



# Risk and capital management

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# Risk management framework

Where marked as audited in the section header, certain information in the Risk and capital management section (pages 178 to 275) is within the scope of the Independent auditor's report.

## Introduction

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

The framework ensures that NatWest Group's principal risks – which are detailed in this section – are appropriately controlled and managed. It sets out the standards and objectives for risk management as well as defining the division of roles and responsibilities. This seeks to ensure a consistent approach to risk management across NatWest Group and its subsidiaries. It aligns risk management with NatWest Group's overall strategic priorities of growth through better understanding of customers, leveraging simplification and better management of resources. The framework, which is designed and maintained by NatWest Group's independent Risk function, is owned by the Chief Risk Officer. It is reviewed and approved annually by the NatWest Group Board. The framework incorporates risk governance, the three lines of defence operating model and the Risk function's mandate.

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

While all NatWest Group colleagues are responsible for managing risk, the Risk function provides oversight and monitoring of risk management activities, including the implementation of the framework and adherence to its supporting policies, standards and operational procedures. The Chief Risk Officer plays an integral role in providing the Board with advice on NatWest Group's risk profile and the performance of its controls and in providing challenge where a proposed business strategy may exceed risk tolerance.

In addition, there is a process to identify and manage top and emerging risks, which are those that could have a significant negative impact on NatWest Group's ability to meet its strategic objectives.

Both top and emerging risks may incorporate aspects of – or correlate to – a number of principal risks and are reported alongside them to the Board on a regular basis.

## Culture

The approach to risk culture, under the banner of intelligent risk-taking, ensures a focus on robust risk management behaviours and practices. This underpins the strategy across all three lines of defence, enables NatWest Group to support better customer outcomes, develop a stronger and more sustainable business and deliver an improved cost base.

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

Colleagues are expected to:

- Consistently role-model the behaviours in Our Code, based on strong ethical standards.
- Empower others to take risks aligned to NatWest Group's strategy, explore issues from a fresh perspective, and tackle challenges in new and better ways across organisational boundaries.
- Manage risk in line with appropriate risk appetite.
- Ensure each decision made keeps NatWest Group, colleagues, customers, communities and shareholders safe and secure.
- Understand their role in managing risk, remaining clear and capable, grounded in knowledge of regulatory obligations.
- Consider risk in all actions and decisions.
- Escalate risks and issues early; taking action to mitigate risks and learning from mistakes and near-misses, reporting and communicating these transparently.
- Challenge others' attitudes, ideas and actions.

Target intelligent risk-taking outcomes are embedded in NatWest Group's behaviours framework, forming a core foundation of NatWest Group's risk culture and guiding recruitment and selection across the organisation.

## Training

Enabling employees to have the capabilities and confidence to manage risk is core to NatWest Group's learning strategy. NatWest Group offers a wide range of learning, both technical and behavioural, across the risk disciplines. This training may be mandatory, role-specific or for personal development. Mandatory learning for all staff is focused on keeping employees, customers and

NatWest Group safe. This is easily accessed online and is assigned to each person according to their role and business area. The system allows monitoring at all levels to ensure completion.

## Our Code

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

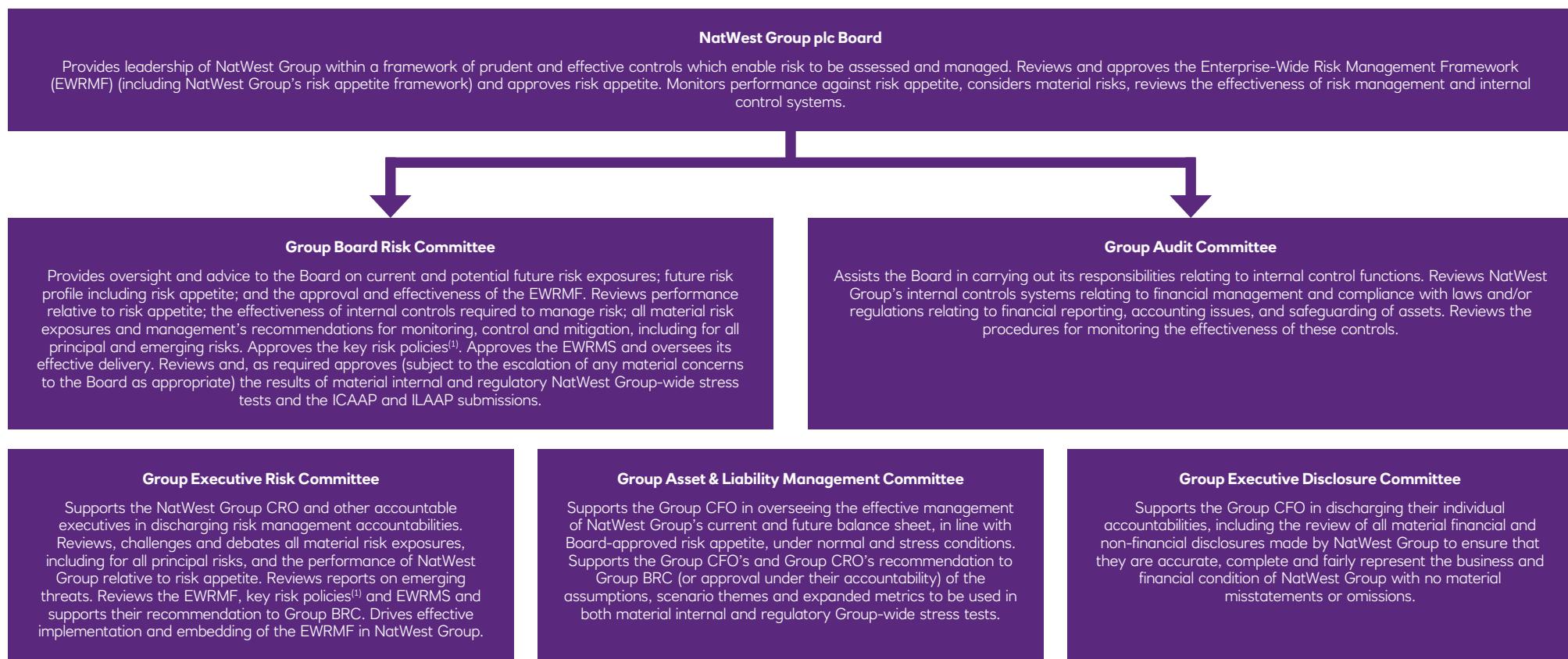
- These principles cover conduct-related issues as well as wider business activities. They focus on desired outcomes, with practical guidelines to align the values with commercial strategy and actions. The embedding of these principles facilitates sound decision-making and a clear focus on good customer outcomes.
- Any employee falling short of the expected standards will be subject to internal disciplinary policies and procedures and where appropriate, the relevant authorities will be notified. Variable pay for eligible colleagues will reflect overall performance, including the impact of any conduct issues. Adjustments may be made through the performance management process, or where necessary, via the accountability review process for the individuals concerned (for more information on this process refer to page 143). The NatWest Group remuneration policy ensures that the remuneration arrangements for all employees reflect the principles and standards prescribed by the PRA rulebook and the FCA handbook.

## Risk management framework continued

### Governance

#### Committee structure

The diagram shows NatWest Group's governance structure in 2025 and the main purposes of each committee.



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

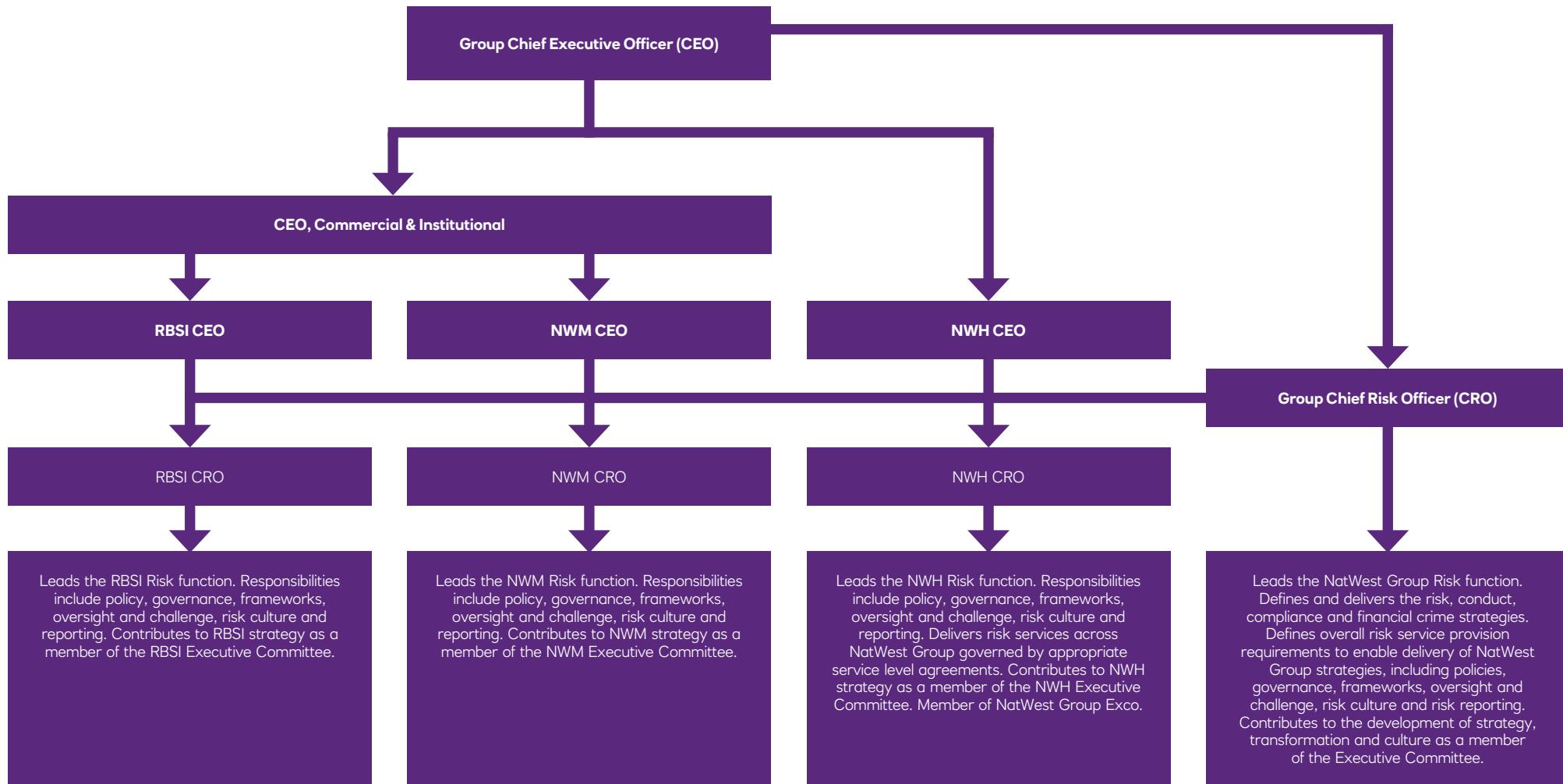
(2) In addition, the Group Technical Asset & Liability Management Committee, chaired by the Group Treasurer, provides oversight of capital and balance sheet management in line with approved risk appetite under normal and stress conditions. Reviews and challenges the financial strategy, risk management, balance sheet and remuneration and policy implications of NatWest Group's pension schemes.

(3) The EDC Disclosures Steering Group was established by the Group CFO to (i) review and approve NatWest Group's responses to Environmental, Social and Governance (ESG) surveys where ESG content is considered material to investors or decision-useful to users of the reports; (ii) to assess whether NatWest Group should respond to and review new ad hoc survey requests; (iii) to review and approve ESG disclosures published on NatWest Group's website and externally that are material to investors or decision useful to users of the reports; and (iv) to review and recommend to the EDC, ESG related disclosures in the quarterly, and annual suite of results releases.

## Risk management framework continued

### Risk management structure

The diagram shows NatWest Group's risk management structure in 2025.



- (1) The Group Chief Executive Officer also performs the NWH Chief Executive Officer role.
- (2) The Group Chief Risk Officer also performs the NWH Chief Risk Officer role, is a member of NatWest Group ExCo, NatWest Group ERC and an attendee at NatWest Group BRC.
- (3) The NWH Risk function provides risk management services across NWH, including to the NatWest Group Chief Risk Officer and – where agreed – to NWM and RBSI Chief Risk Officers. These services are managed, as appropriate, through service level agreements.
- (4) The NWH Risk function is independent of the NWH customer-facing business segments and support functions. Its structure is divided into three parts (Directors of Risk, Specialist Risk Directors and Chief Operating Officer) to facilitate effective management of the risks facing NWH. Risk committees in the customer businesses oversee risk exposures arising from management and business activities and focus on ensuring that these are adequately monitored and controlled. The Directors of Risk, (Retail Banking; Commercial & Institutional Banking (ring-fenced bank); Private Banking & Wealth Management; Digital X and Functions; Finance and Treasury and Non-financial Risk; and the Chief Operating Officer report to the NWH Chief Risk Officer.
- (5) The Chief Risk Officers for NWM and RBSI have dual reporting lines into the Group Chief Risk Officer and the respective Chief Executive Officers of their entities. There are additional reporting lines to the NWM and RBSI Board Risk Committee chairs and a right of access to the respective risk committees.

## Risk management framework continued

### Three lines of defence

NatWest Group uses the industry-standard three lines of defence model to articulate accountabilities and responsibilities for managing risk. This supports the embedding of effective risk management throughout the organisation. All roles below the CEO sit within one of the three lines. The CEO ensures the efficient use of resources and the effective management of risks as stipulated in the risk management framework and is therefore considered to be outside the three lines of defence principles.

### First line of defence

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

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

The first line of defence is responsible for managing its direct risks, and with the support of specialist functions, it is also responsible for managing its consequential risks, by identifying, assessing, mitigating, monitoring and reporting risks.

### Second line of defence

The second line of defence comprises the Risk function and is independent of the first line.

The second line of defence is empowered to design and maintain the risk management framework and its components. It undertakes proactive risk oversight and continuous monitoring activities to confirm that NatWest Group engages in permissible and sustainable risk-taking activities.

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

### Third line of defence

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

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

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

### Risk appetite

Risk appetite defines the type and aggregate level of risk NatWest Group is willing to accept in pursuit of its strategic objectives and business plans. Risk appetite supports sound risk-taking, the promotion of robust risk practices and risk behaviours, and is calibrated at least annually.

For certain principal risks, risk capacity defines the maximum level of risk NatWest Group can assume before breaching constraints determined by regulatory capital and liquidity requirements, the operational environment, and from a conduct perspective. Establishing risk capacity helps determine where risk appetite should be set, ensuring there is a buffer between internal risk appetite and NatWest Group's ultimate capacity to absorb losses.

### Risk appetite framework

The risk appetite framework supports effective risk management by promoting sound risk-taking through a structured approach, within agreed boundaries. It also ensures emerging risks and risk-taking activities that might be outside appetite are identified, assessed, escalated and addressed in a timely manner.

To facilitate this, a detailed review of the framework is carried out annually which is approved by the Board. The review includes:

- Assessing the adequacy of the framework compared to internal and external expectations.
- Ensuring the framework remains effective and acts as a strong control environment for risk appetite.
- Assessing the level of embedding of risk appetite across the organisation.

### Establishing risk appetite

In line with the risk appetite framework, risk appetite is maintained across NatWest Group through risk appetite statements. These are in place for all principal risks and describe the extent and type of activities that can be undertaken.

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

Risk appetite statements consist of qualitative statements of appetite supported by risk limits and triggers that operate as a defence against excessive risk-taking. Risk measures and their associated limits are an integral part of the risk appetite approach and a key part of embedding risk appetite in day-to-day risk management decisions. A clear tolerance for each principal risk is set in alignment with business activities.

The Board sets risk appetite for all principal risks to help ensure NatWest Group is well placed to meet its priorities and long-term targets, even in challenging economic environments. This supports NatWest Group in remaining resilient and secure as it pursues its strategic business objectives.

The process of reviewing and updating risk appetite statements is completed alongside the business and financial planning process. This ensures that plans and risk appetite are appropriately aligned.

## Risk management framework continued

Risk appetite is approved at least annually by the Board on the Board Risk Committee's recommendation to ensure it remains appropriate and aligned to strategy.

NatWest Group's risk profile is continually monitored and frequently reviewed. Management focus is concentrated on all principal risks as well as the top and emerging risks that may correlate to them. Performance against risk appetite for all principal risks is reported regularly to the Executive Risk Committee, the Board Risk Committee and the Board.

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

## Identification and measurement

Identification and measurement within the risk management process comprises:

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

### Mitigation

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

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that arise from risk mitigation actions themselves) are also considered. Monitoring and review processes are in place to evaluate results. Early identification, and effective management of changes in legislation and regulation are critical to the successful mitigation of principal risks. The effects of all changes are managed to ensure the timely achievement of compliance. Those changes assessed as having a high or medium-high impact are managed more closely. Action is taken to mitigate potential risks as and when required. Further in-depth analysis, including the stress testing of exposures, is also carried out.

NatWest Group's control framework is a vital system ensuring effective risk management, compliance, and operational efficiency. Central to this framework is the implementation of various control types, including preventive, detective and directive controls, which address diverse risks.

Control recording is essential, involving detailed documentation of control activities to evaluate their adequacy and effectiveness. This serves as valuable evidence during audits and regulatory reviews.

The risk and control self-assessment (RCSA) process enhances the framework by enabling teams to identify potential risks and assess the adequacy of controls.

Regular independent adequacy and effectiveness testing of controls within the first line of defence and internal audits ensure controls function as intended. Continuous monitoring and reporting provide real-time insights into control effectiveness, fostering accountability and responsiveness to evolving risks. By emphasising control recording, RCSAs and testing, banks can maintain a resilient control environment that supports operational integrity and regulatory compliance.

### Monitoring

The primary tool used to provide regular monitoring of the risk and control environment across NatWest Group is the risk and control performance assessment (RCPA). Each business area self-assesses using a set of consistent indicators and providing qualitative context to arrive at an RCPA outcome of met, partially met or not met. The assessment is completed annually and the indicators are regularly monitored. The indicators support an understanding of: the strength of the control environment to manage risk exposure within appetite; adequacy and effectiveness of the day-to-day management of risk and control; adherence with applicable components of the EWRMF; and a culture of intelligent risk-taking.

Emerging risks that could affect future results and performance are also closely monitored.

Specific activities relating to compliance and conduct, credit, financial crime and operational risks are subject to testing and monitoring by the Risk function. This confirms to both internal and external stakeholders – including the Board, senior management, the customer-facing businesses, Internal Audit and NatWest Group's regulators – that risk policies and procedures are being correctly implemented and that they are operating adequately and effectively. Thematic reviews and targeted reviews are also carried out where relevant to ensure appropriate customer outcomes.

The Risk Testing & Monitoring Forum assesses and validates the annual plan as well as the ongoing programme of reviews.

## Risk management framework continued

### Stress testing

#### Stress testing – capital management

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

Stress testing includes:

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

The process for stress testing consists of four broad stages:

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

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



## Risk management framework continued

### Specific areas that involve capital management include:

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

Reverse stress testing is also carried out in order to identify and assess scenarios that would cause NatWest Group's business model to become unviable. Reverse stress testing allows potential vulnerabilities in the business model to be examined more fully.

### Capital sufficiency – going concern forward-looking view

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

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

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

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

### Internal assessment of capital adequacy

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

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

### Capital allocation

NatWest Group has mechanisms to allocate capital across its legal entities and businesses. These aim to optimise the use of capital resources taking into account applicable regulatory requirements, strategic and business objectives and risk appetite.

### Governance

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

### Stress testing – liquidity

#### Liquidity risk monitoring and contingency planning

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

### Internal assessment of liquidity

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

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

## Risk management framework continued

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

### Stress testing – recovery and resolution planning

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

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

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

The plan is intended to enable NatWest Group to maintain critical services and products it provides to its customers, maintain its core business lines and operate within risk appetite while restoring NatWest Group's financial condition.

It is assessed for appropriateness on an ongoing basis and reviewed and approved by the Board prior to submission to the PRA on a biennial basis. Individual recovery plans are also prepared for NatWest Holdings Limited, NatWest Markets Plc, RBS International Limited and RBSH N.V.. These plans detail the recovery options, recovery indicators and escalation routes for each entity.

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

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

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

### Stress testing – market risk

#### Non-traded market risk

Non-traded exposures are reported to the PRA on a quarterly basis. This provides the regulator with an overview of NatWest Group's banking book interest rate exposure. The report includes detailed product information analysed by interest rate driver and other characteristics, including accounting classification, currency and counterparty type.

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

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

Non-traded market risk stress test results are combined with those for other risks into the capital plan presented to the Board. The cross-risk capital planning process is conducted once a year, with a planning horizon of five years.

The scenario narratives cover both regulatory scenarios and macroeconomic scenarios identified by NatWest Group.

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

#### Traded market risk

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

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

Historical stress tests form part of the market risk limit framework and their results are reported regularly to senior management.

## Risk management framework continued

Macroeconomic stress tests are carried out periodically as part of the bank-wide, cross-risk capital planning process. The scenario narratives are translated into risk factor shocks using historical events and insights by economists, risk managers and the first line of defence.

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

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

### Stress testing – climate risk

NatWest Group continued to enhance its in-house climate risk modelling capabilities, supporting the ongoing integration of climate risk within its capital adequacy (ICAAP), impairment (IFRS 9) and risk management processes, for example, sharing insights with sector and front-line teams to support the financial budget and climate transition plan processes. In particular, internal physical risk modelling capabilities were developed during 2025.

Specific internal-run exercises in 2025 included:

- A credit-risk focused exercise covering both physical and transition risk scenarios for both the Corporate & Institutional portfolio and the Retail Banking residential mortgage portfolio.
- A non-financial risk scenario for climate focused on external communications which could omit or contain incorrect information and mislead on NatWest Group activities.

There are various challenges with quantitative climate scenario analysis, including in relation to the immaturity of modelling techniques and limitations surrounding data on climate-related risks. In addition, there is significant uncertainty as to how the climate will evolve over time, how and when governments, regulators, businesses, investors and customers respond and how those responses impact the economy, asset valuations, economic systems, policy and wider society. These risks and uncertainties, coupled with significantly long timeframes, make the outputs of climate-related risk modelling with respect to the potential use cases identified inherently more uncertain than outputs modelled for traditional financial planning cycles based on historical financial information.

### Regulatory stress testing

The Bank of England updated its approach to stress testing. The Bank Capital Stress Test (BCST) is the successor to the Annual Cyclical Stress scenario and will be run biennially. NatWest Group was selected by the Bank of England to be one of the participants in the 2025 BCST. The results were published in December 2025 and NatWest Group remained above its CET1 capital and Tier 1 leverage ratio hurdle rates in stress and was not required to strengthen its capital position. The results of this stress test, and other relevant information, will be used by the Bank of England to help inform NatWest Group capital buffers (both the UK countercyclical capital buffer rate and PRA buffers).

The 2025 stress test aimed to assess the impact of a UK and global macroeconomic stress on UK banks, spanning a five-year period from Q4 2025 to Q4 2030. It was a coherent 'tail risk' scenario, designed to be severe and broad enough to assess the resilience of UK banks to a range of adverse shocks. The stress scenario is similar to the 2022/23 Annual Cyclical Stress with weaker UK consumer price index inflation offset by more severe financial markets stresses and economic shocks in some jurisdictions.

The stress test was based on an end-of-December 2024 balance sheet position.

Further details can be found at:

<https://www.bankofengland.co.uk/stress-testing/2025/key-elements-bank-capital>

# Credit risk

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## Movement in expected credit loss (ECL) provision<sup>(1)</sup>

The table below shows the main ECL provision movements during the year.

	ECL provision £m
<b>At 1 January 2025</b>	<b>3,425</b>
Acquisitions	81
Changes in economic forecasts	54
Changes in risk metrics and exposure: Stage 1 and Stage 2	(75)
Changes in risk metrics and exposure: Stage 3	705
Judgemental changes:	
Changes in post model adjustments for Stage 1, Stage 2 and Stage 3	(40)
Write-offs and other	(565)
<b>At 31 December 2025</b>	<b>3,585</b>
At 1 January 2024	3,645
2024 movements	(220)
<b>At 31 December 2024</b>	<b>3,425</b>

(1) The above table is not within the scope of the Independent auditors' report.

## Key metrics

### Loans

**£429.9bn**

(2024 – £410.2bn)

Growth in 2025 was a result of continuing organic demand across Personal as well as the acquisition and integration of Sainsbury's Bank unsecured portfolios. In Non-Personal, growth was mainly across strategic areas including financial institutions and corporates.

### ECL provisions coverage

**0.83%**

(2024 – 0.83%)

ECL coverage remained broadly consistent with 2024, reflecting stability in arrears trends and the ongoing resilience of NatWest Group's portfolios, alongside balance sheet management actions in Personal portfolios.

### Stage 3

**1.09%**

(2024 – 1.45%)

Stage 3 assets reduced as a result of balance sheet management actions in Personal coupled with lower defaults in Non-Personal.

### Impairments

**£671m**

(2024 – £359m)

The impairment charge of £671 million, or 16 basis points of gross customer loans, reflected broadly stable default rates on growing Personal unsecured portfolios, combined with lower reductions in post model adjustments compared to 2024.

## Credit risk continued

### Definition (audited)

Credit risk is the risk that customers, counterparties or issuers fail to meet a contractual obligation to settle outstanding amounts. For the purposes of the credit risk section, Personal refers to lending to individuals and Non-Personal refers to lending to small and medium-sized enterprises, corporates, banks and other financial institutions.

### Sources of risk (audited)

The principal sources of credit risk for NatWest Group are lending, off-balance sheet products, derivatives and securities financing, and debt securities. NatWest Group is also exposed to settlement risk through foreign exchange, trade finance and payments activities.

### Governance (audited)

Risk governance for credit risk is in line with the approach outlined in the Risk management framework section.

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

- Establishing credit risk policy, standards and toolkits which set out the mandatory limits and parameters required to ensure that credit risk is managed within risk appetite and which provide the minimum standards for the identification, assessment, management, monitoring and reporting of credit risk.
- Oversight of the first line of defence to ensure that credit risk remains within the appetite set by the Board and that it is being managed adequately and effectively.

- Assessing the adequacy of ECL provisions including approving key IFRS 9 inputs (such as significant increase in credit risk (SICR) thresholds) and any necessary in-model and post model adjustments through NatWest Group and business unit provisions and model committees.

### Risk appetite (audited)

Risk appetite for credit risk is in line with the approach outlined in the Risk management framework section.

Credit risk appetite is monitored through risk appetite frameworks tailored to NatWest Group's Personal and Non-Personal segments.

#### Personal

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

#### Non-Personal

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

The framework is used to manage concentrations of risk which may arise across four lenses – single name, sector, country and product and asset classes. The framework is supported by a suite of transactional acceptance standards that set out the risk parameters within which businesses should operate.

### Identification and measurement

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

### Assessment and monitoring

#### Personal

Personal lending mainly comprises a high volume of lower-value transactions supported by automated decision-making. To maintain consistency in lending decisions and monitor performance, NatWest Group reviews both internal credit data and external information from credit reference agencies, developing and applying lending rules according to product type.

For higher-value, more complex personal loans, such as certain residential mortgage lending, specialist credit managers are responsible for final lending decisions within defined delegated authority limits based on their experience.

Underwriting standards and portfolio performance are monitored on an ongoing basis to ensure they remain appropriate for the current market environment.

Management information and higher-risk segment monitoring are produced for portfolio monitoring. Portfolio performance is measured against operational limits related to various credit risk measures including projected default rates and mortgage loan-to-value (LTV) ratios. If operational limits identify areas of concern, management may adjust credit or business strategy accordingly.

#### Non-Personal

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

A risk-based credit assessment is carried out before credit facilities are made available to customers. The assessment process depends on the complexity of the transaction.

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

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

## Credit risk continued

### Mitigation

Mitigation techniques outlined in the credit risk toolkits and transactional acceptance standards are applied in managing credit portfolios across NatWest Group. These techniques mitigate credit concentrations related to individual customers, borrower groups or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools may involve structuring security interests in physical or financial assets, using credit derivatives such as credit default swaps, credit-linked debt instruments and securitisation structures, and utilising guarantees or similar instruments (including credit insurance) from related and third parties. Property is used to mitigate credit risk across a number of portfolios, in particular residential mortgage lending and commercial real estate.

### Residential mortgages

NatWest Group uses residential property as collateral to reduce credit risk arising from mortgages. The value of the property is determined during loan underwriting, either from a qualified appraiser, such as one registered with the Royal Institution of Chartered Surveyors (RICS), or by applying a statistically valid model. Periodically, a sample of these valuations is reviewed by an independent RICS-qualified appraiser. Retail Banking UK updates residential property values quarterly based on country-specific (Scotland, Wales and Northern Ireland) or English region specific Office for National Statistics House Price indices.

### Commercial real estate

For commercial real estate valuations, NatWest Group works with a managed panel of chartered surveying firms that cover relevant geographic and property sectors in which NatWest Group takes collateral. RICS-registered valuers are contracted for specific assets under service agreements to ensure consistency of quality and advice. In the UK, an independent third-party market indexation is applied to update external valuations for commercial property, once they are more than a year old. For loan obligations in excess of £2.5 million and where the charged property has a book value in excess of £0.5 million, a formal valuation review is typically commissioned at least every three years.

### Problem debt management (audited)

When stress or financial difficulties are identified, NatWest Group collaborates closely with customers to support them.

