWest Group occasionally irrevocably designates some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial instruments: presentation, are not held for trading or they are held for strategic purposes. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are not recycled to the income statement and dividends are recognised in profit or loss except when they represent a recovery of part of the cost of the instrument, in which case such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

There were no significant acquisitions of equity shares in either year.

NatWest Group disposed of equity shares in VISA Inc. of £62 million (2023 – nil). In 2023, NatWest Group disposed of equity shares in Permanent TSB p.l.c of £47 million and UBS Equity Funds of £35 million. There were no significant dividends on equity shares held at FVOCI in either year.

16 Intangible assets

Intangible assets, such as internally generated software and goodwill generated on business combinations, are not physical in nature. This note presents the cost of the assets, which is the amount NatWest Group initially paid or incurred, additions and disposals during the year, and any amortisation or impairment. Amortisation is a charge that reflects the usage of the asset and impairment is a reduction in value arising from specific events identified during the year.

For accounting policy information refer to Accounting policies 3.4 and 3.5.

| | 2024 | | | 2023 | | |
|---|----------------|-----------------|-------------|----------------|-----------------|-------------|
| | Goodwill £m | Other (1) £m | Total £m | Goodwill £m | Other (1) £m | Total £m |
| Cost | | | | | | |
| At 1 January | 10,090 | 4,447 | 14,537 | 9,931 | 3,763 | 13,694 |
| Currency translation and other adjustments | (4) | (65) | (69) | - | - | - |
| Acquisitions of companies and businesses | - | - | - | 159 | 37 | 196 |
| Additions | - | 614 | 614 | - | 762 | 762 |
| Disposals and write-off of fully amortised assets | - | (214) | (214) | - | (115) | (115) |
| At 31 December | 10,086 | 4,782 | 14,868 | 10,090 | 4,447 | 14,537 |
| Accumulated amortisation and impairment | | | | | | |
| At 1 January | 4,410 | 2,513 | 6,923 | 4,409 | 2,169 | 6,578 |
| Currency translation and other adjustments | - | (24) | (24) | - | - | - |
| Disposals and write-off of fully amortised assets | - | (201) | (201) | - | (116) | (116) |
| Impairment of intangible assets | 1 | 20 | 21 | 1 | 22 | 23 |
| Amortisation charge for the year | - | 561 | 561 | - | 438 | 438 |
| At 31 December | 4,411 | 2,869 | 7,280 | 4,410 | 2,513 | 6,923 |
| Net book value at 31 December | 5,675 | 1,913 | 7,588 | 5,680 | 1,934 | 7,614 |

(1) Principally consists of internally generated software.

Intangible assets and goodwill are reviewed for indicators of impairment. Intangible assets were impaired by £21 million in 2024 (2023 – £23 million).

NatWest Group's goodwill acquired in business combinations is reviewed for impairment annually at 31 December by cash-generating unit (CGU): 2024 – Retail Banking £2,607 million (2023 – £2,607 million), Ring-Fenced Bank Commercial & Institutional £2,604 million (2023 – £2,605 million), Other £464 million (2023 – £468 million). Our CGUs represent the smallest group of assets to which we have allocated goodwill and reflect the lowest level at which we monitor goodwill post acquisition. Analysis by reportable segment is in Note 4 Segmental analysis.

Impairment testing involves the comparison of the carrying value of each CGU with its recoverable amount. The carrying values of the segments reflect the equity allocations made by management, which are consistent with NatWest Group's capital targets.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Value in use is the present value of expected future cash flows from the CGU.

The recoverable amounts for all CGUs at 31 December 2024 were based on value in use, using management's latest five-year revenue and cost forecasts. These are discounted cash flow projections over five years. The forecast is then extrapolated in perpetuity using a long-term growth rate to compute a terminal value, which comprises the majority of the value in use. The long-term growth rates have been based on expected growth of the CGUs (2023 and 2024 – 1.4%). The 2024 pre-tax risk discount rates are based on those observed to be applied to businesses regarded as peers of the CGUs: Retail Banking and Ring-Fenced Bank Commercial & Institutional and Private Banking – 16% (2023 – 16%), Cushon – 15.3% (2023 – 15.3%) and RBS International 14.6% (2023 – 14.6%).

Notes to the consolidated financial statements continued

17 Other assets

Other assets are non-financial assets and reflect a grouping of assets that are not large enough to present separately on the balance sheet.

| | 2024 | 2023 |
|---|--------------|--------------|
| | £m | £m |
| Interests in associates (1) | 690 | 668 |
| Property, plant and equipment (2) | 3,967 | 4,227 |
| Pension schemes in net surplus (Note 5) | 190 | 201 |
| Tax recoverable | 7 | 49 |
| Deferred tax (Note 7) | 1,876 | 1,894 |
| Assets of disposal groups | 64 | 902 |
| Other | 1,602 | 1,721 |
| Other assets | 8,396 | 9,662 |

(1) Includes interest in Business Growth Fund £678 million (2023 - £658 million).

(2) The estimated useful lives of NatWest Group's property, plant and equipment are: freehold buildings and long leasehold 50 years, short leaseholds for unexpired period of lease, property adaptation costs 10 to 15 years, computer equipment up to 5 years and other equipment 4 to 15 years.

18 Other financial liabilities

Other financial liabilities consist of customer deposits designated at fair value and debt securities in issue.

For accounting policy information refer to Accounting policies 3.8 and 3.10.

| | 2024 | 2023 |
|--|---------------|---------------|
| | £m | £m |
| Customer deposits including repos | 1,812 | 1,280 |
| Debt securities in issue | | |
| - MREs | 23,998 | 21,660 |
| - Other medium term notes | 22,087 | 17,843 |
| - Commercial paper and certificates of deposit | 11,266 | 11,321 |
| - Covered bonds | 749 | 2,122 |
| - Securitisation | 1,175 | 863 |
| Total | 61,087 | 55,089 |



19 Subordinated liabilities

Subordinated liabilities are debt securities that, in the event of winding up or bankruptcy, rank below other liabilities for interest payments and repayment.

For accounting policy information refer to Accounting policies 3.8 and 3.10.

| | 2024 £m | 2023 £m |
|----------------------|--------------|--------------|
| Dated loan capital | 5,996 | 5,573 |
| Undated loan capital | 21 | 22 |
| Preference shares | 119 | 119 |
| | 6,136 | 5,714 |

Certain preference shares issued by the company are classified as liabilities; these securities remain subject to the capital maintenance rules of the Companies Act 2006.

| | | First call date | Maturity date | Capital treatment | 2024 £m | 2023 £m |
|---------------------------|---------------------|--------------------|------------------|----------------------|--------------|--------------|
| Dated loan capital | | | | | | |
| NatWest Group plc | | | | | | |
| \$2,250 million | 5.125% notes | - | May-24 | Tier 2 | - | 418 |
| £1,000 million | 3.622% notes | May-25 | Aug-30 | Tier 2 | 1,006 | 985 |
| £1,000 million | 2.105% notes | Aug-26 | Nov-31 | Tier 2 | 1,001 | 1,000 |
| \$1,000 million | 6.475% notes | Mar-29 | Jun-34 | Tier 2 | 799 | - |
| \$850 million | 3.032% notes | Aug-30 | Nov-35 | Tier 2 | 550 | 541 |
| €750 million | 1.043% notes | Jun-27 | Sep-32 | Tier 2 | 624 | 652 |
| \$750 million | 3.754% notes | Nov-24 | Nov-29 | Tier 2 | - | 592 |
| €700 million | 5.763% notes | Nov-28 | Feb-34 | Tier 2 | 608 | 636 |
| £650 million | 7.416% notes | Mar-28 | Jun-33 | Tier 2 | 644 | 657 |
| £600 million | 5.642% notes | Oct-29 | Oct-34 | Tier 2 | 608 | - |
| | | | | | 5,840 | 5,481 |
| Other subsidiaries | | | | | | |
| €170 million | Floating rate notes | - | Feb-41 | Not applicable | 234 | 237 |
| \$150 million | 7.125% notes | - | Oct-93 | Not applicable | 17 | 17 |
| | | | | | 6,091 | 5,735 |
| Fair value hedging | | | | | (95) | (162) |
| | | | | | 5,996 | 5,573 |



Notes to the consolidated financial statements continued

19 Subordinated liabilities continued

| | | First call date | Maturity date | Capital treatment | 2024 £m | 2023 £m |
|-----------------------------|--|--------------------|------------------|----------------------|------------|------------|
| Undated loan capital | | | | | | |
| Other subsidiaries | | | | | | |
| £31 million | 7.380% notes | - | - | Not applicable | 1 | 1 |
| £16 million | 5.630% notes | Sep-26 | - | Not applicable | 17 | 18 |
| £4.9 million | 2.500% fixed notes | - | - | Not applicable | 3 | 3 |
| | | | | | 21 | 22 |
| Preference shares | | | | | | |
| Other subsidiaries | | | | | | |
| £140 million | Non-cumulative preference shares of £1 | - | - | Not applicable | 119 | 119 |
| | | | | | 119 | 119 |
| Total | | | | | | |
| | | | | | 6,136 | 5,714 |



Notes to the consolidated financial statements continued

20 Other liabilities

Other liabilities are amounts due to third parties that are not financial liabilities but including lease liabilities held at amortised cost. Other liabilities represent, for example, amounts due for goods and services that have been received but not invoiced, tax due to HMRC, and retirement benefit liabilities. Liabilities which have a level of uncertainty regarding their timing or the future cost to settle them are included in other liabilities as provisions for liabilities and charges.

| | 2024 £m | 2023 £m |
|---|--------------|--------------|
| Other liabilities | | |
| Lease liabilities | 630 | 670 |
| Provisions for liabilities and charges | 864 | 990 |
| Retirement benefit liabilities (Note 5) | 80 | 99 |
| Accruals | 1,353 | 1,411 |
| Deferred income | 394 | 402 |
| Current tax | 263 | 332 |
| Deferred tax (Note 7) | 99 | 141 |
| Other liabilities (1) | 918 | 1,157 |
| Total | 4,601 | 5,202 |

(1) Other liabilities include liabilities of disposal groups of nil (2023 - £3 million).

Provisions for liabilities and charges

| | Customer redress £m | Litigation and other regulatory £m | Property £m | Commitments and guarantees £m | Other (1) £m | Total £m |
|--|------------------------|---------------------------------------|----------------|----------------------------------|-----------------|-------------|
| At 1 January 2024 | 486 | 156 | 99 | 78 | 171 | 990 |
| Expected credit loss impairment release | - | - | - | (23) | - | (23) |
| Currency translation and other movements | (1) | - | (1) | - | (3) | (5) |
| Charge to income statement | 194 | 30 | 47 | - | 301 | 572 |
| Release to income statement | (137) | (23) | (36) | - | (46) | (242) |
| Provisions utilised | (122) | (35) | (19) | - | (252) | (428) |
| At 31 December 2024 | 420 | 128 | 90 | 55 | 171 | 864 |

(1) Other materially comprises provisions for restructuring costs and provision for Bank of England Levy.

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

For accounting policy information refer to Accounting policy 3.12.

Background information on all material provisions is given in Note 25.

21 Share capital and other equity

Share capital consists of ordinary shares and preference shares and is measured as the number of shares allotted and fully paid, multiplied by the nominal value of a share. Other equity includes paid-in equity, merger reserve, capital redemption reserve and own shares held.

For accounting policy information refer to Accounting policy 3.10.

| | 2024 £m | 2023 £m | Number of shares | |
|---|--------------|------------|------------------|--------------|
| | | | 2024 000s | 2023 000s |
| Allotted, called up and fully paid | | | | |
| Ordinary shares of £1.0769 ⁽¹⁾ | 8,972 | 9,683 | 8,331,145 | 8,991,737 |
| Cumulative preference shares of £1 | 0.5 | 0.5 | 483.0 | 483.0 |

(1) The nominal value of ordinary shares without rounding is £1.076923076923077 per share.

| Movement in allotted, called up and fully paid ordinary shares | Number of shares | |
|---|------------------|------------------|
| | £m | 000s |
| At 31 December 2022 | 10,539 | 9,786,024 |
| Share cancellation | (856) | (794,287) |
| At 31 December 2023 | 9,683 | 8,991,737 |
| Share cancellation | (711) | (660,592) |
| At 31 December 2024 | 8,972 | 8,331,145 |

Ordinary shares

There is no authorised share capital under the company's constitution. At 31 December 2024, the directors had authority granted at the 2024 Annual General Meeting (AGM) to issue up to £472 million nominal of ordinary shares other than by pre-emption to existing shareholders.

On-market purchases

At the AGM in 2023, shareholders renewed the authority for the company to make market purchases of up to 967 million ordinary shares. The directors used the authority obtained at the 2023 AGM (2023 Authority) to carry out share buyback programmes of up to £500 million (2023 Programme) and £300 million (2024 Programme).

The maximum number of ordinary shares that could be purchased under the 2023 Programme was 920 million (reflecting the impact on the 2023 Authority of the reduction in issued share capital following the off-market buyback announced on 22 May 2023).

The maximum number of Ordinary Shares that could be purchased under the 2024 Programme was 697 million (reflecting the impact on the 2023 Authority of the reduction in issued share capital following the off-market buyback announced on 22 May 2023 and further reduced by the number of shares purchased to 19 February 2024 under the 2023 Programme).

The 2023 Programme started on 31 July 2023 and ended on 22 March 2024. 228 million ordinary shares (nominal value £245 million) were purchased by the company under the Programme at a volume weighted average price of 217.1788 pence per Ordinary Share for a total consideration of £495 million. All of the purchased ordinary shares were cancelled, representing 2.52% of the company's issued ordinary share capital.

The 2024 Programme started on 19 February 2024 and ended on 24 July 2024. 104 million ordinary shares (nominal value £113 million) were purchased by the company under the Programme at a volume weighted average price of 287.1225 pence per ordinary share for a total consideration of £300 million. All of the purchased ordinary shares were cancelled, representing 1.19% of the company's issued ordinary share capital.

Shareholders will be asked to renew the authority for the company to make market purchases of ordinary shares at the AGM in 2025.

Off-market purchases

A Directed Buyback Contract between the Company and HMT was approved by the shareholders of the Company at a General Meeting on 6 February 2019. Amendments to the Directed Buyback Contract were approved by the shareholders at a General Meeting on 25 August 2022 and at the 2024 AGM.

The authority from shareholders to make off-market purchases of ordinary shares from HMT (or its nominee) under the terms of the Directed Buyback Contract was renewed at the 2024 AGM.

The company used this authority to make an off-market purchase of 392 million ordinary shares (nominal value £423 million) in the company from HMT on 31 May 2024, at a price of 316.2 pence per ordinary share for the total consideration of £1,241 million, representing 4.50% of the company's issued ordinary share capital. The company cancelled 222 million of the purchased ordinary shares and transferred the remaining 170 million ordinary shares to treasury.

On 11 November 2024, the company made a further off-market purchase of 263 million ordinary shares (nominal value £283 million) in the company from HMT, at a price of 380.8 pence per ordinary share for the total consideration of £1 billion, representing 3.16% of the company's issued ordinary share capital. The company cancelled all of purchased ordinary shares.

Notes to the consolidated financial statements continued

21 Share capital and other equity continued

Shareholders will be asked to renew the authority for the company to make off-market purchases of its ordinary shares from HMT (or its nominee) at the AGM in 2025.

Dividends

In 2024 NatWest Group paid an interim dividend of £498 million, or 6 pence per ordinary share (2023 – £491 million, or 5.5 pence per ordinary share).

The company has announced that the directors have recommended a final dividend of £1.2 billion, or 15.5 pence per ordinary share (2023 – £1.0 billion, or 11.5 pence per ordinary share). The final dividend recommended by directors is subject to shareholders' approval at the AGM on 23 April 2025. If approved, payment will be made on 28 April 2025 to shareholders on the register at the close of business on 14 March 2025. The ex-dividend date will be 13 March 2025.

Cumulative preference shares

At the AGM in 2024, shareholders renewed the authority for the company to make an off-market purchase of its preference shares. Shareholders will be asked to renew the authority at the AGM in 2025.

Other equity

| | 2024 £m | 2023 £m | 2022 £m |
|--|--------------|--------------|--------------|
| Additional Tier 1 notes | | | |
| \$1.15 billion 8.000% notes callable August 2025 ⁽¹⁾ | 736 | 735 | 735 |
| \$1.50 billion 6.000% notes callable December 2025 – June 2026 ⁽²⁾ | 1,220 | 1,220 | 1,220 |
| £1.00 billion 5.125% notes callable May – November 2027 ⁽³⁾ | 998 | 998 | 998 |
| £0.40 billion 4.5% notes callable March 2028 ⁽⁴⁾ | 399 | 399 | 399 |
| \$0.75 billion 4.6% notes callable June 2031 ⁽⁵⁾ | 539 | 538 | 538 |
| \$1.00 billion 8.125% notes callable November 2033 ⁽⁶⁾ | 798 | - | - |
| \$0.75 billion 7.3% notes callable November 2034 ⁽⁷⁾ | 590 | - | - |
| | 5,280 | 3,890 | 3,890 |

(1) Issued in August 2015. In the event of conversion, converted into ordinary shares at a price of \$3.314 per share.

(2) Issued in June 2020. In the event of conversion, converted into ordinary shares at a price of \$2.191 (translated at applicable exchange rate) per share.

(3) Issued in November 2020. In the event of conversion, converted into ordinary shares at a price of £1.764 per share.

(4) Issued in March 2021. In the event of conversion, converted into ordinary shares at a price of £1.764 per share.

(5) Issued in June 2021. In the event of conversion, converted into ordinary shares at a price of \$2.462 (translated at applicable exchange rate) per share.

(6) Issued in May 2024. In the event of conversion, converted into ordinary shares at a price of \$2.205 (translated at applicable exchange rate) per share.

(7) Issued in November 2024. In the event of conversion, converted into ordinary shares at a price of \$2.226 (translated at applicable exchange rate) per share.