#### Personal

Pre-emptive triggers, based on both NatWest Group and credit reference agency data, are used to identify customers that may be at risk of financial difficulty. NatWest Group proactively contacts these customers to offer support with the aim of preventing further deterioration of their financial position.

#### Financial Health and Support

When a customer exceeds an agreed limit or misses a regular monthly payment, the customer is contacted by NatWest Group and requested to remedy the position. If the situation is not resolved then, where appropriate, the Financial Health and Support team become involved and the customer is supported by skilled debt management staff who endeavour to provide customers with bespoke solutions.

If appropriate, a notice of intention to default and/or a formal demand may be issued to the customer. The account may also be registered with credit reference agencies. Subsequently, the customer's debt may be referred to a third-party debt collection agency or solicitor, to agree an affordable repayment plan. The sale of unsecured debt may also be considered as an option.

#### Non-Personal

NatWest Group uses a range of early warning indicators to identify customers that may be exposed to emerging risks, including financial stress, allowing for increased monitoring where necessary. Early warning indicators may be internal, such as a customer's bank account activity, or external, such as the share price of a publicly listed customer. When these indicators suggest that a customer is experiencing potential or actual difficulty, or if relationship managers or credit officers observe other signs of financial difficulty, the customer may be classified within the Wholesale Problem Debt Management framework.

#### Wholesale Problem Debt Management framework

This framework focuses on Non-Personal customers and is designed to provide early identification of credit deterioration, support intelligent risk-taking, ensure fair and consistent customer outcomes and provide key insights into Non-Personal lending portfolios.

There are two classifications in the framework that apply to non-defaulted customers that are in financial stress – Heightened Monitoring and Risk of Credit Loss.

For the purposes of provisioning, all exposures categorised as Heightened Monitoring or Risk of Credit Loss are categorised as Stage 2 and subject to a lifetime loss assessment.

The framework also applies to those customers that have met NatWest Group's default criteria (AQ10 exposures). Defaulted exposures are categorised as Stage 3 impaired for provisioning purposes.

Heightened Monitoring customers are performing customers that have met certain characteristics, which have led to significant credit deterioration. Characteristics include trading issues, covenant breaches, material probability of default (PD) downgrades and past due facilities.

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

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

The Wholesale Problem Debt Management framework does not apply to problem debt management for small and medium-sized enterprise retail customers. These customers are, where necessary, managed by specialist problem debt management teams, depending on the size of exposure or by the Financial Health and Support team where a loan has been impaired.

## Credit risk continued

### Customer Lending Support

Where customers meet specific referral criteria, relationships are supported by the Customer Lending Support team.

Customer Lending Support works with corporate and commercial customers in financial difficulty to help them understand their options and how their restructuring or repayment strategies can be delivered.

Helping viable customers return to financial health and restoring a normal banking relationship is always the preferred outcome. However, where this is not possible, NatWest Group works with customers to achieve a solvent outcome.

### Forbearance (audited)

Forbearance occurs when a concession is made on the contractual terms of a debt in response to a customer's financial difficulties.

The aim of forbearance is to help the customer regain financial stability while reducing risk. To ensure that forbearance is appropriate for the customer, minimum standards are applied when assessing, recording, monitoring and reporting forbearance.

### Personal

Forbearance options include payment concessions, loan rescheduling (such as extending contractual maturity), switching to interest-only payments, suspending interest or capitalising arrears. This support can be provided for both mortgages and unsecured lending.

### Non-Personal

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

Customer PD and facility loss given default (LGD) are reassessed prior to finalising any forbearance arrangement. The ultimate outcome of a forbearance strategy is highly dependent on the co-operation of the borrower and a viable business or repayment outcome. If forbearance becomes unsuitable or is unsuccessful, NatWest Group may pursue repayment, enforcement of security or insolvency proceedings, although these are options of last resort.

### IFRS 9 models (audited)

IFRS 9 models provide PD, exposure at default (EAD) and LGD for the purpose of calculating ECL.

### Model build

Risk ranking is normally the same as for internal ratings based (IRB) models to maintain consistency in risk measurement. Economic drivers are incorporated, normally by using stress models. Term structures are used to assess the risk of loss beyond 12 months that will affect lifetime loss for exposures which have significantly deteriorated (Stage 2) or defaulted (Stage 3).

### Model application

Model application involves selecting forward-looking economic scenarios and assigning appropriate probability weights.

### Model design principles

The modelling of ECL under IFRS 9 adopts the standard approach of breaking down credit loss estimation into its component parts of PD, LGD and EAD. To comply with IFRS 9, these model parameters are designed with the following characteristics:

- Unbiased – provide a best estimate.
- Point-in-time – reflecting current economic conditions as opposed to through-the-cycle.

- Economic forecasts – IFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflecting economic forecasts.
- Lifetime measurement – parameters are provided as multi-period term structures up to behavioural lifetimes.

### PD

#### Personal

Personal PD models follow a discrete multi-horizon survival approach, predicting quarterly PDs up to lifetime at account level. A key driver is the score from related IRB PD models, with economic forecasts incorporated through the stress models.

#### Non-Personal

Non-Personal PD models use a point-in-time/through-the-cycle framework to provide point-in-time estimates that reflect economic conditions at the reporting date. A key driver is the score from related IRB PD models, with economic forecasts incorporated through the stress models.

### LGD

#### Personal

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

#### Non-Personal

Economic forecasts are incorporated into LGD estimates using the existing point-in-time/through-the-cycle framework. However, for some portfolios, including low-default, sovereigns and banks, there is insufficient loss data to substantiate estimates that vary with economic conditions.

### EAD

#### Personal

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

#### Non-Personal

EAD values rely on product-specific credit conversion factors (CCFs), closely mirroring the product segmentation and approach of the respective IRB model, but without conservative or downturn assumptions. These CCFs are estimated over multi-year time horizons.

### Economic drivers (audited)

#### Introduction

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

## Credit risk continued

### Economic drivers (audited)

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

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

### Economic scenarios

At 31 December 2025, the range of anticipated future economic conditions was defined by a set of four internally developed scenarios and their respective probabilities. In addition to the base case, they comprised upside, downside and extreme downside scenarios.

For 31 December 2025, the four scenarios were deemed appropriate in capturing the uncertainty in economic forecasts and the non-linearity in outcomes under different scenarios. These four scenarios were developed to provide sufficient coverage to current risks faced by the economy and consider varying outcomes across the labour market, inflation, interest rate, asset price and economic growth, around which there remains pronounced levels of uncertainty.

Since 31 December 2024, the near-term economic growth outlook weakened, with growth in the second half of 2025 losing momentum. Inflation rose to nearly double the target level of 2% in 2025, with underlying price pressures remaining firm. However, there are tentative signs of easing inflationary pressures and inflation is assumed to fall back close to the target by the end of 2026. The peak unemployment rate is higher than at 31 December 2024. The unemployment rate is assumed to continue to rise in the near-term, albeit at a slower pace. The Bank of England is expected to continue cutting interest rates in a 'gradual and careful' manner with an assumed terminal rate in the base case of 3.25%, marginally lower compared to 3.5% assumed at 31 December 2024. Housing market activities remained resilient in 2025, with prices expected to grow modestly.

### High-level narrative – potential developments, vulnerabilities and risks

	<b>Outperformance sustained</b> – above trend growth as consumer sentiment recovers	Upside
	<b>Steady growth</b> – staying close to trend pace	Base case
<b>Growth</b>	<b>Stalling</b> – cautious consumer and policy uncertainty weighs on activity	Downside
	<b>Extreme stress</b> – extreme fall in GDP, with policy support to facilitate sharp recovery	Extreme downside
	<b>Sticky</b> – strong growth and/or wage policies keep services inflation above target in medium term	Upside
	<b>Battle won</b> – beyond near-term volatility, services inflation continues to ease, 2% target is met on a sustained basis	Base case
<b>Inflation</b>	<b>Slow</b> – above target inflation in 2026 but swiftly falls to lower levels	Downside
	<b>Close to deflation</b> – inflationary pressures diminish amidst pronounced weakness in demand	Extreme downside
	<b>Recovery</b> – job growth rebounds strongly, reversing much of the recent rise in unemployment rate	Upside
	<b>Cooling continues</b> – gradual loosening continues into 2026, before improving	Base case
<b>Labour market</b>	<b>Job shedding</b> – redundancies, reduced hours, building slack	Downside
	<b>Depression</b> – unemployment hits levels close to previous peaks amid severe stress	Extreme downside
	<b>Limited cuts</b> – higher growth and inflation keep the Monetary Policy Committee cautious	Upside
	<b>Steady</b> – rate cutting cycle largely done, two further rate cuts	Base case
	<b>Supportive</b> – sharp declines to support recovery	Downside
	<b>Sharp drop</b> – drastic easing in policy to support a sharp deterioration in the economy	Extreme downside
<b>Rates short-term</b>	<b>Above consensus</b> – 4%	Upside
	<b>Middle</b> – 3.25%	Base case
<b>Rates long-term</b>	<b>Low</b> – 2.5% and below	Downside/Extreme downside

Credit risk continued

## Economic drivers (audited)

### Main macroeconomic variables

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

Five-year summary	2025					2024				
	Upside	Base case	Downside	Extreme downside	Weighted average	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%	%	%	%	%	%
GDP	2.1	1.4	0.5	0.1	1.2	2.0	1.3	0.5	(0.2)	1.1
Unemployment rate	4.3	5.1	5.6	7.0	5.3	3.6	4.3	5.0	6.7	4.6
House price index	5.7	3.3	0.6	(3.8)	2.6	5.8	3.5	0.8	(4.3)	2.7
Commercial real estate price	6.1	2.2	(0.3)	(5.0)	1.9	5.4	1.2	(1.0)	(5.7)	1.1
Consumer price index	2.6	2.4	2.4	1.8	2.3	2.4	2.2	3.5	1.6	2.4
Bank of England base rate	4.0	3.5	2.6	1.4	3.2	4.4	4.0	3.0	1.6	3.6
Stock price index	6.2	4.8	2.8	1.1	4.3	6.3	5.0	3.4	1.1	4.5
World GDP	3.7	3.1	2.5	2.2	3.0	3.8	3.2	2.5	1.6	3.0
Probability weight	22.4	45.0	19.5	13.1		23.2	45.0	19.1	12.7	

### Climate transition

Since 2023, NatWest Group has assessed the implicit contribution to its base case macroeconomic scenario from changes in UK transition policy, expressed as an additional implicit sectoral carbon price<sup>(3)</sup>. Climate transition policy contribution to the total ECL was immaterial at the end of 2025.

In 2025, NatWest Group individually assessed 50 active and potential UK transition policies that had a significant impact on the cost of emissions – for example, the Emissions Trading Scheme and Renewables Obligation – and converted them into equivalent implicit sectoral carbon prices. The prices were calculated as the cost per tonne of emissions abated by each policy. Using an internally developed model, NatWest Group estimated the impact of sector carbon prices on key macroeconomic variables such as GDP and unemployment. Using this analysis, NatWest Group created two scenarios, the baseline, which incorporates climate transition related impacts, and an alternative scenario, which excludes them.

Comparing ECL under these two scenarios allowed NatWest Group to estimate an aggregate macroeconomic impact of the analysed transition policies and their contribution to ECL.

The current approach does not include physical risks and transition risks, beyond the assessed transition policies. NatWest Group will continue to enhance and develop the approach as reliable data and methodology become available.

### Probability weightings of scenarios

NatWest Group applies a quantitative approach for IFRS 9 multiple economic scenarios by selecting specific discrete scenarios that represent the range of risks in the economic outlook and assigning appropriate probability weights.

The approach involves comparing GDP paths for NatWest Group's scenarios against a set of 1,000 model simulations to determine the percentile in the distribution that aligns most closely with each scenario.

The probability weight for the base case is determined first using judgement, while probability weights for the alternative scenarios are then assigned based on these percentiles scores.

The weights were broadly comparable to those used at 31 December 2024 but with slightly more downside skew. The assigned probability weights were judged to be aligned with the subjective assessment of balance of the risks in the economy. Given the balance of risks that the economies in which NatWest Group operates are exposed to, NatWest Group judges it appropriate that downside-biased scenarios have higher combined probability weights than the upside-biased scenario.

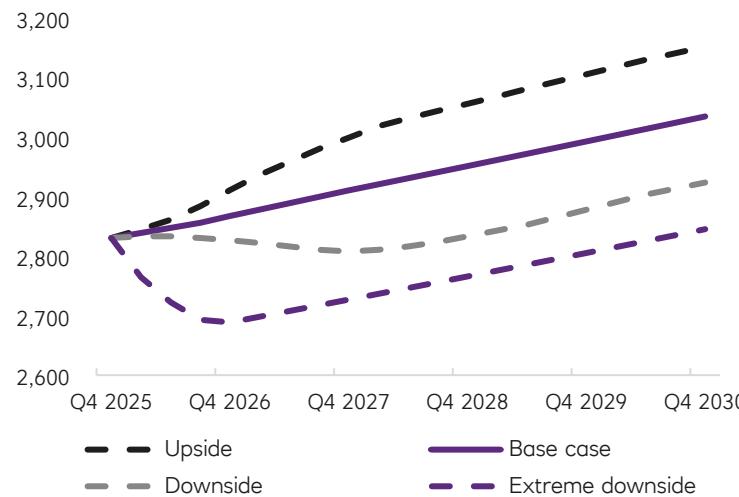
(1) The five-year summary runs from 2025-2029 for 31 December 2025 and from 2024-2028 for 31 December 2024.  
 (2) The table shows compound annual growth rate (CAGR) for GDP, average levels for the unemployment rate and Bank of England base rate and Q4 to Q4 CAGR for other parameters.  
 (3) An implicit carbon price is an additional cost related to greenhouse gas emissions as a result of climate transition policy.

It presents good coverage to the range of outcomes assumed in the scenarios, including the potential for a robust recovery on the upside and exceptionally challenging outcomes on the downside. A 22.4% weighting was applied to the upside scenario, a 45.0% weighting applied to the base case scenario, a 19.5% weighting applied to the downside scenario and a 13.1% weighting applied to the extreme downside scenario.

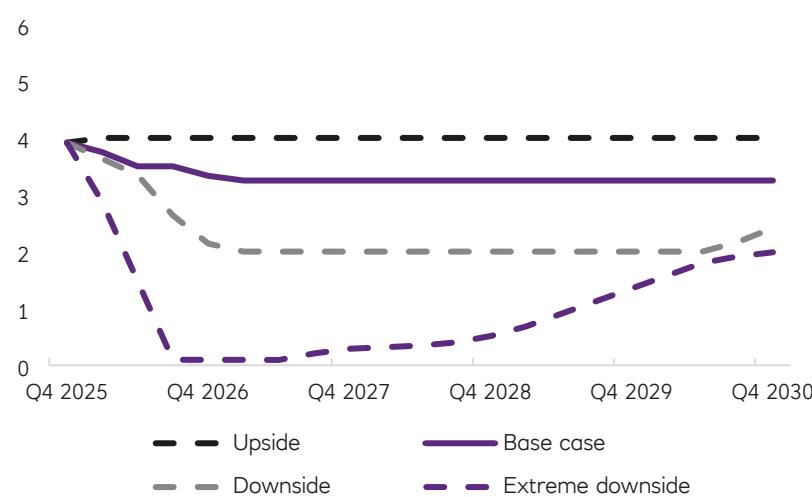
Credit risk continued

## Economic drivers (audited)

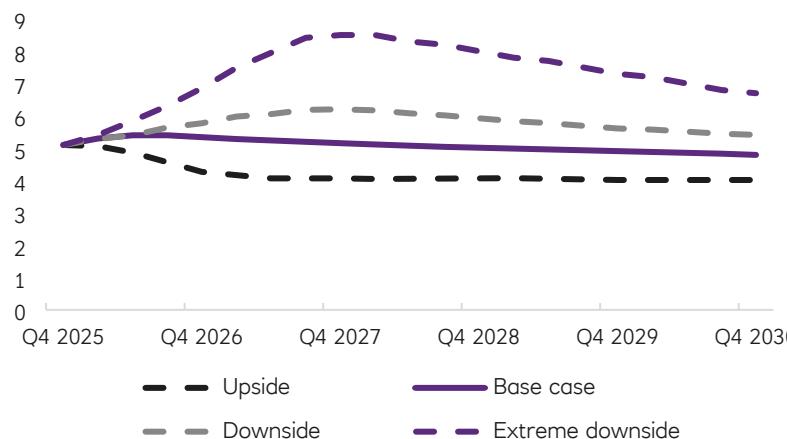
UK gross domestic product (£bn)



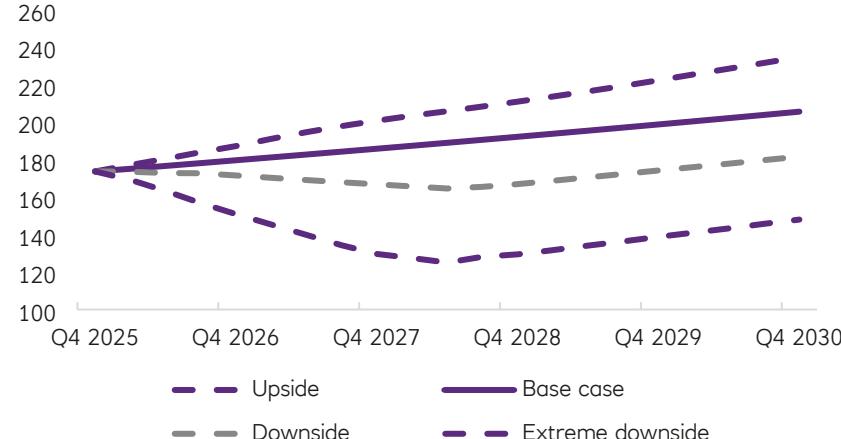
Bank of England base rate (%)



UK unemployment rate (%)



UK house prices (index)



Credit risk continued

## Economic drivers (audited)

Annual figures

GDP - annual growth					
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2025	1.4	1.4	1.4	1.4	1.4
2026	1.9	1.0	0.3	(3.7)	0.5
2027	3.2	1.5	(0.6)	(0.2)	1.3
2028	2.3	1.4	0.2	1.4	1.4
2029	1.6	1.4	1.4	1.4	1.5
2030	1.6	1.4	1.7	1.4	1.5

Consumer price index - four quarter change					
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2025	3.6	3.6	3.6	3.6	3.6
2026	2.7	2.3	2.7	0.6	2.3
2027	2.4	2.0	1.8	1.1	1.9
2028	2.1	2.0	1.7	1.8	1.9
2029	2.0	2.0	2.0	2.0	2.0
2030	2.0	2.0	2.0	2.0	2.0

Unemployment rate - annual average					
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2025	4.8	4.8	4.8	4.8	4.8
2026	4.7	5.4	5.5	6.1	5.3
2027	4.1	5.2	6.1	8.1	5.5
2028	4.1	5.1	6.0	8.3	5.4
2029	4.0	4.9	5.7	7.6	5.2
2030	4.0	4.8	5.5	6.9	5.1

Bank of England base rate - annual average					
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2025	4.24	4.24	4.24	4.24	4.24
2026	4.00	3.52	2.94	1.14	3.20
2027	4.00	3.25	2.00	0.17	2.77
2028	4.00	3.25	2.00	0.39	2.80
2029	4.00	3.25	2.00	1.02	2.88
2030	4.00	3.25	2.15	1.82	3.02

House price index - four quarter change					
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2025	3.0	3.0	3.0	3.0	3.0
2026	7.8	3.4	(1.2)	(13.1)	1.3
2027	7.2	3.4	(2.8)	(14.1)	1.2
2028	5.1	3.4	0.1	(0.2)	2.9
2029	5.4	3.4	4.4	7.2	4.5
2030	5.6	3.4	4.2	6.6	4.4

Stock price index - four quarter change					
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2025	11.1	11.1	11.1	11.1	11.1
2026	8.1	3.3	(16.0)	(52.9)	(6.7)
2027	5.1	3.3	7.2	33.9	6.5
2028	3.5	3.3	7.2	25.3	5.9
2029	3.5	3.3	7.2	20.2	5.7
2030	3.0	3.3	7.2	16.8	5.5

Commercial real estate price - four quarter change					
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
2025	2.6	2.6	2.6	2.6	2.6
2026	14.1	2.9	(6.8)	(24.1)	-
2027	4.4	2.6	(2.5)	(13.0)	0.6
2028	5.5	1.5	2.8	7.0	3.3
2029	4.2	1.6	2.6	6.8	2.9
2030	2.7	1.6	2.5	6.5	2.5

Credit risk continued

## Economic drivers (audited)

Worst points

	2025						2024					
	Downside		Extreme downside		Weighted average		Downside		Extreme downside		Weighted average	
	%	Quarter	%	Quarter	%		%	Quarter	%	Quarter	%	
GDP		- Q4 2027	(3.8)	Q4 2026	-			- Q1 2024	(4.1)	Q4 2025	-	
Unemployment rate - peak		6.2	Q4 2027	8.5	Q4 2027	5.6		5.6	Q4 2026	8.5	Q1 2027	4.9
House price index		(2.4)	Q2 2028	(25.9)	Q2 2028	-		(1.9)	Q2 2027	(25.6)	Q3 2027	-
Commercial real estate price		(7.3)	Q2 2027	(33.3)	Q3 2027	-		(10.5)	Q2 2026	(35.0)	Q3 2026	(1.8)
Consumer price index												
- highest four quarter change		3.8	Q3 2025	3.8	Q3 2025	3.8		6.1	Q1 2026	3.5	Q1 2024	3.5
Bank of England base rate - extreme level		2.0	Q1 2025	0.1	Q1 2025	2.8		2.0	Q1 2024	0.1	Q1 2024	2.9
Stock price index		(6.7)	Q4 2026	(47.7)	Q4 2026	-		(0.2)	Q4 2025	(27.4)	Q4 2025	-

(1) The figures show falls relative to the starting period for GDP, house price index, commercial real estate price and stock price index. For unemployment rate, it shows highest value through the scenario horizon. For consumer price index, it shows highest annual percentage change. For Bank of England base rate, it shows highest or lowest value through the horizon. The calculations are performed over five years, with a starting point of Q4 2024 for 31 December 2025 scenarios and Q4 2023 for 31 December 2024 scenarios.

## Credit risk continued

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

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

#### SICR

Defaulted exposures are classified in Stage 3 and subject to lifetime ECL measurement. Remaining exposures are assessed for SICR since initial recognition. Where exposures are identified with SICR, they are classified in Stage 2 and assessed using a lifetime ECL measurement. Exposures not considered deteriorated are assessed with a 12-month ECL. NatWest Group applies a framework to identify deterioration, primarily based on changes in lifetime PD, supported by additional qualitative high-risk backstops.

- IFRS 9 lifetime PD assessment (the primary driver) – relies on measuring the relative deterioration in forward-looking lifetime PD and is assessed monthly. SICR is determined by comparing the residual lifetime PD at the balance sheet date with the lifetime PD at the date of initial recognition (DOIR). If the current lifetime PD exceeds the origination PD by more than a defined threshold, SICR is assumed to have occurred and the exposure moved into Stage 2 for a lifetime ECL assessment. For Non-Personal, a doubling of PD would indicate a SICR, subject to a minimum PD uplift of 0.1%. For Personal portfolios and small and medium-sized enterprise retail, the criteria vary by risk band, as detailed in the following table:

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

- Qualitative high-risk backstop assessment – supplements the PD assessment to evaluate whether significant deterioration in lifetime risk of default occurred. This included the mandatory 30+ days past due backstop, as prescribed by IFRS 9 guidance, as well as other elements such as forbearance support, Non-Personal exposures managed within the Wholesale Problem Debt Management framework, and adverse credit bureau results for Personal customers.
- Persistence (Personal and small and medium-sized enterprise retail customers only) – the persistence rule ensures that accounts which have met the criteria for PD driven deterioration are still considered to be significantly deteriorated for three months thereafter. This additional rule enhances the timeliness of capture into Stage 2. The persistence rule is applied to PD driven deterioration only.

#### Lifetime

The definitions of initial recognition and asset lifetime are important considerations when determining the amount of lifetime losses to be applied.

- Initial recognition refers to the date that a transaction (or account) is first recognised on the balance sheet, with the PD at that point serving as the basis for subsequent determination of SICR, as detailed above.
- For asset lifetime, the approach is aligned with IFRS 9 requirements:
  - Term lending – the contractual maturity date is used and adjusted for behavioural trends where applicable, such as expected prepayment and amortisation.
  - Revolving facilities – for Personal portfolios (excluding credit cards), asset duration is determined by behavioural life, which was typically greater than contractual life. For the Non-Personal portfolios, asset duration is based on annual customer review schedules.

#### Governance

The IFRS 9 PD, EAD and LGD models are subject to NatWest Group's model risk policy, which stipulates periodic model monitoring and, re-validation and defines approval procedures and authorities according to model materiality. Post model adjustments are applied where management deemed them necessary to ensure an adequate level of overall ECL provision. All post model adjustments undergo review, challenge and approval by the relevant model or provisioning committees.

Post model adjustments will remain a key focus area of NatWest Group's ongoing ECL adequacy assessment process. A comprehensive framework has been established that incorporates analysis of diverse economic data, external benchmarks and portfolio performance trends with a particular focus on segments (across both Personal and Non-Personal portfolios) that may be more susceptible to specific risk factors.

### Measurement uncertainty and ECL sensitivity analysis (audited)

The recognition and measurement of ECL is complex and requires significant judgement and estimation, especially during times of economic volatility and uncertainty. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objectives of IFRS 9. The ECL provision is sensitive to the model inputs and economic assumptions used in the estimation.

Simulations were conducted to assess the impact of various economic scenarios, including base case, upside, downside and extreme downside scenarios. The potential ECL impacts reflected the simulated impact as at 31 December 2025. In the simulations, NatWest Group assumed that the economic macro variables associated with each scenario would replace the existing base case economic assumptions, giving them a 100%

probability weighting and therefore serving as a single economic scenario. These scenarios were applied to all modelled portfolios in the table, with the simulation affecting both PDs and LGDs. Post model adjustments included in the ECL estimates were adjusted in line with the modelled ECL movements. However, adjustments that were judgemental in nature, such as those for deferred model calibrations and economic uncertainty, were not automatically recalculated. Instead, they will be re-evaluated by management through ECL governance for any new economic scenario outlook.

As expected, the scenarios created varying impacts on ECL by portfolio, and these impacts were deemed reasonable. The simulations assumed that existing modelled relationships between key economic variables and drivers would hold. However, in practice, other factors such as potential changes in customer behaviour and policy changes could also impact the wider availability of credit.

The focus of the simulations was on ECL provisioning requirements for performing exposures in Stage 1 and Stage 2. The simulations were run on a stand-alone basis and were independent of each other. Scenario impacts on SICR were considered when evaluating the ECL movements of Stage 1 and Stage 2. In all scenarios, the total exposure remained the same, but exposure by stage varied.

Stage 3 provisions are not subject to the same level of measurement uncertainty, as default is an observed event as at the balance sheet date and defaulted LGD is typically more impacted by borrower specific factors rather than economics. Therefore, Stage 3 provisions were not considered in this analysis. NatWest Group's core criterion for identifying a SICR is based on PD deterioration. Under the simulations, changes in PDs resulted in exposures moving between Stage 1 and Stage 2, contributing to the ECL impact.

Credit risk continued

## Measurement uncertainty and ECL sensitivity analysis (audited)

2025	Actual	Base scenario	Moderate	Moderate	Extreme
			upside scenario	downside scenario	downside scenario
<b>Stage 1 modelled loans (£m)</b>					
Retail Banking - mortgages	<b>181,869</b>	<b>182,357</b>	<b>183,665</b>	<b>181,119</b>	<b>176,988</b>
Retail Banking - unsecured	12,761	12,858	13,232	12,601	11,683
Non-Personal - property	31,809	31,924	31,995	31,764	23,027
Non-Personal - non-property	141,924	142,660	142,972	141,841	118,828
	<b>368,363</b>	<b>369,799</b>	<b>371,864</b>	<b>367,325</b>	<b>330,526</b>
<b>Stage 1 modelled ECL (£m)</b>					
Retail Banking - mortgages	42	42	41	42	43
Retail Banking - unsecured	293	300	288	291	278
Non-Personal - property	66	46	38	71	148
Non-Personal - non-property	189	156	144	202	353
	<b>590</b>	<b>544</b>	<b>511</b>	<b>606</b>	<b>822</b>
<b>Stage 1 coverage (%)</b>					
Retail Banking - mortgages	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>
Retail Banking - unsecured	<b>2.30%</b>	<b>2.33%</b>	<b>2.18%</b>	<b>2.31%</b>	<b>2.38%</b>
Non-Personal - property	<b>0.21%</b>	<b>0.14%</b>	<b>0.12%</b>	<b>0.22%</b>	<b>0.64%</b>
Non-Personal - non-property	<b>0.13%</b>	<b>0.11%</b>	<b>0.10%</b>	<b>0.14%</b>	<b>0.30%</b>
	<b>0.16%</b>	<b>0.15%</b>	<b>0.14%</b>	<b>0.16%</b>	<b>0.25%</b>
<b>Stage 2 modelled loans (£m)</b>					
Retail Banking - mortgages	<b>15,821</b>	<b>15,333</b>	<b>14,025</b>	<b>16,571</b>	<b>20,702</b>
Retail Banking - unsecured	3,621	3,524	3,150	3,781	4,699
Non-Personal - property	3,072	2,957	2,886	3,117	11,854
Non-Personal - non-property	15,721	14,985	14,673	15,804	38,817
	<b>38,235</b>	<b>36,799</b>	<b>34,734</b>	<b>39,273</b>	<b>76,072</b>
<b>Stage 2 modelled ECL (£m)</b>					
Retail Banking - mortgages	36	33	29	38	55
Retail Banking - unsecured	388	378	326	408	516
Non-Personal - property	55	47	42	59	351
Non-Personal - non-property	305	263	242	317	880
	<b>784</b>	<b>721</b>	<b>639</b>	<b>822</b>	<b>1,802</b>
<b>Stage 2 coverage (%)</b>					
Retail Banking - mortgages	<b>0.23%</b>	<b>0.22%</b>	<b>0.21%</b>	<b>0.23%</b>	<b>0.27%</b>
Retail Banking - unsecured	<b>10.72%</b>	<b>10.73%</b>	<b>10.35%</b>	<b>10.79%</b>	<b>10.98%</b>
Non-Personal - property	<b>1.79%</b>	<b>1.59%</b>	<b>1.46%</b>	<b>1.89%</b>	<b>2.96%</b>
Non-Personal - non-property	<b>1.94%</b>	<b>1.76%</b>	<b>1.65%</b>	<b>2.01%</b>	<b>2.27%</b>
	<b>2.05%</b>	<b>1.96%</b>	<b>1.84%</b>	<b>2.09%</b>	<b>2.37%</b>

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

Credit risk continued

## Measurement uncertainty and ECL sensitivity analysis (audited)

2025	Actual	Base scenario	Moderate	Moderate	Extreme
			upside scenario	downside scenario	downside scenario
Stage 1 and Stage 2 modelled loans (£m)					
Retail Banking - mortgages	197,690	197,690	197,690	197,690	197,690
Retail Banking - unsecured	16,382	16,382	16,382	16,382	16,382
Non-Personal - property	34,881	34,881	34,881	34,881	34,881
Non-Personal - non-property	157,645	157,645	157,645	157,645	157,645
	406,598	406,598	406,598	406,598	406,598
Stage 1 and Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	78	75	70	80	98
Retail Banking - unsecured	681	678	614	699	794
Non-Personal - property	121	93	80	130	499
Non-Personal - non-property	494	419	386	519	1,233
	1,374	1,265	1,150	1,428	2,624
Stage 1 and Stage 2 coverage (%)					
Retail Banking - mortgages	0.04%	0.04%	0.04%	0.04%	0.05%
Retail Banking - unsecured	4.16%	4.14%	3.75%	4.27%	4.85%
Non-Personal - property	0.35%	0.27%	0.23%	0.37%	1.43%
Non-Personal - non-property	0.31%	0.27%	0.24%	0.33%	0.78%
	0.34%	0.31%	0.28%	0.35%	0.65%
Reconciliation to Stage 1 and Stage 2 ECL (£m)					
ECL on modelled exposures	1,374	1,265	1,150	1,428	2,624
ECL on non-modelled exposures	36	36	36	36	36
Total Stage 1 and Stage 2 ECL (£m)	1,410	1,301	1,186	1,464	2,660
Variance to actual total Stage 1 and Stage 2 ECL (£m)	-	(109)	(224)	54	1,250
Reconciliation to Stage 1 and Stage 2 flow exposures (£m)					
Modelled loans	406,598	406,598	406,598	406,598	406,598
Non-modelled loans	19,264	19,264	19,264	19,264	19,264
Other asset classes	160,130	160,130	160,130	160,130	160,130

(1) Reflects ECL for all modelled exposure in scope for IFRS 9. The analysis excludes non-modelled portfolios and exposure relating to bonds and cash.

(2) All simulations are run on a stand-alone basis and are independent of each other, with the potential ECL impact reflecting the simulated impact as at 31 December 2025. The simulations change the composition of Stage 1 and Stage 2 exposure but total exposure was unchanged under each scenario as the loan population was static.

(3) Refer to the Economic drivers section for details of economic scenarios.

(4) Refer to the NatWest Group 2024 Annual Report and Accounts for 2024 comparatives.

- If the economics were as negative as observed in the extreme downside (i.e. 100% probability weighting), total Stage 1 and Stage 2 ECL was simulated to increase by £1.3 billion (approximately 90%). In this scenario, Stage 2 exposure increased significantly and was the key driver of the simulated ECL rise. The movement in Stage 2 balances in the other simulations was less significant.
- In the Non-Personal portfolio, there was a significant increase in ECL under the extreme downside scenario on non-property portfolios, driven by a significant deterioration in the stock index.
- Given the continued economic uncertainty, NatWest Group utilised a framework of quantitative and qualitative measures to support the levels of ECL coverage. This included economic data, credit performance insights and problem debt trends. This was particularly important for consideration of post model adjustments.

Credit risk continued

## ECL post model adjustments (audited)

The table below shows ECL post model adjustments.

	Private Banking					Total
	Retail Banking	& Wealth Management	Commercial & Institutional			
	Mortgages	Other	£m	£m	£m	
<b>2025</b>						
Deferred model calibrations	-	-	1	14	15	
Economic uncertainty	44	42	11	149	246	
Other adjustments	-	19	-	16	35	
<b>Total</b>	<b>44</b>	<b>61</b>	<b>12</b>	<b>179</b>	<b>296</b>	
Of which:						
- Stage 1	33	38	4	73	148	
- Stage 2	11	20	8	106	145	
- Stage 3	-	3	-	-	3	
<b>2024</b>						
Deferred model calibrations	-	-	1	18	19	
Economic uncertainty	90	22	8	179	299	
Other adjustments	-	-	-	18	18	
<b>Total</b>	<b>90</b>	<b>22</b>	<b>9</b>	<b>215</b>	<b>336</b>	
Of which:						
- Stage 1	58	9	5	94	166	
- Stage 2	26	13	4	119	162	
- Stage 3	6	-	-	2	8	

Post model adjustments reduced since 31 December 2024, reflecting the removal of COVID-19 post model adjustments combined with updates to parameters.

- **Retail Banking** – As at 31 December 2025, the post model adjustment for economic uncertainty decreased to £86 million (2024 – £112 million). This reduction was driven by a revision to the cost of living post model adjustment, standing at £86 million (2024 – £105 million), and was the sole remaining economic uncertainty post model adjustment. This change was based on a review of back-testing. Despite ongoing economic and geopolitical uncertainty, the Retail Banking portfolios demonstrated resilience, supported by a robust risk appetite. The cost of living post model adjustment continued to address the risk in segments of the Retail Banking portfolio that were more susceptible to affordability challenges. It focused on key affordability factors, including over-indebted borrowers, poor credit card affordability status and lower income customers in fuel poverty.
- A £19 million post model adjustment was recognised as a judgemental measure while additional loss data is accumulated on the recently migrated Sainsbury's Bank lending portfolio.
- **Commercial & Institutional** – As at 31 December 2025, the post model adjustment for economic uncertainty decreased to £149 million (2024 – £179 million). The reduction was driven by the retirement of COVID-19 post model adjustments which were associated with government scheme lending (2024 – £29 million). The continued economic uncertainty post model adjustments reflected downgrades to risk profile that were applied to the sectors that were considered most at risk from the current economic and geopolitical headwinds.
- The remaining £30 million (2024 – £36 million) of post model adjustments were for deferred model calibrations relating to refinance risk and to mitigate the effect of operational timing delays in the identification and flagging of a significant increase in credit risk.

# Credit risk – Banking activities

## Introduction

This section details the credit risk profile of NatWest Group's banking activities. Refer to Accounting policy 2.3 and Note 14 to the consolidated financial statements for policies and critical judgements relating to impairment loss determination.

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

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

	31 December 2025			31 December 2024		
	Gross £bn	ECL £bn	Net £bn	Gross £bn	ECL £bn	Net £bn
Balance sheet total gross amortised cost and FVOCI	<b>593.9</b>			567.2		
In scope of IFRS 9 ECL framework	<b>592.4</b>			564.4		
% in scope	<b>100%</b>			100%		
Loans to customers - in scope - amortised cost	<b>422.9</b>	<b>3.6</b>	<b>419.3</b>	404.2	3.4	400.8
Loans to customers - in scope - FVOCI	<b>0.2</b>	-	<b>0.2</b>	-	-	-
Loans to banks - in scope - amortised cost	<b>6.8</b>	-	<b>6.8</b>	6.0	-	6.0
<b>Total loans - in scope</b>	<b>429.9</b>	<b>3.6</b>	<b>426.3</b>	410.2	3.4	406.8
Stage 1	<b>386.6</b>	<b>0.6</b>	<b>386.0</b>	363.8	0.6	363.2
Stage 2	<b>38.6</b>	<b>0.8</b>	<b>37.8</b>	40.5	0.8	39.7
Stage 3	<b>4.7</b>	<b>2.2</b>	<b>2.5</b>	5.9	2.0	3.9
Other financial assets - in scope - amortised cost	<b>120.7</b>	-	<b>120.7</b>	116.4	-	116.4
Other financial assets - in scope - FVOCI	<b>41.8</b>	-	<b>41.8</b>	37.8	-	37.8
<b>Total other financial assets - in scope</b>	<b>162.5</b>	-	<b>162.5</b>	154.2	-	154.2
Stage 1	<b>161.5</b>	-	<b>161.5</b>	153.4	-	153.4
Stage 2	<b>1.0</b>	-	<b>1.0</b>	0.8	-	0.8
Out of scope of IFRS 9 ECL framework	<b>1.5</b>	na	<b>1.5</b>	2.8	na	2.8
Loans to customers - out of scope - amortised cost	<b>(0.6)</b>	na	<b>(0.6)</b>	(0.5)	na	(0.5)
Loans to banks - out of scope - amortised cost	<b>0.2</b>	na	<b>0.2</b>	0.1	na	0.1
Other financial assets - out of scope - amortised cost	<b>1.7</b>	na	<b>1.7</b>	3.2	na	3.2
Other financial assets - out of scope - FVOCI	<b>0.2</b>	na	<b>0.2</b>	-	na	-

na = not applicable

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

- Settlement balances, items in the course of collection, cash balances and other non-credit risk assets of £1.8 billion (2024 – £3.3 billion). These were assessed as having no ECL unless there was evidence that they were defaulted.
- Equity shares of £0.1 billion (2024 – £0.2 billion) as not within the IFRS 9 ECL framework by definition.
- Fair value adjustments on loans hedged by interest rate swaps, where the underlying loan was within the IFRS 9 ECL scope of £(0.3) billion (2024 – £(0.5) billion).

## Contingent liabilities and commitments

Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope of £147.2 billion (2024 – £140.0 billion) comprised Stage 1 £135.8 billion (2024 – £129.8 billion); Stage 2 £10.8 billion (2024 – £9.4 billion); and Stage 3 £0.6 billion (2024 – £0.8 billion). The ECL relating to off-balance sheet exposures was £0.1 billion (2024 – £0.1 billion). The total ECL in the remainder of the Credit risk section of £3.6 billion (2024 – £3.4 billion) included ECL for both on and off-balance sheet exposures.

Credit risk – Banking activities continued

## Segment analysis – portfolio summary (audited)

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

2025											Of which:													
	Personal						Non-Personal																	
	Retail Banking		Private Banking & Wealth Management		Commercial & Institutional		Central items & other		Total £m	Retail Banking		Private Banking & Wealth Management		Commercial & Institutional		Central items & other £m	Retail Banking		Private Banking & Wealth Management		Commercial & Institutional		Central items & other £m	
<b>Loans – amortised cost and FVOCI (1,2)</b>																								
Stage 1	196,325	17,552	138,769	34,005	386,651	196,325	14,140	2,355	84	3,412	136,414	33,921												
Stage 2	19,113	1,115	18,289	65	38,582	19,113	337	32	18	778	18,257	47												
Stage 3	2,231	348	2,102	2	4,683	2,231	260	44	2	88	2,058	-												
Of which: individual	-	276	1,180	-	1,456	-	188	5	-	88	1,175	-												
Of which: collective	2,231	72	922	2	3,227	2,231	72	39	2	-	-	883	-											
Total	217,669	19,015	159,160	34,072	429,916	217,669	14,737	2,431	104	4,278	156,729	33,968												
<b>ECL provisions (3)</b>																								
Stage 1	335	13	256	10	614	335	3	1	3	10	255	7												
Stage 2	424	13	357	2	796	424	1	-	1	12	357	1												
Stage 3	1,075	50	1,048	2	2,175	1,075	24	11	2	26	1,037	-												
Of which: individual	-	50	548	-	598	-	24	5	-	26	543	-												
Of which: collective	1,075	-	500	2	1,577	1,075	-	6	2	-	494	-												
Total	1,834	76	1,661	14	3,585	1,834	28	12	6	48	1,649	8												
<b>ECL provisions coverage (4)</b>																								
Stage 1 (%)	0.17	0.07	0.18	0.03	0.16	0.17	0.02	0.04	3.57	0.29	0.19	0.02												
Stage 2 (%)	2.22	1.17	1.95	3.08	2.06	2.22	0.30	-	5.56	1.54	1.96	2.13												
Stage 3 (%)	48.18	14.37	49.86	100.00	46.44	48.18	9.23	25.00	100.00	29.55	50.39	-												
Total	0.84	0.40	1.04	0.04	0.83	0.84	0.19	0.49	5.77	1.12	1.05	0.02												
<b>Impairment (releases)/losses</b>																								
ECL (release)/charge (5)	437	10	225	(1)	671	437	5	1	7	5	224	(8)												
Stage 1	(67)	(9)	(124)	(4)	(204)	(67)	(1)	(1)	4	(8)	(123)	(8)												
Stage 2	295	9	116	1	421	295	2	1	1	7	115	-												
Stage 3	209	10	233	2	454	209	4	1	2	6	232	-												
Of which: individual	-	10	178	-	188	-	4	-	-	6	178	-												
Of which: collective	209	-	55	2	266	209	-	1	2	-	54	-												
Total	437	10	225	(1)	671	437	5	1	7	5	224	(8)												
Amounts written-off	373	1	205	-	579	373	1	6	-	-	199	-												
Of which: individual	-	1	136	-	137	-	1	-	-	-	136	-												
Of which: collective	373	-	69	-	442	373	-	6	-	-	63	-												

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

Credit risk – Banking activities continued

## Segment analysis – portfolio summary (audited)

	2024	Of which:												
		Personal					Non-Personal							
		Retail Banking	Private Banking & Wealth Management	Commercial & Institutional	Central items & other	Total	Retail Banking	Private Banking & Wealth Management	Commercial & Institutional	Central items & other	Total	Retail Banking	Private Banking & Wealth Management	Commercial & Institutional
<b>Loans - amortised cost and FVOCI (1,2)</b>														
Stage 1	182,366	17,155	128,988	35,312	363,821	182,366	13,726	2,226	-	3,429	126,762	35,312		
Stage 2	24,242	844	15,339	49	40,474	24,242	352	42	-	492	15,297	49		
Stage 3	3,268	322	2,340	-	5,930	3,268	251	52	-	71	2,288	-		
Of which: individual	-	233	1,052	-	1,285	-	162	5	-	71	1,047	-		
Of which: collective	3,268	89	1,288	-	4,645	3,268	89	47	-	-	1,241	-		
Total	209,876	18,321	146,667	35,361	410,225	209,876	14,329	2,320	-	3,992	144,347	35,361		
<b>ECL provisions (3)</b>														
Stage 1	279	16	289	14	598	279	2	3	-	14	286	14		
Stage 2	428	12	346	1	787	428	1	-	-	11	346	1		
Stage 3	1,063	36	941	-	2,040	1,063	21	15	-	15	926	-		
Of which: individual	-	36	415	-	451	-	21	7	-	15	408	-		
Of which: collective	1,063	-	526	-	1,589	1,063	-	8	-	-	518	-		
Total	1,770	64	1,576	15	3,425	1,770	24	18	-	40	1,558	15		
<b>ECL provisions coverage (4)</b>														
Stage 1 (%)	0.15	0.09	0.22	0.04	0.16	0.15	0.01	0.13	-	0.41	0.23	0.04		
Stage 2 (%)	1.77	1.42	2.26	2.04	1.94	1.77	0.28	-	-	2.24	2.26	2.04		
Stage 3 (%)	32.53	11.18	40.21	-	34.40	32.53	8.37	28.85	-	21.13	40.47	-		
Total	0.84	0.35	1.07	0.04	0.83	0.84	0.17	0.78	-	1.00	1.08	0.04		
<b>Impairment (releases)/losses</b>														
ECL (release)/charge (5)	282	(11)	98	(10)	359	282	1	1	-	(12)	97	(10)		
Stage 1	(208)	(11)	(205)	(14)	(438)	(208)	(2)	(1)	-	(9)	(204)	(14)		
Stage 2	278	(1)	79	4	360	278	2	1	-	(3)	78	4		
Stage 3	212	1	224	-	437	212	1	1	-	-	223	-		
Of which: individual	-	1	191	-	192	-	1	(1)	-	-	192	-		
Of which: collective	212	-	33	-	245	212	-	2	-	-	31	-		
Total	282	(11)	98	(10)	359	282	1	1	-	(12)	97	(10)		
Amounts written-off	430	1	223	-	654	430	1	2	-	-	221	-		
Of which: individual	-	1	143	-	144	-	1	-	-	-	143	-		
Of which: collective	430	-	80	-	510	430	-	2	-	-	78	-		

(1) The table shows gross loans only and excludes amounts that were outside the scope of the ECL framework. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £84.1 billion (2024 – £91.8 billion) and debt securities of £78.4 billion (2024 – £62.4 billion).

(2) Includes loans to customers and banks.

(3) Includes £6 million (2024 – £4 million) related to assets classified as FVOCI and £0.1 billion (2024 – £0.1 billion) related to off-balance sheet exposures.

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

(5) Includes a £6 million release (2024 - £12 million release) related to other financial assets, of which £1 million charge (2024 - £4 million release) related to assets classified as FVOCI and includes a £3 million charge (2024 - £5 million release) related to contingent liabilities.

Credit risk – Banking activities continued

## Segmental loans and impairment metrics (audited)

- **Retail Banking** – Balance sheet growth during the year was mainly due to mortgages. Within the Unsecured portfolios, alongside organic growth in the credit cards and personal loans portfolios, the acquisition of the Sainsbury's Bank portfolios further contributed to the balance sheet growth. Asset quality was maintained during the year, reflecting ongoing customer resilience and robust risk appetite. Alongside steady portfolio performance, good book and total ECL coverage for Retail Banking remained broadly consistent with 31 December 2024. Underlying ECL coverage increased due to growth in unsecured lending, including the acquisition of the Sainsbury's Bank portfolio earlier in 2025, but this was offset by balance sheet management actions, including a mortgage securitisation transaction and unsecured debt sales. The proportion of Stage 3 loans declined over the year, mainly as a result of the balance sheet management actions described above, notably the mortgage securitisation, which reduced Stage 3 loans by £0.8 billion. Furthermore, there was an enhancement to the mortgage definition of default systems and process, resulting in approximately £0.4 billion of loans migrating from Stage 3 back to the good book. While default performance was broadly stable overall, unsecured flows into Stage 3 increased year-on-year, driven by strategic growth and seasoning of credit card balances since 2022.

- **Commercial & Institutional** – Balance sheet growth in the year was primarily in corporates and institutions and was reflected in Stage 1. Despite the increase in performing book exposures, performing book provisions decreased, driven by reductions in post model adjustments for economic uncertainty. Total provision balance growth primarily reflected the impact of a small number of individual charges in Stage 3. Despite the increase in Stage 3 ECL, loan balances flowing into Stage 3 were lower than the prior year. The combination of increased Stage 3 charges combined with lower inflows into Stage 3 drove the increase in Stage 3 ECL provisions coverage. Total book coverage remained broadly similar year-on-year, as the increase in Stage 3 ECL provisions coverage was more than offset by reductions in performing book coverage. The full year 2025 total charge was higher compared to 2024, primarily as the good book release in 2025 was notably lower than the release in 2024. The lower release in 2025 reflected lower reductions in post model adjustments compared to 2024.



Credit risk – Banking activities continued

## Sector analysis – portfolio summary (audited)

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

2025	Personal				Non-Personal				Total £m
	Mortgages (1) £m	Credit cards £m	Other personal £m	Total £m	Corporate and other £m	Financial institutions £m	Sovereign £m	Total £m	
<b>Loans by geography</b>	<b>215,229</b>	<b>8,311</b>	<b>11,401</b>	<b>234,941</b>	<b>118,229</b>	<b>74,456</b>	<b>2,290</b>	<b>194,975</b>	<b>429,916</b>
- UK	215,220	8,311	11,401	234,932	101,441	45,700	1,477	148,618	383,550
- Other Europe	9	-	-	9	7,010	14,059	351	21,420	21,429
- RoW	-	-	-	-	9,778	14,697	462	24,937	24,937
<b>Loans by stage</b>	<b>215,229</b>	<b>8,311</b>	<b>11,401</b>	<b>234,941</b>	<b>118,229</b>	<b>74,456</b>	<b>2,290</b>	<b>194,975</b>	<b>429,916</b>
- Stage 1	197,939	5,988	8,977	212,904	97,779	73,959	2,009	173,747	386,651
- Stage 2	15,951	2,081	1,468	19,500	18,460	356	266	19,082	38,582
- Stage 3	1,339	242	956	2,537	1,990	141	15	2,146	4,683
- Of which: individual	167	1	25	193	1,112	136	15	1,263	1,456
- Of which: collective	1,172	241	931	2,344	878	5	-	883	3,227
<b>Loans - past due analysis</b>	<b>215,229</b>	<b>8,311</b>	<b>11,401</b>	<b>234,941</b>	<b>118,229</b>	<b>74,456</b>	<b>2,290</b>	<b>194,975</b>	<b>429,916</b>
- Not past due	212,492	7,993	10,388	230,873	114,895	74,257	2,275	191,427	422,300
- Past due 1-30 days	1,510	71	92	1,673	2,261	137	-	2,398	4,071
- Past due 31-90 days	469	86	130	685	274	8	-	282	967
- Past due 91-180 days	275	62	104	441	110	6	-	116	557
- Past due >180 days	483	99	687	1,269	689	48	15	752	2,021
<b>Loans - Stage 2</b>	<b>15,951</b>	<b>2,081</b>	<b>1,468</b>	<b>19,500</b>	<b>18,460</b>	<b>356</b>	<b>266</b>	<b>19,082</b>	<b>38,582</b>
- Not past due	14,521	1,979	1,335	17,835	17,605	343	266	18,214	36,049
- Past due 1-30 days	1,138	41	48	1,227	610	5	-	615	1,842
- Past due 31-90 days	292	61	85	438	245	8	-	253	691
<b>Weighted average life (2)</b>									
- ECL measurement (years)	9	4	6	5	7	4	nm	6	6
<b>Weighted average 12 months PDs (2)</b>									
- IFRS 9 (%)	0.46	3.68	5.05	0.77	1.18	0.14	5.40	0.83	0.80
- Basel (%)	0.62	3.91	3.52	0.85	1.04	0.15	5.40	0.75	0.80
<b>ECL provisions by geography</b>	<b>272</b>	<b>520</b>	<b>1,088</b>	<b>1,880</b>	<b>1,532</b>	<b>155</b>	<b>18</b>	<b>1,705</b>	<b>3,585</b>
- UK	270	520	1,088	1,878	1,367	103	5	1,475	3,353
- Other Europe	2	-	-	2	104	10	1	115	117
- RoW	-	-	-	-	61	42	12	115	115

For the notes to this table refer to page 207.

Credit risk – Banking activities continued

## Sector analysis – portfolio summary (audited)

2025	Personal				Non-Personal					Total £m
	Mortgages (1) £m	Credit cards £m	Other personal £m	Total £m	Corporate and other (2) £m	Financial institutions £m	Sovereign £m	Total £m		
<b>ECL provisions by stage</b>	<b>272</b>	<b>520</b>	<b>1,088</b>	<b>1,880</b>	<b>1,532</b>	<b>155</b>	<b>18</b>	<b>1,705</b>	<b>3,585</b>	
- Stage 1	45	125	172	342	228	37	7	272	614	
- Stage 2	36	205	185	426	360	5	5	370	796	
- Stage 3	191	190	731	1,112	944	113	6	1,063	2,175	
- Of which: individual	16	1	12	29	453	110	6	569	598	
- Of which: collective	175	189	719	1,083	491	3	-	494	1,577	
<b>ECL provisions coverage (%)</b>	<b>0.13</b>	<b>6.26</b>	<b>9.54</b>	<b>0.80</b>	<b>1.30</b>	<b>0.21</b>	<b>0.79</b>	<b>0.87</b>	<b>0.83</b>	
- Stage 1 (%)	0.02	2.09	1.92	0.16	0.23	0.05	0.35	0.16	0.16	
- Stage 2 (%)	0.23	9.85	12.60	2.18	1.95	1.40	1.88	1.94	2.06	
- Stage 3 (%)	14.26	78.51	76.46	43.83	47.44	80.14	40.00	49.53	46.44	
<b>ECL (release)/charge</b>	<b>(142)</b>	<b>263</b>	<b>329</b>	<b>450</b>	<b>168</b>	<b>56</b>	<b>(3)</b>	<b>221</b>	<b>671</b>	
- UK	(144)	263	329	448	148	60	(6)	202	650	
- Other Europe	2	-	-	2	18	1	-	19	21	
- RoW	-	-	-	-	2	(5)	3	-	-	
Amounts written-off	92	118	170	380	199	-	-	199	579	
<b>Loans by residual maturity</b>	<b>215,229</b>	<b>8,311</b>	<b>11,401</b>	<b>234,941</b>	<b>118,229</b>	<b>74,456</b>	<b>2,290</b>	<b>194,975</b>	<b>429,916</b>	
- ≤1 year	2,764	1,856	2,736	7,356	33,768	52,130	1,765	87,663	95,019	
- >1 and ≤5 year	8,332	6,452	6,898	21,682	51,723	18,262	77	70,062	91,744	
- > 5 and ≤ 15 year	42,759	3	1,772	44,534	24,136	4,016	290	28,442	72,976	
- > 15 year	161,374	-	(5)	161,369	8,602	48	158	8,808	170,177	
<b>Other financial assets by asset quality (3)</b>	-	-	-	-	4,513	28,490	129,532	162,535	162,535	
- AQ1-AQ4	-	-	-	-	4,506	28,301	129,532	162,339	162,339	
- AQ5-AQ8	-	-	-	-	7	189	-	196	196	
<b>Off-balance sheet</b>	<b>14,799</b>	<b>22,696</b>	<b>7,550</b>	<b>45,045</b>	<b>78,604</b>	<b>23,031</b>	<b>501</b>	<b>102,136</b>	<b>147,181</b>	
- Loan commitments	14,799	22,696	7,514	45,009	75,723	21,555	501	97,779	142,788	
- Contingent liabilities	-	-	36	36	2,881	1,476	-	4,357	4,393	
<b>Off-balance sheet by asset quality (3)</b>	<b>14,799</b>	<b>22,696</b>	<b>7,550</b>	<b>45,045</b>	<b>78,604</b>	<b>23,031</b>	<b>501</b>	<b>102,136</b>	<b>147,181</b>	
- AQ1-AQ4	13,926	415	6,140	20,481	50,709	21,030	114	71,853	92,334	
- AQ5-AQ8	859	22,205	1,283	24,347	27,525	1,924	12	29,461	53,808	
- AQ9	4	11	12	27	61	-	375	436	463	
- AQ10	10	65	115	190	309	77	-	386	576	

For the notes to this table refer to page 207.