Paid-in equity – comprises equity instruments issued by the company other than those legally constituted as shares.

Additional Tier 1 instruments issued by NatWest Group plc having the legal form of debt are classified as equity under IFRS. The coupons on these instruments are non-cumulative and payable at the company's discretion. In the event NatWest Group's CET1 ratio falls below 7% any outstanding instruments will be converted into ordinary shares at a fixed price.

Capital recognised for regulatory purposes cannot be redeemed without Prudential Regulation Authority consent. This includes ordinary shares, preference shares and additional Tier 1 instruments.

Merger reserve – the merger reserve comprises the premium on shares issued to acquire NatWest Bank Plc less goodwill amortisation charged under previous GAAP.

Capital redemption reserve – under UK companies legislation, when shares are redeemed or purchased wholly or partly out of the company's profits, the amount by which the company's issued share capital is diminished must be transferred to the capital redemption reserve. The capital maintenance provisions of UK companies legislation apply to the capital redemption reserve as if it were part of the company's paid up share capital. The nominal value of the shares bought back from HMT in March 2023 and via the Programme during 2023 have been transferred to the Capital redemption reserve.

Own shares held – at 31 December 2024, 11 million ordinary shares of £1.0769 each of the company (2023 – 12 million) were held by employee share trusts in respect of share awards and options granted to employees.

During 2024, the employee share trusts purchased no ordinary shares and delivered 1 million ordinary shares in satisfaction of the exercise of options and the vesting of share awards under the employee share plans. The company retains the flexibility to use newly issued shares, shares purchased by the NatWest Group Employee Share Ownership Trust and any available treasury shares to satisfy obligations under its employee share plans.

The company does not use performance conditions or targets based on earnings per share (EPS), total shareholder return (TSR), and net asset value (NAV) in connection with its employee share plans.

As part of the shares bought back from HMT in May 2024, the company transferred 170 million ordinary shares to own shares held. The company has used a total of 80 million treasury shares in 2024 to satisfy the exercise of options and the vesting of share awards under the employee share plans. The balance of ordinary shares held in treasury as at 31 December 2024 was 277 million.

NatWest Group plc optimises capital efficiency by maintaining reserves in subsidiaries, including regulated entities. Certain preference shares and subordinated debt are also included within regulatory capital. The remittance of reserves to the company or the redemption of shares or subordinated capital by regulated entities may be subject to maintaining the capital resources required by the relevant regulator.

UK law prescribes that only the reserves of the company are taken into account for the purpose of making distributions and in determining permissible applications of the share premium account.



22 Structured entities

A structured entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity, for example, when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. SEs are usually established for a specific, limited purpose. They do not carry out a business or trade and typically have no employees.

Securitisations

In a securitisation, assets, or interests in a pool of assets, are transferred, or the credit risk is transferred via a derivative or financial guarantee to a SE which then issues liabilities to third party investors.

NatWest Group's involvement in client securitisations takes a number of forms. It may provide secured finance to, or purchase asset-backed notes from, client sponsored SEs secured on assets transferred by the client entity; purchase asset backed securities issued by client sponsored SEs in the primary or secondary markets; or provide liquidity facilities to client sponsored SEs. In addition, NatWest Group arranges or acts as lead manager or placement agent in client primary markets securitisations. NatWest Group provides portfolio structured derivative hedging solutions to clients. NatWest Group undertakes own-asset securitisations to transfer the credit risk on portfolios of financial assets.

Other credit risk transfer securitisations

NatWest Group transfers credit risk on originated loans and mortgages without the transfer of assets to a SE. As part of this, NatWest Group enters into credit derivative and financial guarantee contracts with consolidated SEs. At 31 December 2024, debt securities in issue by such SEs (and held by third parties) were £1,175 million (2023 - £863 million). The associated loans and mortgages at 31 December 2024 were £13,226 million (2023 - £2,687 million). At 31 December, ECL in relation to non-defaulted assets

was reduced by £43 million (2023 - £11 million) as a result of financial guarantee contracts with consolidated SEs.

Covered debt programme

Group companies have assigned loans to customers and debt investments to bankruptcy remote limited liability partnerships to provide security for issues of debt securities. NatWest Group retains all of the risks and rewards of these assets and continues to recognise them. The partnerships are consolidated by NatWest Group and the related covered bonds included within other financial liabilities. At 31 December 2024, £9,668 million (2023 - £11,067 million) of loans to customers provided security for debt securities in issue and other borrowing of £2,305 million (2023 - £3,619 million).

Lending of own issued securities

NatWest Group has issued, retained, and lent debt securities under securities lending arrangements. Under standard terms in the UK and US markets, the recipient has an unrestricted right to sell or repledge collateral, subject to returning equivalent securities on maturity of the transaction. NatWest Group retains all of the risks and rewards of own issued liabilities lent under such arrangements and does not recognise them. At 31 December 2024, £4,715 million (2023 - £4,062 million) of secured own issued liabilities have been retained and lent under securities lending arrangements. At 31 December 2024, £4,878 million (2023 - £4,168 million) of loans and other debt instruments provided security for secured own issued liabilities that have been retained and lent under securities lending arrangements.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to structured entities not controlled by NatWest Group, and which are established either by NatWest Group or a third party. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns for NatWest Group arising from the performance of the entity. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to NatWest Group, provision of lending and loan commitments, financial guarantees and investment management agreements. NatWest Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions, to provide risk management services and for specific investment opportunities. Structured entities may take the form of funds, trusts, partnerships, securitisation vehicles, and private investment companies. NatWest Group considers itself to be the sponsor of a structured entity where it is primarily involved in the set up and design of the entity and where NatWest Group transfers assets to the entity, markets products associated with the entity in its own name, and/or provides guarantees in relation to the performance of the entity. The nature and extent of NatWest Group's interests in structured entities is summarised in the following table:

| | 2024 | | | 2023 | | |
|---------------------------------------|--------------------------------------|----------------------------|--------|--------------------------------------|----------------------------|--------|
| | Asset-backed securitisation vehicles | Investment funds and other | Total | Asset-backed securitisation vehicles | Investment funds and other | Total |
| | £m | £m | £m | £m | £m | £m |
| Assets | | | | | | |
| Trading assets | 252 | 216 | 468 | 303 | 311 | 614 |
| Derivatives | 94 | - | 94 | 134 | - | 134 |
| Loans to customers | 5,399 | 1,601 | 7,000 | 2,701 | 999 | 3,700 |
| Other financial assets | 15,744 | 923 | 16,667 | 13,096 | 1,062 | 14,158 |
| Total | 21,489 | 2,740 | 24,229 | 16,234 | 2,372 | 18,606 |
| Liabilities | | | | | | |
| Derivatives | 153 | 8 | 161 | 213 | 17 | 230 |
| Total | 153 | 8 | 161 | 213 | 17 | 230 |
| Off balance sheet | | | | | | |
| Liquidity facilities/loan commitments | 2,134 | 457 | 2,591 | 1,873 | 396 | 2,269 |
| Guarantees | - | 104 | 104 | - | 127 | 127 |
| Total | 2,134 | 561 | 2,695 | 1,873 | 523 | 2,396 |
| Maximum exposure | 23,470 | 3,293 | 26,763 | 17,894 | 2,878 | 20,772 |

23 Asset transfers

This note provides an overview of assets that have been transferred but where the NatWest Group retains substantially all the risks and rewards of the transferred assets and therefore continues to recognize them on balance sheet.

Transfers that do not qualify for derecognition

NatWest Group enters into securities repurchase, lending and total return transactions in accordance with normal market practice which includes the provision of additional collateral if necessary. Under standard terms in the UK and US markets, the recipient has an unrestricted right to sell or repledge collateral, subject to returning equivalent securities on settlement of the transaction.

Securities sold under repurchase transactions and transactions with the substance of securities repurchase agreements are not derecognised if NatWest Group retains substantially all the risks and rewards of ownership. The fair value (and carrying value) of securities transferred under such transactions included on the balance sheet are set out below. All of these securities could be sold or repledged by the holder.

| | 2024 | 2023 |
|---|---------------|---------------|
| | £m | £m |
| The following assets have failed derecognition (1) | | |
| Trading assets | 7,708 | 7,907 |
| Loans to bank - amortised cost | 70 | 10 |
| Loans to customers - amortised cost | 45 | 281 |
| Other financial assets | 13,174 | 8,764 |
| Total | 20,997 | 16,962 |

(1) Associated liabilities were £20,394 million (2023 – £16,522 million).

Assets pledged as collateral

NatWest Group pledges collateral with its counterparties in respect of derivative liabilities, bank and stock borrowings and other transactions.

| | 2024 | 2023 |
|---|---------------|---------------|
| | £m | £m |
| Assets pledged against liabilities | | |
| Trading assets | 10,288 | 10,976 |
| Loans to banks - amortised cost | - | 63 |
| Loans to customers - amortised cost | 19,030 | 21,611 |
| Other financial assets (1) | 4,451 | 6,506 |
| Total | 33,769 | 39,156 |

(1) Includes assets pledged for pension derivatives and £499 million of debt securities under the continuing control of NWB Plc. This follows the agreement between NWB Plc and the Group Pension Fund to establish a bankruptcy remote reservoir trust to hold these assets. Refer to Note 5 for additional information.

As part of the covered debt programme £9,668 million of loans to customers and other debt instruments (2023 – £11,067 million) have been transferred to bankruptcy remote limited liability partnerships within the NatWest Group to provide collateral for issuances of debt securities and other borrowings by the NatWest Group of £2,305 million (2023 – £3,619 million). Refer to Note 22.

24 Capital resources

NatWest Group's regulatory capital is assessed against minimum requirements that are set out under the UK Capital Requirements Regulation to determine the strength of its capital base. This note shows a reconciliation of shareholders' equity to regulatory capital.

| | 2024 £m | 2023 £m |
|---|------------|------------|
| Shareholders' equity (excluding non-controlling interests) | | |
| Shareholders' equity | 39,350 | 37,157 |
| Other equity instruments | (5,280) | (3,890) |
| | 34,070 | 33,267 |
| Regulatory adjustments and deductions | | |
| Own credit | 28 | (10) |
| Defined benefit pension fund adjustment | (147) | (143) |
| Cash flow hedging reserve | 1,443 | 1,899 |
| Deferred tax assets | (1,084) | (979) |
| Prudential valuation adjustments | (230) | (279) |
| Goodwill and other intangible assets | (7,544) | (7,614) |
| Expected loss less impairment | (27) | - |
| Foreseeable ordinary dividends | (1,249) | (1,013) |
| Adjustment for trust assets (1) | (365) | (365) |
| Foreseeable charges | - | (525) |
| Adjustment under IFRS 9 transitional arrangements | 33 | 202 |
| | (9,142) | (8,827) |
| CET1 capital | 24,928 | 24,440 |
| Additional Tier 1 (AT1) capital | | |
| Qualifying instruments and related share premium | 5,259 | 3,875 |
| AT1 capital | 5,259 | 3,875 |
| Tier 1 capital | 30,187 | 28,315 |
| Qualifying Tier 2 capital | | |
| Qualifying instruments and related share premium | 5,918 | 5,189 |
| Other regulatory adjustments | - | 128 |
| Tier 2 capital | 5,918 | 5,317 |
| Total regulatory capital | 36,105 | 33,632 |

(1) Prudent deduction in respect of agreement with the pension fund to establish legal structure to remove dividend linked contribution. Refer Notes 5 and 32.

It is NatWest Group policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, NatWest Group has regard to the supervisory requirements of the PRA. The PRA uses capital ratios as a measure of capital adequacy in the UK banking sector, comparing a bank's capital resources with its risk-weighted assets (the assets and off-balance sheet exposures are weighted to reflect the inherent credit and other risks); by international agreement, the Pillar 1 capital ratios should be not less than 8% with a Common Equity Tier 1 component of not less than 4.5%. NatWest Group has complied with the PRA's capital requirements throughout the year.

A number of subsidiaries and sub-groups within NatWest Group, principally banking entities, are subject to various individual regulatory capital requirements in the UK and overseas. Furthermore, the payment of dividends by subsidiaries and the ability of members of NatWest Group to lend money to other members of NatWest Group may be subject to restrictions such as local regulatory or legal requirements, the availability of reserves and financial and operating performance.

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Contingent liabilities and commitments

NatWest Group provides its customers with a variety of services to support their businesses, such as guarantees. These are reported as commitments. Contingent liabilities are possible obligations dependent on a future event or present obligations which are either not probable or cannot be measured reliably.

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2024. Although NatWest 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 NatWest Group's expectation of future losses.

| | 2024 £m | 2023 £m |
|--|----------------|----------------|
| Contingent liabilities and commitments | | |
| Guarantees | 3,060 | 2,823 |
| Other contingent liabilities | 1,496 | 1,633 |
| Standby facilities, credit lines and other commitments | 135,405 | 127,424 |
| Total | 139,961 | 131,880 |

(1) Updated to reflect the regulatory treatment of revocable commitments.

Banking commitments and contingent obligations, which have been entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities. NatWest Group's maximum exposure to credit loss, in the event of its obligation crystallising and all counterclaims, collateral or security proving valueless, is represented by the contractual nominal amount of these instruments included in the table above. These commitments and contingent obligations are subject to NatWest Group's normal credit approval processes.

Guarantees — NatWest Group gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that NatWest Group will meet a customer's specified obligations to a third party if the customer fails to do so. The maximum amount that NatWest Group could be required to pay under a guarantee is its principal amount as disclosed in the table above. NatWest Group expects most guarantees it provides to expire unused.

Other contingent liabilities - these include standby letters of credit, supporting customer debt issues and contingent liabilities relating to customer trading activities such as those arising from performance and customs bonds, warranties and indemnities.

Standby facilities and credit lines - under a loan commitment, NatWest Group agrees to make funds available to a customer in the future. Loan commitments, which are usually for a specified term, may be unconditionally cancellable or may persist, provided all conditions in the loan facility are satisfied or waived. Commitments to lend include commercial standby facilities and credit lines, liquidity facilities to commercial paper conduits and unutilised overdraft facilities.

Other commitments - these include documentary credits, which are commercial letters of credit providing for payment by NatWest Group to a named beneficiary against presentation of specified documents, forward asset purchases, forward deposits placed and undrawn note issuance and revolving underwriting facilities, and other short-term trade related transactions.

Contractual obligations for future expenditure not provided for in the accounts

The following table shows contractual obligations for future expenditure not provided for in the accounts at the year end.

| | 2024 £m | 2023 £m |
|--|--------------|--------------|
| Capital expenditure on property, plant and equipment | 14 | 38 |
| Contracts to purchase goods or services (1) | 1,160 | 1,121 |
| | 1,174 | 1,159 |

(1) Of which due within 1 year: £356 million (2023 - £379 million).

Trustee and other fiduciary activities

In its capacity as trustee or other fiduciary role, NatWest Group may hold or place assets on behalf of individuals, trusts, companies, pension schemes and others. The assets and their income are not included in NatWest Group's financial statements. NatWest Group earned fee income of £302 million (2023 - £264 million; 2022 - £266 million) from these activities.

The Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort for customers of authorised financial services firms, pays compensation if a firm is unable to meet its obligations. The FSCS funds compensation for customers by raising management expenses levies and compensation levies on the industry. In relation to protected deposits, each deposit-taking institution contributes towards these levies in proportion to their share of total protected deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March), subject to annual maxima set by the Prudential Regulation Authority. In addition, the FSCS has the power to raise levies on a firm that has ceased to participate in the scheme and is in the process of ceasing to be authorised for the costs that it would have been liable to pay had the FSCS made a levy in the financial year it ceased to be a participant in the scheme.

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Litigation and regulatory matters

NatWest Group plc and certain members of NatWest Group are party to various legal proceedings and are involved in, or subject to, various regulatory matters, including as the subject of investigations and other regulatory and governmental action (Matters) in the United Kingdom (UK), the United States (US), the European Union (EU) and other jurisdictions.

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

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

seek substantial or indeterminate damages.

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

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

The future economic outflow in respect of any Matter may ultimately prove to be substantially greater than, or less than, the aggregate provision, if any, that NatWest Group has recognised in respect of such Matter. Where a reliable estimate of the economic outflow cannot be reasonably made, no provision has been recognised. NatWest Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NatWest Group will be necessary, in amounts that are expected to be substantial in some instances. Refer to Note 20 for information on material provisions.

Matters which are, or could be, material, either individually or in aggregate, having regard to NatWest Group, considered as a whole, in which NatWest 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 NatWest 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 422 to 423.

Litigation

London Interbank Offered Rate (LIBOR) and other rates litigation

NatWest Group plc and certain other members of NatWest Group, including NWM 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 certain members of NatWest Group and other panel banks violated various federal laws, including the US commodities and antitrust laws, and state statutory and common law, as well as contracts, by manipulating LIBOR and prices of LIBOR-based derivatives in various markets through various means.

The co-ordinated proceeding in the SDNY relating to USD LIBOR now includes one remaining class action, which is on behalf of persons who purchased LIBOR-linked instruments from defendants and bonds issued by defendants, as well as several non-class actions. The defendants in the co-ordinated proceeding have filed a summary judgment motion on the issue of liability, and briefing on that motion concluded in January 2025.

In March 2024, NatWest Group companies reached an agreement to settle the USD LIBOR class action that asserted claims on behalf of lenders who made USD LIBOR based loans. The settlement amount, which was covered in

full by an existing provision, has been paid and the settlement has now received final court approval.

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

In addition to the USD LIBOR cases described above, there is a class action relating to derivatives allegedly tied to JPY LIBOR and Euroyen TIBOR, which was dismissed by the SDNY in relation to NWM Plc and other NatWest Group companies in September 2021. That dismissal is now the subject of an appeal to the United States Court of Appeals for the Second Circuit (US Court of Appeals).