Credit risk – Banking activities continued

## Sector analysis – portfolio summary (audited)

2024	Personal				Non-Personal				Total
	Mortgages (1) £m	Credit cards £m	Other personal £m	Total £m	Corporate and other £m	Financial institutions £m	Sovereign £m	Total £m	
<b>Loans by geography</b>	209,846	6,930	9,749	226,525	111,734	70,321	1,645	183,700	410,225
- UK	209,846	6,930	9,749	226,525	97,409	43,412	562	141,383	367,908
- Other Europe	-	-	-	-	6,311	14,747	766	21,824	21,824
- RoW	-	-	-	-	8,014	12,162	317	20,493	20,493
<b>Loans by stage</b>	209,846	6,930	9,749	226,525	111,734	70,321	1,645	183,700	410,225
- Stage 1	186,250	4,801	7,267	198,318	94,991	69,021	1,491	165,503	363,821
- Stage 2	21,061	1,953	1,622	24,636	14,464	1,241	133	15,838	40,474
- Stage 3	2,535	176	860	3,571	2,279	59	21	2,359	5,930
- Of which: individual	141	-	26	167	1,046	51	21	1,118	1,285
- Of which: collective	2,394	176	834	3,404	1,233	8	-	1,241	4,645
<b>Loans - past due analysis</b>	209,846	6,930	9,749	226,525	111,734	70,321	1,645	183,700	410,225
- Not past due	206,739	6,721	8,865	222,325	107,855	70,055	1,627	179,537	401,862
- Past due 1-30 days	1,404	50	70	1,524	2,530	211	-	2,741	4,265
- Past due 31-90 days	580	51	99	730	398	2	18	418	1,148
- Past due 91-180 days	408	41	96	545	139	49	-	188	733
- Past due >180 days	715	67	619	1,401	812	4	-	816	2,217
<b>Loans - Stage 2</b>	21,061	1,953	1,622	24,636	14,464	1,241	133	15,838	40,474
- Not past due	19,939	1,889	1,521	23,349	13,485	1,228	133	14,846	38,195
- Past due 1-30 days	853	31	37	921	640	11	-	651	1,572
- Past due 31-90 days	269	33	64	366	339	2	-	341	707
<b>Weighted average life (2)</b>	8	4	6	6	6	2	nm	6	6
<b>Weighted average 12 months PDs (2)</b>									
- IFRS 9 (%)	0.51	3.23	4.59	0.76	1.24	0.16	5.51	0.86	0.80
- Basel (%)	0.68	3.65	3.18	0.87	1.11	0.15	4.16	0.76	0.82
<b>ECL provisions by geography</b>	462	381	969	1,812	1,504	90	19	1,613	3,425
- UK	462	381	969	1,812	1,335	37	12	1,384	3,196
- Other Europe	-	-	-	-	109	9	-	118	118
- RoW	-	-	-	-	60	44	7	111	111

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



Credit risk – Banking activities continued

## Sector analysis – portfolio summary (audited)

	Personal				Non-Personal				Total £m
	Mortgages (1)	Credit cards	Other personal	Total £m	Corporate and other (2)	Financial institutions	Sovereign	Total £m	
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>ECL provisions by stage</b>	462	381	969	1,812	1,504	90	19	1,613	3,425
- Stage 1	77	77	130	284	264	38	12	314	598
- Stage 2	60	186	183	429	344	12	2	358	787
- Stage 3	325	118	656	1,099	896	40	5	941	2,040
- Of which: individual	11	-	17	28	382	36	5	423	451
- Of which: collective	314	118	639	1,071	514	4	-	518	1,589
<b>ECL provisions coverage (%)</b>	0.22	5.50	9.94	0.80	1.35	0.13	1.16	0.88	0.83
- Stage 1 (%)	0.04	1.60	1.79	0.14	0.28	0.06	0.80	0.19	0.16
- Stage 2 (%)	0.28	9.52	11.28	1.74	2.38	0.97	1.50	2.26	1.94
- Stage 3 (%)	12.82	67.05	76.28	30.78	39.32	67.80	23.81	39.89	34.40
<b>ECL (release)/charge</b>	8	115	161	284	55	19	1	75	359
- UK	8	115	161	284	43	1	-	44	328
- Other Europe	-	-	-	-	17	(7)	-	10	10
- RoW	-	-	-	-	(5)	25	1	21	21
Amounts written-off	18	102	313	433	221	-	-	221	654
<b>Loans by residual maturity</b>	209,846	6,930	9,749	226,525	111,734	70,321	1,645	183,700	410,225
- ≤1 year	3,367	3,903	3,186	10,456	34,929	54,971	822	90,722	101,178
- >1 and ≤5 year	11,651	3,027	5,551	20,229	48,075	10,967	488	59,530	79,759
- > 5 and ≤ 15 year	45,454	-	1,006	46,460	20,623	4,270	298	25,191	71,651
- > 15 year	149,374	-	6	149,380	8,107	113	37	8,257	157,637
<b>Other financial assets by asset quality (3)</b>	-	-	-	-	3,644	31,102	119,502	154,248	154,248
- AQ1-AQ4	-	-	-	-	3,639	30,743	119,502	153,884	153,884
- AQ5-AQ8	-	-	-	-	5	359	-	364	364
<b>Off-balance sheet</b>	13,806	20,135	7,947	41,888	75,964	21,925	239	98,128	140,016
- Loan commitments	13,806	20,135	7,906	41,847	72,940	20,341	239	93,520	135,367
- Contingent liabilities	-	-	41	41	3,024	1,584	-	4,608	4,649
<b>Off-balance sheet by asset quality (3)</b>	13,806	20,135	7,947	41,888	75,964	21,925	239	98,128	140,016
- AQ1-AQ4	12,951	510	6,568	20,029	47,896	20,063	155	68,114	88,143
- AQ5-AQ8	839	19,276	1,336	21,451	27,657	1,813	21	29,491	50,942
- AQ9	1	12	17	30	19	-	63	82	112
- AQ10	15	337	26	378	392	49	-	441	819

(1) Includes a portion of Private Banking & Wealth Management lending secured against residential real estate, in line with ECL calculation methodology. Private Banking & Wealth Management and RBS International mortgages are reported in the UK, reflecting the country of lending origination and includes crown dependencies.

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

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

Internal asset quality band	Probability of default range	Indicative S&P rating
AQ1	0% - 0.034%	AAA to AA
AQ2	0.034% - 0.048%	AA to AA-
AQ3	0.048% - 0.095%	A+ to A
AQ4	0.095% - 0.381%	BBB+ to BBB-
AQ5	0.381% - 1.076%	BB+ to BB

Internal asset quality band	Probability of default range	Indicative S&P rating
AQ6	1.076% - 2.153%	BB- to B+
AQ7	2.153% - 6.089%	B+ to B
AQ8	6.089% - 17.222%	B- to CCC+
AQ9	17.222% - 100%	CCC to C
AQ10	100%	D



Credit risk – Banking activities continued

## Sector analysis – portfolio summary (audited)

The table below shows ECL by stage, for the Personal portfolio and Non-Personal portfolio, including the three largest borrowing sector clusters included in corporate and other.

2025	Loans - amortised cost and FVOCI				Off-balance sheet			ECL provisions			
	Stage 1	Stage 2	Stage 3	Total	Loan commitments	Contingent liabilities	Stage 1	Stage 2	Stage 3	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Personal</b>	<b>212,904</b>	<b>19,500</b>	<b>2,537</b>	<b>234,941</b>	<b>45,009</b>	<b>36</b>	<b>342</b>	<b>426</b>	<b>1,112</b>	<b>1,880</b>	
Mortgages (1)	197,939	15,951	1,339	215,229	14,799	-	45	36	191	272	
Credit cards	5,988	2,081	242	8,311	22,696	-	125	205	190	520	
Other personal	8,977	1,468	956	11,401	7,514	36	172	185	731	1,088	
<b>Non-Personal</b>	<b>173,747</b>	<b>19,082</b>	<b>2,146</b>	<b>194,975</b>	<b>97,779</b>	<b>4,357</b>	<b>272</b>	<b>370</b>	<b>1,063</b>	<b>1,705</b>	
Financial institutions (2)	73,959	356	141	74,456	21,555	1,476	37	5	113	155	
Sovereign	2,009	266	15	2,290	501	-	7	5	6	18	
Corporate and other	97,779	18,460	1,990	118,229	75,723	2,881	228	360	944	1,532	
<i>Of which:</i>											
Commercial real estate	17,838	1,272	294	19,404	6,646	162	55	22	120	197	
Mobility and logistics	13,021	4,312	81	17,414	10,194	520	24	45	40	109	
Consumer industries	12,875	2,912	389	16,176	11,149	496	33	68	199	300	
<b>Total</b>	<b>386,651</b>	<b>38,582</b>	<b>4,683</b>	<b>429,916</b>	<b>142,788</b>	<b>4,393</b>	<b>614</b>	<b>796</b>	<b>2,175</b>	<b>3,585</b>	
 2024	 £m	 £m	 £m	 £m	 £m	 £m	 £m	 £m	 £m	 £m	 £m
<b>Personal</b>	<b>198,318</b>	<b>24,636</b>	<b>3,571</b>	<b>226,525</b>	<b>41,847</b>	<b>41</b>	<b>284</b>	<b>429</b>	<b>1,099</b>	<b>1,812</b>	
Mortgages (1)	186,250	21,061	2,535	209,846	13,806	-	77	60	325	462	
Credit cards	4,801	1,953	176	6,930	20,135	-	77	186	118	381	
Other personal	7,267	1,622	860	9,749	7,906	41	130	183	656	969	
<b>Non-Personal</b>	<b>165,503</b>	<b>15,838</b>	<b>2,359</b>	<b>183,700</b>	<b>93,520</b>	<b>4,608</b>	<b>314</b>	<b>358</b>	<b>941</b>	<b>1,613</b>	
Financial institutions (2)	69,021	1,241	59	70,321	20,341	1,584	38	12	40	90	
Sovereign	1,491	133	21	1,645	239	-	12	2	5	19	
Corporate and other	94,991	14,464	2,279	111,734	72,940	3,024	264	344	896	1,504	
<i>Of which:</i>											
Commercial real estate	16,191	1,517	433	18,141	6,661	143	70	30	146	246	
Mobility and logistics	13,363	2,384	148	15,895	9,367	595	26	35	67	128	
Consumer industries	13,312	3,015	444	16,771	10,706	595	45	90	188	323	
<b>Total</b>	<b>363,821</b>	<b>40,474</b>	<b>5,930</b>	<b>410,225</b>	<b>135,367</b>	<b>4,649</b>	<b>598</b>	<b>787</b>	<b>2,040</b>	<b>3,425</b>	

(1) As at 31 December 2025, £144.2 billion, 67%, of the total residential mortgages portfolio had Energy Performance Certificate (EPC) data available (2024 – £139.1 billion, 66.3%). Of which, 48.8% were rated as EPC A to C (2024 – 46.3%).

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

## Credit risk – Banking activities continued

## Non-Personal forbearance (audited)

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

2025	Corporate and other	Financial institutions	Sovereign	Total
	£m	£m	£m	£m
Forbearance (flow)	3,495	43	12	3,550
Forbearance (stock)	4,167	122	12	4,301
Heightened Monitoring and Risk of Credit Loss	6,115	103	2	6,220

2024	Corporate and other	Financial institutions	Sovereign	Total
	£m	£m	£m	£m
Forbearance (flow)	3,359	119	18	3,496
Forbearance (stock)	4,556	106	18	4,680
Heightened Monitoring and Risk of Credit Loss	5,931	150	1	6,082

## Sector analysis – portfolio summary (audited)

- Loans by geography and sector** – In line with NatWest Group's strategic focus, exposures continued to be mainly in the UK.
- Loans by stage** – Stage 3 balances reduced overall, with a small reduction in Non-Personal due to write-offs and lower inflows, and a larger reduction in Personal mortgages following the securitisation transaction that removed £0.8 billion of Stage 3 assets, alongside a default definition systems and process enhancement that moved loans back to the good book. Stage 1 balances increased across the Personal portfolios, driven by growth in mortgages and unsecured lending, including the Sainsbury's Bank portfolio acquisition. Stage 2 balances were broadly unchanged from the end of 2024, with reductions in Personal mortgages, linked to PD model enhancements and stable portfolio trends offset by increases in Non-Personal, largely driven by post model adjustment downgrades to sectors deemed most at risk of economic uncertainty.
- Loans – Past due analysis** – Within the Personal portfolio, arrears balances overall decreased during 2025 mainly driven by the balance sheet management actions within the mortgage portfolio described previously. For the unsecured portfolios, arrears balances increased due to book growth and portfolio maturation. In Non-Personal, arrears balances reduced in line with Stage 3 balance reduction. The vast majority of Stage 2 balances remained up to date, as Stage 2 is normally captured through other forward-looking Stage 2 triggers.
- Weighted average 12 months PDs** – Both IFRS 9 and Basel PDs remained broadly stable during the year overall, noting the reduction in Personal mortgages due to PD model enhancements and an increase in unsecured PDs driven by strategic growth and seasoning of credit card balances since 2022. Non-Personal PDs were broadly stable in the year. The higher PD in sovereigns reflected a single entity where lending is fully guaranteed.
- ECL provisions by stage and ECL provisions coverage** – Overall provisions increased from 31 December 2024, following an increase in good book ECL in the Personal portfolios, driven by the portfolio acquisition of Sainsbury's Bank and organic growth in unsecured lending, and a small number of significant individual Non-Personal Stage 3 charges. Stage 3 ECL growth was partly offset by the transfer of mortgage assets to a securitisation special purpose vehicle. Provisions coverage remained consistent with 31 December 2024.
- ECL charge** – The 2025 impairment charge, primarily reflected a small number of significant individual charges in the Non-Personal portfolio alongside the initial ECL cost from the portfolio acquisition from Sainsbury's Bank within Personal. This was partially offset by post model adjustment releases in the good book and one-off releases, notably on the definition of default systems and process enhancement on Personal mortgages and a mortgage securitisation. The increased charge in Non-Personal portfolio primarily reflected lower levels of reduction in performing book post model adjustments compared to 2024.
- Loans by residual maturity** – The maturity profile of the portfolios remained consistent with prior periods. In mortgages, as expected, the vast majority of exposures were greater than five years. In unsecured lending, cards and other, exposures were concentrated in less than five years. In Non-Personal portfolios the maturity profile will vary by product and sectors, but is typically less than five years for most exposures.
- Other financial assets by asset quality** – These assets were cash and debt securities, and generally of high credit quality as reflected in the AQ banding.
- Off-balance sheet exposures by asset quality** – The AQ band split of off-balance sheet exposures broadly mirrored the drawn loans portfolio for non-defaulted exposures. In the Non-Personal portfolio, off-balance sheet exposures increased year-on-year, reflecting an increase in unutilised exposure in corporates and financial institutions. The increase was primarily in the AQ1 to AQ4 band, indicating high credit quality.
- Non-Personal problem debt** – Exposures in the Wholesale Problem Debt Management framework marginally increased during 2025 due to an inflow of corporate customers onto the framework across a range of sectors. There was no change in the reasons for customers moving onto the framework from 2024, with trading issues and cash/liquidity remaining the key main drivers.
- Non-Personal forbearance** – Exposures classified as forbearance reduced marginally across multiple sectors, leading to lower stock values in corporates. A portion of forbearance flows related to cases in Customer Lending Support subject to repeated forbearance.

## Credit risk – Banking activities continued

## Credit risk enhancement and mitigation (audited)

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

	Gross exposure	ECL	Maximum credit risk		CREM by type			CREM coverage		Exposure post CREM	
			Total	Stage 3	Financial (1)	Property	Other (2)	Total	Stage 3	Total	Stage 3
<b>2025</b>											
<b>Financial assets</b>											
Cash and balances at central banks	84.1	-	84.1	-	-	-	-	-	-	84.1	-
Loans - amortised cost (3)	429.9	3.5	426.4	2.5	47.9	261.0	26.0	334.9	2.1	91.5	0.4
Personal (4)	234.9	1.9	233.0	1.4	1.4	214.5	-	215.9	1.2	17.1	0.2
Non-Personal (5)	195.0	1.6	193.4	1.1	46.5	46.5	26.0	119.0	0.9	74.4	0.2
Debt securities	78.5	-	78.5	-	0.3	-	-	0.3	-	78.2	-
<b>Total financial assets</b>	<b>592.5</b>	<b>3.5</b>	<b>589.0</b>	<b>2.5</b>	<b>48.2</b>	<b>261.0</b>	<b>26.0</b>	<b>335.2</b>	<b>2.1</b>	<b>253.8</b>	<b>0.4</b>
<b>Contingent liabilities and commitments</b>											
Personal (6)	45.0	-	45.0	0.2	1.1	3.2	-	4.3	0.1	40.7	0.1
Non-Personal	102.2	0.1	102.1	0.4	4.1	7.9	5.3	17.3	0.1	84.8	0.3
<b>Total off-balance sheet</b>	<b>147.2</b>	<b>0.1</b>	<b>147.1</b>	<b>0.6</b>	<b>5.2</b>	<b>11.1</b>	<b>5.3</b>	<b>21.6</b>	<b>0.2</b>	<b>125.5</b>	<b>0.4</b>
<b>Total exposure</b>	<b>739.7</b>	<b>3.6</b>	<b>736.1</b>	<b>3.1</b>	<b>53.4</b>	<b>272.1</b>	<b>31.3</b>	<b>356.8</b>	<b>2.3</b>	<b>379.3</b>	<b>0.8</b>
<b>2024</b>											
<b>Financial assets</b>											
Cash and balances at central banks	91.8	-	91.8	-	-	-	-	-	-	91.8	-
Loans - amortised cost (3)	410.2	3.3	406.9	3.9	46.3	253.0	25.5	324.8	3.4	82.1	0.5
Personal (4)	226.5	1.8	224.7	2.5	0.8	209.1	-	209.9	2.2	14.8	0.3
Non-Personal (5)	183.7	1.5	182.2	1.4	45.5	43.9	25.5	114.9	1.2	67.3	0.2
Debt securities	62.5	-	62.5	-	0.1	-	-	0.1	-	62.4	-
<b>Total financial assets</b>	<b>564.5</b>	<b>3.3</b>	<b>561.2</b>	<b>3.9</b>	<b>46.4</b>	<b>253.0</b>	<b>25.5</b>	<b>324.9</b>	<b>3.4</b>	<b>236.3</b>	<b>0.5</b>
<b>Contingent liabilities and commitments</b>											
Personal (6)	41.9	-	41.9	0.4	1.1	3.7	-	4.8	-	37.1	0.4
Non-Personal	98.1	0.1	98.0	0.4	3.1	8.2	5.1	16.4	0.1	81.6	0.3
<b>Total off-balance sheet</b>	<b>140.0</b>	<b>0.1</b>	<b>139.9</b>	<b>0.8</b>	<b>4.2</b>	<b>11.9</b>	<b>5.1</b>	<b>21.2</b>	<b>0.1</b>	<b>118.7</b>	<b>0.7</b>
<b>Total exposure</b>	<b>704.5</b>	<b>3.4</b>	<b>701.1</b>	<b>4.7</b>	<b>50.6</b>	<b>264.9</b>	<b>30.6</b>	<b>346.1</b>	<b>3.5</b>	<b>355.0</b>	<b>1.2</b>

(1) Includes cash and securities collateral.

(2) Includes guarantees, charges over trade debtors, other asset finance related physical collateral as well as the amount by which credit risk exposure is reduced through netting arrangements, mainly cash management pooling, which give NatWest Group a legal right to set off the financial asset against a financial liability due to the same counterparty. Any additional credit risk mitigation from a synthetic securitisation is not included in the table above.

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

(4) Stage 3 mortgage exposures have relatively limited uncovered exposure reflecting the security held. On unsecured credit cards and other personal borrowing, the residual uncovered amount reflects historical experience of continued cash recovery post default through ongoing engagement with customers.

(5) Stage 3 exposures post credit risk enhancement and mitigation in Non-Personal mainly represent enterprise value and the impact of written down collateral values; an individual assessment to determine ECL will consider multiple scenarios and in some instances allocate a probability weighting to a collateral value in excess of the written down value.

(6) The Personal gross exposure value includes £11.4 billion (2024 – £10.1 billion) in respect of pipeline mortgages where a committed offer has been made to a customer but where the funds have not yet been drawn down. When drawn down, the exposure would be covered by a security over the borrower's property.



Credit risk – Banking activities continued

## Personal portfolio (audited)

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

	2025					2024				
	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	Total £m	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	Total £m
<b>Personal lending</b>										
<b>Mortgages</b>	<b>199,972</b>	<b>13,038</b>	<b>2,210</b>	<b>9</b>	<b>215,229</b>	194,865	12,826	2,161	-	209,852
Of which:										
Owner occupied	<b>180,323</b>	<b>11,644</b>	<b>1,508</b>	<b>8</b>	<b>193,483</b>	176,137	11,348	1,457	-	188,942
Buy-to-let	<b>19,649</b>	<b>1,394</b>	<b>702</b>	<b>1</b>	<b>21,746</b>	18,728	1,478	704	-	20,910
Interest only	<b>21,812</b>	<b>11,533</b>	<b>436</b>	-	<b>33,781</b>	22,186	11,276	437	-	33,899
Mixed (1)	<b>9,977</b>	<b>76</b>	<b>4</b>	-	<b>10,057</b>	10,384	40	8	-	10,432
ECL provisions (2)	<b>248</b>	<b>17</b>	<b>5</b>	<b>2</b>	<b>272</b>	440	12	10	-	462
<b>Other personal lending (3)</b>	<b>17,696</b>	<b>1,699</b>	<b>221</b>	<b>95</b>	<b>19,711</b>	15,045	1,301	242	-	16,588
ECL provisions (2)	<b>1,586</b>	<b>11</b>	<b>7</b>	<b>4</b>	<b>1,608</b>	1,330	12	3	-	1,345
<b>Total personal lending</b>	<b>217,668</b>	<b>14,737</b>	<b>2,431</b>	<b>104</b>	<b>234,940</b>	209,910	14,127	2,403	-	226,440
<b>Mortgage LTV ratios</b>										
- Owner occupied	<b>57%</b>	<b>61%</b>	<b>57%</b>	<b>42%</b>	<b>57%</b>	56%	59%	56%	-	56%
- Stage 1	<b>57%</b>	<b>59%</b>	<b>57%</b>	-	<b>57%</b>	56%	59%	55%	-	56%
- Stage 2	<b>52%</b>	<b>57%</b>	<b>59%</b>	<b>32%</b>	<b>52%</b>	55%	61%	56%	-	55%
- Stage 3	<b>47%</b>	<b>69%</b>	<b>67%</b>	<b>56%</b>	<b>51%</b>	50%	64%	74%	-	51%
- Buy-to-let	<b>54%</b>	<b>62%</b>	<b>55%</b>	<b>26%</b>	<b>55%</b>	53%	60%	52%	-	53%
- Stage 1	<b>54%</b>	<b>60%</b>	<b>54%</b>	-	<b>55%</b>	54%	60%	51%	-	54%
- Stage 2	<b>52%</b>	<b>56%</b>	<b>62%</b>	<b>26%</b>	<b>52%</b>	52%	57%	55%	-	52%
- Stage 3	<b>51%</b>	<b>56%</b>	<b>66%</b>	<b>24%</b>	<b>53%</b>	52%	56%	59%	-	53%
<b>Gross new mortgage lending</b>	<b>34,458</b>	<b>1,492</b>	<b>313</b>	-	<b>36,263</b>	26,440	1,395	257	-	28,092
Of which:										
Owner occupied	<b>32,059</b>	<b>1,372</b>	<b>229</b>	-	<b>33,660</b>	25,300	1,266	183	-	26,749
- LTV > 90%	<b>1,677</b>	-	-	-	<b>1,677</b>	888	-	-	-	888
Weighted average LTV (4)	<b>71%</b>	<b>66%</b>	<b>61%</b>	-	<b>70%</b>	70%	63%	71%	-	70%
Buy-to-let	<b>2,399</b>	<b>120</b>	<b>84</b>	-	<b>2,603</b>	1,140	129	74	-	1,343
Weighted average LTV (4)	<b>61%</b>	<b>65%</b>	<b>61%</b>	-	<b>61%</b>	61%	62%	56%	-	61%
Interest only	<b>2,443</b>	<b>1,357</b>	<b>54</b>	-	<b>3,854</b>	1,575	1,238	42	-	2,855
Mixed (1)	<b>1,049</b>	-	<b>1</b>	-	<b>1,050</b>	1,150	-	1	-	1,151
<b>Mortgage forbearance</b>										
Forbearance flow (5)	<b>328</b>	<b>14</b>	<b>1</b>	-	<b>343</b>	473	8	6	-	487
Forbearance stock	<b>1,203</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>1,223</b>	1,680	20	15	-	1,715
Current	<b>918</b>	<b>2</b>	<b>3</b>	-	<b>923</b>	1,214	9	10	-	1,233
1-3 months in arrears	<b>110</b>	<b>6</b>	-	-	<b>116</b>	146	9	-	-	155
>3 months in arrears	<b>175</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>184</b>	320	2	5	-	327

(1) Includes accounts which have an interest only sub-account and a capital and interest sub-account to provide a more comprehensive view of interest only exposures.

(2) Retail Banking excludes a non-material amount of lending and provisions held on relatively small legacy portfolios.

(3) Comprises unsecured lending except for Private Banking & Wealth Management, which includes both secured and unsecured lending. It excludes loans that are commercial in nature.

(4) New mortgage lending LTV reflects the LTV at the time of lending.

(5) Forbearance flows only include an account once per year, although some accounts may be subject to multiple forbearance deals. Forbearance deals post default are excluded from these flows

Credit risk – Banking activities continued

## Personal portfolio (audited)

### Mortgage LTV distribution by stage

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

	Mortgages				ECL provisions				ECL provisions coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
<b>2025</b>												
≤50%	<b>66,203</b>	<b>7,099</b>	<b>597</b>	<b>73,899</b>	<b>10</b>	<b>10</b>	<b>94.0</b>	<b>114.0</b>	-	<b>0.1</b>	<b>15.7</b>	<b>0.2</b>
>50% and ≤70%	<b>63,802</b>	<b>5,948</b>	<b>338</b>	<b>70,088</b>	<b>16</b>	<b>15</b>	<b>50.0</b>	<b>81.0</b>	-	<b>0.3</b>	<b>14.8</b>	<b>0.1</b>
>70% and ≤80%	<b>27,658</b>	<b>1,745</b>	<b>73</b>	<b>29,476</b>	<b>8</b>	<b>6</b>	<b>12.0</b>	<b>26.0</b>	-	<b>0.3</b>	<b>16.4</b>	<b>0.1</b>
>80% and ≤90%	<b>20,777</b>	<b>744</b>	<b>39</b>	<b>21,560</b>	<b>7</b>	<b>4</b>	<b>6.0</b>	<b>17.0</b>	-	<b>0.5</b>	<b>15.4</b>	<b>0.1</b>
>90% and ≤100%	<b>4,438</b>	<b>76</b>	<b>7</b>	<b>4,521</b>	<b>1</b>	<b>1</b>	<b>2.0</b>	<b>4.0</b>	-	<b>1.3</b>	<b>28.6</b>	<b>0.1</b>
>100%	<b>9</b>	<b>1</b>	<b>7</b>	<b>17</b>	-	-	<b>3</b>	<b>3</b>	-	-	<b>42.9</b>	<b>17.6</b>
Total with LTVs	<b>182,887</b>	<b>15,613</b>	<b>1,061</b>	<b>199,561</b>	<b>42</b>	<b>36</b>	<b>167</b>	<b>245</b>	-	<b>0.2</b>	<b>15.7</b>	<b>0.1</b>
Other	<b>406</b>	<b>1</b>	<b>4</b>	<b>411</b>	<b>2</b>	-	<b>1</b>	<b>3</b>	<b>0.5</b>	-	<b>25.0</b>	<b>0.7</b>
<b>Total</b>	<b>183,293</b>	<b>15,614</b>	<b>1,065</b>	<b>199,972</b>	<b>44</b>	<b>36</b>	<b>168</b>	<b>248</b>	-	<b>0.2</b>	<b>15.8</b>	<b>0.1</b>
<b>2024</b>												
≤50%	64,040	8,344	1,159	73,543	21	16	153	190	-	0.2	13.2	0.3
>50% and ≤70%	61,739	7,741	855	70,335	29	23	104	156	-	0.3	12.2	0.2
>70% and ≤80%	25,022	2,361	173	27,556	13	9	22	44	0.1	0.4	12.7	0.2
>80% and ≤90%	16,718	1,769	85	18,572	9	9	13	31	0.1	0.5	15.3	0.2
>90% and ≤100%	4,076	512	26	4,614	2	3	5	10	-	0.6	19.2	0.2
>100%	14	4	13	31	-	-	6	6	-	-	46.2	19.4
Total with LTVs	171,609	20,731	2,311	194,651	74	60	303	437	-	0.3	13.1	0.2
Other	212	1	1	214	2	-	1	3	0.9	-	100.0	1.4
<b>Total</b>	<b>171,821</b>	<b>20,732</b>	<b>2,312</b>	<b>194,865</b>	<b>76</b>	<b>60</b>	<b>304</b>	<b>440</b>	-	<b>0.3</b>	<b>13.1</b>	<b>0.2</b>

- Mortgage balances increased during 2025 with continuing organic growth. Unsecured lending grew overall, driven by continuing growth in prime quality whole of market lending and balance transfer credit card segments, as well as the acquisition of Sainsbury's Bank credit card and personal loan portfolios.
- Portfolios and new business were closely monitored against agreed operating limits. These included loan-to-value ratios, buy-to-let concentrations, new-build concentrations and credit quality. Lending criteria, affordability calculations and assumptions for new lending were adjusted during the year, to maintain credit quality in line with appetite and to ensure customers are assessed fairly as economic conditions change.
- LTV distribution of portfolio was broadly consistent with the prior year with an increase in balances in the 70-90% LTV bands consistent with increased new business during the year, including support for first time buyers.
- The mortgage forbearance reported in 2025 was net of the mortgage securitisation previously mentioned, which reduced the stock by £0.4 billion at the year-end.

Credit risk – Banking activities continued

## Personal portfolio (audited)

### Mortgage LTV distribution by region

The table below shows gross mortgage lending by LTV band for Retail Banking, by geographical region.