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

In August 2020, a complaint was filed in the United States District Court for the Northern District of California by several United States retail borrowers against the USD ICE LIBOR panel banks and their affiliates (including NatWest Group plc,



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NWM Plc, NWMSI and NWB Plc), alleging (i) that the very process of setting USD ICE LIBOR amounts to illegal price-fixing; and (ii) that banks in the United States have illegally agreed to use LIBOR as a component of price in variable retail loans. In September 2022, the district court dismissed the complaint. In December 2024, the United States Court of Appeals for the Ninth Circuit affirmed the district court's decision.

NWM Plc is also named as a defendant in a motion to certify a class action relating to LIBOR in the Tel Aviv District Court in Israel. NWM Plc filed a motion for cancellation of service outside the jurisdiction, which was granted in July 2020. The claimants 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

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

In May 2019, a cartel class action was filed in the Federal Court of Australia against NWM Plc and four other banks on behalf of persons who bought or sold currency through FX spots or forwards between 1 January 2008 and 15 October 2013 with a total transaction value exceeding AUD 0.5 million. The claimant has alleged that the banks, including NWM Plc, contravened Australian competition law by sharing information,

coordinating conduct, widening spreads and manipulating FX rates for certain currency pairs during this period. NatWest Group plc and NWMSI have been named in the action as 'other cartel participants', but are not respondents. The claim was served in June 2019 and NWM Plc filed its defence in March 2022. The court has ordered that potential class members are required to either opt out of the proceedings or register to be included in or benefit from any potential settlement of the claim. Directions have been made for the provision of evidence during 2025 and 2026.

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

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

April 2024. The appeal is scheduled to be heard in April 2025.

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

In December 2021, a summons was served in the Netherlands against NatWest Group plc, NWM Plc and NWM N.V. by Stichting FX Claims on behalf of a number of parties, seeking declarations from the court concerning liability for anti-competitive FX market conduct described in decisions of the European Commission (EC) of 16 May 2019, along with unspecified damages. The claimant amended its claim to also refer to a 2 December 2021 decision by the EC, which described anti-competitive FX market conduct. NatWest Group plc, NWM Plc and other defendants contested the jurisdiction of the Dutch court. In March 2023, the district court in Amsterdam accepted that it has jurisdiction to hear claims against NWM N.V. but refused jurisdiction to hear any claims against the other defendant banks (including NatWest Group plc and NWM Plc) brought on behalf of the parties represented by the claimant that are

domiciled outside of the Netherlands. The claimant is appealing that decision. The defendant banks have brought cross-appeals which seek a ruling that the Dutch court has no jurisdiction to hear any claims against the defendant banks domiciled outside of the Netherlands, irrespective of whether the claim has been brought on behalf of a party represented by the claimant that is domiciled within or outside of the Netherlands. The Amsterdam Court of Appeal has stayed these appeal proceedings until the Court of Justice of the European Union has answered preliminary questions that have been referred to it in another matter.

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

In January 2025, a third summons was served by Stichting FX Claims on NatWest Group plc, NWM Plc and NWM N.V., on behalf of another new group of parties. The claimant seeks similar declarations from the district court in Amsterdam to those being sought in the above-mentioned claims, along with unspecified damages.

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



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these claims will be pursued.

Government securities antitrust litigation

Class action antitrust claims commenced in March 2019 were pending in the SDNY against NWM Plc, NWMSI and other banks in respect of Euro-denominated bonds issued by various European central banks (European government bonds or EGBs). The complaint alleged a conspiracy among dealers of EGBs to widen the bid-ask spreads they quoted to customers, thereby increasing the prices customers paid for the EGBs or decreasing the prices at which customers sold EGBs.

In March 2024, NatWest Group companies reached an agreement to settle the class action. The settlement amount, which was covered in full by an existing provision, has been paid and the settlement has now received final court approval.

Swaps antitrust litigation

NWM Plc and other members of NatWest Group, including 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. The settlement amount has been paid into escrow pending final court approval of the settlement and was covered in full by an existing provision.

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

Odd lot corporate bond trading antitrust litigation

In July 2024, the US Court of Appeals vacated the SDNY's October 2021 dismissal of the class action antitrust complaint alleging that from August 2006 onwards various securities dealers,

including NWMSI, conspired artificially to widen spreads for odd lots of corporate bonds bought or sold in the United States secondary market and to boycott electronic trading platforms that would have allegedly promoted pricing competition in the market for such bonds. The appellate court held that the district judge who made the decision should not have been presiding over the case because a member of the judge's family had owned stock in one of the defendants while the motion was pending. The defendants are now seeking dismissal by a different district court judge.

Spoofing litigation

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

Madoff

NWM N.V. was named as a defendant in two actions filed by the trustee for the bankrupt estates of Bernard L. Madoff and Bernard L. Madoff Investment Securities LLC, in bankruptcy court in New York, which together seek to clawback more than US\$298 million that NWM N.V. allegedly received from certain Madoff feeder funds and certain swap counterparties. The claims were

previously dismissed, but as a result of an August 2021 decision by the US Court of Appeals, they are now proceeding in the discovery phase in the bankruptcy court, where they have been consolidated into one action.

Offshoring VAT assessments

HMRC, as part of an industry-wide review, issued protective tax assessments in 2018 against NatWest Group plc totalling £143 million relating to unpaid VAT in respect of the UK branches of two NatWest Group companies registered in India for the period from 1 January 2014 until 31 December 2017 inclusive. NatWest Group formally requested reconsideration by HMRC of their assessments, and this process was completed in November 2020. HMRC upheld their original decision and, as a result, NatWest Group plc lodged an appeal with the Tax Tribunal and an application for judicial review with the High Court of Justice of England and Wales, both in December 2020. In order to lodge the appeal with the Tax Tribunal, NatWest Group plc was required to pay amounts totalling £153 million (including statutory interest) to HMRC in December 2020 and May 2022. The appeal and the application for judicial review have both been stayed pending further discussion with HMRC in relation to a separate case involving another bank. The amount of £153 million continues to be recognised as an asset that NatWest Group plc expects to recover. Since 1 January 2018, NatWest Group plc has paid VAT on intra-group supplies from the India-registered NatWest Group companies.

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



Notes to the consolidated financial statements continued

25 Memorandum items continued

personnel, who were killed or injured in attacks in Iraq between 2003 and 2011. NWM Plc is also a defendant in some of these cases.

According to the plaintiffs' allegations, the defendants are liable for damages arising from the attacks because they allegedly conspired with and/or aided and abetted Iran and certain Iranian banks to assist Iran in transferring money to Hezbollah and the Iraqi terror cells that committed the attacks, in violation of the US Anti-Terrorism Act, by agreeing to engage in 'stripping' of transactions initiated by the Iranian banks so that the Iranian nexus to the transactions would not be detected.

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

Other follow-on actions that are substantially similar to those described above are pending in the same courts.

1MDB litigation

A Malaysian court claim was served in Switzerland in November 2022 by 1MDB, a sovereign wealth fund, in which Coutts & Co Ltd was named, along with six others, as a defendant in respect of losses allegedly incurred by 1MDB. It is claimed that Coutts & Co Ltd is liable as a constructive trustee for having dishonestly assisted the directors of 1MDB in the breach of their fiduciary duties by failing (amongst other alleged claims) to undertake due diligence in relation to a customer of Coutts & Co Ltd, through which funds totalling c.US\$1 billion were received and paid out between 2009 and 2011. 1MDB seeks the return of that amount plus interest. Coutts & Co Ltd filed an application in January 2023 challenging the validity of service and the Malaysian court's jurisdiction to hear the claim, and a hearing took place in February 2024. In March 2024, the court granted that application. 1MDB has appealed that decision and a prior decision by the court not to allow them to discontinue their claim. Both appeals are scheduled to be heard in November 2025.

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

Regulatory matters (including investigations and customer redress programmes)

NatWest Group's businesses and financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, the US, the EU and elsewhere. NatWest Group has engaged, and will continue to engage, in discussions with relevant governmental and regulatory authorities, including in the UK, the US, the EU and elsewhere,

on an ongoing and regular basis, and in response to informal and formal inquiries or investigations, regarding operational, systems and control evaluations and issues including those related to compliance with applicable laws and regulations, including consumer protection, investment advice, business conduct, competition/anti-trust, VAT recovery, anti-bribery, anti-money laundering and sanctions regimes. NatWest Group expects government and regulatory intervention in financial services to be high for the foreseeable future, including increased scrutiny from competition and other regulators in the retail and SME business sectors.

Any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, other action being taken by governmental and regulatory authorities, increased costs being incurred by NatWest Group, remediation of systems and controls, public or private censure, restriction of NatWest Group's business activities and/or fines. Any of the events or circumstances mentioned in this paragraph or below could have a material adverse effect on NatWest 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.

NatWest 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 NWM Plc and the United States Attorney's Office for the District of Connecticut (USAO CT), under which non-prosecution was conditioned on NWM Plc and affiliated companies not engaging in criminal conduct during the term of the NPA. The relevant trading in 2018 was conducted by two NWM traders in Singapore and breached that NPA. The plea agreement reached with the US Department of Justice (DOJ) and the USAO CT resolved both the spoofing conduct and the breach of the NPA.

As required by the resolution and sentence imposed by the court, NWM Plc is subject to a probationary period, which was extended to end concurrently with the conclusion of the independent monitorship, which is also required under the plea agreement. The term of the independent monitorship and the ongoing implementation of recommendations made by it is currently scheduled to conclude in December 2025 but may be extended by agreement with the DOJ. In addition, NWM Plc has committed to compliance programme reviews and improvements and agreed to reporting and co-operation obligations.

In the event that NWM Plc does not meet its obligations to the DOJ, this may lead to adverse consequences such as increased costs from any extension of monitorship and/or the period of the probation, findings that NWM Plc violated its probation term, and possible re-sentencing, amongst other consequences. Other material adverse collateral consequences may occur as a result of this matter, as further described in the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on pages 422 to 423.



25 Memorandum items continued

RBSI Ltd reliance regime and referral to enforcement

In January 2023, the Jersey Financial Services Commission (JFSC) notified RBSI Ltd that it had been referred to its Enforcement Division in relation to RBSI Ltd’s operation of the reliance regime. The reliance regime is specific to certain

Crown Dependencies and enables RBSI Ltd to rely on regulated third parties for specific due diligence information. RBSI Ltd has provided information to the JFSC at its request.

Investment advice review

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

Review and investigation of treatment of tracker mortgage customers in Ulster Bank Ireland DAC

In December 2015, correspondence was received from the Central Bank of Ireland setting out an industry examination framework in respect of the sale of tracker mortgages from approximately 2001 until the end of 2015.

The redress and compensation process has now largely concluded, although a small number of cases remain outstanding relating to uncontactable customers.

UBIDAC customers have lodged tracker mortgage complaints with the Financial Services and Pensions Ombudsman (FSPO). UBIDAC challenged three FSPO adjudications in the Irish High Court. In June 2023, the High Court found in favour of the FSPO in all matters. UBIDAC appealed that decision to the Court of Appeal. In September 2024, the Court of Appeal allowed UBIDAC’s appeal and set aside certain findings of the FSPO. The Court of Appeal directed one aspect of the FSPO decisions to be remitted to the FSPO for its consideration following an oral hearing, and UBIDAC is following up with the FSPO in that regard.

Other customer remediation in Ulster Bank Ireland DAC

UBIDAC identified other legacy issues leading to the establishment of remediation requirements and progress is ongoing to conclude activities.

Notes to the consolidated financial statements continued

26 Non-cash and other items

This note shows non-cash items adjusted for in the cash flow statement and movement in operating assets and liabilities.

| | 2024 | 2023 | 2022 |
|--|----------------|-----------------|-----------------|
| | £m | £m | £m |
| Impairment losses | 359 | 572 | 266 |
| Depreciation and amortisation | 1,058 | 934 | 833 |
| Change in fair value taken to profit or loss of other financial assets | 274 | (584) | 1,267 |
| Change in fair value taken to profit or loss of other financial liabilities and subordinated liabilities | 200 | 831 | (2,400) |
| Foreign exchange recycling losses/(gains) | 77 | (484) | (5) |
| Elimination of foreign exchange differences | 1,525 | 312 | 10 |
| Income receivable on other financial assets | (2,459) | (1,415) | (585) |
| Loss on sale of other financial assets | 21 | 44 | 172 |
| Share of (profit)/loss of associates | (19) | 9 | 30 |
| (Gain)/loss on sale of other assets and net assets and liabilities | (23) | 125 | 154 |
| Interest payable on MREs and subordinated liabilities | 1,407 | 1,352 | 1,103 |
| (Gain)/loss on redemption of own debt | - | (3) | 161 |
| Charges and releases on provisions | 330 | 313 | 248 |
| Change in fair value of cash flow hedges | 1,494 | 1,021 | (304) |
| Other non-cash items | 35 | 59 | 48 |
| Defined benefit pension schemes | 86 | 122 | 205 |
| Non-cash and other items | 4,365 | 3,208 | 1,203 |
| Change in operating assets and liabilities | | | |
| Change in trading assets | (5,331) | 327 | 14,991 |
| Change in derivative assets | (373) | 20,826 | 3,621 |
| Change in settlement balance assets | 5,146 | (4,659) | (431) |
| Change in loans to banks | 278 | 752 | (202) |
| Change in loans to customers | (17,173) | (15,626) | (7,628) |
| Change in other financial assets | (92) | 132 | (328) |
| Change in other assets | 133 | (213) | (255) |
| Change in assets of disposal groups | 106 | 412 | (4,117) |
| Change in bank deposits | 9,262 | 1,749 | (5,838) |
| Change in customer deposits | 2,113 | (18,964) | (29,492) |
| Change in settlement balance liabilities | (4,916) | 4,633 | (56) |
| Change in trading liabilities | 1,078 | 828 | (11,790) |
| Change in derivative liabilities | (313) | (21,652) | (6,788) |
| Change in other financial liabilities | 3,640 | 6,564 | 989 |
| Change in notes in circulation | 79 | 19 | 171 |
| Change in other liabilities | (904) | (807) | (1,294) |
| Change in operating assets and liabilities | (7,267) | (25,679) | (48,447) |

27 Analysis of the net investment in business interests and intangible assets

This note shows cash flows relating to obtaining or losing significant influence in associates or control of subsidiaries and net assets and liabilities purchased and sold. These cash flows are presented as investing activities on the cash flow statement.

| | 2024 | 2023 | 2022 |
|--|---------|-------|-------|
| | £m | £m | £m |
| Fair value given for business acquired | - | (139) | - |
| Acquisition of interest in associates | (4) | - | (1) |
| Additional investment in associates | (1) | (5) | - |
| Net assets and liabilities purchased | (2,296) | - | - |
| Net outflow of cash in respect of acquisitions | (2,301) | (144) | (1) |
| Disposal of net assets and liabilities | 1,003 | 5,560 | 6,270 |
| Loss on disposal of net assets and liabilities | (8) | (87) | (106) |
| Net inflow of cash in respect of disposals | 995 | 5,473 | 6,164 |
| Dividends received from associate | 1 | 16 | - |
| Net cash expenditure on intangible assets | (614) | (744) | (743) |
| Net (outflow)/inflow of cash | (1,919) | 4,601 | 5,420 |

Notes to the consolidated financial statements continued

28 Analysis of changes in financing during the year

This note shows cash flows and non-cash movements relating to the financing activities of the Group, including movements in share capital, share premium, paid-in equity, subordinated liabilities and MREs.

| | Share capital, share premium, and paid-in equity | | | Subordinated liabilities | | | MREs | | |
|--|---|------------|------------|--------------------------|------------|------------|------------|------------|------------|
| | 2024 £m | 2023 £m | 2022 £m | 2024 £m | 2023 £m | 2022 £m | 2024 £m | 2023 £m | 2022 £m |
| At 1 January | 14,734 | 15,590 | 16,519 | 5,714 | 6,260 | 8,429 | 21,660 | 22,265 | 23,423 |
| Issue of paid-in equity | 1,390 | - | - | | | | | | |
| Issue of subordinated liabilities | | | | 1,386 | 611 | 648 | | | |
| Redemption of subordinated liabilities | | | | (999) | (1,250) | (3,693) | | | |
| Interest paid on subordinated liabilities | | | | (459) | (439) | (374) | | | |
| Issue of MREs | | | | | | | 5,051 | 3,973 | 3,721 |
| Maturity and redemption of MREs | | | | | | | (2,854) | (4,236) | (4,992) |
| Interest paid on MREs | | | | | | | (885) | (844) | (703) |
| Net cash flows from financing activities | 1,390 | - | - | (72) | (1,078) | (3,419) | 1,312 | (1,107) | (1,974) |
| Shares repurchased | (711) | (856) | (929) | | | | | | |
| Effects of foreign exchange | | | | (54) | (166) | 597 | (49) | (987) | 1,889 |
| Changes in fair value of subordinated liabilities and MREs | | | | 76 | 230 | (594) | 124 | 601 | (1,806) |
| Preference shares reclassified to subordinated liabilities | | | | - | - | 750 | | | |
| (Gain)/loss on redemption of own debt | | | | - | (3) | 161 | | | - |
| Interest payable on subordinated liabilities and MREs | | | | 465 | 464 | 370 | 942 | 888 | 733 |
| Other | - | - | - | 7 | 7 | (34) | 9 | - | - |
| At 31 December | 15,413 | 14,734 | 15,590 | 6,136 | 5,714 | 6,260 | 23,998 | 21,660 | 22,265 |

29 Analysis of cash and cash equivalents

Non-cash and other add back items and movements in operating assets and liabilities are adjusted for in the cash flow statement. Loans to banks and treasury bills with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

| | 2024 £m | 2023 £m | 2022 £m |
|------------------------------------|------------|------------|------------|
| Cash and balances at central banks | 92,994 | 104,262 | 144,832 |
| Trading assets | 6,886 | 8,851 | 8,551 |
| Other financial assets | - | 139 | 19 |
| Loans to banks ⁽¹⁾ | 4,965 | 5,572 | 5,047 |
| Cash and cash equivalents | 104,845 | 118,824 | 158,449 |

(1) Includes cash collateral posted with bank counterparties in respect of derivative liabilities of £3,660 million (2023 - £4,434 million; 2022 - £4,895 million).

Certain members of NatWest Group are required by law or regulation to maintain balances with the central banks in the jurisdictions in which they operate. NatWest Markets N.V. had mandatory reserve deposits with De Nederlandsche Bank N.V. of €95 million (2023 - €132 million, 2022 - €64 million). The Royal Bank of Scotland International Limited had balances with Central Bank of Luxembourg of £111 million (2023 - £135 million, 2022 - £108 million).

30 Directors' and key management remuneration

Directors and key management are remunerated for services rendered in the period. The executive directors may participate in the company's long-term incentive plans, executive share option and sharesave schemes and details of their interests in the company's shares arising from their participation are given in the directors' remuneration report. Details of the remuneration received by each director are also given in the directors' remuneration report.

Key management comprises members of the NatWest Group plc and NWH Ltd Boards, members of the NatWest Group plc and NWH Ltd Executive Committees, and the Chief Executives of NatWest Markets Plc and RBS International (Holdings) Limited. This is on the basis that these individuals have been identified as Persons Discharging Managerial Responsibilities of NatWest Group plc under the new governance structure.

| | 2024 | 2023 |
|---|-------|--------|
| | £000 | £000 |
| Directors' remuneration | | |
| Non-executive directors emoluments | 1,547 | 1,574 |
| Chair and executive directors emoluments | 6,425 | 6,408 |
| | 7,972 | 7,982 |
| Amounts receivable under long-term incentive plans and share option plans | 1,471 | 2,708 |
| Total | 9,443 | 10,690 |

Compensation of key management

The aggregate remuneration of directors and other members of key management during the year was as follows:

| | 2024 | 2023 |
|--------------------------|--------|--------|
| | £000 | £000 |
| Short-term benefits | 20,862 | 21,098 |
| Post-employment benefits | 643 | 741 |
| Share-based payments | 5,624 | 7,264 |
| | 27,129 | 29,103 |

Short term benefits include benefits expected to be settled wholly within twelve months of balance sheet date. Post-employment benefits include defined benefit contributions for active members and pension funding to support contributions to the defined contribution schemes. Share-based payments include awards vested under rewards schemes.

31 Transactions with directors and key management

This note presents information relating to any transactions with directors and key management. Key management comprises directors of the company and Persons Discharging Managerial Responsibilities (PDMRs) of NatWest Group plc.

For the purposes of IAS 24 Related party disclosures, key management comprises directors of the company and PDMRs of NatWest Group plc. Key management have banking relationships with NatWest Group entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Amounts in the table below are attributed to each person at their highest level of NatWest Group key management, and relate to those who were key management at any time during the financial period.

| | At 31 December | |
|-------------------------------------|----------------|--------|
| | 2024 | 2023 |
| | £000 | £000 |
| Loans to customers - amortised cost | 3,538 | 11,406 |
| Customer deposits | 39,431 | 55,254 |

At 31 December 2024, amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in NatWest Group, as defined in UK legislation, were £2,570,654 in respect of loans to 7 persons who were directors of the company at any time during the financial period.

32 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements. This includes subsidiaries, associates, joint ventures, post-employment benefits plans, Key management personnel and their close family members and entities controlled by them. Transactions between an entity and any related party are disclosed in the financial statements in accordance with both accounting standards and relevant listing rules to ensure readers are aware of how financial statements may be affected by these 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 31 December 2024 HM Treasury's holding in NatWest Group plc's ordinary shares was 9.99% (31 December 2023 - 37.97%). As a result, the UK Government through HM Treasury is no longer the controlling shareholder of NatWest Group plc as per UK listing rules. The UK Government and UK Government-controlled bodies remain related parties of the NatWest Group.

NatWest Group enters into transactions with many of these bodies. Transactions include the payment of: taxes – principally UK corporation tax (Note 7) and value added tax; national insurance contributions; local authority rates; and regulatory fees and levies (including the UK bank levy Note 3) and FSCS levy (Note 25) - together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

Bank of England facilities

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

In March 2024 Bank of England Levy replaced the Cash Ratio Deposit scheme. Members of NatWest Group that are UK authorised institutions are required to pay the levy having eligible liabilities greater than £600 million. They also have access to Bank of England reserve accounts: sterling current accounts that earn interest at the Bank of England Base rate.

NatWest Group provides guarantees for certain subsidiaries, liabilities to the Bank of England.

Other Related Parties

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

The primary financial statements of the parent company include transactions and balances with its subsidiaries which have been further disclosed in the relevant notes.

Associates, joint ventures (JVs) and equity investments

In their roles as providers of finance, NatWest Group companies provide development and other types of capital support to businesses. These investments are made in the normal course of business. To further strategic partnerships, NatWest Group may seek to invest in third parties or allow third parties to hold a minority interest in a subsidiary of NatWest Group. We disclose as related parties for associates and joint ventures and where equity interest are over 10%. Ongoing business transactions with these entities are on normal commercial terms.

Amounts included in the NatWest Group financial statements, in aggregate, by category of related party are as follows:

| | Associates and joint ventures | Equity shares (1) | Total |
|-------------------------------------|-------------------------------|-------------------|-------|
| | £m | £m | £m |
| 31 December 2024 | | | |
| Investments | 690 | 122 | 812 |
| Loans to customers - amortised cost | - | 4 | 4 |
| Customer deposits | 1 | 1 | 2 |
| Other comprehensive income | - | (22) | (22) |
| Other operating income | 19 | - | 19 |
| 31 December 2023 | | | |
| Investments | 668 | 145 | 813 |
| Loans to customers - amortised cost | - | 13 | 13 |
| Customer deposits | 2 | 10 | 12 |
| Other comprehensive income | - | (8) | (8) |
| Other operating income | (11) | - | (11) |

(1) Represents investments in entities where ownership is more than 10%



32 Related parties continued

Post employment benefits

NatWest Group recharges NatWest Group Pension Fund with the cost of pension management services incurred by it. NatWest Group Pension Fund holds bank accounts held with the NatWest Group plc. At 31 December 2024 these balances amounted to £43.2 million (2023 - £36.2 million).

NatWest Group Pension fund also holds certain interest rate swaps, inflation swaps, credit derivatives, cross currency swaps and forward exchange rate agreements where subsidiaries of NatWest Group act as counterparties. These transactions are on commercial terms and carried out on an arms-length basis.

During February 2023, NatWest Group entered into an agreement to establish a new legal structure to hold assets, consolidated on NatWest Group’s balance sheet, to meet potential future contributions required by the Main section of the Group’ Pension Fund. This transaction required transfer of £471 million to the Reservoir Trust after the final dividend for 2022 approved by shareholders. This transaction does not create a pension liability with the Main section of the Group Pension Fund. Refer to details in Note 5 and in Material contracts information on page 428.

33 Post balance sheet events

A post balance sheet event is an event that takes place between the reporting date and the date of approval of the financial statements. Significant events are included in the financial statements either to provide new information about conditions that existed at 31 December 2024 (reporting date), including estimates used to prepare the financial statements (known as an adjusting event) or to provide new information about conditions that did not exist at 31 December 2024 (non-adjusting events). This note provides information relating to material non-adjusting events.

Other than as disclosed in the accounts, there have been no other significant events subsequent to 31 December 2024 which would require a change or additional disclosure.



Parent company financial statements and notes

Balance sheet as at 31 December 2024

| | Note | 2024 £m | 2023 £m |
|-------------------------------------|------|---------------|---------------|
| Assets | | | |
| Derivatives with subsidiaries | | 462 | 458 |
| Loans to banks - amortised cost | | 2 | - |
| Amounts due from subsidiaries | 4 | 27,306 | 24,192 |
| Investments in Group undertakings | 8 | 53,428 | 52,592 |
| Other assets | | 21 | 83 |
| Total assets | | 81,219 | 77,325 |
| Liabilities | | | |
| Amounts due to subsidiaries | 4 | 483 | 117 |
| Derivatives | | 685 | 937 |
| Other financial liabilities | | 24,243 | 21,767 |
| Subordinated liabilities | 7 | 5,840 | 5,481 |
| Other liabilities | | 25 | 88 |
| Total liabilities | | 31,276 | 28,390 |
| Owners' equity | | 49,943 | 48,935 |
| Total liabilities and equity | | 81,219 | 77,325 |

Owners' equity of NatWest Group plc as at 31 December 2024 includes the profit for the year of £3,950 million (2023 - £2,842 million).

As permitted by section 408(3) of the Companies Act 2006, the primary financial statements of the company do not include an income statement or a statement of comprehensive income.

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

Richard Haythornthwaite
Chair

John-Paul Thwaite
Group Chief Executive Officer

Katie Murray
Group Chief Financial Officer

NatWest Group plc
Registered No. SC45551

Parent company financial statements and notes continued

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

| | Share capital and share premium £m | Paid-in equity £m | Other statutory reserves (6) £m | Retained earnings £m | Other reserves Cash flow hedging £m | Total equity £m |
|--|--|----------------------|---------------------------------------|-------------------------|---|--------------------|
| At 1 January 2024 | 10,844 | 3,875 | 1,999 | 32,221 | (4) | 48,935 |
| Profit attributable to ordinary shareholders and other equity owners | | | | 3,950 | | 3,950 |
| Other comprehensive income | | | | | | |
| Amounts recognised in equity | | | | | 1 | 1 |
| Amount transferred from equity to earnings | | | | | 3 | 3 |
| Tax | | | | - | (1) | (1) |
| Total comprehensive income | | | | 3,950 | 3 | 3,953 |
| Transactions with owners | | | | | | |
| Ordinary share dividends paid | | | | (1,505) | | (1,505) |
| Paid-in equity dividends paid | | | | (283) | | (283) |
| Shares repurchased during the period (1,2,3) | (711) | | 711 | (2,176) | | (2,176) |
| Securities issued during the period | | 1,390 | | | | 1,390 |
| Share-based payments | | | | (5) | | (5) |
| Shares vested under employee share schemes | | | 174 | | | 174 |
| Own shares acquired (2) | | | (540) | | | (540) |
| At 31 December 2024 | 10,133 | 5,265 | 2,344 | 32,202 | (1) | 49,943 |
| At 1 January 2023 | 11,700 | 3,875 | 1,388 | 33,134 | 15 | 50,112 |
| Profit attributable to ordinary shareholders and other equity owners | | | | 2,842 | | 2,842 |
| Other comprehensive income | | | | | | |
| Amounts recognised in equity | | | | | (6) | (6) |
| Amount transferred from equity to earnings | | | | | (19) | (19) |
| Tax | | | | - | 6 | 6 |
| Total comprehensive income | | | | 2,842 | (19) | 2,823 |
| Transactions with owners | | | | | | |
| Ordinary share dividends paid | | | | (1,456) | | (1,456) |
| Paid-in equity dividends paid | | | | (242) | | (242) |
| Shares repurchased during the period (1,2,3) | (856) | | 856 | (2,057) | | (2,057) |
| Shares vested under employee share schemes | | | 114 | | | 114 |
| Own shares acquired (2) | | | (359) | | | (359) |
| At 31 December 2023 | 10,844 | 3,875 | 1,999 | 32,221 | (4) | 48,935 |

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



Parent company financial statements and notes continued

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

| | Share capital and statutory £m | Paid-in equity £m | Other statutory reserves (6) £m | Retained earnings £m | Other reserves Cash flow hedging £m | Total equity £m |
|--|--------------------------------------|----------------------|---------------------------------------|-------------------------|---|--------------------|
| At 1 January 2022 | 12,629 | 3,875 | 350 | 31,015 | 36 | 47,905 |
| Profit attributable to ordinary shareholders and other equity owners | | | | 8,111 | | 8,111 |
| Other comprehensive income | | | | | | |
| Amounts recognised in equity | | | | | 3 | 3 |
| Amount transferred from equity to earnings | | | | | (31) | (31) |
| Tax | | | | - | 7 | 7 |
| Total comprehensive income | | | | 8,111 | (21) | 8,090 |
| Transactions with owners | | | | | | |
| Ordinary share dividends paid | | | | (1,205) | | (1,205) |
| Special dividends paid | | | | (1,746) | | (1,746) |
| Paid-in equity dividends paid | | | | (249) | | (249) |
| Shares repurchased during the period (1,2,3) | (929) | | 929 | (2,054) | | (2,054) |
| Redemption of preference shares (5) | | | | (750) | | (750) |
| Employee share scheme | | | | 12 | | 12 |
| Shares vested under employee share schemes | | | 109 | | | 109 |
| At 31 December 2022 | 11,700 | 3,875 | 1,388 | 33,134 | 15 | 50,112 |

- (1) NatWest Group plc repurchased and cancelled 173.3 million (2023 - 460.3 million, of which 2.3 million were settled in January 2024, 2022 - 379.3 million) shares. The total consideration of these shares excluding fees was £450.9 million (2023 - £1,151.7 million of which 4.9 million were settled in January 2024, 2022 - £829.3 million), as part of the On Market Share Buyback Programmes. The nominal value of the share cancellations has been transferred to the capital redemption reserve.
- (2) In June 2024, there was an agreement to buy 392.4 million (May 2023 - 469.2 million, March 2022 - 549.9 million) ordinary shares of the Company from UK Government Investments Ltd (UKGI) at 316.2 pence per share (May 2023 - 268.4 pence per share, March 2022 - 220.05 pence per share) for the total consideration of £1.2 billion (2023 - £1.3 billion, 2022 - £1.2 billion). NatWest Group cancelled 222.4 million of the purchased ordinary shares, amounting to £706.9 million excluding fees and held the remaining 170.0 million shares as Own Shares Held, amounting to £540.2 million excluding fees. The nominal value of the share cancellation has been transferred to the capital redemption reserve.
- (3) In November 2024, there was an agreement to buy 262.6 million ordinary shares of the Company from UK Government Investments Ltd (UKGI) at 380.8p per share for the total consideration of £1,005.0 million. NatWest Group cancelled all the shares. The nominal value of the share cancellation has been transferred to the capital redemption reserve.
- (4) The total distributable reserves for NatWest Group plc is £32,201 million (2023 - £32,217 million, 2022 - £33,134 million).
- (5) Following an announcement of a Regulatory Call in February 2022, the Series U preference shares were reclassified to liabilities. A £254 million loss was recognised in P&L reserves as a result of foreign exchange.
- (6) Other statutory reserves consist of Capital redemption reserves of £3,194 million (2023 - £2,483 million, 2022 - £1,627 million) and Own shares held reserves of £850 million (2023 - £484 million, 2022 - £239 million).

The accompanying notes on pages 383 to 397 form an integral part of these financial statements



Parent company financial statements and notes continued

Cash flow statement for the year ended 31 December 2024

| | Note | 2024 £m | 2023 £m | 2022 £m |
|---|------|----------------|------------|------------|
| Cash flows from operating activities | | | | |
| Operating profit before tax from continuing operations | | 3,932 | 2,796 | 7,963 |
| Adjustments for: | | | | |
| Non-cash and other items | 9 | (3,414) | (3,602) | (7,844) |
| Change in operating assets and liabilities | 9 | 178 | 3,699 | 4,103 |
| Income taxes received | | 78 | - | 38 |
| Net cash flows from operating activities (1) | | 774 | 2,893 | 4,260 |
| Cash flows from investing activities | | | | |
| Sale and maturity of other financial assets | | - | - | 3 |
| Additional investments in Group undertakings | | (1,391) | (260) | (1,059) |
| Disposals of investments in Group undertakings | | 559 | - | 999 |
| Dividends received from subsidiaries | | 4,163 | 3,542 | 4,842 |
| Net cash flows from investing activities | | 3,331 | 3,282 | 4,785 |
| Cash flows from financing activities | | | | |
| Issue of paid-in equity | | 1,390 | - | - |
| Issue of subordinated liabilities | | 1,386 | 611 | 648 |
| Redemption of subordinated liabilities | | (1,001) | (907) | (3,990) |
| Interest paid on subordinated liabilities | | (317) | (314) | (281) |
| Issue of MRELS | | 8 | 43 | 2,285 |
| Maturity and redemption of MRELS | | (834) | (1,409) | (1,455) |
| Interest paid on MRELS | | (262) | (333) | (158) |
| Share repurchased | | (2,716) | (2,416) | (2,054) |
| Dividends paid | | (1,788) | (1,698) | (3,200) |
| Net cash flows from financing activities | | (4,134) | (6,423) | (8,205) |
| Effects of exchange rate changes on cash and cash equivalents | | (1) | (10) | 27 |
| Net (decrease)/increase in cash and cash equivalents | | (30) | (258) | 867 |
| Cash and cash equivalents at 1 January | | 940 | 1,198 | 331 |
| Cash and cash equivalents at 31 December (2) | | 910 | 940 | 1,198 |

(1) Includes interest received of £520 million (2023 - £541 million, 2022 - £282 million) and interest paid of £968 million (2023 - £1,073 million, 2022 - £713 million)

(2) Cash and cash equivalents comprise intragroup loans and advances with a maturity of less than 3 months for 2024, 2023 and 2022.



Parent company financial statements and notes continued

1 Presentation of financial statements

The accounting policies applied to the parent company financial statements are the same as those applied in the consolidated financial statements except investment in group undertaking (subsidiaries) are stated at cost less impairment and that it has no policy regarding consolidation.

The directors have prepared the financial statements on a going concern basis based on the directors' assessment that the parent company will continue in operational existence for a period of twelve months from the date the financial statements are approved (refer to the Report of the directors).

2 Critical accounting policies and sources of estimation uncertainty

The reported results of the parent company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The judgements and assumptions involved in the parent company's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are those involved in assessing the impairment, if any, in its investment in group undertakings, refer to Note 8.