2025									Flood risk (1,2)			
					Weighted		Other	Total	Total	% of regional		Lending at high/
	≤50%	50%≤80%	80%≤100%	>100%	Total	average LTV				lending at high risk (>60)	lending at very high risk (>80)	very high risk (3)
South East	<b>13,656</b>	<b>19,277</b>	<b>5,022</b>	<b>1</b>	<b>37,956</b>	<b>57</b>	<b>3</b>	<b>37,959</b>	<b>19</b>	<b>3.7</b>	<b>1.2</b>	<b>4.9</b>
Greater London	<b>13,505</b>	<b>18,501</b>	<b>4,069</b>	<b>3</b>	<b>36,078</b>	<b>56</b>	<b>4</b>	<b>36,082</b>	<b>18</b>	<b>4.8</b>	<b>0.9</b>	<b>5.7</b>
East of England	<b>8,128</b>	<b>12,167</b>	<b>3,379</b>	<b>-</b>	<b>23,674</b>	<b>57</b>	<b>2</b>	<b>23,676</b>	<b>12</b>	<b>2.9</b>	<b>1.4</b>	<b>4.3</b>
North West	<b>7,479</b>	<b>8,443</b>	<b>2,158</b>	<b>2</b>	<b>18,082</b>	<b>55</b>	<b>1</b>	<b>18,083</b>	<b>9</b>	<b>2.9</b>	<b>2.0</b>	<b>4.9</b>
South West	<b>6,578</b>	<b>8,679</b>	<b>2,454</b>	<b>-</b>	<b>17,711</b>	<b>56</b>	<b>1</b>	<b>17,712</b>	<b>9</b>	<b>2.7</b>	<b>1.0</b>	<b>3.7</b>
West Midlands	<b>5,385</b>	<b>7,228</b>	<b>2,013</b>	<b>1</b>	<b>14,627</b>	<b>57</b>	<b>2</b>	<b>14,629</b>	<b>7</b>	<b>1.8</b>	<b>0.6</b>	<b>2.4</b>
Scotland	<b>4,868</b>	<b>5,821</b>	<b>1,498</b>	<b>1</b>	<b>12,188</b>	<b>55</b>	<b>2</b>	<b>12,190</b>	<b>6</b>	<b>2.5</b>	<b>1.3</b>	<b>3.8</b>
Rest of the UK	<b>14,300</b>	<b>19,448</b>	<b>5,488</b>	<b>9</b>	<b>39,245</b>	<b>57</b>	<b>396</b>	<b>39,641</b>	<b>20</b>	<b>2.8</b>	<b>1.9</b>	<b>4.7</b>
Total	<b>73,899</b>	<b>99,564</b>	<b>26,081</b>	<b>17</b>	<b>199,561</b>	<b>56</b>	<b>411</b>	<b>199,972</b>	<b>100</b>	<b>3.3</b>	<b>1.3</b>	<b>4.6</b>
2024												
South East	13,622	19,007	4,506	1	37,136	56	3	37,139	19	3.6	1.2	4.8
Greater London	13,951	18,537	3,391	2	35,881	55	3	35,884	18	4.8	0.9	5.7
East of England	7,776	11,730	3,211	2	22,719	58	1	22,720	12	2.9	1.4	4.3
North West	7,507	8,305	1,878	2	17,692	54	1	17,693	9	2.9	1.9	4.8
South West	6,577	8,455	2,055	1	17,088	56	1	17,089	9	2.6	1.0	3.6
West Midlands	5,379	6,970	1,683	1	14,033	56	1	14,034	7	1.8	0.6	2.4
Scotland	4,860	5,766	1,591	1	12,218	55	1	12,219	6	2.4	1.2	3.6
Rest of the UK	13,871	19,121	4,871	21	37,884	57	203	38,087	20	2.4	2.5	4.9
Total	73,543	97,891	23,186	31	194,651	56	214	194,865	100	3.1	1.4	4.5

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

(2) As at 31 December 2025, £12.9 billion, 99% of the Private Banking & Wealth Management mortgage portfolio had flood risk data available (2024 – £12.6 billion, 98.0%). Of which, 6.2% were rated as high flood risk and 1.0% as very high flood risk (2024 – 5.4% high flood risk and 1.0% very high flood risk). 64% of the exposure is in the Greater London region.

(3) Flood risk is modelled by calculating an estimated loss for each flood source different types of flooding (fluvial, pluvial, tidal), annualised for each source and combined for a total flood score. Flood defences were considered where available. Flood scores were allocated per property based on the potential annualised loss (£) to a property dependent on the type, frequency and depth of flooding modelled across different return periods. The scoring ranged from 0 to 100, with 0 being lowest and 100 being the highest risk. A score of 61 and above was considered to be high risk and properties with a score of 81 and above were considered to be very high risk after flood mitigants were taken-into-account.

Credit risk – Banking activities continued

## Personal portfolio (audited)

### Retail Banking fixed rate mortgages by roll-off date <sup>(1)</sup>

The table below shows gross fixed rate mortgage lending for Retail Banking, by roll-off date.

Retail Banking mortgages - gross exposure <sup>(2)</sup>	2025				2024			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<b>Fixed rate roll-off</b>								
<=1 year	41,993	3,897	158	46,048	34,989	4,309	336	39,634
>1<= 2 years	63,366	4,978	183	68,527	44,146	5,080	418	49,644
>2 years	67,544	4,901	243	72,688	78,629	8,667	693	87,989
Total	172,903	13,776	584	187,263	157,764	18,056	1,447	177,267

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

(2) Excluding the Metro Bank portfolio acquired during 2024

### Retail Banking mortgages by Energy Performance Certificate (EPC) rating<sup>(1)</sup>

The table below shows the energy efficiency of Retail Banking residential mortgages<sup>(2)</sup>.

EPC rating	2025			2024		
	Owner occupied £m	Buy-to-let £m	Total £m	Owner occupied £m	Buy-to-let £m	Total £m
A	1,415	27	1,442	788	18	806
B	22,217	1,659	23,876	21,923	1,480	23,403
C	35,153	6,767	41,920	31,353	5,876	37,229
D	46,108	5,991	52,099	45,455	5,748	51,203
E	13,305	1,269	14,574	14,455	1,369	15,824
F	2,709	46	2,755	3,026	55	3,081
G	628	10	638	695	13	708
Unclassified	58,788	3,880	62,668	58,442	4,169	62,611
Total	180,323	19,649	199,972	176,137	18,728	194,865

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

(2) As at 31 December 2025, £144.2 billion, 67% of the total residential mortgages portfolio had Energy Performance Certificate (EPC) data available (2024 - £139.1 billion, 66.3%). Of which, 48.8% were rated as EPC A to C (2024 - 46.3%).

Credit risk – Banking activities continued

## Commercial real estate (CRE)

### CRE LTV distribution by stage (audited)

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

2025	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
≤50%	7,324	222	26	7,572	20	5	6	31	0.3	2.3	23.1	0.4
>50% and ≤60%	4,417	144	40	4,601	15	2	6	23	0.3	1.4	15.0	0.5
>60% and ≤70%	881	21	27	929	4	1	10	15	0.5	4.8	37.0	1.6
>70% and ≤100%	270	146	35	451	1	4	19	24	0.4	2.7	54.3	5.3
>100%	183	2	83	268	2	-	39	41	1.1	-	47.0	15.3
Total with LTVs	13,075	535	211	13,821	42	12	80	134	0.3	2.2	37.9	1.0
Total portfolio average LTV	48%	58%	115%	49%								
Other Investment (1)	2,745	331	36	3,112	5	4	11	20	0.2	1.2	30.6	0.6
Investment Development and other (2)	15,820	866	247	16,933	47	16	91	154	0.3	1.8	36.8	0.9
Total	17,838	1,272	294	19,404	55	22	120	197	0.3	1.7	40.8	1.0
2024												
≤50%	7,334	380	48	7,762	28	6	7	41	0.4	1.6	14.6	0.5
>50% and ≤60%	3,829	169	53	4,051	19	5	9	33	0.5	3.0	17.0	0.8
>60% and ≤70%	584	198	34	816	3	5	8	16	0.5	2.5	23.5	2.0
>70% and ≤100%	312	83	79	474	2	4	21	27	0.6	4.8	26.6	5.7
>100%	139	8	119	266	1	-	56	57	0.7	-	47.1	21.4
Total with LTVs	12,198	838	333	13,369	53	20	101	174	0.4	2.4	30.3	1.3
Total portfolio average LTV	46%	51%	102%	48%								
Other Investment (1)	2,132	348	41	2,521	6	6	15	27	0.3	1.7	36.6	1.1
Investment Development and other (2)	14,330	1,186	374	15,890	59	26	116	201	0.4	2.2	31.0	1.3
Total	16,191	1,517	433	18,141	70	30	146	246	0.4	2.0	33.7	1.4

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

- Overall – The majority of the CRE portfolio was located and managed in the UK. Business appetite and strategy was aligned across NatWest Group.
- 2025 trends – There was strong growth in the residential and retail sector, with other CRE sectors remaining broadly flat. LTV profile remained stable.
- Credit quality – Credit quality improved, with marginally fewer exposures in the Wholesale Problem Debt Management framework.
- Risk appetite – Lending appetite is subject to regular review and implemented at sub-sector level. Overall appetite slightly increased over the year supported by the view that cyclical risks are currently at a lower level.

## Credit risk – Banking activities continued

## Flow statements (audited)

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

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

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
<b>NatWest Group total</b>								
At 1 January 2025	<b>515,556</b>	<b>598</b>	<b>42,165</b>	<b>787</b>	<b>5,901</b>	<b>2,040</b>	<b>563,622</b>	<b>3,425</b>
Currency translation and other adjustments	(644)	-	14	1	156	163	(474)	164
Transfers from Stage 1 to Stage 2	(40,165)	(229)	40,165	229	-	-	-	-
Transfers from Stage 2 to Stage 1	33,789	433	(33,789)	(433)	-	-	-	-
Transfers to Stage 3	(397)	(5)	(2,527)	(258)	2,924	263	-	-
Transfers from Stage 3	161	18	999	47	(1,160)	(65)	-	-
Net re-measurement of ECL on stage transfer		(299)		616	-	447		764
Changes in risk parameters		(114)		(18)	-	312		180
Other changes in net exposure	38,094	212	(7,429)	(175)	(2,349)	(256)	28,316	(219)
Other (P&L only items)		(3)		(2)	-	(49)		(54)
<b>Income statement (releases)/charges</b>		<b>(204)</b>		<b>421</b>		<b>454</b>		<b>671</b>
Amounts written-off	-	-	-	-	(579)	(579)	(579)	(579)
Unwinding of discount					-	(150)		(150)
<b>At 31 December 2025</b>	<b>546,394</b>	<b>614</b>	<b>39,598</b>	<b>796</b>	<b>4,893</b>	<b>2,175</b>	<b>590,885</b>	<b>3,585</b>
<b>Net carrying amount</b>	<b>545,780</b>		<b>38,802</b>		<b>2,718</b>		<b>587,300</b>	
At 1 January 2024	504,345	709	40,294	976	5,621	1,960	550,260	3,645
2024 movements	11,211	(111)	1,871	(189)	280	80	13,362	(220)
<b>At 31 December 2024</b>	<b>515,556</b>	<b>598</b>	<b>42,165</b>	<b>787</b>	<b>5,901</b>	<b>2,040</b>	<b>563,622</b>	<b>3,425</b>
<b>Net carrying amount</b>	<b>514,958</b>		<b>41,378</b>		<b>3,861</b>		<b>560,197</b>	



Credit risk – Banking activities continued

## Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets £m	ECL £m	Financial assets £m	ECL £m	Financial assets £m	ECL £m	Financial assets £m	ECL £m
<b>Retail Banking - mortgages</b>								
At 1 January 2025	171,333	76	20,992	60	2,303	305	194,628	441
Currency translation and other adjustments	-	-	-	-	92	92	92	92
Transfers from Stage 1 to Stage 2	(16,507)	(17)	16,507	17	-	-	-	-
Transfers from Stage 2 to Stage 1	17,824	24	(17,824)	(24)	-	-	-	-
Transfers to Stage 3	(14)	-	(865)	(7)	879	7	-	-
Transfers from Stage 3	23	-	806	11	(829)	(11)	-	-
Net re-measurement of ECL on stage transfer		(7)		7		7		7
Changes in risk parameters		(19)		(18)		74		37
Other changes in net exposure	9,277	(13)	(3,792)	(10)	(1,274)	(152)	4,211	(175)
Other (P&L only items)		-		-		(16)		(16)
<b>Income statement (releases)/charges</b>		(39)		(21)		(87)		(147)
Amounts written-off	-	-	-	-	(87)	(87)	(87)	(87)
Unwinding of discount		-		-		(67)		(67)
<b>At 31 December 2025</b>	<b>181,936</b>	<b>44</b>	<b>15,824</b>	<b>36</b>	<b>1,084</b>	<b>168</b>	<b>198,844</b>	<b>248</b>
<b>Net carrying amount</b>	<b>181,892</b>		<b>15,788</b>		<b>916</b>		<b>198,596</b>	
<b>At 1 January 2024</b>	174,038	87	17,827	60	2,068	250	193,933	397
2024 movements	(2,705)	(11)	3,165	-	235	55	695	44
<b>At 31 December 2024</b>	<b>171,333</b>	<b>76</b>	<b>20,992</b>	<b>60</b>	<b>2,303</b>	<b>305</b>	<b>194,628</b>	<b>441</b>
<b>Net carrying amount</b>	<b>171,257</b>		<b>20,932</b>		<b>1,998</b>		<b>194,187</b>	

- ECL coverage for mortgages decreased during the year, primarily driven by the reduction in economic uncertainty post model adjustments (supported by back-testing) and a definition of default systems and process enhancement in the first half of the year. Additionally, the transfer of £2.1 billion of mortgages with £0.1 billion of ECL to a securitisation special purpose vehicle further reduced ECL coverage overall, noting that £0.8 billion of these loans were in Stage 3.
- Stage 3 inflows reduced in the year, with the portfolio showing continued resilience alongside the effect of the definition of default systems and process enhancement earlier in the year.
- Stable portfolio trends and PD model enhancements underpinned PD reductions in the year, resulting in a reduction in Stage 2 balances.
- The relatively small ECL cost for net re-measurement on transfer into Stage 3 included the effect of risk targeted ECL adjustments, when previously in the good book. Refer to the ECL post model adjustments section for further details.
- Write-off occurs once the repossessed property has been sold and there is a residual shortfall balance remaining outstanding. This would typically be within five years from default but can be longer.

Credit risk – Banking activities continued

## Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets £m	ECL £m						
<b>Retail Banking - credit cards</b>								
<b>At 1 January 2025</b>	<b>4,523</b>	<b>76</b>	<b>2,034</b>	<b>186</b>	<b>162</b>	<b>117</b>	<b>6,719</b>	<b>379</b>
Currency translation and other adjustments	-	-	-	-	6	6	6	6
Transfers from Stage 1 to Stage 2	(2,329)	(52)	2,329	52	-	-	-	-
Transfers from Stage 2 to Stage 1	1,339	105	(1,339)	(105)	-	-	-	-
Transfers to Stage 3	(36)	(1)	(231)	(78)	267	79	-	-
Transfers from Stage 3	3	2	14	5	(17)	(7)	-	-
Net re-measurement of ECL on stage transfer		(71)		191		101		221
Changes in risk parameters		15		30		25		70
Other changes in net exposure	2,243	50	(640)	(77)	(33)	(1)	1,570	(28)
Other (P&L only items)		-		-		(1)		(1)
<b>Income statement (releases)/charges</b>		(6)		144		124		262
Amounts written-off	-	-	-	-	(118)	(118)	(118)	(118)
Unwinding of discount		-		-		(12)		(12)
<b>At 31 December 2025</b>	<b>5,743</b>	<b>124</b>	<b>2,167</b>	<b>204</b>	<b>267</b>	<b>190</b>	<b>8,177</b>	<b>518</b>
<b>Net carrying amount</b>	<b>5,619</b>		<b>1,963</b>		<b>77</b>		<b>7,659</b>	
<b>At 1 January 2024</b>	3,475	70	2,046	204	146	89	5,667	363
2024 movements	1,048	6	(12)	(18)	16	28	1,052	16
<b>At 31 December 2024</b>	<b>4,523</b>	<b>76</b>	<b>2,034</b>	<b>186</b>	<b>162</b>	<b>117</b>	<b>6,719</b>	<b>379</b>
<b>Net carrying amount</b>	<b>4,447</b>		<b>1,848</b>		<b>45</b>		<b>6,340</b>	

- Overall ECL for cards increased during 2025, driven primarily by the acquisition of Sainsbury's Bank credit card balances alongside continued organic portfolio growth, reflecting strong customer demand, while sustaining robust risk appetite.
- Flow rates into Stage 3 were slightly higher in 2025 compared to 2024, reflecting the strategic growth and seasoning of credit card balances since 2022. This trend contributed to an increase in PDs during the year, driving a net flow into Stage 2 from Stage 1.
- Charge-off (analogous to partial write-off) typically occurs after 12 missed payments.

Credit risk – Banking activities continued

## Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets £m	ECL £m						
<b>Retail Banking - other personal unsecured</b>								
<b>At 1 January 2025</b>	<b>5,605</b>	<b>127</b>	<b>1,465</b>	<b>182</b>	<b>833</b>	<b>641</b>	<b>7,903</b>	<b>950</b>
Currency translation and other adjustments	-	-	-	-	27	27	27	27
Transfers from Stage 1 to Stage 2	(2,145)	(95)	2,145	95	-	-	-	-
Transfers from Stage 2 to Stage 1	1,471	157	(1,471)	(157)	-	-	-	-
Transfers to Stage 3	(79)	(3)	(329)	(118)	408	121	-	-
Transfers from Stage 3	7	3	24	10	(31)	(13)	-	-
Net re-measurement of ECL on stage transfer		(100)		219		63		182
Changes in risk parameters		(33)		(10)		126		83
Other changes in net exposure	1,992	111	(389)	(37)	(128)	(47)	1,475	27
Other (P&L only items)		-		-		30		30
<b>Income statement (releases)/charges</b>	<b>(22)</b>		<b>172</b>		<b>172</b>		<b>322</b>	
Amounts written-off	-	-	-	-	(168)	(168)	(168)	(168)
Unwinding of discount		-		-		(33)		(33)
<b>At 31 December 2025</b>	<b>6,851</b>	<b>167</b>	<b>1,445</b>	<b>184</b>	<b>941</b>	<b>717</b>	<b>9,237</b>	<b>1,068</b>
<b>Net carrying amount</b>	<b>6,684</b>		<b>1,261</b>		<b>224</b>		<b>8,169</b>	
<b>At 1 January 2024</b>	5,240	149	1,657	238	963	758	7,860	1,145
2024 movements	365	(22)	(192)	(56)	(130)	(117)	43	(195)
<b>At 31 December 2024</b>	<b>5,605</b>	<b>127</b>	<b>1,465</b>	<b>182</b>	<b>833</b>	<b>641</b>	<b>7,903</b>	<b>950</b>
<b>Net carrying amount</b>	<b>5,478</b>		<b>1,283</b>		<b>192</b>		<b>6,953</b>	

- Total ECL increased during the year, primarily driven by the acquisition of Sainsbury's Bank loan balances and continued organic loan book growth, while arrears performance remained stable, resulting in ECL coverage levels broadly consistent with 31 December 2024.
- Flow rates into Stage 3 remained stable, in line with broader portfolio trends on arrears, with overall Stage 3 balances increasing as a result of reduced debt sale activity overall in the year.
- Write-off occurs once recovery activity with the customer has been concluded or there are no further recoveries expected, but no later than six years after default.

Credit risk – Banking activities continued

## Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
<b>Commercial &amp; Institutional - corporate</b>								
	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2025</b>	<b>62,575</b>	<b>175</b>	<b>11,450</b>	<b>273</b>	<b>1,562</b>	<b>659</b>	<b>75,587</b>	<b>1,107</b>
Currency translation and other adjustments	(331)	-	17	-	24	18	(290)	18
Inter-group transfers	156	1	8	1	1	-	165	2
Transfers from Stage 1 to Stage 2	(14,018)	(50)	14,018	50	-	-	-	-
Transfers from Stage 2 to Stage 1	8,374	103	(8,374)	(103)	-	-	-	-
Transfers to Stage 3	(170)	(1)	(741)	(44)	911	45	-	-
Transfers from Stage 3	54	7	82	15	(136)	(22)	-	-
Net re-measurement of ECL on stage transfer		(84)		151		214		281
Changes in risk parameters		(22)		(9)		42		11
Other changes in net exposure	7,479	30	(1,776)	(42)	(591)	(37)	5,112	(49)
Other (P&L only items)		(4)		(3)		(61)		(68)
<b>Income statement (releases)/charges</b>		<b>(80)</b>		<b>97</b>		<b>158</b>		<b>175</b>
Amounts written-off	-	-	-	-	(166)	(166)	(166)	(166)
Unwinding of discount		-		-		(26)		(26)
<b>At 31 December 2025</b>	<b>64,119</b>	<b>159</b>	<b>14,684</b>	<b>292</b>	<b>1,605</b>	<b>727</b>	<b>80,408</b>	<b>1,178</b>
<b>Net carrying amount</b>	<b>63,960</b>		<b>14,392</b>		<b>878</b>		<b>79,230</b>	
<b>At 1 January 2024</b>	61,402	226	12,275	344	1,454	602	75,131	1,172
2024 movements	1,173	(51)	(825)	(71)	108	57	456	(65)
<b>At 31 December 2024</b>	<b>62,575</b>	<b>175</b>	<b>11,450</b>	<b>273</b>	<b>1,562</b>	<b>659</b>	<b>75,587</b>	<b>1,107</b>
<b>Net carrying amount</b>	<b>62,400</b>		<b>11,177</b>		<b>903</b>		<b>74,480</b>	

- Total ECL increased in the year primarily reflecting a small number of individual defaults. Despite the growth in Stage 3 ECL, transfers into Stage 3 reduced compared to 2024, with a notable reduction in transfers seen in the second half of 2025.
- Total performing book ECL was stable year-on-year, but with a small increase in Stage 2, reflecting the net transfer of assets from Stage 1 into Stage 2.

Credit risk – Banking activities continued

## Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
<b>Commercial &amp; Institutional - property</b>								
<b>At 1 January 2025</b>	<b>27,468</b>	<b>77</b>	<b>2,980</b>	<b>61</b>	<b>590</b>	<b>225</b>	<b>31,038</b>	<b>363</b>
Currency translation and other adjustments	8	-	-	-	9	-	17	-
Inter-group transfers	(175)	-	(7)	-	(1)	-	(183)	-
Transfers from Stage 1 to Stage 2	(2,569)	(8)	2,569	8	-	-	-	-
Transfers from Stage 2 to Stage 1	2,021	23	(2,021)	(23)	-	-	-	-
Transfers to Stage 3	(6)	-	(143)	(8)	149	8	-	-
Transfers from Stage 3	45	4	28	5	(73)	(9)	-	-
Net re-measurement of ECL on stage transfer		(22)		31		13		22
Changes in risk parameters		(28)		(8)		18		(18)
Other changes in net exposure	3,692	15	(313)	(10)	(199)	(21)	3,180	(16)
Other (P&L only items)		-		-		-		-
<b>Income statement (releases)/charges</b>		<b>(35)</b>		<b>13</b>		<b>10</b>		<b>(12)</b>
Amounts written-off	-	-	-	-	(33)	(33)	(33)	(33)
Unwinding of discount		-		-		(8)		(8)
<b>At 31 December 2025</b>	<b>30,484</b>	<b>61</b>	<b>3,093</b>	<b>56</b>	<b>442</b>	<b>193</b>	<b>34,019</b>	<b>310</b>
<b>Net carrying amount</b>	<b>30,423</b>		<b>3,037</b>		<b>249</b>		<b>33,709</b>	
<b>At 1 January 2024</b>	26,040	94	3,155	89	606	195	29,801	378
2024 movements	1,428	(17)	(175)	(28)	(16)	30	1,237	(15)
<b>At 31 December 2024</b>	<b>27,468</b>	<b>77</b>	<b>2,980</b>	<b>61</b>	<b>590</b>	<b>225</b>	<b>31,038</b>	<b>363</b>
<b>Net carrying amount</b>	<b>27,391</b>		<b>2,919</b>		<b>365</b>		<b>30,675</b>	

- Total ECL for property exposures reduced notably in the year, with reductions observed in all stages.
- In Stage 3, both total financial assets and ECL reduced as there were low levels of default in the year, which were more than offset by the effects of repayments and write-offs.
- Performing book ECL reduced in the year driven by changes in risk parameters, which included the impact of reductions in post model adjustments.

Credit risk – Banking activities continued

## Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional - other	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2025</b>	<b>93,724</b>	<b>37</b>	<b>1,739</b>	<b>12</b>	<b>123</b>	<b>57</b>	<b>95,586</b>	<b>106</b>
Currency translation and other adjustments	(377)	-	(3)	-	-	14	(380)	14
Inter-group transfers	18	-	(1)	-	-	-	17	-
Transfers from Stage 1 to Stage 2	(960)	(3)	960	3	-	-	-	-
Transfers from Stage 2 to Stage 1	1,714	11	(1,714)	(11)	-	-	-	-
Transfers to Stage 3	(82)	-	(29)	(1)	111	1	-	-
Transfers from Stage 3	8	-	9	-	(17)	-	-	-
Net re-measurement of ECL on stage transfer		(8)		7		44		43
Changes in risk parameters		(11)		(2)		19		6
Other changes in net exposure	3,828	10	(317)	1	(17)	5	3,494	16
Other (P&L only items)		-		-		(3)		(3)
<b>Income statement (releases)/charges</b>		<b>(9)</b>		<b>6</b>		<b>65</b>		<b>62</b>
Amounts written-off	-	-	-	-	(6)	(6)	(6)	(6)
Unwinding of discount		-		-		(3)		(3)
<b>At 31 December 2025</b>	<b>97,873</b>	<b>36</b>	<b>644</b>	<b>9</b>	<b>194</b>	<b>128</b>	<b>98,711</b>	<b>173</b>
<b>Net carrying amount</b>	<b>97,837</b>		<b>635</b>		<b>66</b>		<b>98,538</b>	
<b>At 1 January 2024</b>	88,860	36	1,599	14	101	22	90,560	72
2024 movements	4,864	1	140	(2)	22	35	5,026	34
<b>At 31 December 2024</b>	<b>93,724</b>	<b>37</b>	<b>1,739</b>	<b>12</b>	<b>123</b>	<b>57</b>	<b>95,586</b>	<b>106</b>
<b>Net carrying amount</b>	<b>93,687</b>		<b>1,727</b>		<b>66</b>		<b>95,480</b>	

- The increase in Stage 3 financial assets and ECL primarily reflected the impact of a single large flow to default in the year.
- Performing book ECL was marginally lower at 31 December 2025, with the Stage 2 ECL reduction reflective of exposure flowing back into Stage 1.

Credit risk – Banking activities continued

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

2025	Mortgages		Credit cards		Other		Total	
	£m	%	£m	%	£m	%	£m	%
<b>Personal trigger (1)</b>								
PD movement	10,305	64.6	1,544	74.1	790	53.7	12,639	64.8
PD persistence	1,960	12.3	380	18.3	283	19.3	2,623	13.5
Adverse credit bureau recorded with credit reference agency	1,876	11.8	89	4.3	129	8.8	2,094	10.7
Forbearance support provided	178	1.1	2	0.1	7	0.5	187	1.0
Customers in collections	210	1.3	22	1.1	20	1.4	252	1.3
Collective SICR and other reasons (2)	1,287	8.1	44	2.1	232	15.8	1,563	8.0
Days past due >30	135	0.8	-	-	7	0.5	142	0.7
	<b>15,951</b>	<b>100.0</b>	<b>2,081</b>	<b>100.0</b>	<b>1,468</b>	<b>100.0</b>	<b>19,500</b>	<b>100.0</b>
<b>2024</b>								
<b>Personal trigger (1)</b>								
PD movement	14,480	68.8	1,425	72.9	809	49.9	16,714	67.8
PD persistence	3,951	18.8	414	21.2	388	23.9	4,753	19.3
Adverse credit bureau recorded with credit reference agency	936	4.4	71	3.6	119	7.3	1,126	4.6
Forbearance support provided	189	0.9	1	0.1	9	0.6	199	0.8
Customers in collections	169	0.8	3	0.2	2	0.1	174	0.7
Collective SICR and other reasons (2)	1,248	5.9	39	2.0	290	17.9	1,577	6.4
Days past due >30	88	0.4	0	0.0	5	0.3	93	0.4
	<b>21,061</b>	<b>100.0</b>	<b>1,953</b>	<b>100.0</b>	<b>1,622</b>	<b>100.0</b>	<b>24,636</b>	<b>100.0</b>

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

- Overall Stage 2 levels for Personal reduced, primarily driven by mortgages where stable portfolio trends and a PD model enhancements underpinned PD reductions in the year. The proportion of PD driven deterioration in Stage 2 remained broadly consistent with 31 December 2024 overall.
- The reduction of PDs on mortgages, partly due to PD model enhancements, led to an increase in the proportion of Stage 2 captured by qualitative backstops, relative to last year.
- Higher risk mortgage customers who utilised Mortgage Charter support measures continued to be collectively migrated into Stage 2 and were captured in the collective SICR and other reasons category.
- Accounts that were less than 30 days past due continued to represent the vast majority of the Stage 2 population.

Credit risk – Banking activities continued

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

2025	Corporate and other (3)		Financial institutions		Sovereign		Total	
	£m	%	£m	%	£m	%	£m	%
<b>Non-Personal trigger (1)</b>								
PD movement	16,238	87.9	148	41.5	141	53.0	16,527	86.6
PD persistence	214	1.2	2	0.6	-	-	216	1.1
Heightened Monitoring and Risk of Credit Loss	1,106	6.0	74	20.8	124	46.6	1,304	6.8
Forbearance support provided	185	1.0	-	-	-	-	185	1.0
Customers in collections	21	0.1	-	-	-	-	21	0.1
Collective SICR and other reasons (2)	571	3.1	130	36.5	1	0.4	702	3.7
Days past due >30	125	0.7	2	0.6	-	-	127	0.7
	<b>18,460</b>	<b>100.0</b>	<b>356</b>	<b>100.0</b>	<b>266</b>	<b>100.0</b>	<b>19,082</b>	<b>100.0</b>
2024								
<b>Non-Personal trigger (1)</b>								
PD movement	11,800	81.6	971	78.2	-	-	12,771	80.6
PD persistence	310	2.1	2	0.2	-	-	312	2.0
Heightened Monitoring and Risk of Credit Loss	1,599	11.1	83	6.7	132	99.2	1,814	11.5
Forbearance support provided	229	1.6	-	-	-	-	229	1.4
Customers in collections	34	0.2	-	-	-	-	34	0.2
Collective SICR and other reasons (2)	396	2.7	172	13.9	1	0.8	569	3.6
Days past due >30	96	0.7	13	1.0	-	-	109	0.7
	<b>14,464</b>	<b>100.0</b>	<b>1,241</b>	<b>100.0</b>	<b>133</b>	<b>100</b>	<b>15,838</b>	<b>100.0</b>

(1) The table is prepared on a hierarchical basis from top to bottom, for example, accounts with PD deterioration may also trigger backstop(s) but are only reported under PD deterioration.