3 Derivatives with subsidiaries – designated hedges

Fair value hedging is used to hedge loans and other financial liabilities, and cash flow hedging is used to hedge other financial liabilities and subordinated liabilities.

For accounting policy information refer to Accounting policies 3.8 and 3.11.

The following table shows derivatives held for hedging purposes.

| | 2024 | | | 2023 | | |
|--|-----------------|--------------|-------------------|-----------------|--------------|-------------------|
| | Notional £bn | Assets £m | Liabilities £m | Notional £bn | Assets £m | Liabilities £m |
| Fair value hedging - interest rate contracts | 12.6 | 48 | 472 | 14.8 | 25 | 570 |
| Cash flow hedging - exchange rate contracts | 1.4 | - | 8 | 1.4 | - | 16 |
| Total | 14.0 | 48 | 480 | 16.2 | 25 | 586 |

4 Financial instruments – classification

The following tables analyse NatWest Group plc's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9. Instruments held at fair value are within level 2 of the fair value hierarchy for both periods. Refer to Note 10 for information on the valuation of fair value instruments.

For accounting policy information refer to Accounting policies 3.8, 3.9 and 3.11.

| | MFVTPL £m | Amortised cost £m | Other assets £m | Total £m |
|----------------------------------|--------------|-------------------------|-----------------------|-------------|
| Assets | | | | |
| Derivatives with subsidiaries | 462 | | | 462 |
| Loans to banks - amortised cost | | 2 | | 2 |
| Amounts due from subsidiaries | 18,835 | 8,471 | | 27,306 |
| Investment in Group undertakings | | | 53,428 | 53,428 |
| Other assets | | | 21 | 21 |
| 31 December 2024 | 19,297 | 8,473 | 53,449 | 81,219 |

| | | | | |
|----------------------------------|--------|-------|--------|--------|
| Derivatives with subsidiaries | 458 | | | 458 |
| Loans to banks - amortised cost | | - | | - |
| Amounts due from subsidiaries | 15,702 | 8,416 | 74 | 24,192 |
| Investment in Group undertakings | | | 52,592 | 52,592 |
| Other assets | | | 83 | 83 |
| 31 December 2023 | 16,160 | 8,416 | 52,749 | 77,325 |

| | Held-for- trading £m | DFV £m | Amortised cost £m | Other liabilities £m | Total £m |
|---------------------------------|----------------------------|-----------|-------------------------|----------------------------|-------------|
| Liabilities | | | | | |
| Amounts due to subsidiaries | 338 | | 22 | 123 | 483 |
| Derivatives with subsidiaries | 685 | | | | 685 |
| Other financial liabilities (1) | | 14,775 | 9,468 | | 24,243 |
| Subordinated liabilities | | | 5,840 | | 5,840 |
| Other liabilities | | | | 25 | 25 |
| 31 December 2024 | 1,023 | 14,775 | 15,330 | 148 | 31,276 |

| | | | | | |
|---------------------------------|-----|--------|--------|-----|--------|
| Amounts due to subsidiaries | - | | 17 | 100 | 117 |
| Derivatives with subsidiaries | 937 | | | | 937 |
| Other financial liabilities (1) | | 11,034 | 10,733 | | 21,767 |
| Subordinated liabilities | | | 5,481 | | 5,481 |
| Other liabilities | | | | 88 | 88 |
| 31 December 2023 | 937 | 11,034 | 16,231 | 188 | 28,390 |

(1) Other financial liabilities are MREs.

Parent company financial statements and notes continued

4 Financial instruments – classification continued

The following table shows amounts due to/from subsidiaries of NatWest Group plc.

| | 2024 £m | 2023 £m |
|---|------------|------------|
| Assets | | |
| Trading assets | 561 | 735 |
| Loans to banks and customers - amortised cost | 8,471 | 8,416 |
| Other financial assets | 18,273 | 14,967 |
| Other assets | 1 | 74 |
| Amounts due from subsidiaries | 27,306 | 24,192 |
| Derivatives (1) | 462 | 458 |
| Liabilities | | |
| Trading liabilities | 338 | - |
| Bank and customer deposits | 4 | - |
| Other liabilities | 123 | 100 |
| Subordinated liabilities | 18 | 17 |
| Amounts due to subsidiaries | 483 | 117 |
| Derivatives (1) | 685 | 937 |

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

5 Financial instruments - fair value of financial instruments not carried at fair value

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

| | 2024 | | 2023 | |
|-----------------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | Carrying value £bn | Fair value £bn | Carrying value £bn | Fair value £bn |
| Financial assets | | | | |
| Amounts due from subsidiaries (1) | 8.5 | 8.5 | 8.4 | 8.2 |
| Financial liabilities | | | | |
| Other financial liabilities | | | | |
| - debt securities in issue (2) | 9.5 | 9.6 | 10.7 | 10.9 |
| Subordinated liabilities (2) | 5.8 | 5.9 | 5.5 | 5.4 |

(1) Fair value hierarchy level 2 - £5.7 billion (2023 - £5.7 billion) and level 3 - £2.8 billion (2023 - £2.5 billion).

(2) Fair value hierarchy level 2.

6 Financial instruments - maturity analysis

Remaining maturity

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

| | 2024 | | | 2023 | | |
|-----------------------------------|---------------------------|---------------------------|-------------|---------------------------|---------------------------|-------------|
| | Less than 12 months £m | More than 12 months £m | Total £m | Less than 12 months £m | More than 12 months £m | Total £m |
| Assets | | | | | | |
| Derivatives with subsidiaries | 34 | 428 | 462 | 97 | 361 | 458 |
| Loans to banks - amortised cost | 2 | - | 2 | - | - | - |
| Amounts due from subsidiaries (1) | 4,023 | 23,283 | 27,306 | 3,934 | 20,184 | 24,118 |
| Liabilities | | | | | | |
| Amounts due to subsidiaries (2) | 342 | 18 | 360 | - | 17 | 17 |
| Derivatives with subsidiaries | 78 | 607 | 685 | 155 | 782 | 937 |
| Other financial liabilities | 3,592 | 20,651 | 24,243 | 3,125 | 18,642 | 21,767 |
| Subordinated liabilities | 1,057 | 4,783 | 5,840 | 1,062 | 4,419 | 5,481 |

(1) Amounts due from subsidiaries relating to non-financial instruments of Nil (2023 - £74 million) have been excluded from the table.

(2) Amounts due to subsidiaries relating to non-financial instruments of £123 million (2023 - £100 million) have been excluded from the table.



Parent company financial statements and notes continued

6 Financial instruments - maturity analysis continued

Financial liabilities: contractual maturity

The following table shows undiscounted cash flows payable up to 20 years from the balance sheet date, including future interest payments.

Held-for-trading liabilities amounting to £0.3 billion (2023 - £0.4 billion) have been excluded from the table.

| | 0-3 months £m | 3-12 months £m | 1-3 years £m | 3-5 years £m | 5-10 years £m | 10-20 years £m |
|--|---------------------|----------------------|--------------------|--------------------|---------------------|----------------------|
| 2024 | | | | | | |
| Liabilities by contractual maturity | | | | | | |
| Amounts due to subsidiaries (1) | - | 1 | 3 | 3 | 7 | 14 |
| Derivatives held for hedging | 96 | 103 | 192 | 67 | 63 | - |
| Other financial liabilities | 1,594 | 2,676 | 10,108 | 9,887 | 4,007 | - |
| Subordinated liabilities | 52 | 1,191 | 2,021 | 2,906 | 699 | - |
| | 1,742 | 3,971 | 12,324 | 12,863 | 4,776 | 14 |

| | | | | | | |
|--|--------------|--------------|---------------|---------------|--------------|-----------|
| 2023 | | | | | | |
| Liabilities by contractual maturity | | | | | | |
| Amounts due to subsidiaries (1) | - | 1 | 3 | 3 | 7 | 14 |
| Derivatives held for hedging | 134 | 197 | 178 | 76 | 38 | - |
| Other financial liabilities | 2,533 | 1,163 | 8,269 | 9,192 | 4,311 | - |
| Subordinated liabilities | 53 | 1,156 | 2,280 | 1,491 | 1,351 | - |
| | 2,720 | 2,517 | 10,730 | 10,762 | 5,707 | 14 |

(1) Amounts due from subsidiaries relating to non-financial instruments have been excluded from the table.

7 Subordinated liabilities

| | 2024 £m | 2023 £m |
|--------------------|--------------|------------|
| Dated loan capital | 5,840 | 5,481 |
| | 5,840 | 5,481 |

For details of subordinated liabilities, refer to Note 19 to the consolidated financial statements and notes.

For accounting policy information refer to Accounting policies 3.8 and 3.10.

8 Investments in Group undertakings

Critical accounting policy: Investments in Group undertakings

At each reporting date, the parent company assesses whether there is any indication that its investment in its Group undertakings is impaired. If any such indication exists, the parent company undertakes an impairment test by comparing the carrying value of the investment in its Group undertakings with its estimated recoverable amount. The key judgement is in determining the recoverable amount. The recoverable amount of an investment in its Group undertakings is the higher of its fair value less cost to sell and its value in use, being an assessment of the discounted future cash flows of the entity. Impairment testing inherently involves a number of judgements: the five-year cash flow forecast, the choice of appropriate discount and growth rates, and the estimation of fair value. For accounting policy information refer to Accounting policies 3.4 and 3.5.

Investments in Group undertakings are carried at cost less impairment losses. Movements during the year were as follows:

| | 2024 £m | 2023 £m |
|--|---------------|------------|
| At 1 January | 52,592 | 52,816 |
| Additional investments in Group undertakings | 1,391 | 260 |
| Disposals of investments in Group undertakings | (555) | - |
| Net impairment of investments | - | (484) |
| At 31 December | 53,428 | 52,592 |

The recoverable amount of investments in Group undertakings is the higher of net asset value as a proxy for fair value less cost to sell or value in use. Where recoverable value is based on net asset value, the fair value measurement is categorised as Level 3 of the fair value hierarchy. The carrying value of Investments in Group undertakings at 31 December 2024 is supported by the respective recoverable values of the entities.

In 2024 the parent company issued £799 million of contingent convertible AT1 notes to its subsidiary NatWest Holdings Limited and £592 million to its subsidiary NatWest Markets Plc. The disposal of investments in 2024 was related to the redemption of £555 million of contingent convertible AT1 notes previously issued to NatWest Holdings Limited.

The net impairment of investments in 2023 was mainly related to the impairment of the investment in NatWest Markets Plc due to the decline in its net asset value mainly driven by losses incurred by the business.



Parent company financial statements and notes continued

8 Investments in Group undertakings continued

The impact of reasonably possible changes to the more significant variables in the value in use calculations for Natwest Holdings Limited is presented below. This reflects the sensitivity of the value in use to each variable on its own. The carrying value of NatWest Group's investment in NatWest Holdings Limited remains recoverable in all cases. It is possible that more than one change may occur at the same time.

| | Carrying value £bn | Assumptions | | Recoverable amount exceeded carrying value £bn | Impact of adverse movement | | |
|-------------------------|-----------------------|-------------------------------|------------------------------|--|--|---|--|
| | | Pre-tax discount rate % | Terminal growth rate % | | 1% increase in discount rate £bn | 1% decrease in terminal growth rate £bn | 5% decrease in forecast income (1) £bn |
| 31 December 2024 | | | | | | | |
| NatWest Holdings Ltd | 42.8 | 16.0 | 1.4 | 9.8 | (4.9) | (2.2) | (5.8) |
| 31 December 2023 | | | | | | | |
| NatWest Holdings Ltd | 42.6 | 16.0 | 1.4 | - | (3.9) | (1.6) | (5.0) |

(1) 5% income sensitivity has been applied to each year in the value in use calculation. The impact on the value in use shown above is however nonlinear as the majority of the value in use is derived in the terminal year.

The principal subsidiary undertakings of the parent company are shown below. Their capital consists of ordinary shares, preference shares and additional Tier 1 notes which are unlisted with the exception of certain preference shares listed by NatWest Bank Plc. All of these subsidiaries are included in NatWest Group's consolidated financial statements and have an accounting reference date of 31 December.

| | Nature of business | Country of incorporation and principal area of operation | Group interest |
|--|-----------------------|--|----------------|
| National Westminster Bank Plc (1,3) | Banking | Great Britain | 100% |
| The Royal Bank of Scotland plc (3) | Banking | Great Britain | 100% |
| Coutts & Company (2,3) | Banking | Great Britain | 100% |
| NatWest Markets Plc | Banking | Great Britain | 100% |
| NatWest Markets N.V. (4) | Banking | Netherlands | 100% |
| The Royal Bank of Scotland International Limited (5) | Financial Institution | Jersey | 100% |

(1) The parent company does not hold any of the preference shares in issue.

(2) Coutts & Company is incorporated with unlimited liability.

(3) Owned via NatWest Holdings Limited.

(4) Owned via NatWest Markets Plc.

(5) Owned via The Royal Bank of Scotland International (Holdings) Limited.

For full information on all related undertakings, refer to Note 12.



Parent company financial statements and notes continued

9 Non-cash and other items

This note shows non-cash items adjusted for in the cashflow statement and movement in operating assets and liabilities.

| | 2024 | 2023 | 2022 |
|--|----------------|----------------|----------------|
| | £m | £m | £m |
| Impairment releases on intercompany loans to banks | (4) | (2) | - |
| Net impairment/(reversal) of investments in Group undertakings | - | 484 | (3,922) |
| Change in fair value taken to profit or loss on other financial liabilities and subordinated liabilities | 267 | (683) | (845) |
| Elimination of foreign exchange differences | (84) | (485) | 960 |
| Other non-cash items | 7 | (11) | (32) |
| Dividends receivable from subsidiaries | (4,163) | (3,542) | (4,842) |
| (Profit)/loss on sale of investments in Group undertakings | (3) | - | 1 |
| Interest payable on MREs and subordinated liabilities | 564 | 644 | 485 |
| Loss/(gain) on redemption of own debt | 2 | (7) | 351 |
| Non-cash and other items | (3,414) | (3,602) | (7,844) |
| Change in operating assets and liabilities | | | |
| Change in derivative assets | (4) | 363 | 150 |
| Change in amounts due from subsidiaries | 129 | 3,688 | 2,794 |
| Change in other assets | 7 | 6 | 655 |
| Change in amounts due to subsidiaries | (2,111) | 549 | (253) |
| Change in derivative liabilities | (252) | (443) | 676 |
| Change in other financial liabilities | 2,476 | (462) | - |
| Change in other liabilities | (67) | (2) | 81 |
| Change in operating assets and liabilities | 178 | 3,699 | 4,103 |

Parent company financial statements and notes continued

10 Analysis of changes in financing during the year

| | Share capital, share premium, and paid-in equity | | | Subordinated liabilities (1) | | | MRELS (2) | | |
|---|---|------------|------------|------------------------------|------------|------------|------------|------------|------------|
| | 2024 £m | 2023 £m | 2022 £m | 2024 £m | 2023 £m | 2022 £m | 2024 £m | 2023 £m | 2022 £m |
| At 1 January | 14,719 | 15,575 | 16,504 | 5,498 | 5,838 | 7,853 | 6,446 | 8,950 | 8,158 |
| Issue of paid-in equity | 1,390 | - | - | | | | | | |
| Issue of subordinated liabilities | | | | 1,386 | 611 | 648 | | | |
| Redemption of subordinated liabilities | | | | (1,001) | (907) | (3,990) | | | |
| Interest paid on subordinated liabilities | | | | (317) | (314) | (281) | | | |
| Issue of MRELS | | | | | | | 8 | 43 | 2,285 |
| Maturity and redemption of MRELS | | | | | | | (834) | (1,409) | (1,455) |
| Interest paid on MRELS | | | | | | | (262) | (333) | (158) |
| Net cash flows from financing activities | 1,390 | - | - | 68 | (610) | (3,623) | (1,088) | (1,699) | 672 |
| Effects of foreign exchange | - | - | - | (49) | (160) | 574 | (36) | (335) | 413 |
| Changes in fair value of subordinated liabilities and MRELS | | | | 11 | 91 | (354) | 256 | (774) | (491) |
| Preference shares reclassified to subordinated liabilities | | | | - | - | 750 | | | |
| Loss/(gain) on redemption of own debt | | | | 2 | (7) | 351 | - | - | - |
| Interest payable on subordinated liabilities and MREL | | | | 324 | 340 | 287 | 240 | 304 | 198 |
| Shares repurchased | (711) | (856) | (929) | | | | | | |
| Others | - | - | - | 4 | 6 | - | 7 | - | - |
| At 31 December | 15,398 | 14,719 | 15,575 | 5,858 | 5,498 | 5,838 | 5,825 | 6,446 | 8,950 |

(1) Subordinated liabilities include intercompany subordinated liabilities.

(2) MREL balances are shown net of the effect of down streaming funding to subsidiary companies. This includes RBSI International Limited where MREL resolution rules are under consultation in Jersey.