(2) Includes cases where a PD assessment cannot be made and accounts where the PD has deteriorated beyond a prescribed backstop threshold aligned to risk management practices.

- Stage 2 exposures increased during the year, in part reflecting the impact of post model adjustments in applying a risk profile downgrade to sectors deemed most at risk of economic uncertainty not captured in underlying models. The impact of cases moving into Stage 2 due to post model adjustments is captured in PD movement.
- Non-Personal exposures in Stage 2 continued to be mainly captured through PD movement and presence on the Wholesale Problem Debt Management framework, which are the primary forward-looking credit deterioration triggers.

## Credit risk – Banking activities continued

### Stage 3 vintage analysis

The table below shows estimated vintage analysis of the material Stage 3 portfolios.

	2025		2024	
	Retail Banking mortgages (1)	Non-Personal	Retail Banking mortgages (1)	Non-Personal
<b>Stage 3 loans (£bn)</b>	<b>1.1</b>	<b>2.2</b>	2.3	2.4
Vintage (time in default):				
<1 year	<b>40%</b>	<b>35%</b>	38%	34%
1-3 years	<b>31%</b>	<b>42%</b>	41%	45%
3-5 years	<b>11%</b>	<b>14%</b>	8%	11%
>5 years	<b>18%</b>	<b>9%</b>	13%	10%
	<b>100%</b>	<b>100%</b>	100%	100%

(1) Retail Banking excludes a non-material amount of lending held on relatively small legacy portfolios.

- For Retail Banking mortgages, the value of Stage 3 defaulted assets reduced during 2025, primarily as a result of balance sheet management actions in 2025. Furthermore, there was an enhancement to the mortgage definition of default systems and process, resulting in approximately £0.4 billion of loans migrating from Stage 3 back to the good book.

Credit risk – Banking activities continued

## Asset quality (audited)

The table below shows asset quality bands of gross loans and ECL, by stage, for the Personal portfolio.

2025	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
<b>Mortgages</b>												
AQ1-AQ4	114,087	6,432	-	120,519	19	9	-	28	-	0.1	-	-
AQ5-AQ8	83,712	8,584	-	92,296	26	21	-	47	-	0.2	-	0.1
AQ9	140	935	-	1,075	-	6	-	6	-	0.6	-	0.6
AQ10	-	-	1,339	1,339	-	-	191	191	-	-	14.3	14.3
	<b>197,939</b>	<b>15,951</b>	<b>1,339</b>	<b>215,229</b>	<b>45</b>	<b>36</b>	<b>191</b>	<b>272</b>	<b>-</b>	<b>0.2</b>	<b>14.3</b>	<b>0.1</b>
<b>Credit cards</b>												
AQ1-AQ4	117	-	-	117	1	-	-	1	0.9	-	-	0.9
AQ5-AQ8	5,850	1,967	-	7,817	123	181	-	304	2.1	9.2	-	3.9
AQ9	21	114	-	135	1	24	-	25	4.8	21.1	-	18.5
AQ10	-	-	242	242	-	-	190	190	-	-	78.5	78.5
	<b>5,988</b>	<b>2,081</b>	<b>242</b>	<b>8,311</b>	<b>125</b>	<b>205</b>	<b>190</b>	<b>520</b>	<b>2.1</b>	<b>9.9</b>	<b>78.5</b>	<b>6.3</b>
<b>Other personal</b>												
AQ1-AQ4	765	112	-	877	5	12	-	17	0.7	10.7	-	1.9
AQ5-AQ8	8,148	1,212	-	9,360	161	137	-	298	2.0	11.3	-	3.2
AQ9	64	144	-	208	6	36	-	42	9.4	25.0	-	20.2
AQ10	-	-	956	956	-	-	731	731	-	-	76.5	76.5
	<b>8,977</b>	<b>1,468</b>	<b>956</b>	<b>11,401</b>	<b>172</b>	<b>185</b>	<b>731</b>	<b>1,088</b>	<b>1.9</b>	<b>12.6</b>	<b>76.5</b>	<b>9.5</b>
<b>Total</b>												
AQ1-AQ4	114,969	6,544	-	121,513	25	21	-	46	-	0.3	-	-
AQ5-AQ8	97,710	11,763	-	109,473	310	339	-	649	0.3	2.9	-	0.6
AQ9	225	1,193	-	1,418	7	66	-	73	3.1	5.5	-	5.2
AQ10	-	-	2,537	2,537	-	-	1,112	1,112	-	-	43.8	43.8
	<b>212,904</b>	<b>19,500</b>	<b>2,537</b>	<b>234,941</b>	<b>342</b>	<b>426</b>	<b>1,112</b>	<b>1,880</b>	<b>0.2</b>	<b>2.2</b>	<b>43.8</b>	<b>0.8</b>

## Credit risk – Banking activities continued

## Asset quality (audited)

2024	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
<b>Mortgages</b>												
AQ1-AQ4	104,793	8,416	-	113,209	29	16	-	45	-	0.2	-	-
AQ5-AQ8	81,263	11,683	-	92,946	48	38	-	86	0.1	0.3	-	0.1
AQ9	194	962	-	1,156	-	6	-	6	-	0.6	-	0.5
AQ10	-	-	2,535	2,535	-	-	325	325	-	-	12.8	12.8
	186,250	21,061	2,535	209,846	77	60	325	462	-	0.3	12.8	0.2
<b>Credit cards</b>												
AQ1-AQ4	128	-	-	128	1	-	-	1	0.8	-	-	0.8
AQ5-AQ8	4,650	1,866	-	6,516	75	169	-	244	1.6	9.1	-	3.7
AQ9	23	87	-	110	1	17	-	18	4.4	19.5	-	16.4
AQ10	-	-	176	176	-	-	118	118	-	-	67.1	67.1
	4,801	1,953	176	6,930	77	186	118	381	1.6	9.5	67.1	5.5
<b>Other personal</b>												
AQ1-AQ4	691	127	-	818	6	14	-	20	0.9	11.0	-	2.4
AQ5-AQ8	6,521	1,359	-	7,880	120	134	-	254	1.8	9.9	-	3.2
AQ9	55	136	-	191	4	35	-	39	7.3	25.7	-	20.4
AQ10	-	-	860	860	-	-	656	656	-	-	76.3	76.3
	7,267	1,622	860	9,749	130	183	656	969	1.8	11.3	76.3	9.9
<b>Total</b>												
AQ1-AQ4	105,612	8,543	-	114,155	36	30	-	66	-	0.4	-	0.1
AQ5-AQ8	92,434	14,908	-	107,342	243	341	-	584	0.3	2.3	-	0.5
AQ9	272	1,185	-	1,457	5	58	-	63	1.8	4.9	-	4.3
AQ10	-	-	3,571	3,571	-	-	1,099	1,099	-	-	30.8	30.8
	198,318	24,636	3,571	226,525	284	429	1,099	1,812	0.1	1.7	30.8	0.8

- The distribution of lending across the AQ1-AQ9 bands remained broadly consistent with the prior year. Growth in the mortgage portfolio was mainly in the AQ1-AQ4 bands as expected.
- The proportion of Stage 3/AQ10 loans declined over the year, mainly as a result of the balance sheet management actions described above, notably the mortgage securitisation which reduced Stage 3 loans by £0.8 billion. Furthermore, there was an enhancement to the mortgage definition of default systems and process resulting in approximately £0.4 billion of loans migrating from Stage 3 back to the good book. Within the credit card portfolio, flows into Stage 3 increased year-on-year, driven by strategic growth and seasoning of credit card balances since 2022. For other personal lending, flow rates into AQ10/Stage 3 remained stable, with AQ10 balances increasing as a result of reduced debt sale activity overall in the year.

Credit risk – Banking activities continued

## Asset quality (audited)

The table below shows asset quality bands of gross loans and ECL, by stage, for the Non-Personal portfolio.

2025	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
<b>Corporate and other</b>												
AQ1-AQ4	43,968	2,314	-	46,282	29	15	-	44	0.1	0.7	-	0.1
AQ5-AQ8	53,783	15,882	-	69,665	199	326	-	525	0.4	2.1	-	0.8
AQ9	28	264	-	292	-	19	-	19	-	7.2	-	6.5
AQ10	-	-	1,990	1,990	-	-	944	944	-	-	47.4	47.4
	<b>97,779</b>	<b>18,460</b>	<b>1,990</b>	<b>118,229</b>	<b>228</b>	<b>360</b>	<b>944</b>	<b>1,532</b>	<b>0.2</b>	<b>2.0</b>	<b>47.4</b>	<b>1.3</b>
<b>Financial institutions</b>												
AQ1-AQ4	68,620	154	-	68,774	20	2	-	22	-	1.3	-	-
AQ5-AQ8	5,339	196	-	5,535	17	3	-	20	0.3	1.5	-	0.4
AQ9	-	6	-	6	-	-	-	-	-	-	-	-
AQ10	-	-	141	141	-	-	113	113	-	-	80.1	80.1
	<b>73,959</b>	<b>356</b>	<b>141</b>	<b>74,456</b>	<b>37</b>	<b>5</b>	<b>113</b>	<b>155</b>	<b>0.1</b>	<b>1.4</b>	<b>80.1</b>	<b>0.2</b>
<b>Sovereign</b>												
AQ1-AQ4	1,878	1	-	1,879	7	1	-	8	0.4	100.0	-	0.4
AQ5-AQ8	131	-	-	131	-	-	-	-	-	-	-	-
AQ9	-	265	-	265	-	4	-	4	-	1.5	-	1.5
AQ10	-	-	15	15	-	-	6	6	-	-	40.0	40.0
	<b>2,009</b>	<b>266</b>	<b>15</b>	<b>2,290</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>18</b>	<b>0.4</b>	<b>1.9</b>	<b>40.0</b>	<b>0.8</b>
<b>Total</b>												
AQ1-AQ4	114,466	2,469	-	116,935	56	18	-	74	0.1	0.7	-	0.1
AQ5-AQ8	59,253	16,078	-	75,331	216	329	-	545	0.4	2.1	-	0.7
AQ9	28	535	-	563	-	23	-	23	-	4.3	-	4.1
AQ10	-	-	2,146	2,146	-	-	1,063	1,063	-	-	49.5	49.5
	<b>173,747</b>	<b>19,082</b>	<b>2,146</b>	<b>194,975</b>	<b>272</b>	<b>370</b>	<b>1,063</b>	<b>1,705</b>	<b>0.2</b>	<b>1.9</b>	<b>49.5</b>	<b>0.9</b>

## Credit risk – Banking activities continued

## Asset quality (audited)

2024	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
<b>Corporate and other</b>												
AQ1-AQ4	41,509	2,409	-	43,918	32	19	-	51	0.1	0.8	-	0.1
AQ5-AQ8	53,448	11,783	-	65,231	232	306	-	538	0.4	2.6	-	0.8
AQ9	34	272	-	306	-	19	-	19	-	7.0	-	6.2
AQ10	-	-	2,279	2,279	-	-	896	896	-	-	39.3	39.3
	94,991	14,464	2,279	111,734	264	344	896	1,504	0.3	2.4	39.3	1.4
<b>Financial institutions</b>												
AQ1-AQ4	64,845	233	-	65,078	21	2	-	23	-	0.9	-	-
AQ5-AQ8	4,176	996	-	5,172	17	9	-	26	0.4	0.9	-	0.5
AQ9	-	12	-	12	-	1	-	1	-	8.3	-	8.3
AQ10	-	-	59	59	-	-	40	40	-	-	67.8	67.8
	69,021	1,241	59	70,321	38	12	40	90	0.1	1.0	67.8	0.1
<b>Sovereign</b>												
AQ1-AQ4	1,364	1	-	1,365	12	1	-	13	0.9	100.0	-	1.0
AQ5-AQ8	127	-	-	127	-	-	-	-	-	-	-	-
AQ9	-	132	-	132	-	1	-	1	-	0.8	-	0.8
AQ10	-	-	21	21	-	-	5	5	-	-	23.8	23.8
	1,491	133	21	1,645	12	2	5	19	0.8	1.5	23.8	1.2
<b>Total</b>												
AQ1-AQ4	107,718	2,643	-	110,361	65	22	-	87	0.1	0.8	-	0.1
AQ5-AQ8	57,751	12,779	-	70,530	249	315	-	564	0.4	2.5	-	0.8
AQ9	34	416	-	450	-	21	-	21	-	5.1	-	4.7
AQ10	-	-	2,359	2,359	-	-	941	941	-	-	39.9	39.9
	165,503	15,838	2,359	183,700	314	358	941	1,613	0.2	2.3	39.9	0.9

- The majority of Non-Personal lending remained in the AQ1-AQ4 band, with the increase in the year driven by increases in financial institutions sectors. This portfolio is subject to low ECL coverage, reflecting the high credit quality in the portfolio.
- In corporate sectors, Stage 2 exposure grew in the year, primarily in the AQ5-AQ8 band, which accounted for the majority of exposure to corporates. AQ10 exposures in Stage 3 reduced in corporates, as new defaults were more than offset by write-offs and repayments on previous defaults.
- The increase in sovereigns exposure in AQ9 and Stage 2 was primarily due to increased exposure to a single counterparty where the lending is fully guaranteed.

## Credit risk – Trading activities

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

### Securities financing transactions and collateral (audited)

The table below shows securities financing transactions in Commercial & Institutional and Central items & other. Balance sheet captions include balances held at all classifications under IFRS.

2025	Reverse repos			Repos		
	Total £m	Of which: can be offset £m	Outside netting arrangements £m	Total £m	Of which: can be offset £m	Outside netting arrangements £m
Gross	95,674	95,618	56	89,789	87,730	2,059
IFRS offset	(31,599)	(31,599)	-	(31,599)	(31,599)	-
Carrying value	64,075	64,019	56	58,190	56,131	2,059
Master netting arrangements	(474)	(474)	-	(474)	(474)	-
Securities collateral	(63,292)	(63,292)	-	(55,657)	(55,657)	-
Potential for offset not recognised under IFRS	(63,766)	(63,766)	-	(56,131)	(56,131)	-
Net	309	253	56	2,059	-	2,059
2024						
Gross	87,901	87,861	40	68,024	67,321	703
IFRS offset	(23,883)	(23,883)	-	(23,883)	(23,883)	-
Carrying value	64,018	63,978	40	44,141	43,438	703
Master netting arrangements	(1,549)	(1,549)	-	(1,549)	(1,549)	-
Securities collateral	(62,217)	(62,217)	-	(41,889)	(41,889)	-
Potential for offset not recognised under IFRS	(63,766)	(63,766)	-	(43,438)	(43,438)	-
Net	252	212	40	703	-	703

## Credit risk – Trading activities continued

## Derivatives (audited)

The table below shows derivatives by type of contract. The master netting agreements and collateral shown do not result in a net presentation on the balance sheet under IFRS. A significant proportion of the derivatives relate to trading activities in Commercial & Institutional. The table also includes hedging derivatives in Central items & other.

	2025							2024		
	Notional				Total £bn	Assets £m	Liabilities £m	Notional £bn	Assets £m	Liabilities £m
	GBP £bn	USD £bn	EUR £bn	Other £bn						
Gross exposure					77,796	71,925		97,152	93,109	
IFRS offset					(17,007)	(17,951)		(18,746)	(21,027)	
<b>Carrying value</b>	<b>3,460</b>	<b>3,573</b>	<b>6,328</b>	<b>1,158</b>	<b>14,519</b>	<b>60,789</b>	<b>53,974</b>	13,628	78,406	72,082
Of which:										
Interest rate (1)	3,125	2,072	5,699	192	11,088	32,742	26,758	10,333	37,499	31,532
Exchange rate	331	1,495	622	966	3,414	27,981	27,042	3,279	40,797	40,306
Credit	2	6	7	-	15	66	174	14	110	244
Equity and commodity	2	-	-	-	2	-	-	2	-	-
<b>Carrying value</b>					<b>14,519</b>	<b>60,789</b>	<b>53,974</b>	13,628	78,406	72,082
Counterparty mark-to-market netting					(45,928)	(45,928)		(61,883)	(61,883)	
Cash collateral					(9,275)	(4,281)		(10,005)	(5,801)	
Securities collateral					(3,283)	(1,256)		(4,072)	(896)	
<b>Net exposure</b>					<b>2,303</b>	<b>2,509</b>		2,446	3,502	
Banks (2)					89	217		214	345	
Other financial institutions (3)					1,508	1,160		1,429	1,456	
Corporate (4)					673	1,110		769	1,669	
Government (5)					33	22		34	32	
<b>Net exposure</b>					<b>2,303</b>	<b>2,509</b>		2,446	3,502	
UK					1,098	1,548		1,061	1,774	
Europe					693	589		875	978	
US					437	283		443	604	
RoW					75	89		67	146	
<b>Net exposure</b>					<b>2,303</b>	<b>2,509</b>		2,446	3,502	
Asset quality of uncollateralised derivative assets										
AQ1-AQ4					1,865			2,049		
AQ5-AQ8					435			394		
AQ9-AQ10					3			3		
<b>Net exposure</b>					<b>2,303</b>			2,446		

(1) The notional amount of interest rate derivatives includes £8,768 billion (2024 – £7,321 billion) in respect of contracts cleared through central clearing counterparties.

(2) Transactions with certain counterparties with whom NatWest Group has netting arrangements but collateral is not posted on a daily basis; certain transactions with specific terms that may not fall within netting and collateral arrangements; derivative positions in certain jurisdictions where the collateral agreements are not deemed to be legally enforceable.

(3) Includes transactions with securitisation vehicles and funds where collateral posting is contingent on NatWest Group's external rating.

(4) Mainly large corporates with whom NatWest Group may have netting arrangements in place with no collateral posting.

(5) Sovereigns and supranational entities with no collateral arrangements, collateral arrangements that are not considered enforceable, or one-way collateral agreements in their favour.

## Credit risk – Trading activities continued

## Debt securities (audited)

The table below shows debt securities held at mandatory fair value through profit or loss by issuer as well as ratings based on the lowest of Standard & Poor's, Moody's and Fitch.

2025	Central and local government					Total £m
	UK £m	US £m	Other Financial institutions £m	Corporate £m		
AAA	-	-	1,505	1,283	-	2,788
AA to AA+	-	4,153	257	309	18	4,737
A to AA-	2,105	-	1,481	596	215	4,397
BBB- to A-	-	-	892	256	384	1,532
Non-investment grade	-	-	-	11	50	61
<b>Total</b>	<b>2,105</b>	<b>4,153</b>	<b>4,135</b>	<b>2,455</b>	<b>667</b>	<b>13,515</b>

2024	UK £m	US £m	Other Financial institutions £m	Corporate £m	Total £m	
AAA	-	-	1,335	1,368	-	2,703
AA to AA+	-	3,734	74	569	2	4,379
A to AA-	2,077	-	1,266	381	519	4,243
BBB- to A-	-	-	831	562	885	2,278
Non-investment grade	-	-	-	108	167	275
<b>Total</b>	<b>2,077</b>	<b>3,734</b>	<b>3,506</b>	<b>2,988</b>	<b>1,573</b>	<b>13,878</b>

## Credit risk – Trading activities continued

## Cross border exposure

Cross border exposures comprise both banking and trading activities, including reverse repurchase agreements. Exposures comprise loans and advances, including finance leases and instalment credit receivables, and other monetary assets, such as debt securities. The geographical breakdown is based on the country of domicile of the borrower or guarantor of ultimate risk. Cross border exposures include non-local currency claims of overseas offices on local residents but exclude exposures to local residents in local currencies. The table shows cross border exposures greater than 0.5% of NatWest Group's total assets at the end of each reporting period.

2025	Government	Banks	Other	Total	Short positions	Net of short positions
	£m	£m	£m	£m	£m	£m
Western Europe	9,877	11,547	28,623	50,047	4,544	45,503
Of which: France	1,631	3,039	7,760	12,430	755	11,675
Of which: Germany	2,184	5,615	812	8,611	1,877	6,734
Of which: Luxembourg	224	30	9,295	9,549	-	9,549
Cayman Islands (1)	-	-	4,453	4,453	-	4,453
United States	4,571	2,439	22,983	29,993	1,256	28,737
Jersey	-	-	4,565	4,565	-	4,565
Canada	1,855	1,244	4,041	7,140	10	7,130
Other institutions (2)	5,638	-	-	5,638	173	5,465
2024						
Western Europe	8,581	11,669	29,891	50,141	5,889	44,252
Of which: France	2,347	2,543	11,161	16,051	1,491	14,560
Of which: Germany	1,149	5,937	702	7,788	1,957	5,831
Of which: Luxembourg	61	412	7,940	8,413	10	8,403
Of which: Ireland	162	49	3,306	3,517	85	3,432
United States	5,246	3,307	21,576	30,129	1,767	28,362
Jersey	-	-	5,030	5,030	-	5,030
Canada	1,664	1,555	2,308	5,527	26	5,501
Other institutions (2)	4,520	-	-	4,520	94	4,426

(1) Cayman Islands did not meet the reporting threshold required for inclusion in the table for 2024

(2) Other institutions category denotes any international organisation which is governed by public international law or which has been set up by or on the basis of an agreement between two or more countries.

# Capital, liquidity and funding risk

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

## Definitions (audited)

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

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

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

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

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

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

## Sources of risk (audited)

### Capital

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

**CET1 capital** - CET1 capital must be perpetual and capable of unrestricted and immediate use to cover risks or losses as soon as these occur. This includes ordinary shares issued and retained earnings.

**Additional Tier 1 (AT1) capital** - This is the second type of loss-absorbing capital and must be capable of absorbing losses on a going concern basis. These instruments are either written down or converted into CET1 capital when the CET1 ratio falls below a pre-specified level.

**Tier 2 capital** - Tier 2 capital is the bank entities' supplementary capital and provides loss absorption on a gone concern basis. Tier 2 capital absorbs losses after Tier 1 capital.

It typically consists of subordinated debt securities which must have a minimum of five years to maturity at all times to be fully recognised for regulatory purposes.

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

In addition to regulatory capital, certain loss-absorbing instruments issued by NatWest Group, such as eligible senior notes and Tier 2 capital instruments, may be used to meet MREL. MREL comprises regulatory capital (Common Equity Tier 1, Additional Tier 1 and Tier 2) together with specific senior or subordinated bail-inable debt. To qualify, instruments must be fully paid-up, have a remaining maturity of at least one year, and be capable of being written down or converted into equity should the NatWest Group enter resolution. These resources support "gone-concern" requirements, ensuring that sufficient loss-absorbing capacity is available to facilitate an orderly resolution if the Bank of England determines that NatWest Group has failed or is likely to fail.

### Liquidity

NatWest Group maintains a prudent approach to the definition of liquidity portfolio to ensure it is available when and where required, taking into account regulatory, legal and other constraints. Following ringfencing legislation, liquidity is no longer considered fungible across NatWest Group. Principal liquidity portfolios are maintained in the UK Domestic Liquidity Sub-Group (UKDoLSub) (primarily in NatWest Bank Plc), NatWest Markets Plc, RBS International Limited and RBSH N.V.. NatWest Group also retains access to central bank funding facilities.

Some disclosures in this section where relevant are presented, on a consolidated basis, for NatWest Group and the UK DoLSub.

Liquidity portfolio is divided into primary and secondary liquidity as follows:

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

### Funding

NatWest Group maintains a diversified set of funding sources, including customer deposits, wholesale deposits and term debt issuance. These are managed against both internal funding and regulatory metrics. The principal levels at which funding risk is managed are at NatWest Group, NatWest Holdings Group, UK DoLSub, NatWest Markets Plc, RBS International Limited and RBSH N.V.. NatWest Group also retains access to central bank funding facilities.

For further details on capital constituents and the regulatory framework covering capital, liquidity and funding requirements, refer to the 2025 NatWest Group Pillar 3 Report.

## Capital, liquidity and funding risk continued

### Capital risk management

Capital management ensures that there is sufficient capital and other loss-absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board-approved risk appetite, maintaining its credit rating and supporting its strategic goals.

Capital management is critical in supporting the businesses and is enacted through an end-to-end framework across businesses and legal entities. Capital is managed within the organisation at the following levels; NatWest Group consolidated, NWH Group sub consolidated, NatWest Markets Plc, RBS Holdings N.V. and RBS International Limited. The banking subsidiaries within NWH Group are governed by the same principles, processes and management as NatWest Group. Note that although the aforementioned entities are regulated in line with Basel III principles, local implementation of the framework differs across geographies.

Capital planning is integrated into NatWest Group's wider annual budgeting process and is assessed and updated at least monthly. Regular returns are submitted to the PRA which include a two-year rolling forecast view. Other elements of capital management, including risk appetite and stress testing, are set out on pages 181 to 186.

### Produce capital plans

Capital plans are produced for NatWest Group, its key operating entities and its businesses over a five-year planning horizon under expected and stress conditions. Stressed capital plans are produced to support internal stress testing in the ICAAP for regulatory purposes.

Shorter-term forecasts are developed frequently in response to actual performance, changes in internal and external business environment and to manage risks and opportunities.

### Assess capital adequacy

Capital plans are developed to maintain capital of sufficient quantity and quality to support NatWest Group's business, its subsidiaries and strategic plans over the planning horizon within approved risk appetite, as determined via stress testing, and minimum regulatory requirements.

Capital resources and capital requirements are assessed across a defined planning horizon.

Impact assessment captures input from across NatWest Group including from businesses.

### Inform capital actions

Capital planning informs potential capital actions including buy backs, redemptions, dividends and new issuance to external investors or via internal transactions.

Decisions on capital actions will be influenced by strategic and regulatory requirements, risk appetite, costs and prevailing market conditions.

As part of capital planning, NatWest Group will monitor its portfolio of external capital securities and assess the optimal blend and most cost effective means of financing.

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

### Liquidity risk management

NatWest Group manages its liquidity risk taking into account regulatory, legal and other constraints to ensure sufficient liquidity is available where required to cover liquidity stresses.

The principal levels at which liquidity risk is managed are:

- NatWest Group
- NatWest Holdings Group
- UK DoLSub
- NatWest Markets Plc
- NatWest Markets Securities Inc.
- RBS International Limited
- RBSH N.V.

The UK DoLSub is PRA-regulated and comprises NatWest Holdings three licensed deposit-taking UK banks: National Westminster Bank Plc (NWB Plc), The Royal Bank of Scotland plc (RBS plc) and Coutts & Company.

NatWest Group categorises its liquidity portfolio, including its locally managed liquidity portfolios, into primary and secondary liquid assets. The size of the liquidity portfolios are determined by referencing NatWest Group's liquidity risk appetite. NatWest Group retains a prudent approach to setting the composition of the liquidity portfolios, which is subject to internal policies applicable to all entities and limits over quality of counterparty, maturity mix and currency mix.

RBS International Limited and RBSH N.V. hold locally managed portfolios that comply with local regulations that may differ from PRA rules. The liquidity value of the portfolio is determined by taking current market prices and applying a discount or haircut, to give a liquidity value that represents the amount of cash that can be generated by the asset.

### Funding risk management

NatWest Group manages funding risk through a comprehensive framework which measures and monitors the funding risk on the balance sheet including quantitative and qualitative analysis of the behavioural aspects of its assets and liabilities as well as the funding concentration.

### Prudential regulation changes that may impact capital requirements

NatWest Group faces numerous changes in prudential regulation that may impact the minimum amount of capital it must hold and consequently may increase funding costs and reduce return on equity.

Regulatory changes are actively monitored by NatWest Group, including engagement with industry associations and regulators and participation in quantitative impact studies. Monitoring the changing regulatory landscape forms a fundamental part of capital planning and management of its business. NatWest Group believes that its strategy to focus on simpler, lower-risk activities within a more resilient recovery and resolution framework will enable it to manage the impact of these.

### UK and EU implementation of Basel framework

The Basel framework is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision (BCBS). The Basel III standards are minimum requirements which apply to internationally active banks and ensure a global level playing field on financial regulation. Individual jurisdictions must decide how to implement the standards.

## Capital, liquidity and funding risk continued

### UK Basel III reforms & guidance

On 20 January 2026, the PRA published its final Basel 3.1 rules in relation to PS17/23 and PS9/24, re-affirming that implementation of the reforms will take place on 1 January 2027. For Market Risk, the PRA decided to delay the FRTB-IMA implementation until 1 January 2028, giving firms the option to use their existing IMA permissions until then. The policy statement included amendments to certain FRTB ASA (Alternative Standardised Approach) requirements, including a permissions regime for the residual risk add-on (RRAO). The policy statement also made minor amendments, corrections and clarifications to the calculation of Credit Risk and Operational Risk RWAs.

In 2025, the PRA also confirmed in PS7/25 its approach to Pillar 2A lending adjustments for Basel 3.1, ensuring that the removal of SME and infrastructure support factors from Pillar 1 RWAs does not raise overall capital requirements.

We expect Basel 3.1 to increase RWAs by around £10 billion on 1 January 2027.

### EU Basel III reforms

Equivalent changes in the EU capital rules relating to the Basel III standards are implemented in the EU by the latest Banking Package (CRR III/ CRD VI) which entered into force on 9 July 2024.

The EU CRR III rules became effective on 1 January 2025, except for the Market Risk FTRB rules which will be implemented on 1 January 2027. In November 2025, the European Commission issued a consultation for targeted amendments to the FRTB framework. The impact of these changes will be limited to NatWest Group's EU subsidiaries.

The CRD VI requirements must be incorporated into the national legislation of EU member states by early 2026. Among other changes, the directive introduces new prudential capital and liquidity standards for third-country branches, which will apply from 11 January 2027. These changes will only affect NatWest Group's EU third-country branches where certain conditions are met. NatWest Group continues to evaluate its EU operating model, making adaptations as necessary.

### Other developments in 2025

#### UK Capital Requirements review

In December 2025, the Financial Policy Committee (FPC) published its updated assessment of the appropriate level and structure of capital requirements for the UK banking sector, alongside a broader review of the capital framework. The Committee noted that the system-wide benchmark Tier 1 capital requirement is now considered to be around 13% of RWAs, compared with the earlier benchmark of approximately 14%. The UK countercyclical capital buffer rate was maintained at its neutral setting of 2%.

At the same time, the FPC launched a broader consultation on capital requirements, open until 2 April 2026. The consultation covers several areas, including the ensuring the leverage ratio continues to operate as intended; improving the usability and effectiveness of capital buffers; and assessing the calibration and interaction of domestic-exposure-based requirements to ensure they remain proportionate and free from unintended overlaps.

#### O-SII buffers

In July 2025, the PRA re issued its 2024 O SII buffer rates to incorporate the FPC's revised approach to O SII buffer thresholds, which now includes indexation. NatWest Group plc remains on the PRA's O SII list, and the O SII buffer for its ring fenced sub group, NatWest Holdings Group, was maintained at 1.5%.

### Leverage ratio requirements

In November 2025, PRA published final policy in PS22/25 which increases the retail deposit threshold for the application of the minimum leverage ratio requirements (3.25% and applicable buffers) from £50 billion to £75 billion. This policy took effect on 1 January 2026.

### PRA Step-in risk framework implementation

In April 2025, the PRA finalised its policy for the identification and management of step-in risk for UK banks, aligning to the BCBS guidelines. Step-in risk is deemed a Pillar 2 risk and must be assessed as part of the firm's ICAAP. The PRA expects governance, monitoring and controls to be embedded within the existing risk management framework. The requirements took effect on 1 January 2026.

### MREL requirements

In July 2025, the Bank of England published final policy changes relating to its approach to setting to setting a MREL. The revised rules introduce a requirement to use the full accounting value for measuring eligible liabilities towards MREL resources. The policy changes took effect from 1 January 2026.

### Prudential treatment of non-UK Covered bonds

HMT is considering the introduction of an Overseas Prudential Requirements Regime (OPRR) that could be used to designate equivalency for non-UK covered bonds. Pending finalisation of this approach, the PRA do not expect firms to alter their approach to inclusion of non-UK covered bonds including for new issuances, in Level 2 HQLA (High Quality Liquid Assets) under the Liquidity Coverage Ratio (LCR) Part of the PRA Rulebook.

### Summary of future changes to prudential regulation in UK that may impact NatWest Group

The table below covers expected future changes to prudential regulation in the UK which may impact NatWest Group at a consolidated level. Certain entities within the group will be exposed to changes in prudential regulation from other legislative bodies and/or local supervisory authorities where NatWest Group's entities are authorised (e.g. the EU and Jersey) on a solo basis and these changes may be different in substance, scope and timing from those highlighted below.

In addition to the future changes shown in the table below, the model changes required under CRD IV are still under development and subject to PRA approval. In line with all firms with permissions to use the IRB approach, NatWest Group is currently undertaking a programme of model and rating system development, to align with new regulations which came into force on 1 January 2022. The final CRD IV model outcomes may lead to changes in RWAs in 2026 and beyond.

## Capital, liquidity and funding risk continued

Area of development	Key changes	Status /Implementation date
Basel III reforms		
PRA Basel 3.1 Implementation	<p><b>Output floor – CET1% calculation</b></p> <ul style="list-style-type: none"> <li>The output floor will apply at the highest level of consolidation for UK groups (e.g., NatWest Group) and at the sub-consolidated level for ring-fenced sub-groups (e.g., NatWest Holdings Group).</li> <li>It will apply to the full capital stack, including capital buffers.</li> <li>A transitional period applies, with the floor set at 60% from 1 January 2027, increasing to 72.5% from 1 January 2030.</li> </ul> <p><b>Credit Risk RWAs (STD, IRB, FIRB)</b></p> <ul style="list-style-type: none"> <li>Significant revisions to the standardised credit risk approach, including changes to unrated corporates, SMEs, specialised lending, mortgages and equity exposures.</li> <li>Restrictions to the IRB framework, requiring the standardised approach for central government and equity exposures and FIRB for financial institutions and large corporates, alongside new input floors and other modelling updates.</li> <li>Removal of the SME and infrastructure supporting factors from both IRB and standardised approaches.</li> <li>Amending the credit risk mitigation framework, withdrawing certain internal modelling approaches, removing the double-default treatment and introducing a new risk-weight substitution method for some exposures.</li> </ul> <p><b>Market Risk RWAs</b></p> <ul style="list-style-type: none"> <li>Implementing new modelled and standardised approaches under the FRTB framework, including the Alternative Standardised Approach (ASA) for which a residual-risk-addition permissions regime has been confirmed.</li> <li>Revision of the banking–trading book boundary.</li> <li>A one-year deferral of FRTB-IMA to 1 January 2028, with existing IMA permissions remaining in place until that date.</li> <li>Policy changes to the capitalisation of FX risk are also being introduced.</li> </ul> <p><b>CVA/ Counterparty Credit Risk RWAs</b></p> <ul style="list-style-type: none"> <li>Removal of the modelled CVA approach and introducing two new methodologies: SA-CVA and BA-CVA.</li> <li>Implementing a new standardised CVA framework aligned with Basel standards, including the removal of exemptions previously applied to sovereigns, non-financial counterparties and pension funds.</li> <li>Reducing the SA-CCR alpha factor from 1.4 to 1 for non-financial counterparties and pension funds.</li> </ul> <p><b>Operational Risk RWAs</b></p> <ul style="list-style-type: none"> <li>Implementation of a new standardised approach.</li> <li>Internal Loss Multiplier (ILM) set to 1.</li> <li>Changes to the income requirements in scope of the business indicator.</li> </ul>	<p><b>Status:</b> Final rules published in PS1/26.</p> <p><b>Implementation date:</b> 1 January 2027, except for FRTB-IMA rules which will apply from 1 January 2028.</p> <p>We expect Basel 3.1 to increase RWAs by around £10 billion on 1 January 2027.</p>

## Capital, liquidity and funding risk continued

Area of development	Key changes	Status /Implementation date
Pillar 2A reforms	<ul style="list-style-type: none"> <li>Finalisation of rules to streamline firm-specific capital communications, by simplifying both the content and the processes for setting Pillar 2A requirements, systemic buffers and the Additional Leverage Ratio Buffer (ALRB).</li> <li>Minor clarifications for IRRBB and pension obligation risk within Pillar 2A, with no impact on capital requirements and no change to the PRA's underlying approaches to these risks.</li> </ul>	<b>Status:</b> Final policy for capital communications published in PS2/25. Near-final rules for IRRBB and Pension risk published in PS18/25. <b>Implementation dates:</b> PS2/25: 31 March 2025 PS18/25: 1 July 2026
Pillar 2A methodologies review	<b>Phase 1</b> <ul style="list-style-type: none"> <li>Policy proposals under CP12/25 to update the Pillar 2A framework to address Basel 3.1 impacts.</li> <li>Introduction of Pillar 2A lending adjustments for Basel 3.1 under PS7/25 (May 2025), compensating for the removal of SME and infrastructure support factors.</li> </ul> <b>Phase 2</b> <ul style="list-style-type: none"> <li>It will involve a deeper review of individual Pillar 2A methodologies to refine expectations, improve effectiveness, and identify further burden-reduction opportunities.</li> </ul>	<b>Status:</b> Awaiting final rules; PRA consultation under CP12/25 closed in September 2025. <b>Implementation dates:</b> Phase 1: 1 July 2026, for the changes to pension obligation risk, market risk and counterparty credit risk. Phase 2: 1 January 2027, for the changes to credit risk and operational risk including P2A lending adjustments.
UK CRR restatements	<b>2026 implementation</b> <ul style="list-style-type: none"> <li>Restatement of capital definitions, making no substantive changes.</li> <li>Clarification of supervisory expectations for the inclusion of interim profits in CET1 capital and the conditions for reducing AT1 and T2 instruments.</li> <li>Existing ECAI mappings are to be onshored.</li> <li>Supervisory expectations for synthetic risk transfer (SRT) securitisations are further clarified.</li> </ul> <b>2027 implementation</b> <ul style="list-style-type: none"> <li>Substantive revisions to the securitisation capital framework, including changes to the SEC-SA calculation.</li> <li>Updating of the capital treatment for exposures under the Mortgage Guarantee Scheme</li> </ul>	<b>Status:</b> Final policy published in PS12/25 <b>Implementation date:</b> 1 January 2026  <b>Status:</b> Near final rules published in PS19/25; final rules expected in Q1 2026. <b>Implementation date:</b> 1 January 2027
UK MREL requirements	Bank of England - Amendments to the approach to setting a minimum requirement for own funds and eligible liabilities <ul style="list-style-type: none"> <li>Policy updates to setting the minimum requirement for own funds and eligible liabilities (MREL).</li> <li>Updated supervisory expectations for measuring non-CET1 instruments, confirming the use of accounting values for this purpose.</li> </ul>	<b>Status:</b> Final MREL Statement of Policy published <b>Implementation date:</b> 1 January 2026

## Capital, liquidity and funding risk continued

Area of development	Key changes	Status /Implementation date
<u>Step-in Risk &amp; Large Exposures reforms</u>		
PRA framework for step-in risk	<ul style="list-style-type: none"><li>Implementation of the Basel guidelines for step-in risk in the PRA Rulebook.</li><li>Step-in risk is deemed a Pillar 2 risk and must be assessed as part of the NatWest Group's ICAAP.</li></ul>	<b>Status:</b> Final policy published in PS5/25 and SS1/25 (April 2025) <b>Implementation date:</b> 1 January 2026
PRA amendments to the Large Exposures Framework	<p><b>Part 1</b></p> <ul style="list-style-type: none"><li>Onshoring of the EBA guidelines for the identification requirements of Connected Clients in the Large Exposures (CRR) part of the PRA Rulebook.</li><li>Stricter requirements for exposures to certain French counterparties.</li></ul> <p><b>Part 2</b></p> <ul style="list-style-type: none"><li>Further policy changes stemming from CP14/24 are expected in 2026 with respect to mandatory substitution approach, the removal of the use of IMM methods for calculating exposure values for SFTs and revised rules for intragroup permissions.</li></ul>	<b>Status:</b> Final policy for Phase 1 published in PS14/25 (July 2025) <b>Implementation dates:</b> Part 1: 1 January 2026 Part 2: Not yet confirmed

## Capital, liquidity and funding risk continued

## Key points

<b>CET1 ratio</b> <b>14.0%</b> (2024 - 13.6%)	The CET1 ratio increased by 40 basis points to 14.0% due to a £2.1 billion increase in CET1 capital offset by a £10.1 billion increase in RWAs.  The CET1 capital increase was mainly driven by an attributable profit to ordinary shareholders of £4.7 billion (net of ordinary interim dividend paid) and other movements on reserves and regulatory adjustments of £0.7 billion partially offset by a share buyback of £1.5 billion and a foreseeable ordinary dividend accrual of £1.8 billion.	
<b>RWAs</b> <b>£193.3bn</b> (2024 - £183.2bn)	Total RWAs increased by £10.1 billion to £193.3 billion mainly reflecting: <ul style="list-style-type: none"><li>an increase in credit risk RWAs of £7.6 billion, primarily reflecting franchise lending growth, including unsecured balances acquired from Sainsbury's Bank offset by the benefits of RWA management actions. An increase in CRD IV model updates partially offset by the movements in risk metrics and foreign exchange.</li><li>an increase in counterparty credit risk RWAs of £0.5 billion mainly driven by revised close-out periods for securities financing transactions partially offset by new bespoke portfolio credit default swap and CRD IV model updates.</li><li>an increase in operational risk RWAs of £3.8 billion following the annual recalculation, including an acceleration of £1.6 billion from Q1 2026 to align with market practice.</li><li>a reduction in market risk RWAs of £1.7 billion, mainly driven by active risk management on options trading and changes in government bond and bond futures positions.</li></ul>	
<b>UK leverage ratio</b> <b>4.8%</b> (2024 - 5.0%)	The leverage ratio decreased by 20 basis points to 4.8% due to a £47.2 billion increase in leverage exposure partially offset by a £1.4 billion increase in Tier 1 capital. The key drivers in the leverage exposure movement were an increase in other financial assets and other off balance sheet items.	
<b>MREL ratio</b> <b>31.9%</b> (2024 - 33.0%)	The MREL ratio decreased by 110 basis points driven by a £10.1 billion increase in RWAs partially offset by a £1.2 billion increase in MREL resources.  MREL resources increased to £61.6 billion driven by a £2.1 billion increase in CET1 capital offset by a £0.7 billion decrease in AT1 capital, a £0.2 billion decrease in Tier 2 capital, and a £0.1 billion decrease in senior unsecured debt. AT1 and Tier 2 capital movements were driven by issues and redemptions in the period, whilst the senior unsecured debt movement was driven by issues and redemptions totalling £1.7 billion, offset by a £1.5bn debt instrument that ceased to count towards MREL resources 12 months before it matures, and foreign exchange movements of £0.6 billion.	
<b>Liquidity portfolio</b> <b>£237.9bn</b> (2024 - £222.3bn)	The liquidity portfolio increased by £15.6 billion to £237.9 billion during the year. Primary liquidity decreased by £3.8 billion to £157.3 billion, driven by strong lending growth, TFSME tranche repayment partially offset by deposit growth and new issuances. Secondary liquidity increased by £19.4 billion due to an increase in pre-positioned collateral at the Bank of England.	
<b>LCR average</b> <b>147%</b> (2024 - 151%)	The average Liquidity Coverage Ratio (LCR) decreased by 4% to 147%, during 2025, driven by increased lending partially offset by deposit growth.	
<b>NSFR average</b> <b>135%</b> (2024 - 137%)	The average Net Stable Funding Ratio (NSFR) decreased by 2% to 135% during 2025 driven by increased lending, partially offset by deposit growth.	

Capital, liquidity and funding risk continued

## Minimum requirements

### Maximum Distributable Amount (MDA) and Minimum Capital Requirements

NatWest Group is subject to minimum capital requirements relative to RWAs. The table below summarises the minimum capital requirements (the sum of Pillar 1 and Pillar 2A), and the additional capital buffers which are held in excess of the regulatory minimum requirements and are usable in stress.

Where the CET1 ratio falls below the sum of the minimum capital and the combined buffer requirement, there is a subsequent automatic restriction on the amount available to service discretionary payments (including AT1 coupons), known as the MDA. Note that different capital requirements apply to individual legal entities or sub-groups and the table shown does not reflect any incremental PRA buffer requirements, which are not disclosable.

The current capital position provides significant headroom above both our minimum requirements and our MDA threshold requirements.

Type	CET1	Total Tier 1	Total capital
Pillar 1 requirements	<b>4.5%</b>	<b>6.0%</b>	<b>8.0%</b>
Pillar 2A requirements	<b>1.6%</b>	<b>2.2%</b>	<b>2.9%</b>
<b>Minimum Capital Requirements</b>	<b>6.1%</b>	<b>8.2%</b>	<b>10.9%</b>
Capital conservation buffer	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>
Countercyclical capital buffer (1)	<b>1.7%</b>	<b>1.7%</b>	<b>1.7%</b>
<b>MDA threshold (2)</b>	<b>10.3%</b>	<b>n/a</b>	<b>n/a</b>
Overall capital requirement	<b>10.3%</b>	<b>12.4%</b>	<b>15.1%</b>
Capital ratios at 31 December 2025	<b>14.0%</b>	<b>16.4%</b>	<b>19.3%</b>
Headroom (3) (4)	<b>3.7%</b>	<b>4.0%</b>	<b>4.2%</b>

(1) The UK countercyclical buffer (CCyB) rate is currently being maintained at 2%. This may vary in either direction in the future subject to how risks develop. Foreign exposures may be subject to different CCyB rates depending on the rate set in those jurisdictions.

(2) Pillar 2A requirements for NatWest Group are set as a variable amount with the exception of some fixed add-ons.

(3) The headroom does not reflect excess distributable capital and may vary over time.

(4) Headroom as at 31 December 2024 was CET1 3.1%, Total Tier 1 3.9% and Total Capital 4.3%.

### Leverage ratios

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

Type	CET1	Total Tier 1
Minimum ratio	<b>2.44%</b>	<b>3.25%</b>
Countercyclical leverage ratio buffer (1)	<b>0.6%</b>	<b>0.6%</b>
<b>Total</b>	<b>3.04%</b>	<b>3.85%</b>

(1) The countercyclical leverage ratio buffer is set at 35% of NatWest Group's CCyB.

### Liquidity and funding ratios

The table below summarises the minimum requirements for key liquidity and funding metrics under the PRA framework.

Type		
Liquidity Coverage Ratio (LCR)		<b>100%</b>
Net Stable Funding Ratio (NSFR)		<b>100%</b>

## Capital, liquidity and funding risk continued

## Measurement

## Capital, risk-weighted assets and leverage: Key metrics

The tables below show key prudential metrics calculated in accordance with current PRA rules.

	2025	2024
	%	%
<b>Capital adequacy ratios (1)</b>		
CET1	<b>14.0</b>	13.6
Tier 1	<b>16.4</b>	16.5
Total	<b>19.3</b>	19.7
 <b>RWAs</b>		
	<b>£m</b>	<b>£m</b>
Credit risk	<b>155,610</b>	148,078
Counterparty credit risk	<b>7,609</b>	7,103
Market risk	<b>4,474</b>	6,219
Operational risk	<b>25,595</b>	21,821
Total RWAs	<b>193,288</b>	183,221
 <b>Capital</b>		
	<b>£m</b>	<b>£m</b>
CET1	<b>27,066</b>	24,928
Tier1	<b>31,621</b>	30,187
Total	<b>37,375</b>	36,105
 <b>Leverage ratios</b>		
	<b>£m</b>	<b>£m</b>
Tier 1 capital	<b>31,621</b>	30,187
UK leverage exposure	<b>654,954</b>	607,799
UK leverage ratio (%) (2)	<b>4.8%</b>	5.0%
UK average Tier 1 capital (3)	<b>32,296</b>	29,923
UK average leverage exposure (3)	<b>657,670</b>	600,354
UK average leverage ratio (%) (3)	<b>4.9%</b>	5.0%

(1) The IFRS 9 transitional capital rules in respect of ECL provisions ceased to apply on 1 January 2025. The impact of the IFRS 9 transitional adjustments at 31 December 2024 was £33 million for CET1 capital, £33 million for total capital and £3 million RWAs. Excluding this adjustment at 31 December 2024, the CET1 ratio was 13.6%, Tier 1 capital ratio was 16.5% and the Total capital ratio was 19.7%.

(2) The UK leverage exposure and Tier 1 capital are calculated in accordance with current PRA rules. Excluding the IFRS 9 transitional adjustment in respect of ECL provision, the UK leverage ratio at 31 December 2024 was 5.0%

(3) Based on the daily average of on-balance sheet items and three month-end average of off-balance sheet items and Tier 1 capital.

## Capital flow statement

The table below analyses the movement in CET1, AT1 and Tier 2 capital for the year ended 31 December 2025.

	CET1 £m	AT1 £m	Tier 2 £m	Total £m
<b>At 31 December 2024</b>	<b>24,928</b>	<b>5,259</b>	<b>5,918</b>	<b>36,105</b>
Attributable profit for the period	5,479	-	-	5,479
Ordinary interim dividend paid	(768)	-	-	(768)
Share buyback	(1,500)	-	-	(1,500)
Foreseeable ordinary dividends	(1,837)	-	-	(1,837)
Foreign exchange reserve	7	-	-	7
FVOCI reserve	116	-	-	116
Own credit	14	-	-	14
Share based remuneration and shares vested under employee share schemes	270	-	-	270
Goodwill and intangibles deduction	158	-	-	158
Deferred tax assets	280	-	-	280
Prudential valuation adjustments	63	-	-	63
New issues of capital instruments	-	1,244	823	2,067
Redemption of capital instruments	(22)	(1,948)	(1,000)	(2,970)
Foreign exchange movements	-	-	13	13
Adjustment under IFRS 9 transitional arrangements	(33)	-	-	(33)
Expected loss less impairment	(62)	-	-	(62)
Other movements	(27)	-	-	(27)
<b>At 31 December 2025</b>	<b>27,066</b>	<b>4,555</b>	<b>5,754</b>	<b>37,375</b>

- For CET1 movements refer to the key points on page 240.
- The AT1 movement reflects the £0.7 billion 7.500% Reset Perpetual Subordinated Contingent Convertible Additional Tier 1 Capital Notes issued in March 2025 and the £0.5 billion 7.625% Reset Perpetual Subordinated Contingent Convertible Additional Tier 1 Capital Notes issued in September 2025 offset by the redemption of \$1.15 billion 8.000% Perpetual Subordinated Contingent Convertible Additional Tier 1 Capital Notes in August 2025 and \$1.5 billion 6.000% Perpetual Subordinated Contingent Convertible Additional Tier 1 Capital Notes in December 2025.
- Tier 2 movements of £0.2 billion include a decrease of £1.0 billion due to the redemption of 3.622% Fixed to Fixed Rate Reset Tier 2 Notes due 2030 in May 2025 partially offset by an increase of £0.8 billion for a €1.0 billion 3.723% Fixed to Fixed Rate Reset Tier 2 Notes issued in February 2025 and foreign exchange movements.

Capital, liquidity and funding risk continued

## Capital generation pre-distributions

	31 December 2025 £m	31 December 2024 £m
CET1	27,066	24,928
CET1 capital pre-distributions (1)	31,171	28,920
RWAs	193,288	183,221
	%	%
CET1 ratio - opening at 1 January	13.61	13.36
CET1 pre-distributions - closing	16.13	15.78
Capital generation pre-distributions (1)	2.52	2.43

(1) The calculation of capital generation pre-distributions uses CET1 capital pre-distributions. Distributions include ordinary dividends paid, foreseeable ordinary dividends and share buybacks.

## Risk-weighted assets

The table below analyses the movement in RWAs during the year, by key drivers.

	Credit risk £bn	Counterparty credit risk £bn	Market risk £bn	Operational risk £bn	Total £bn
<b>At 31 December 2024</b>					
Foreign exchange movement	148.1	7.1	6.2	21.8	183.2
Business movement	(0.3)	-	-	-	(0.3)
Risk parameter changes	-	0.3	(1.7)	3.8	2.4
Methodology changes	(0.9)	-	-	-	(0.9)
Model updates	7.1	0.2	-	-	7.3
Acquisitions and disposals	1.6	-	-	-	1.6
<b>At 31 December 2025</b>					
	155.6	7.6	4.5	25.6	193.3

The table below analyses the movement in RWAs by segment during the year.

	Private Banking					Total NatWest Group £bn
	Retail Banking £bn	& Wealth Management £bn	Commercial & Institutional £bn	Central items & other £bn		
	<b>Total RWAs</b>					
<b>At 31 December 2024</b>	65.5	11.0	104.7	2.0	183.2	
Foreign exchange movement	-	-	(0.3)	-	(0.3)	
Business movement	(0.5)	0.4	3.0	(0.5)	2.4	
Risk parameter changes	0.3	-	(1.2)	-	(0.9)	
Methodology changes	-	-	-	-	-	
Model updates	1.6	-	5.7	-	7.3	
Acquisitions and disposals	1.6	-	-	-	1.6	
<b>At 31 December 2025</b>	68.5	11.4	111.9	1.5	193.3	
Credit risk	59.1	9.6	85.4	1.5	155.6	
Counterparty credit risk	0.2	0.1	7.3	-	7.6	
Market risk	0.1	-	4.4	-	4.5	
Operational risk	9.1	1.7	14.8	-	25.6	
<b>Total RWAs</b>	<b>68.5</b>	<b>11.4</b>	<b>111.9</b>	<b>1.5</b>	<b>193.3</b>	

Total RWAs increased by £10.1 billion during the period mainly reflecting:

- A reduction in risk-weighted assets from foreign exchange movements of £0.3 billion primarily due to sterling appreciation versus the US Dollar and depreciation versus euro.
- An increase in business movements of £2.4 billion, mainly driven by an increase in credit risk reflecting franchise lending growth offset by the benefits of RWA management actions. An increase in operational risk following the annual recalculation, including an acceleration of £1.6 billion from Q1 2026 to align with market practice and an increase in counterparty credit risk due to revised close-out periods for securities financing transactions partially offset by new bespoke portfolio credit default swap. There was a decrease in market risk mainly driven by active risk management on options trading and changes in government bond and bond futures positions.
- A reduction in risk parameters of £0.9 billion primarily driven by movements in risk metrics within Commercial & Institutional and Retail Banking.
- An increase in model updates of £7.3 billion primarily driven by CRD IV model updates within Commercial & Institutional and Retail Banking.
- An increase in acquisitions of £1.6 billion driven by balances acquired from Sainsbury's Bank.

## Capital, liquidity and funding risk continued

## Leverage exposure

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

	31 December	31 December
	2025	2024
	£m	£m
Cash and balances at central banks	<b>85,182</b>	92,994
Trading assets	<b>46,537</b>	48,917
Derivatives	<b>60,789</b>	78,406
Financial assets	<b>505,609</b>	469,599
Other assets	<b>16,436</b>	18,069
<b>Total assets</b>	<b>714,553</b>	707,985
Derivatives		
- netting and variation margin	<b>(58,769)</b>	(76,101)
- potential future exposures	<b>18,155</b>	16,692
Securities financing transactions gross up	<b>2,593</b>	2,460
Other off balance sheet items	<b>70,909</b>	59,498
Regulatory deductions and other adjustments	<b>(9,699)</b>	(11,014)
Claims on central banks	<b>(81,616)</b>	(89,299)
Exclusion of bounce back loans	<b>(1,172)</b>	(2,422)
<b>UK leverage exposure</b>	<b>654,954</b>	607,799
<b>UK leverage ratio (%)</b>	<b>4.8</b>	5.0

## Liquidity key metrics

The table below sets out the NatWest Group key liquidity and related metrics on an average basis.

	2025	2024	
	NatWest Group	UK DoLSub	NatWest Group
Liquidity Coverage Ratio (1)	<b>147%</b>	<b>135%</b>	151%
Net Stable Funding Ratio (2)	<b>135%</b>	<b>129%</b>	137%
Stressed Outflow Coverage (3)	<b>158%</b>	<b>143%</b>	157%

(1) The LCR Average is calculated as the average of the preceding 12 months.

(2) The NSFR Average is calculated as the average of the preceding four quarters.

(3) NatWest Group's Stressed Outflow Coverage (SOC) is an internal measure calculated by reference to liquid assets as a percentage of net stressed contractual and behavioural outflows over three months. The most severe outcome is selected from a range of scenarios comprising of market-wide, idiosyncratic and a combination of both. This assessment is performed in accordance with PRA guidance. The SOC Average is calculated as the average of the preceding 12 months.

## Capital, liquidity and funding risk continued

## Minimum requirements of own funds and eligible liabilities (MREL)

The following table illustrates the components of estimated MREL in NatWest Group and operating subsidiaries and includes external issuances only. The roll-off profile relating to senior debt and subordinated debt instruments is set out on page 247.

	2025				2024			
	Par value (1) £bn	Balance sheet value £bn	Regulatory value £bn	MREL value (2) £bn	Par value (1) £bn	Balance sheet value £bn	Regulatory value £bn	MREL value (2) £bn
CET1 capital (3)	<b>27.1</b>	<b>27.1</b>	<b>27.1</b>	<b>27.1</b>	24.9	24.9	24.9	24.9
<b>Tier 1 capital: end-point CRR compliant AT1</b>								
of which: NatWest Group plc (holdco)	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	5.3	5.3	5.3	5.3
of which: NatWest Group plc operating subsidiaries (opcos)	-	-	-	-	-	-	-	-
	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	5.3	5.3	5.3	5.3
<b>Tier 1 capital: end-point CRR non-compliant</b>								
of which: holdco	-	-	-	-	-	-	-	-
of which: opcos	<b>0.1</b>	<b>0.1</b>	-	-	0.1	0.1	-	-
	<b>0.1</b>	<b>0.1</b>	-	-	0.1	0.1	-	-
<b>Tier 2 capital: end-point CRR compliant</b>								
of which: holdco	<b>5.8</b>	<b>5.7</b>	<b>5.8</b>	<b>5.8</b>	5.9	5.7	5.9	5.9
of which: opcos	-	-	-	-	-	-	-	-
	<b>5.8</b>	<b>5.7</b>	<b>5.8</b>	<b>5.8</b>	5.9	5.7	5.9	5.9
<b>Tier 2 capital: end-point CRR non compliant</b>								
of which: holdco	-	-	-	-	-	-	-	-
of which: opcos	<b>0.2</b>	<b>0.3</b>	-	-	0.2	0.3	-	-
	<b>0.2</b>	<b>0.3</b>	-	-	0.2	0.3	-	-
<b>Senior unsecured debt securities</b>								
of which: holdco	<b>25.4</b>	<b>25.4</b>	-	<b>24.3</b>	24.4	24.0	-	24.4
of which: opcos	<b>37.5</b>	<b>37.6</b>	-	-	33.7	33.6	-	-
	<b>62.9</b>	<b>63.0</b>	-	<b>24.3</b>	58.1	57.6	-	24.4
<b>Tier 2 capital</b>								
Other regulatory adjustments	-	-	-	-	-	-	-	-
<b>Total</b>	<b>100.7</b>	<b>100.8</b>	<b>37.4</b>	<b>61.6</b>	94.5	93.9	36.1	60.5
RWAs				<b>193.3</b>				183.2
UK leverage exposure				<b>655.0</b>				607.8
MREL as a ratio of RWAs				<b>31.9%</b>				33.0%
MREL as a ratio of UK leverage exposure				<b>9.4%</b>				9.9%

(1) Par value reflects the nominal value of securities issued.