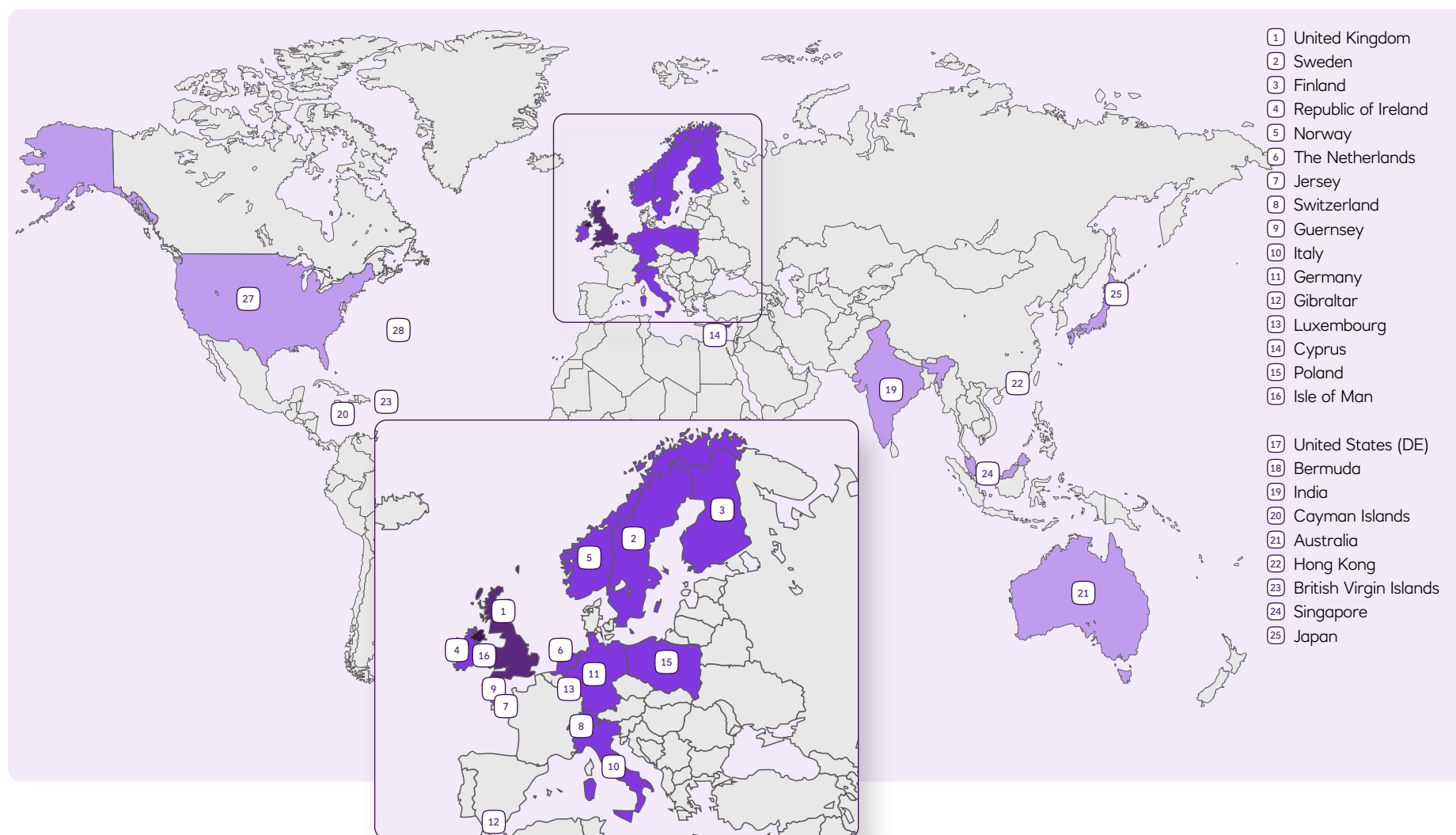
11 Directors' and key management remuneration

Directors' remuneration is disclosed in Note 31 to the consolidated accounts. The directors had no other reportable related party transactions or balances with the company.

12 Related undertakings

Legal entities and activities at 31 December 2024

In accordance with the Companies Act 2006, the company's related undertakings and the accounting treatment for each are listed below. All undertakings are wholly-owned by the company or subsidiaries of the company and are consolidated by reason of contractual control (Section 1162(2) CA 2006), unless otherwise indicated. NatWest Group interest refers to ordinary shares of equal values and voting rights unless further analysis is provided in the notes. Activities are classified in accordance with Annex I to the Capital Requirements Directive (CRD V) and the definitions in Article 4 of the UK Capital Requirements Regulation.





Parent company financial statements and notes continued

12 Related undertakings continued

Active related undertakings which are 100% owned by NatWest Group and fully consolidated for accounting purposes

| Entity name | Activity | Regulatory treatment |
|---|----------|----------------------|
| United Kingdom | | |
| 250 Bishopsgate, London, EC2M 4AA, England | | |
| 280 Bishopsgate Finance Ltd | INV | FC |
| Better With Money Ltd | BF | DE |
| Caledonian Sleepers Rail Leasing Ltd | BF | FC |
| Care Homes 2 Ltd | BF | FC |
| Care Homes 3 Ltd | BF | FC |
| Care Homes Holdings Ltd | BF | FC |
| Creative Auto-Enrolment Ltd | BF | DE |
| Creative Benefit Solutions Ltd | BF | DE |
| Cushon Group Ltd | BF | DE |
| Cushon Holdings Ltd | BF | DE |
| Cushon Money Ltd | BF | FC |
| Cushon MT Ltd | BF | DE |
| Esme Loans Ltd | BF | FC |
| Gatehouse Way Developments Ltd | INV | DE |
| Lombard Business Leasing Ltd | BF | FC |
| Lombard Corporate Finance (11) Ltd | BF | FC |
| Lombard Corporate Finance (June 2) Ltd | BF | FC |
| Lombard Corporate Finance (December 3) Ltd | BF | FC |
| Lombard Discount Ltd | BF | FC |
| Lombard Finance Ltd | BF | FC |
| Lombard Industrial Leasing Ltd | BF | FC |
| Lombard Lease Finance Ltd | BF | FC |
| Lombard Leasing Company Ltd | BF | FC |
| Lombard Leasing Contracts Ltd | BF | FC |
| Lombard Lessors Ltd | BF | FC |
| Lombard Maritime Ltd | BF | FC |
| Lombard North Central Leasing Ltd | BF | FC |
| Lombard North Central PLC | BF | FC |
| Lombard Property Facilities Ltd | BF | FC |
| Lombard Technology Services Ltd | BF | FC |
| Mettle Ventures Ltd | OTH | FC |
| National Westminster Bank Plc | CI | FC |
| National Westminster Home Loans Ltd | BF | FC |

| Entity name | Activity | Regulatory treatment |
|---|----------|----------------------|
| NatWest Holdings Ltd | INV | FC |
| NatWest Markets Secretarial Services Ltd | SC | FC |
| NatWest Property Investments Ltd | INV | DE |
| NatWest RT Holdings Ltd | OTH | FC |
| NatWest Strategic Investments Ltd | BF | FC |
| NatWest Trustee and Depositary Services Ltd | INV | FC |
| Pittville Leasing Ltd | BF | FC |
| Premier Audit Company Ltd | BF | FC |
| Price Productions Ltd | BF | FC |
| R.B. Capital Leasing Ltd | BF | FC |
| R.B. Equipment Leasing Ltd | BF | FC |
| R.B. Leasing (September) Ltd | BF | FC |
| R.B. Quadrangle Leasing Ltd | BF | FC |
| RBOS (UK) Ltd | BF | FC |
| RBS AA Holdings (UK) Ltd | BF | FC |
| RBS HG (UK) Ltd | BF | FC |
| RBS Invoice Finance Ltd | BF | FC |
| RBS SME Investments Ltd | BF | FC |
| RBSSAF (2) Ltd | BF | FC |
| RBSSAF (25) Ltd | BF | FC |
| RoyScot Trust Plc | BF | FC |
| The One Account Ltd | BF | FC |
| Walton Lake Developments Ltd | INV | DE |
| World Learning Ltd | BF | FC |

Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ

| | | |
|--|-----|----|
| ITB1 Ltd | BF | FC |
| ITB2 Ltd | BF | FC |
| KUC Properties Ltd | BF | DE |
| Land Options (West) Ltd | INV | DE |
| National Westminster International Holdings B.V. | BF | FC |
| R.B. Leasing Company Ltd | BF | FC |
| RBS Property Developments Ltd | INV | FC |
| RBSG International Holdings Ltd | BF | FC |
| Royal Bank Investments Ltd | BF | FC |



Parent company financial statements and notes continued

12 Related undertakings continued

| Entity name | Activity | Regulatory treatment | Entity name | Activity | Regulatory treatment |
|---|----------|----------------------|---|----------|----------------------|
| Royal Bank Leasing Ltd | BF | FC | One Edinburgh Quay, 133 Fountainbridge, Edinburgh, EH3 9QG, Scotland | | |
| Royal Bank of Scotland (Industrial Leasing) Ltd | BF | FC | FreeAgent Central Ltd | SC | FC |
| Royal Bank Ventures Investments Ltd | BF | FC | FreeAgent Holdings Ltd | SC | FC |
| Royal Scot Leasing Ltd | BF | FC | | | |
| SIG 1 Holdings Ltd | BF | FC | Sweden | | |
| SIG Number 2 Ltd | BF | FC | Jakobsbergsgatan 13, 8th Floor, Box 14044, Stockholm, SE-111 44 | | |
| Silvermere Holdings Ltd | BF | FC | Airside Properties AB | BF | FC |
| The Royal Bank of Scotland Group Independent Financial Services Ltd | BF | FC | Arkivborgen KB | BF | FC |
| West Register (Hotels Number 3) Ltd | INV | DE | Bilfastighet i Akalla AB | BF | FC |
| West Register (Property Investments) Ltd | BF | DE | Bilfastighet i Avesta AB | BF | FC |
| West Register (Realisations) Ltd | INV | DE | Bilfastighet i Bollnäs AB | BF | FC |
| | | | Bilfastighet i Hemlingby AB | BF | FC |
| 440 Strand, London, England, WC2R 0QS | | | Bilfastighet i Hudiksvall AB | BF | FC |
| Coutts & Company | CI | FC | Bilfastighet i Ludvika AB | BF | FC |
| Coutts Finance Co | BF | FC | Bilfastighet i Mlrsta AB | BF | FC |
| RBS Asset Management Holdings | BF | FC | Bilfastighet i Mora AB | BF | FC |
| | | | Bilfastighet i Uppsala KB | BF | FC |
| 6-8 George Street, Edinburgh, EH2 2PF, Scotland | | | Bilfastighet Kista AB | BF | FC |
| RBS Collective Investment Funds Ltd | BF | FC | Brodmagasinet KB | BF | FC |
| RBSG Collective Investments Holdings Ltd | BF | FC | Eurohill 4 KB | BF | FC |
| | | | Fastighets AB Flojten i Norrköping | BF | FC |
| 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland | | | Fastighets Aktiebolaget Sambiblioteket | BF | FC |
| The Royal Bank of Scotland plc | CI | FC | Fastighetsbolaget Elmotorgatan AB | BF | FC |
| NatWest Group Plc | BF | FC | Forskningshöjden KB | BF | FC |
| NatWest Markets Plc | CI | FC | Forvaltningsbolaget Dalkyrkan KB | BF | FC |
| | | | Forvaltningsbolaget Kloverbacken Skola KB | BF | FC |
| 11-16 Donegall Square East, Belfast, Co Antrim, BT1 5UB, Northern Ireland | | | Fyrslte Fastighets AB | BF | FC |
| Lombard & Ulster Ltd | BF | FC | Grinnhagen KB | BF | FC |
| Ulster Bank Ltd | CI | FC | Horrsta 4:38 KB | BF | FC |
| Ulster Bank Pension Trustees Ltd | TR | DE | IR Fastighets AB | BF | FC |
| | | | IR IndustriRenting AB | BF | FC |
| 4th Floor, State Buildings, 2 Arthur Place, Belfast, BT1 4HG, Northern Ireland | | | Kallebäck Institutfastigheter AB | BF | FC |
| Cushon MT NI Ltd | BF | DE | KB Eurohill | BF | FC |
| | | | KB Lagermannen | BF | FC |
| 1 Bartholomew Lane, London EC2N 2AX, England | | | KB Likriktaren | BF | FC |
| NatWest Markets Secured Funding LLP | BF | FC | Lakten 1 KB | BF | FC |
| | | | LerumsKrysset KB | BF | FC |
| | | | Limstagården KB | BF | FC |



Parent company financial statements and notes continued

12 Related undertakings continued

| Entity name | Activity | Regulatory treatment |
|--|----------|----------------------|
| Lundbyfilen 5 AB | BF | FC |
| Nordisk Renting AB | BF | FC |
| Nordisk Specialinvest AB | BF | FC |
| Nordiska Strategifastigheter Holding AB | BF | FC |
| Optimus KB | BF | FC |
| SFK Kommunfastigheter AB | BF | FC |
| Sjöklockan KB | BF | FC |
| Skinnarängen KB | BF | FC |
| Smista Park AB | OTH | FC |
| Solbanken KB | BF | FC |
| Strand European Holdings AB | BF | FC |
| Svenskt Fastighetskapital AB | BF | FC |
| Svenskt Energikapital AB | BF | FC |
| Svenskt Fastighetskapital Holding AB | BF | FC |
| Tygverkstaden 1 KB | BF | FC |
| Fastighets AB Stockmakaren | BF | FC |
| Nordisk Renting Facilities Management AB | BF | FC |

Finland

Mikonkatu 9, 6th Floor, Helsinki, 00100

| | | |
|---|-----|----|
| Artul Koy | BF | FC |
| Fab Ekenäs Formanshagen 4 | BF | FC |
| Koy Pennalan Johtotie 2 | BF | FC |
| Koy Helsingin Mechelininkatu 1 | BF | FC |
| Koy Helsingin Osmontie 34 | BF | FC |
| Koy Helsingin Panuntie 11 | BF | FC |
| Koy Helsingin Panuntie 6 | BF | FC |
| Koy Iisalmen Kihlaviirta | BF | FC |
| Koy Jamsan Keskushovi | BF | FC |
| Koy Kokkolan Kaarlenportti Fab | BF | FC |
| Koy Kuopion Volttikatu 1 | OTH | FC |
| Koy Kouvolan Oikeus ja Poliisitalo | BF | FC |
| Koy Millennium | BF | FC |
| Koy Nummelan Portti | BF | FC |
| Koy Porkkanakatu 2 | BF | FC |
| Koy Puotikuja 2 Vaasa | BF | FC |
| Koy Raisio Kihlakulma | BF | FC |
| Koy Ravattulan Kauppakeskus | BF | FC |
| Koy Vapaalan Service-Center | BF | FC |
| Nordisk Renting OY | BF | FC |
| Kiinteistö Oy Turun Mustionkatu 6 | BF | FC |
| Koy Harkokuja 2 | BF | FC |
| Kiinteistö Oy Lohjan Ojamonharjuntie 61 | BF | FC |
| Kiinteistö Oy Vantaan Rasti IV | BF | FC |
| Koy Jasperintie 6 | BF | FC |
| Koy Peltolantie 27 | BF | FC |

| Entity name | Activity | Regulatory treatment |
|---|----------|----------------------|
| Republic of Ireland | | |
| Ulster Bank Head Office, Block B Central Park, Leopardstown, Dublin 18, D18 N153 | | |
| First Active Ltd | BF | FC |
| RBS Investments (Ireland) Ltd | BF | FC |
| RBS Nominees (Ireland) Ltd | BF | FC |
| Ulster Bank (Ireland) Holdings Unlimited Company | INV | FC |
| Ulster Bank Dublin Trust Company Unlimited Company | TR | FC |
| Ulster Bank Holdings (ROI) Ltd | BF | FC |
| Ulster Bank Ireland Designated Activity Company | CI | FC |
| Ulster Bank Pension Trustees (R.I.) Ltd | TR | DE |
| Ulydien Trust Company Ltd | OTH | DE |

United States

251 Little Falls Drive, Wilmington, DE, 19808

| | | |
|--|-----|----|
| Candlelight Acquisition LLC | BF | FC |
| Financial Asset Securities Corp. | BF | FC |
| NatWest Innovation Services Inc. | OTH | FC |
| NatWest Markets Group Holdings Corporation | BF | FC |
| NatWest Markets Securities Inc. | INV | FC |
| NatWest Services Inc. | SC | FC |
| Random Properties Acquisition Corp. III | INV | FC |
| RBS Acceptance Inc. | BF | FC |
| RBS Commercial Funding Inc. | BF | FC |
| RBS Financial Products Inc. | BF | FC |
| RBS Holdings USA Inc. | BF | FC |

Norway

Postboks 1400, 0115 Oslo

| | | |
|--------------------------------|-----|----|
| Arenarena AS | BF | FC |
| BD Lagerhus AS | BF | FC |
| Eiendomsselskapet Apteno La AS | BF | FC |
| Espeland Naering AS | BF | FC |
| Hatros 1 AS | BF | FC |
| Leiv Sand Eiendom AS | BF | FC |
| Kobbervikdalen 2 Utvikling AS | OTH | FC |
| Kvam Eiendom AS | BF | FC |
| Narmovegen 455 AS | BF | FC |
| Nybergflata 5 AS | BF | FC |
| Rigedalen 44 Eiendom AS | BF | FC |
| Ringdalveien 20 AS | BF | FC |
| Ringdalskogen Utvikling AS | OTH | FC |
| Sandmoen Naeringsbygg AS | BF | FC |
| Sletta Eiendom II AS | BF | FC |
| Snipetjernveien 1 AS | BF | FC |
| Solnorvika AS | BF | FC |



Parent company financial statements and notes continued

12 Related undertakings continued

| Entity name | Activity | Regulatory treatment |
|---|----------|----------------------|
| H. Heyerdahls gate 1, Postboks 2020 Vika, Oslo, 0125 | | |
| Nordisk Renting AS | BF | FC |
| Wirsholm AS, Dokkveien 1, NO-0250, Oslo, Norway | | |
| OFH Eiendom AS | BF | FC |
| The Netherlands | | |
| Claude Debussylaan 94, Amsterdam, 1082 MD | | |
| Alternative Investment Fund B.V. | BF | FC |
| NatWest Markets N.V. | CI | FC |
| RBS AA Holdings (Netherlands) B.V. | BF | FC |
| RBS Holdings N.V. | BF | FC |
| RBS Netherlands Holdings B.V. | BF | FC |
| Jersey | | |
| Royal Bank House, 71 Bath Street, St Helier, JE2 4SU | | |
| The Royal Bank of Scotland International (Holdings) Ltd | BF | FC |
| The Royal Bank of Scotland International Ltd | CI | FC |
| Switzerland | | |
| Schuetzengasse 4, CH-8001 Zurich | | |
| Coutts & Co Ltd | CI | FC |
| Tirolerweg 8, Zug, CH- 6300 | | |
| Alcover A.G. | BF | DE |
| Lerchenstrasse 16, Zurich, CH 8022 | | |
| NatWest Services (Switzerland) Ltd | SC | FC |
| Cayman Islands | | |
| Maples Corporate Services Limited, P.O. Box 309, 121 South Church Street, George Town, Grand Cayman, KY1-1104s | | |
| Coutts General Partner (Cayman) V Ltd | BF | FC |
| Australia | | |
| Ashurst Australia, Level 16, 80 Collins Street, South Tower, Melbourne, VIC, 3000 | | |
| RBS Group (Australia) Pty Ltd | BF | FC |
| RBS Holdings III (Australia) Pty Ltd | BF | FC |

| Entity name | Activity | Regulatory treatment |
|---|----------|----------------------|
| Bermuda | | |
| Clarendon House, Two Church Street, Suite 104, Reid Street, Hamilton, HM 11 | | |
| KEB Investors, L.P. | BF | FC |
| Guernsey | | |
| PO Box 230, Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH | | |
| Lothbury Insurance Company Ltd | BF | DE |
| Les Echelons Court, Les Echelons, St Peter Port, GY1 1AR | | |
| RBS Employment (Guernsey) Ltd | SC | FC |
| Italy | | |
| Alfieri V. 1, Conegliano | | |
| Maja Finance S.R.L. | BF | FC |
| Germany | | |
| Roßmarkt 10, Frankfurt am Main, 60311 | | |
| NatWest Bank Europe GmbH | BF | FC |
| RBS Deutschland Holdings GmbH | BF | FC |
| India | | |
| 6th Floor, Building 2, Tower A, GIL IT/ITES SEZ, Candor TechSpace, Sector 21, Dundahera, Gurugram, Haryana, 122016 | | |
| NatWest Digital Services India Private Ltd | SC | FC |
| 12/14, Veer Nariman Road, Brady House 4th floor, Fort, Mumbai, India, 400001 | | |
| RBS Prime Services (India) Private Ltd | OTH | FC |
| Hong Kong | | |
| 5/F Manulife Place, 348 Kwun Tong Road, Kowloon | | |
| Atlas Nominees Ltd | OTH | FC |
| NatWest Markets Securities Japan Ltd | INV | FC |
| RBS Nominees (Hong Kong) Ltd | BF | FC |
| Gibraltar | | |
| Madison Building, Midtown, Queensway | | |
| RBS (Gibraltar) Ltd | BF | FC |
| Luxembourg | | |
| 40, Avenue J.F Kennedy, Kirchberg, L 1855 | | |
| RBS International Depositary Services S.A. | CI | FC |



Parent company financial statements and notes continued

12 Related undertakings continued

Related undertakings which are 100% owned by NatWest Group ownership but are not consolidated for accounting purposes

| Entity name | Activity | Regulatory treatment |
|--|----------|----------------------|
| United Kingdom | | |
| 1, London Wall Place, London, EC2Y 5AU, England | | |
| German Biogas Holdco Ltd | INV | DE |
| 8 Sackville Street, London, W1S 3DG, England | | |
| East Grove Holding Ltd | INV | DE |
| 18 Riversway Business Village, Navigation Way, Ashton-on Ribble, Preston, PR2 2YP | | |
| European Investments (Crook Hill) Ltd | OTH | DE |
| Ventus Investments Ltd | OTH | DE |
| United States | | |
| 251 Little Falls Drive, Wilmington, DE, 19808 | | |
| Capulet Homes Florida LLC | OTH | DE |
| Montague Homes Florida LLC | OTH | DE |
| Romeo Homes Florida LLC | OTH | DE |
| Romeo Homes Georgia LLC | OTH | DE |
| Romeo Homes Indiana LLC | OTH | DE |
| Romeo Homes Kansas LLC | OTH | DE |
| Romeo Homes Nevada LLC | OTH | DE |
| Romeo Homes North Carolina LLC | OTH | DE |
| Romeo Homes Oklahoma LLC | OTH | DE |
| Romeo Homes Tennessee LLC | OTH | DE |
| Romeo Homes Texas LLC | OTH | DE |
| West Granite Homes Inc. | INV | DE |
| WGH Development LLC | OTH | DE |
| WGH Florida LLC | OTH | DE |
| WGH Georgia LLC | OTH | DE |
| WGH Indiana LLC | OTH | DE |
| WGH Kansas LLC | OTH | DE |
| WGH Nevada LLC | OTH | DE |

| Entity name | Activity | Regulatory treatment |
|------------------------|----------|----------------------|
| WGH North Carolina LLC | OTH | DE |
| WGH Oklahoma LLC | OTH | DE |
| WGH Texas LLC | OTH | DE |

Germany

Walther-Nernst-Straße 1, Berlin, 12489

| | | |
|---|-----|----|
| Bioenergie Dargun Immobilien GmbH | OTH | DE |
| Bioenergie Jessen Immobilien GmbH | OTH | DE |
| Bioenergie Wiesenburg GmbH & Co. KG | INV | DE |
| Bioenergie Wiesenburg Verwaltungs GmbH | OTH | DE |
| Bioenergie Zittau GmbH | OTH | DE |
| Bioenergie Zittau Immobilien GmbH | OTH | DE |
| DBV Deutsche Bioenergie Verbinder GmbH | OTH | DE |
| Reppinichen Dritte Biogas Betriebs GmbH | OTH | DE |
| Reppinichen Erste Biogas Betriebs GmbH | OTH | DE |
| Reppinichen Zweite Biogas Betriebs GmbH | OTH | DE |
| Wiesenburg Dritte Biogas Betriebs GmbH | OTH | DE |
| Wiesenburg Erste Biogas Betriebs GmbH | OTH | DE |
| Wiesenburg Zweite Biogas Betriebs GmbH | OTH | DE |
| Wiesenburg Marktfrucht GmbH | OTH | DE |

British Virgin Islands

2nd floor, Palm Grove House, Road Town, Tortola

| | | |
|---------------------------|-----|----|
| Crook Hill Properties Ltd | OTH | DE |
| Reaps Moss Ltd | OTH | DE |

Jersey

Royal Bank House, 71 Bath Street, St Helier, JE2 4SU

| | | |
|---|----|----|
| RBS International Employees' Pension Trustees Ltd | BF | DE |
|---|----|----|



Parent company financial statements and notes continued

12 Related undertakings continued

Related undertakings where NatWest Group ownership is less than 100%

| Entity name | Activity | Accounting treatment | Regulatory treatment | Group % |
|--|----------|----------------------|----------------------|---------|
| United Kingdom | | | | |
| 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland | | | | |
| BGF Group Ltd | BF | AHC | PC | 25 |
| Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR | | | | |
| Falcon Wharf Ltd | OTH | EAJV | PC | 50 |
| GWNW City Developments Ltd | BF | EAJV | DE | 50 |
| 250 Bishopsgate, London, EC2M 4AA, England | | | | |
| Jaguar Cars Finance Ltd | BF | FC | FC | 50 |
| NatWest Boxed Ltd | OTH | FC | FC | 82 |
| NatWest Covered Bonds LLP | BF | FC | FC | 60 |
| NW A Holdings Ltd | BF | PC | DE | 85 |
| The Mill, High Street, Rocester, Staffordshire, ST14 5JW, England | | | | |
| JCB Finance Ltd | BF | FC | FC | 75 |
| 99 Queen Victoria Street, London, EC4V 4EH | | | | |
| London Rail Leasing Ltd | BF | EAJV | PC | 50 |
| 6 The Countryard, Buntsford Gate, Buntsford Drive , Bromsgrove, Worcestershire, B60 3DJ | | | | |
| Mortgage Brain Holdings Ltd | OTH | AHC | DE | 17 |
| City Gate House, 22 Southwark Bridge Road, London, SE1 9HB | | | | |
| Motability Operations Group Plc | OTH | IA | FC | 40 |
| 1 Bartholomew Lane, London EC2N 2AX, England | | | | |
| NatWest Covered Bonds (LM) Ltd | BF | IA | PC | 20 |
| NatWest Markets Secured Funding (LM) Ltd | BF | FC | PC | 20 |
| 5 Little Portland Street, London, WIW 7J | | | | |
| Oaxaca Ltd | OTH | IA | DE | 23 |
| 222 Bishopsgate, London EC2M 4QD | | | | |
| Pollinate Networks Ltd | OTH | AHC | DE | 25 |
| Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ | | | | |
| RBS Sempra Commodities LLP | BF | FC | FC | 51 |
| The Spitfire Building, 71 Collier Street, London, United Kingdom, N1 9BE | | | | |
| K423 Ltd | OTH | EA | DE | 47.4 |

| Entity name | Activity | Accounting treatment | Regulatory treatment | Group % |
|--|----------|----------------------|----------------------|---------|
| Luxembourg | | | | |
| 40, Avenue J.F Kennedy, Kirchberg, L 1855 | | | | |
| Lunar Luxembourg SA | BF | FC | DE | 0 |
| Lunar Luxembourg Series 2019- 04 | BF | FC | DE | 0 |
| Lunar Luxembourg Series 2019- 05 | BF | FC | DE | 0 |
| Lunar Luxembourg Series 2019- 06 | BF | FC | DE | 0 |
| Lunar Luxembourg Series 2020- 01 | BF | FC | DE | 0 |
| Lunar Luxembourg Series 2020- 02 | BF | FC | DE | 0 |
| Lunar Luxembourg Series 2022-01 | BF | FC | DE | 0 |

Jersey

| | | | | |
|---|----|----|----|---|
| 44 Esplanade, St Helier, JE4 9WG | | | | |
| Nightingale 2024-1 Ltd | BF | FC | DE | 0 |
| Nightingale 2024-2 Ltd | BF | FC | DE | 0 |
| Nightingale 2024-3 Ltd | BF | FC | DE | 0 |
| Nightingale CRE 2018-1 Ltd | BF | FC | DE | 0 |
| Nightingale LF 2021-1 Ltd | BF | FC | DE | 0 |
| Nightingale Project Finance 2019 1 Ltd | BF | FC | DE | 0 |
| Nightingale Project Finance II 2023-1 Ltd | BF | FC | DE | 0 |
| Nightingale Securities 2017-1 Ltd | BF | FC | DE | 0 |
| Nightingale UK Corp 2020 2 Ltd | BF | FC | DE | 0 |
| Sparrow Capital Call 2024-1 Ltd | BF | FC | DE | 0 |

IFC5, St.Helier, JE1 1ST

| | | | | |
|----------------------|----|----|----|---|
| Solar Funding II Ltd | BF | FC | FC | 0 |
|----------------------|----|----|----|---|

Cayman Islands

Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 31119

| | | | | |
|------------------------|----|----|----|---|
| Lunar Funding VIII Ltd | BF | FC | DE | 0 |
|------------------------|----|----|----|---|

Italy

Alfieri V. 1, Conegliano

| | | | | |
|---------------------|----|----|----|----|
| Eris Finance S.R.L. | BF | IA | PC | 45 |
|---------------------|----|----|----|----|



Parent company financial statements and notes continued

12 Related undertakings continued

| Entity name | Activity | Accounting treatment | Regulatory treatment | Group % |
|--|----------|----------------------|----------------------|---------|
| Republic of Ireland | | | | |
| 5 Harbourmaster Place, Dublin 1, D01 E7E8 | | | | |
| NatWest Markets Secured Funding DAC | BF | FC | FC | 0 |

Cyprus**24 Demostheni Severi, 1st Floor, Nicosia, 1080**

| | | | | |
|--------------------|-----|-----|----|----|
| Pharos Estates Ltd | OTH | AHC | DE | 49 |
|--------------------|-----|-----|----|----|

Related undertakings that are not active

| Entity name | Accounting treatment | Regulatory treatment | Group % |
|---|----------------------|----------------------|---------|
| United Kingdom | | | |
| 250 Bishopsgate, London, EC2M 4AA, England | | | |
| Lombard Corporate Finance (6) Ltd | BF | FC | 100 |
| NatWest Ventures Investments Ltd | BF | FC | 100 |
| Patalex Productions Ltd | BF | FC | 100 |
| Priority Sites Ltd | INV | DE | 100 |
| RB Investments 3 Ltd | OTH | FC | 100 |
| RBS Management Services (UK) Ltd | SC | FC | 100 |

Scottish Provident Building, 7 Donegall Square West, Belfast, BT1 6JH

| | | | |
|---------------------------------------|-----|----|----|
| Belfast Bankers' Clearing Company Ltd | AHC | PC | 25 |
|---------------------------------------|-----|----|----|

7 Castle Street, Edinburgh, EH2 3AH

| | | | |
|-------------------|----|----|-----|
| RBS Mezzanine Ltd | BF | FC | 100 |
|-------------------|----|----|-----|

The Netherlands**Verlengde Poolseweg 16, Breda, 4818CL**

| | | | |
|--------------------|----|----|----|
| Herge Holding B.V. | IA | PC | 63 |
|--------------------|----|----|----|

| Entity name | Accounting treatment | Regulatory treatment | Group % |
|--|----------------------|----------------------|---------|
| Republic of Ireland | | | |
| 13-18 City Quay, Dublin 2, Dublin, D02 ED70 | | | |
| Lombard Ireland Group Holdings Unlimited | FC | FC | 100 |
| Lombard Ireland Ltd | FC | FC | 100 |

One Dockland Central, Guild Street, IFSC, Dublin 1

| | | | |
|-----------------------------------|----|----|-----|
| RBS Asset Management (Dublin) Ltd | FC | FC | 100 |
|-----------------------------------|----|----|-----|

One Spencer Dock, Dublin, D01 X9R7

| | | | |
|------------------|----|----|-----|
| UB SIG (ROI) Ltd | FC | FC | 100 |
|------------------|----|----|-----|

13-18 City Quay, Dublin Docklands, Dublin, Dublin 2, Ireland

| | | | |
|--|----|----|-----|
| The RBS Group Ireland Retirement Savings Trustee Ltd | TR | DE | 100 |
|--|----|----|-----|

Poland**Ilzecka 26 Street, Warsaw, 02-135**

Related undertakings that are dormant

| Entity name | Accounting treatment | Regulatory treatment | Group % |
|---|----------------------|----------------------|---------|
| United Kingdom | | | |
| 250 Bishopsgate, London, EC2M 4AA, England | | | |
| ANW TDS (Nominee 1) Ltd | FC | DE | 100 |
| ANW TDS (Nominee 2) Ltd | FC | DE | 100 |
| British Overseas Bank Nominees Ltd | FC | FC | 100 |
| Fit Nominee 2 Ltd | FC | FC | 100 |
| Fit Nominee Ltd | FC | FC | 100 |
| Freehold Managers (Nominees) Ltd | FC | FC | 100 |
| Hput A Ltd | NC | DE | 100 |
| Hput B Ltd | NC | DE | 100 |
| NatWest FIS Nominees Ltd | FC | FC | 100 |
| NatWest Group Retirement Savings Trustee Ltd | FC | FC | 100 |
| Natwest Pension Trustee Ltd | NC | DE | 100 |
| Natwest Pep Nominees Ltd | FC | FC | 100 |
| Nextlinks Ltd | FC | FC | 100 |
| Project & Export Finance (Nominees) Ltd | FC | FC | 100 |
| R.B. Leasing (March) Ltd | FC | FC | 100 |
| RBOS Nominees Ltd | FC | FC | 100 |
| Sixty Seven Nominees Ltd | FC | FC | 100 |
| Syndicate Nominees Ltd | FC | FC | 100 |
| The Royal Bank Of Scotland Group Ltd | FC | FC | 100 |
| W G T C Nominees Ltd | FC | FC | 100 |



Parent company financial statements and notes continued

12 Related undertakings continued

| Entity name | Accounting treatment | Regulatory treatment | Group % |
|--|----------------------|----------------------|---------|
| Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ | | | |
| N.C. Head Office Nominees Ltd | FC | FC | 100 |
| NatWest Group Secretarial Services Ltd | FC | FC | 100 |
| RBS Investment Executive Ltd | NC | DE | 100 |
| TDS Nominee Company Ltd | FC | FC | 100 |
| The Royal Bank Of Scotland (1727) Ltd | FC | FC | 100 |
| 6-8 George Street, Edinburgh, EH2 2PF, Scotland | | | |
| Coutts Scotland Nominees Ltd | FC | FC | 100 |
| RBSG Collective Investments Nominees Ltd | FC | FC | 100 |
| Stephenson House, 2 Cherry Orchard Road, Croydon, CR0 6BA, England | | | |
| Cushon Nominees Ltd | FC | DE | 100 |
| Cushon Pension Trustees Ltd | FC | DE | 100 |
| 11-16 Donegall Square East, Belfast, Co Antrim, BT1 5UB, Northern Ireland | | | |
| JCB Finance Pension Ltd | FC | DE | 88 |
| 440 Strand, London, England, WC2R 0QS | | | |
| Strand Nominees Ltd | FC | FC | 100 |
| Jersey | | | |
| Royal Bank House, 71 Bath Street, St Helier, JE2 4SU | | | |
| National Westminster Bank Nominees (Jersey) Ltd | FC | FC | 100 |
| Republic of Ireland | | | |
| c/o Apleona Real Estate Limited, Landscape House, Landscape Road, Churchtown, Dublin 14 | | | |
| Custom House Docks Basement Management No. 2 Ltd | AHC | DE | 25 |
| Norway | | | |
| Postboks 1400, 0115 Oslo | | | |
| Nordisk Renting A/S | FC | FC | 100 |

| Entity name | Accounting treatment | Regulatory treatment | Group % |
|--|----------------------|----------------------|---------|
| Sweden | | | |
| Jakobsbergsgatan 13, 8th Floor, Box 14044, Stockholm, SE-111 44 | | | |
| Nordisk Renting HB | FC | FC | 100 |
| Isle of Man | | | |
| 2 Athol Street, Douglas, IM99 1AN | | | |
| Tilba Ltd | FC | FC | 100 |

Regulated overseas branches of NatWest Group

| Subsidiary | Geographic location |
|---|---|
| National Westminster Bank | Germany |
| NatWest Markets Plc | Germany India Japan Singapore |
| Royal Bank of Scotland International Ltd | Gibraltar Guernsey Isle of Man Luxembourg, United Kingdom |
| NatWest Markets N.V. | France Germany Italy Sweden, |

Key:

Activity

| | |
|-----|---|
| BF | Banking and financial institution |
| CI | Credit institution |
| INV | Investment (shares or property) holding company |
| SC | Service company |
| TR | Trustee |
| OTH | Other |

Accounting/Regulatory treatment

| | |
|------|-----------------------------------|
| DE | Deconsolidated |
| FC | Full consolidation |
| PC | Pro-rata consolidation |
| AHC | Associate held at cost |
| EAJV | Equity accounting – Joint venture |
| IA | Investment accounting |
| NC | Not consolidated |

Non-IFRS financial measures

NatWest Group prepares its financial statements in accordance with UK-adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). This document contains a number of non-IFRS measures, also known as alternative performance measures, defined under the European Securities and Markets Authority (ESMA) guidance or non-GAAP financial measures in accordance with the Securities and Exchange Commission (SEC) regulations. These measures 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.

The non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. The non-IFRS measures also include the basis of calculation for metrics that are used throughout the banking industry.

These non-IFRS measures are not a substitute for IFRS measures and a reconciliation to the closest IFRS measure is presented where appropriate.

| Measure | Description |
|--|--|
| Cost:income ratio (excl. litigation and conduct) Refer to table 3. Cost:income ratio (excl. litigation and conduct) on page 401. | The cost:income ratio (excl. litigation and conduct) is calculated as other operating expenses (operating expenses less litigation and conduct costs) divided by total income. Litigation and conduct costs are excluded as they are one-off in nature, difficult to forecast for Outlook purposes and distort period-on-period comparisons. |
| Customer deposits excluding central items Refer to Segmental performance on pages 73-78 for components of calculation. | Customer deposits excluding central items is calculated as total NatWest Group customer deposits excluding Central items & other customer deposits. Central items & other includes Treasury repo activity and Ulster Bank Rol. The exclusion of Central items & other removes the volatility relating to Treasury repo activity and the reduction of deposits as part of our withdrawal from the Republic of Ireland. These items may distort period-on-period comparisons and their removal gives the user of the financial statements a better understanding of the movements in customer deposits. |
| Funded assets Refer to Condensed consolidated balance sheet on page 295 for components of calculation. | Funded assets is calculated as total assets less derivative assets. This measure allows review of balance sheet trends exclusive of the volatility associated with derivative fair values. |
| Loan:deposit ratio (excl. repos and reverse repos) Refer to table 7. Loan:deposit ratio (excl. repos and reverse repos) on page 402. | Loan:deposit ratio (excl. repos and reverse repos) is calculated as net customer loans held at amortised cost excluding reverse repos divided by total customer deposits excluding repos. This metric is used to assess liquidity. The removal of repos and reverse repos reduces volatility and presents the ratio on a basis that is comparable to UK peers. The nearest ratio using IFRS measures is: loan:deposit ratio - this is calculated as net loans to customers held at amortised cost divided by customer deposits. |
| NatWest Group return on tangible equity Refer to table 4. NatWest Group return on tangible equity on page 402. | NatWest Group return on tangible equity comprises annualised profit or loss for the period attributable to ordinary shareholders divided by average tangible equity. Average tangible equity is average total equity excluding average non-controlling interests, average other owners' equity and average intangible assets. This measure shows the return NatWest Group generates on tangible equity deployed. It is used to determine relative performance of banks and used widely across the sector, although different banks may calculate the rate differently. The nearest ratio using IFRS measures is: return on equity - this comprises profit attributable to ordinary shareholders divided by average total equity. |

Non-IFRS financial measures continued

| Measure | Description |
|--|---|
| Net interest margin and average interest earning assets Refer to Segmental performance on pages 73-78 for components of calculation. | Net interest margin is net interest income, as a percentage of average interest earning assets (IEA). Average IEA are average IEA of the banking business of NatWest Group and primarily consists of cash and balances at central banks, loans to banks, loans to customers and other financial assets mostly comprising debt securities. Average IEA shows the average asset base generating interest over the period. |
| Net loans to customers excluding central items Refer to Segmental performance on pages 73-78 for components of calculation. | Net loans to customers excluding central items is calculated as total NatWest Group net loans to customers excluding Central items & other net loans to customers. Central items & other includes Treasury reverse repo activity and Ulster Bank Rol. The exclusion of Central items & other removes the volatility relating to Treasury reverse repo activity and the reduction of loans to customers as part of our withdrawal from the Republic of Ireland. This allows for better period-on-period comparisons and gives the user of the financial statements a better understanding of the movements in net loans to customers. |
| Operating expenses excluding litigation and conduct Refer to table 2. Operating expenses excluding litigation and conduct on page 400. | The management analysis of operating expenses shows litigation and conduct costs separately. 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 period-on-period comparisons. |
| Segmental return on equity Refer to table 5. Segmental return on equity on page 402. | Segment return on equity comprises segmental operating profit or loss, adjusted for paid-in equity and tax, divided by average notional equity. Average RWAE is defined as average segmental RWAs incorporating the effect of capital deductions. This is multiplied by an allocated equity factor for each segment to calculate the average notional equity. This measure shows the return generated by operating segments on equity deployed. |
| Tangible net asset value (TNAV) per ordinary share Refer to table 6. Tangible net asset value (TNAV) per ordinary share on page 402. | TNAV per ordinary share is calculated as tangible equity divided by the number of ordinary shares in issue. This is a measure used by external analysts in valuing the bank and allows for comparison with other per ordinary share metrics including the share price. The nearest ratio using IFRS measures is: net asset value (NAV) per ordinary share - this comprises ordinary shareholders' interests divided by the number of ordinary shares in issue. |
| Total income excluding notable items Refer to table 1. Total income excluding notable items on page 400. | Total income excluding notable items is calculated as total income less notable items. The exclusion of notable items aims to remove the impact of one-offs and other items which may distort period-on-period comparisons. |



Non-IFRS financial measures continued

1. Total income excluding notable items

| | 2024 £m | 2023 £m | 2022 £m |
|---|---------------|------------|------------|
| Continuing operations | | | |
| Total income | 14,703 | 14,752 | 13,156 |
| Less notable items: | | | |
| Commercial & Institutional | | | |
| Fair value, disposal losses and asset disposals/ strategic risk reduction | - | - | (45) |
| Own credit adjustments (OCA) | (9) | (2) | 42 |
| Tax interest on prior periods | - | 3 | - |
| Central items & other | | | |
| Loss on redemption of own debt | - | - | (161) |
| Effective interest rate adjustment as a result of redemption of own debt | - | - | (41) |
| Profit from insurance liabilities | - | - | 92 |
| Liquidity Asset Bond sale (losses)/gains | - | (43) | (88) |
| Share of associate gains/(losses) for Business Growth Fund | 21 | (4) | (22) |
| Property strategy update | - | (69) | - |
| Interest and foreign exchange management derivatives not in hedge accounting relationships | 150 | 79 | 369 |
| Foreign exchange recycling (losses)/gains | (76) | 484 | - |
| Ulster Bank RoI fair value mortgage adjustments | - | - | (51) |
| Tax interest on prior periods | (31) | (35) | - |
| | 55 | 413 | 95 |
| Total income excluding notable items | 14,648 | 14,339 | 13,061 |

2. Operating expenses excluding litigation and conduct

| | Litigation and conduct costs £m | Other operating expenses £m | Statutory operating expenses £m |
|------------------------------------|--|--------------------------------------|--|
| Year ended 31 December 2024 | | | |
| Continuing operations | | | |
| Staff expenses | 64 | 3,997 | 4,061 |
| Premises and equipment | - | 1,211 | 1,211 |
| Depreciation and amortisation | - | 1,058 | 1,058 |
| Other administrative expenses | 231 | 1,588 | 1,819 |
| Total | 295 | 7,854 | 8,149 |
| Year ended 31 December 2023 | | | |
| Continuing operations | | | |
| Staff expenses | 62 | 3,839 | 3,901 |
| Premises and equipment | - | 1,153 | 1,153 |
| Depreciation and amortisation | - | 934 | 934 |
| Other administrative expenses | 293 | 1,715 | 2,008 |
| Total | 355 | 7,641 | 7,996 |
| Year ended 31 December 2022 | | | |
| Continuing operations | | | |
| Staff expenses | 45 | 3,671 | 3,716 |
| Premises and equipment | - | 1,112 | 1,112 |
| Depreciation and amortisation | - | 833 | 833 |
| Other administrative expenses | 340 | 1,686 | 2,026 |
| Total | 385 | 7,302 | 7,687 |



Non-IFRS financial measures continued

3. Cost:income ratio (excl. litigation and conduct)

| | Retail Banking £m | Private Banking £m | Commercial & Institutional £m | Central items & other £m | NatWest Group £m |
|--|----------------------|-----------------------|-------------------------------------|--------------------------------|---------------------|
| Year ended 31 December 2024 | | | | | |
| Continuing operations | | | | | |
| Operating expenses | 2,937 | 716 | 4,274 | 222 | 8,149 |
| Less litigation and conduct costs | (110) | (3) | (156) | (26) | (295) |
| Other operating expenses | 2,827 | 713 | 4,118 | 196 | 7,854 |
| Total income | 5,650 | 969 | 7,957 | 127 | 14,703 |
| Cost:income ratio | 52.0% | 73.9% | 53.7% | nm | 55.4% |
| Cost:income ratio (excl. litigation and conduct) | 50.0% | 73.6% | 51.8% | nm | 53.4% |
| Year ended 31 December 2023 | | | | | |
| Continuing operations | | | | | |
| Operating expenses | 2,828 | 685 | 4,091 | 392 | 7,996 |
| Less litigation and conduct costs | (117) | (9) | (224) | (5) | (355) |
| Other operating expenses | 2,711 | 676 | 3,867 | 387 | 7,641 |
| Total income | 5,931 | 990 | 7,421 | 410 | 14,752 |
| Cost:income ratio | 47.7% | 69.2% | 55.1% | nm | 54.2% |
| Cost:income ratio (excl. litigation and conduct) | 45.7% | 68.3% | 52.1% | nm | 51.8% |
| Year ended 31 December 2022 | | | | | |
| Continuing operations | | | | | |
| Operating expenses | 2,593 | 622 | 3,744 | 728 | 7,687 |
| Less litigation and conduct costs | (109) | (12) | (181) | (83) | (385) |
| Other operating expenses | 2,484 | 610 | 3,563 | 645 | 7,302 |
| Total income | 5,646 | 1,056 | 6,413 | 41 | 13,156 |
| Cost:income ratio | 45.9% | 58.9% | 58.4% | nm | 58.4% |
| Cost:income ratio (excl. litigation and conduct) | 44.0% | 57.8% | 55.6% | nm | 55.5% |



Non-IFRS financial measures continued

4. NatWest Group return on tangible equity

| | Year ended or as at | |
|---|---------------------------|---------------------------|
| | 31 December 2024 £m | 31 December 2023 £m |
| Profit attributable to ordinary shareholders | 4,519 | 4,394 |
| Average total equity | 38,018 | 36,201 |
| Adjustment for other owners' equity and intangibles | (12,226) | (11,486) |
| Adjusted total tangible equity | 25,792 | 24,715 |
| Return on equity | 11.9% | 12.1% |
| Return on tangible equity | 17.5% | 17.8% |

5. Segmental return on equity

| Year ended 31 December 2024 | Retail Banking | Private Banking | Commercial & Institutional |
|-------------------------------------|-------------------|--------------------|-------------------------------|
| Operating profit (£m) | 2,431 | 264 | 3,585 |
| Paid-in equity cost allocation (£m) | (79) | (18) | (183) |
| Adjustment for tax (£m) | (659) | (69) | (851) |
| Adjusted attributable profit (£m) | 1,693 | 177 | 2,551 |
| Average RWAe (£bn) | 63.4 | 11.1 | 107.0 |
| Equity factor | 13.4% | 11.2% | 13.8% |
| Average notional equity (£bn) | 8.5 | 1.2 | 14.8 |
| Return on equity | 19.9% | 14.2% | 17.2% |

Year ended 31 December 2023

| | | | |
|-------------------------------------|-------|-------|-------|
| Operating profit (£m) | 2,638 | 291 | 3,236 |
| Paid-in equity cost allocation (£m) | (55) | (23) | (165) |
| Adjustment for tax (£m) | (723) | (75) | (768) |
| Adjusted attributable profit (£m) | 1,860 | 193 | 2,303 |
| Average RWAe (£bn) | 57.8 | 11.4 | 107.0 |
| Equity factor | 13.5% | 11.5% | 14.0% |
| Average notional equity (£bn) | 7.8 | 1.3 | 15.0 |
| Return on equity | 23.8% | 14.8% | 15.4% |

Year ended 31 December 2022

| | | | |
|-------------------------------------|-------|-------|-------|
| Operating profit (£m) | 2,824 | 436 | 2,547 |
| Paid-in equity cost allocation (£m) | (80) | (15) | (187) |
| Adjustment for tax (£m) | (768) | (118) | (590) |
| Adjusted attributable profit (£m) | 1,976 | 303 | 1,770 |
| Average RWAe (£bn) | 53.1 | 11.3 | 104.0 |
| Equity factor | 13.0% | 11.0% | 14.0% |
| Average notional equity (£bn) | 6.9 | 1.2 | 14.6 |
| Return on equity | 28.6% | 24.5% | 12.2% |

6. Tangible net asset value (TNAV) per ordinary share

| | Year ended | |
|--|---------------------|---------------------|
| | 31 December 2024 | 31 December 2023 |
| Ordinary shareholders' interests (£m) | 34,070 | 33,267 |
| Less intangible assets (£m) | (7,588) | (7,614) |
| Tangible equity (£m) | 26,482 | 25,653 |
| Ordinary shares in issue (millions) ⁽¹⁾ | 8,043 | 8,792 |
| NAV per ordinary share (pence) | 424p | 378p |
| TNAV per ordinary share (pence) | 329p | 292p |

(1) The number of ordinary shares in issue excludes own shares held.

7. Loan:deposit ratio (excl. repos and reverse repos)

| | As at | | |
|---|---------------------------|---------------------------|---------------------------|
| | 31 December 2024 £m | 31 December 2023 £m | 31 December 2022 £m |
| Loans to customers - amortised cost | 400,326 | 381,433 | 366,340 |
| Less reverse repos | (34,846) | (27,117) | (19,749) |
| Loans to customers - amortised cost (excl. reverse repos) | 365,480 | 354,316 | 346,591 |
| Customer deposits | 433,490 | 431,377 | 450,318 |
| Less repos | (1,363) | (10,844) | (9,828) |
| Customer deposits cost (excl. repos) | 432,127 | 420,533 | 440,490 |
| Loan:deposit ratio | 92% | 88% | 81% |
| Loan:deposit ratio (excl. repos and reverse repos) | 85% | 84% | 79% |

Performance measures not defined under IFRS

The table below summarises other performance measures used by NatWest Group, not defined under IFRS, and therefore a reconciliation to the nearest IFRS measure is not applicable.

| Measure | Description |
|---|---|
| AUMAs | <p>AUMAs comprises both assets under management (AUMs) and assets under administration (AUAs) serviced through the Private Banking segment. AUMs comprise assets where the investment management is undertaken by Private Banking on behalf of Private Banking, Retail Banking and Commercial & Institutional customers.</p> <p>AUAs comprise i) third party assets held on an execution-only basis in custody by Private Banking, Retail Banking and Commercial & Institutional for their customers, for which the execution services are supported by Private Banking, and for which Private Banking receives a fee for providing investment management and execution services to Retail Banking and Commercial & Institutional business segments ii) AUA of Cushon, acquired on 1 June 2023, which are supported by Private Banking and held and managed by third parties.</p> <p>This measure is tracked and reported as the amount of funds that we manage or administer, and directly impacts the level of investment income that we receive.</p> |
| AUMA net flows | <p>AUMA net flows represents assets under management and assets under administration.</p> <p>AUMA net flows is reported and tracked to monitor the business performance of new business inflows and management of existing client withdrawals across Private Banking, Retail Banking and Commercial & Institutional.</p> |
| Climate and sustainable funding and financing | <p>The climate and sustainable funding and financing metric is used by NatWest Group to measure the level of support it provides customers, through lending products and underwriting activities, to help in their transition towards a net zero, climate resilient and sustainable economy. We have a target to provide £100 billion of climate and sustainable funding and financing between the 1 of July 2021 and the end of 2025. As part of this, we aim to provide at least £10 billion in lending for residential properties with EPC ratings A and B between 1 January 2023 and the end of 2025.</p> |
| Loan impairment rate | <p>Loan impairment rate is the annualised loan impairment charge divided by gross customer loans. This measure is used to assess the credit quality of the loan book.</p> |
| Third party rates | <p>Third party customer asset rate is calculated as annualised interest receivable on third-party loans to customers as a percentage of third-party loans to customers. This excludes assets of disposal groups, intragroup items, loans to banks and liquid asset portfolios. Third party customer funding rate reflects interest payable or receivable on third-party customer deposits, including interest bearing and non- interest bearing customer deposits. Intragroup items, bank deposits, debt securities in issue and subordinated liabilities are excluded for customer funding rate calculation.</p> |
| Wholesale funding | <p>Wholesale funding comprises deposits by banks (excluding repos), debt securities in issue and subordinated liabilities. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base. The disclosure of wholesale funding highlights the extent of our diversification and how we mitigate funding risk.</p> |