(2) MREL value reflects NatWest Group's interpretation of the Bank of England's current approach to setting a MREL. Liabilities excluded from MREL include instruments with less than one year remaining to maturity, structured debt, operating company senior debt, and other instruments that do not meet the MREL criteria. The MREL calculation includes Tier 1 and Tier 2 securities before the application of any regulatory caps or adjustments.

(3) Shareholders' equity was £42.6 billion (2024 - £39.4 billion).

## Capital, liquidity and funding risk continued

## Minimum requirements of own funds and eligible liabilities (MREL) continued

The following table illustrates the components of the stock of outstanding issuance in NatWest Group and its operating subsidiaries including external and internal issuances.

		NatWest						NatWest Markets N.V.	NWM Securities Inc.(6)	RBS International Limited (7)
		NatWest Group plc		Holdings Limited		NWB Plc	RBS plc			
		£bn	£bn	£bn	£bn	£bn	£bn			
Additional Tier 1	Externally issued	4.6	-	0.1	-	-	-	-	-	-
Additional Tier 1	Internally issued	-	3.7	3.2	0.5	1.2	0.2	-	-	0.1
		4.6	3.7	3.3	0.5	1.2	0.2	-	-	0.1
Tier 2	Externally issued	5.7	-	-	-	-	0.3	-	-	-
Tier 2	Internally issued	-	5.0	4.1	0.5	1.1	0.1	0.3	-	-
		5.7	5.0	4.1	0.5	1.1	0.4	0.3	-	-
Senior unsecured	Externally issued	25.4	-	-	-	-	-	-	-	-
Senior unsecured	Internally issued	-	14.1	8.1	1.1	4.3	-	-	-	0.3
		25.4	14.1	8.1	1.1	4.3	-	-	-	0.3
Total outstanding issuance		35.7	22.8	15.5	2.1	6.6	0.6	0.3	-	0.4

(1) For AT1 & Tier 2, the balances are the IFRS balance sheet carrying amounts, which may differ from the amount which the instrument contributes to regulatory capital. Regulatory balances exclude, for example, issuance costs and fair value movements, while dated capital is required to be amortised on a straight-line basis over the final five years of maturity.

(2) Balance sheet amounts reported for AT1 and Tier 2 instruments are before grandfathering restrictions imposed by CRR.

(3) Internal issuance for NWB Plc and RBS plc represents AT1, Tier 2 or Senior unsecured issuance to NatWest Holdings Limited and for NWM N.V. and NWM SI to NWM Plc.

(4) The balances are the IFRS balance sheet carrying amounts for Senior unsecured debt category and it does not include CP, CD and short term/medium notes issued from NatWest Group operating subsidiaries.

(5) The above table does not include CET1 numbers.

(6) NWM Securities Inc - regulated under US broker dealer rules.

(7) RBS International Limited - the Resolution Regime is under development in Jersey.

## Capital, liquidity and funding risk continued

### Roll-off profile

The following table illustrates the roll-off profile of NatWest Group's major wholesale funding programmes.

	As at and for year ended 31 December 2025	Roll-off profile					
		H1 2026	H2 2026	2027	2028	2029 & 2030	2031 & later
<b>Senior debt roll-off profile (1)</b>							
NatWest Group plc	25,441	1,121	-	2,367	4,743	10,104	7,106
NWM Plc	30,231	6,221	4,433	6,551	4,780	7,909	337
NatWest Bank Plc	2,736	2,710	26	-	-	-	-
NWM N.V.	2,627	991	779	450	-	40	367
NatWest Bank Plc - Covered bonds	750	-	-	-	-	750	-
Total notes issued	61,785	11,043	5,238	9,368	9,523	18,803	7,810
<b>Subordinated debt instruments roll-off profile (2)</b>							
NatWest Group plc	5,729	-	982	630	1,310	2,807	-
NWM Plc	19	-	17	-	-	-	2
NWM N.V.	253	-	-	-	-	-	253
Total subordinated debt	6,001	-	999	630	1,310	2,807	255

### Liquidity portfolio

The table below shows the composition of the liquidity portfolio with primary liquidity aligned to high-quality liquid assets on a regulatory LCR basis. Secondary liquidity comprises of assets which are eligible as collateral for local central bank liquidity facilities and do not form part of the LCR eligible high-quality liquid assets. High-quality liquid assets cover both Pillar 1 and Pillar 2 risks.

	Liquidity value					
	31 December 2025			31 December 2024		
	NatWest Group (1) £m	NWH Group (2) £m	UK DoL Sub £m	NatWest Group (1) £m	NWH Group (2) £m	UK DoL Sub £m
Cash and balances at central banks	81,107	52,307	51,640	88,617	58,313	57,523
High quality government/MDB/PSE and GSE bonds (3)	61,438	42,214	42,214	58,818	43,275	43,275
Extremely high quality covered bonds	4,415	4,414	4,414	4,341	4,340	4,340
LCR level 1 Eligible Assets	146,960	98,935	98,268	151,776	105,928	105,138
LCR level 2 Eligible Assets (4)	10,325	9,466	9,466	9,271	7,957	7,957
Primary liquidity (HQLA) (5)	157,285	108,401	107,734	161,047	113,885	113,095
Secondary liquidity	80,647	80,647	80,647	61,230	61,200	61,200
Total liquidity value	237,932	189,048	188,381	222,277	175,085	174,295

(1) Based on final contractual instrument maturity.

(2) Based on first call date of instrument; however, this does not indicate NatWest Group's strategy on capital and funding management. The table above does not include debt accounted Tier 1 instruments although those instruments form part of the total subordinated debt balance.

(3) The roll-off table is based on sterling-equivalent balance sheet values.

(1) NatWest Group includes the UK Domestic Liquidity Sub-Group (UK DoLSub), NatWest Markets Plc and other significant operating subsidiaries that hold liquidity portfolios. These include RBSI Ltd and NWM N.V. who hold managed portfolios that comply with local regulations that may differ from PRA rules.

(2) NWH Group comprises UK DoLSub and NatWest Bank Europe GmbH who hold managed portfolios that comply with local regulations that may differ from PRA rules.

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

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

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

## Capital, liquidity and funding risk continued

## Funding sources (audited)

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

	2025			2024		
	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m
<b>Bank Deposits</b>						
Repos	22,371	5,445	27,816	11,967	-	11,967
Other bank deposits (1)	6,094	10,182	16,276	9,708	9,777	19,485
	28,465	15,627	44,092	21,675	9,777	31,452
<b>Customer Deposits</b>						
Repos	753	1,043	1,796	1,363	-	1,363
Non-bank financial institutions	53,559	4	53,563	48,761	241	49,002
Personal	232,815	7,757	240,572	231,483	2,451	233,934
Corporate	147,022	45	147,067	149,086	105	149,191
	434,149	8,849	442,998	430,693	2,797	433,490
<b>Trading liabilities (2)</b>						
Repos (3)	26,168	2,410	28,578	29,752	810	30,562
Derivatives collateral	11,966	-	11,966	12,509	-	12,509
Other bank and customer deposits	454	286	740	627	268	895
Debt securities in issue - Medium term notes	28	206	234	20	237	257
	38,616	2,902	41,518	42,908	1,315	44,223
<b>Other financial liabilities</b>						
Customer deposits including repos	836	1,476	2,312	471	1,341	1,812
Debt securities in issue:				-		
Commercial paper and certificates of deposit	8,718	683	9,401	10,889	377	11,266
Medium term notes	11,475	41,999	53,474	11,118	34,967	46,085
Covered bonds	-	749	749	-	749	749
Securitisation	-	1,663	1,663	295	880	1,175
	21,029	46,570	67,599	22,773	38,314	61,087
Subordinated liabilities	1,076	5,047	6,123	1,051	5,085	6,136
<b>Total funding</b>	<b>523,335</b>	<b>78,995</b>	<b>602,330</b>	<b>519,100</b>	<b>57,288</b>	<b>576,388</b>
<i>Of which: available in resolution (4)</i>			<b>30,049</b>			<b>29,742</b>

(1) Includes £8.2 billion (2024 – £12.0 billion) relating to Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises participation.

(2) Excludes short positions of £7.5 billion (2024 – £10.5 billion).

(3) Comprises central & other bank repos of £8.2 billion (2024 – £7.2 billion), other financial institution repos of £18.0 billion (2024 – £20.4 billion) and other corporate repos of £2.4 billion (2024 – £3.0 billion).

(4) Eligible liabilities (as defined in the Banking Act 2009 as amended from time to time) that meet the eligibility criteria set out in the regulations, rules, policies, guidelines, or statements of the Bank of England including the Statement of Policy published by the Bank of England in December 2021 (updating June 2018). The balance consists of £24.3 billion (2024 – £24.0 billion) under debt securities in issue (senior MREL) and £5.7 billion (2024 – £5.7 billion) under subordinated liabilities.

## Capital, liquidity and funding risk continued

## Contractual maturity (audited)

This table shows the residual maturity of financial instruments, based on contractual date of maturity of NatWest Group's banking activities, including hedging derivatives. Trading activities, comprising mandatory fair value through profit or loss (MFVTPL) assets and held-for-trading (HFT) liabilities have been excluded from the maturity analysis and are shown in total in the table below.

2025	Banking activities										Trading activities £m	Total £m		
	Less than 6 months			6 months+				More than 5 years						
	1 months £m	1-3 months £m	3-6 months £m	1 year £m	Subtotal £m	1-3 years £m	3-5 years £m	5 years £m	Total £m					
Cash and balances at central banks	85,182	-	-	-	85,182	-	-	-	85,182	-	-	85,182		
Trading assets	-	-	-	-	-	-	-	-	-	46,537	46,537			
Derivatives	(10)	95	34	29	148	65	322	-	535	60,254	60,254	60,789		
Settlement balances	645	-	-	-	645	-	-	-	645	-	-	645		
Loans to banks - amortised cost	4,854	748	411	109	6,122	696	-	140	6,958	-	-	6,958		
Loans to customers - amortised cost (1)	43,857	19,126	17,086	23,561	103,630	66,657	49,262	202,841	422,390	-	-	422,390		
Personal	7,795	2,222	3,331	6,496	19,844	24,503	21,533	168,637	234,517	-	-	234,517		
Corporate	20,497	4,196	3,851	7,862	36,406	30,312	21,908	30,208	118,834	-	-	118,834		
Non-bank financial institutions	15,565	12,708	9,904	9,203	47,380	11,842	5,821	3,996	69,039	-	-	69,039		
Other financial assets	1,683	2,994	3,968	2,621	11,266	23,899	9,978	33,583	78,726	1,044	1,044	79,770		
Total financial assets	136,211	22,963	21,499	26,320	206,993	91,317	59,562	236,564	594,436	107,835	107,835	702,271		
2024														
Total financial assets	146,069	22,925	18,701	31,177	218,872	76,479	56,413	215,575	567,339	128,007	128,007	695,346		

(1) Loans to customers is gross and excludes £3.5 billion (2024 - £3.3 billion) of impairment provisions.



Capital, liquidity and funding risk continued

## Contractual maturity (audited)

2025	Banking activities								Trading activities		
	Less than 1 month £m	1-3 months £m	3-6 months £m	6 months - 1 year £m	Subtotal £m	1-3 years £m	3-5 years £m	More than 5 years £m	Total £m	£m	
Bank deposits excluding repos	4,447	342	845	460	6,094	6,556	568	3,058	16,276	-	16,276
Bank repos	20,926	881	-	564	22,371	3,616	1,829	-	27,816	-	27,816
Customer repos	587	16	-	150	753	1,043	-	-	1,796	-	1,796
Customer deposits excluding repos	380,523	20,637	17,331	14,905	433,396	7,785	13	8	441,202	-	441,202
Personal	205,094	5,698	9,628	12,395	232,815	7,750	7	-	240,572	-	240,572
Corporate	126,625	11,281	7,074	2,042	147,022	31	6	8	147,067	-	147,067
Non-bank financial institutions	48,804	3,658	629	468	53,559	4	-	-	53,563	-	53,563
Settlement balances	942	-	-	-	942	-	-	-	942	-	942
Trading liabilities	-	-	-	-	-	-	-	-	-	49,022	49,022
Derivatives	31	14	12	29	86	164	106	1	357	53,617	53,974
Other financial liabilities	3,745	3,702	7,783	5,799	21,029	22,923	16,418	7,229	67,599	-	67,599
CPs and CDs	1,500	1,718	2,497	3,003	8,718	683	-	-	9,401	-	9,401
Medium term notes	2,209	1,459	5,107	2,700	11,475	21,229	15,412	5,358	53,474	-	53,474
Covered bonds	-	-	-	-	-	-	749	-	749	-	749
Securitisations	-	-	-	-	-	3	-	1,660	1,663	-	1,663
Customer deposits including repos	36	525	179	96	836	1,008	257	211	2,312	-	2,312
Subordinated liabilities	-	57	20	999	1,076	1,892	2,780	375	6,123	-	6,123
Notes in circulation	3,164	-	-	-	3,164	-	-	-	3,164	-	3,164
Lease liabilities	4	19	21	41	85	158	62	230	535	-	535
Total financial liabilities	414,369	25,668	26,012	22,947	488,996	44,137	21,776	10,901	565,810	102,639	668,449
2024											
Total financial liabilities	399,323	28,936	21,299	32,066	481,624	33,905	16,240	6,535	538,304	126,332	664,636

Capital, liquidity and funding risk continued

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

The table below shows NatWest Group's debt securities in issue and subordinated liabilities by residual maturity.

2025	Trading liabilities		Other financial liabilities					
	Debt securities in issue	MTNs	Debt securities in issue			Subordinated liabilities	Total	Total notes in issue
			Commercial paper and CDs	MTNs	Covered bonds			
Less than 1 year	28	8,718	11,475	-	-	1,076	21,269	21,297
1-3 years	1	683	21,229	-	3	1,892	23,807	23,808
3-5 years	73	-	15,412	749	-	2,780	18,941	19,014
More than 5 years	132	-	5,358	-	1,660	375	7,393	7,525
Total	234	9,401	53,474	749	1,663	6,123	71,410	71,644

2024

Less than 1 year	20	10,889	11,118	-	295	1,051	23,353	23,373
1-3 years	35	377	18,426	-	7	1,523	20,333	20,368
3-5 years	42	-	12,409	749	-	2,623	15,781	15,823
More than 5 years	160	-	4,132	-	873	939	5,944	6,104
Total	257	11,266	46,085	749	1,175	6,136	65,411	65,668

The table below shows the currency breakdown.

2025	GBP	USD	EUR	Other	Total
	£m	£m	£m	£m	£m
Commercial paper and CDs	3,227	1,341	4,833	-	9,401
MTNs	4,914	22,061	23,536	3,197	53,708
Covered bonds	749	-	-	-	749
Securitisation	1,663	-	-	-	1,663
Subordinated liabilities	2,383	1,325	2,415	-	6,123
Total	12,936	24,727	30,784	3,197	71,644

2024	14,541	23,797	24,325	3,005	65,668
Total					

## Capital, liquidity and funding risk continued

### Funding gap: maturity and segment analysis

The contractual maturity of loans to customers and customer deposits are shown below. The table demonstrates the maturity transformation role being performed by NatWest Group of lending long-term whilst relying largely on short-term funding. This is possible as the behavioural profiles of many customer deposits, which tend to be repayable on demand, show longer maturity and greater stability than their contractual agreements.

NatWest Group forms expectations on customer behaviours through both qualitative and quantitative techniques, incorporating observed customer behaviours over historic time periods, which includes the more recent periods of interest rate change. Customer behaviour assumptions are approved by the NatWest Group Balance Sheet Committee and have been used to prepare the funding gap analysis, which reduces maturity mismatch across the periods shown.

	Contractual maturity																Behavioural maturity													
	Loans to customers (1)								Customer deposits								Net surplus/(gap)				Net surplus/(gap)									
	Greater			Greater			Greater			Greater			Greater			Greater			Greater			Greater								
	Less than 1 year £bn	1-5 years £bn	than 5 years £bn	Total £bn	Less than 1 year £bn	1-5 years £bn	than 5 years £bn	Total £bn	Less than 1 year £bn	1-5 years £bn	than 5 years £bn	Total £bn	Less than 1 year £bn	1-5 years £bn	than 5 years £bn	Total £bn	Less than 1 year £bn	1-5 years £bn	than 5 years £bn	Total £bn	Less than 1 year £bn	1-5 years £bn	than 5 years £bn	Total £bn						
2025																														
Retail Banking	15	42	159	216	195	7	-	202	180	(35)	(159)	(14)	(25)	(79)	(90)	(14)	372	(108)	(203)	61	3	(103)	161	61						
Private Banking & Wealth Management	3	7	9	19	43	-	-	43	40	(7)	(9)	24	14	(6)	16	24	68	105	197	370	436	3	-	20	59	(10)	69			
Commercial & Institutional	52	68	35	155	203	2	-	205	151	(66)	(35)	50	13	(18)	55	50	1	-	-	1	1	-	-	1	1	-	20	59	(10)	69
Central items & other	-	-	-	-	1	-	-	1	1	-	-	1	1	-	-	1	368	(102)	(197)	69	20	(59)	(10)	69	20	59	(10)	69		
Total	70	117	203	390	442	9	-	451	372	(108)	(203)	61	3	(103)	161	61	68	105	197	370	436	3	-	20	59	(10)	69			
2024																														
Total	68	105	197	370	436	3	-	439	368	(102)	(197)	69	20	(59)	(10)	69	68	105	197	370	436	3	-	20	59	(10)	69			

(1) Loans to customers and customer deposits include trading assets and trading liabilities respectively and excludes reverse repos and repos.

- The net customer funding surplus decreased by £8 billion during 2025 to £61 billion driven by a £20 billion increase in loans to customers offset by a £12 billion increase in deposits.
- The customer deposit mix was broadly similar to 2024, with additional prudence applied to customer account depositor behavioural assumptions.

### Encumbrance (audited)

NatWest Group evaluates the extent to which assets can be financed in a secured form (encumbrance), but certain asset types lend themselves more readily to encumbrance. The typical characteristics that support encumbrance are an ability to pledge those assets to another counterparty or entity through operation of law without necessarily requiring prior notification, homogeneity, predictable and measurable cash flows, and a consistent and uniform underwriting and collection process. Retail assets including residential mortgages, credit card receivables and personal loans display many of these features.

NatWest Group categorises its assets into four broad groups, those that are:

- Already encumbered and used to support funding currently in place through own-asset securitisations, covered bonds and securities repurchase agreements.
- Pre-positioned with central banks as part of funding schemes and those encumbered under such schemes.
- Ring-fenced to meet regulatory requirements, where NatWest Group has in place an operational continuity in resolution (OCIR) investment mandate wherein the PRA requires critical service providers to hold segregated liquidity buffers covering at least 50% of their annual fixed overheads.
- Unencumbered. In this category, NatWest Group has in place an enablement programme which seeks to identify assets capable of being encumbered and to identify the actions to facilitate such encumbrance whilst not affecting customer relationships or servicing. Programmes to manage the use of assets to actively support funding are established within UK DoLSub and NatWest Markets Plc.

## Capital, liquidity and funding risk continued

## Balance sheet encumbrance

The table shows the retained encumbered assets of NatWest Group.

2025	Encumbered as a result of transactions with counterparties other than central banks			Pre-positioned & encumbered assets held at central banks	Collateral ring-fenced to meet regulatory requirement	Unencumbered assets not pre-positioned with central banks				
	Covered debts	SFT, derivatives and other (1,2)	Total			Readily available	Other available (3)	Cannot be used (4)	Total	Total (5)
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and balances at central banks	-	3.5	3.5	-	-	81.7	-	-	81.7	85.2
Trading assets	-	16.1	16.1	-	-	2.5	0.1	27.8	30.4	46.5
Derivatives	-	-	-	-	-	-	-	60.8	60.8	60.8
Settlement balances	-	-	-	-	-	-	-	0.6	0.6	0.6
Loans to banks - amortised cost	-	-	-	-	-	2.0	1.7	3.3	7.0	7.0
Loans to customers - amortised cost (6)	13.8	-	13.8	115.5	-	93.7	145.3	50.6	289.6	418.9
Other financial assets (7)	-	25.5	25.5	-	0.5	53.6	-	0.2	53.8	79.8
Intangible assets	-	-	-	-	-	-	-	7.3	7.3	7.3
Other assets	-	-	-	-	-	-	2.3	6.2	8.5	8.5
Total assets	13.8	45.1	58.9	115.5	0.5	233.5	149.4	156.8	539.7	714.6
2024										
Total assets	12.7	40.8	53.5	94.5	1.8	242.9	132.5	182.8	558.2	708.0

(1) Repos and other secured deposits, cash, coin and nostro balance held with the Bank of England as collateral against deposits and notes in circulation are included here rather than within those positioned at the central bank as they are part of normal banking operations. Securities financing transactions (SFT) include collateral given to secure derivative liabilities.

(2) Derivative cash collateral of £5.7 billion (2024 - £8.0 billion) has been included in the encumbered assets.

(3) Other assets that are capable of being encumbered are those assets on the balance sheet that are available for funding and collateral purposes but are not readily realisable in their current form. These assets include loans that could be pre-positioned with central banks but have not been subject to internal and external documentation review and diligence work.

(4) Cannot be used includes:

- a) Derivatives, reverse repurchase agreements and trading related settlement balances.
- b) Non-financial assets such as intangibles, prepayments and deferred tax.
- c) Loans that are not encumbered and cannot be pre-positioned with central banks on criteria set by the central banks, including those relating to date of origination and level of documentation.
- d) Non-recourse invoice financing balances and certain shipping loans whose terms and structure prohibit their use as collateral.

(5) In accordance with market practice, NatWest Group employs securities recognised on the balance sheet, and securities received under reverse repo transactions as collateral for repos.

(6) The pre-positioned and encumbered assets held at central banks of £115.5 billion includes the encumbered residential mortgages of £16.1 billion. £75.6 billion of residential UK mortgages are included in £93.7 billion readily available loans to customers.

(7) Other financial assets under SFT, derivatives and other include £0.5 billion 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.

# Climate and nature risk

## Definition

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

## Sources of risk

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

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

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

Climate risk has been included in the NatWest Group risk directory since 2021. In 2024, we broadened the definition to climate and nature risk and updated our internal risk policy to reflect this. We are in the early stages of embedding nature into our risk management processes.

As climate and nature risk is both a principal risk within NatWest Group's EWRMF, and a cross-cutting risk, which impacts other principal risks, NatWest Group periodically refreshes its assessment of the relative impact of climate-related risk factors to other principal risks, where NatWest Group's exposure to a principal risk could be taken outside of appetite due to climate-related risk factors.

In identifying climate-related risks and opportunities to NatWest Group, the period in which each is likely to occur, was assessed. Risks and opportunities deemed material to the five-year financial planning cycle were viewed as short-term. Long-term was defined as beyond 15 years, while medium-term was defined as within the next five to 15 years<sup>(1)</sup>.

The outcome of the latest assessment of the relative impact of climate-related risk factors on other principal risks is included in the following table. All principal risks in the table were identified as potentially the most impacted by climate risk, over short, medium and long term horizons, noting these risks could amplify capital and liquidity risks themselves.

Risk type	Risks to NatWest Group	Drivers	Identification, assessment and measurement
Credit risk	From the adverse impact on future credit worthiness of customers due to climate change risk factors impacting asset valuation, income and costs. Mitigants include operational limits in the residential mortgage portfolio and inclusion of climate considerations in sector strategy within the commercial portfolio.	Physical: acute, chronic <sup>(2)</sup>	Scenario analysis
		Transition: government policy and legislation, market, technology, reputation	Portfolio level assessments
		Transaction level assessments	
Operational risk	Due to the increased likelihood and potential impact of business disruption arising from new and changing policy standards. Mitigants include resilience and disclosure controls.	Physical: acute, chronic <sup>(2)</sup>	Scenario analysis
		Transition: government policy and legislation, market, technology, reputation	Transaction level assessments
Compliance risk	NatWest Group is required to comply with all applicable climate-related legal and regulatory obligations. Mitigants include relevant horizon scanning.	Physical: acute, chronic <sup>(2)</sup>	
		Transition: government policy and legislation, market, technology, reputation	Transaction level assessments
		Liability: greenwashing	
Conduct risk	Due to poor customer outcomes arising from the impacts of climate change. Mitigants include additional checks on sustainability claims and applying product flaw controls.	Transition: government policy and legislation, market, technology, reputation	Scenario analysis
		Liability: greenwashing	Transaction level assessments
Reputational risk	Arising from NatWest Group's actual or perceived contribution to climate change, or from the adequacy of our actions in response. Mitigants include the environmental social, & ethical risk framework <sup>(3)</sup> .	Transition: government policy and legislation, market, technology	Portfolio level assessments
		Liability: greenwashing	Transaction level assessments

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

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

(3) From 1 January 2026, the name of the ESE Risk Framework was updated to the Environmental & Social Risk Framework. This change better reflects the framework's underlying methodology which focuses on a risk-based approach aligned to organisational risk appetite, rather than values-based judgements.

## Climate and nature risk continued

### Key developments in 2025

The effective management of climate risk requires the integration of climate-related risk drivers into strategic planning, transactions and decision-making. The approach has evolved since 2021 alongside NatWest Group's ongoing, multi-year progressive pathway to mature climate risk management capabilities, and in 2025:

- NatWest Group continued to enhance its in-house climate risk modelling capabilities, supporting the ongoing integration of climate risk within its capital adequacy (ICAAP), impairment (IFRS 9) and risk management processes. Insights from risk processes have been shared with sector and front-line teams to support the financial budget and climate transition plan processes. In particular, internal physical risk modelling capabilities have been developed during 2025 albeit with further enhancements to come in 2026.
- NatWest Group continued its roll-out of climate decisioning framework (CDF) tools. These comprise climate risk scorecards and climate transition plan assessment tools. The roll-out continues on a test and learn basis. However we are now introducing initial use cases where we identify higher-risk transactions for enhanced oversight or escalated approval processes.

### Governance

Risk governance for climate and nature risk is in line with the approach outlined in the Risk management framework section.

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

The risk appetite statement is reviewed and approved at least annually by the Board on the Board Risk Committee's recommendation to ensure it remains appropriate and aligned to strategy.

The Chief Risk Officer shares accountability with the Chief Executive Officer under the Senior Managers Regime for identifying and managing the financial risks arising from climate change. This includes ensuring that the financial risks from climate change are adequately reflected in risk management frameworks and policies, and that NatWest Group can identify, measure, monitor, manage and report on its exposure to these risks. Reporting is provided on a regular basis, via the Chief Risk Officer Risk Report, to the Executive and Board Risk Committees, while an annual spotlight on climate and nature Risk is also undertaken to these committees.

The Group Executive Committee continues to supervise strategic implementation and delivery, supported by Group Sustainability, other functions and franchises.

### Risk appetite

Risk appetite for climate risk is in line with the approach outlined in the Risk management framework section.

### Identification, assessment and measurement

NatWest Group continues to enhance its processes to effectively measure the potential size and scope of climate-related risks, through the three approaches detailed below. Identification, assessment and measurement is undertaken at NatWest Group and business segment levels as appropriate and through an integrated governance model. The approach to nature-related risks is not as mature as the approach to climate-related risks.

### Strategic analysis

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

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

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

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

Specific internal-run exercises in 2025 included:

- A credit-risk focused exercise covering both physical and transition risk scenarios for both the Commercial & Institutional portfolio and the Retail Banking residential mortgage portfolio.
- A non-financial risk scenario for climate focused on external communications which could omit or contain incorrect information, resulting in an inaccurate representation of NatWest Group activities.

Credit and non-financial risk scenario analysis exercises for climate were also run in 2024.

There are various challenges with quantitative climate scenario analysis, including in relation to the immaturity of modelling techniques and limitations surrounding data on climate-related risks. In addition, there is significant uncertainty as to how the climate will evolve over time, how and when governments, regulators, businesses, investors and customers respond and how those responses impact the economy, asset valuations, economic systems, policy and wider society. These risks and uncertainties, coupled with significantly long timeframes, make the outputs of climate-related risk modelling with respect to the potential use cases identified inherently more uncertain than outputs modelled for traditional financial planning cycles based on historical financial information. Recognising these challenges, qualitative work focused on the cascading and compounding consequences of climate and nature breakdown (for example, lower growth, higher inflation, societal and political uncertainty) continues to be developed and assessed under the emerging threats framework.

Refer to the risk and scenario analysis section of NatWest Group plc 2025 Climate Transition Plan Report for further information.

## Climate and nature risk continued

### Portfolio level assessment

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

### Transaction level assessment

Assessments are undertaken which consider anti-greenwashing factors within NatWest Group's franchises, marketing and communications processes.

The NatWest Group Supplier Code of Best Practice encourages NatWest Group suppliers to undertake sustainability assessments to evaluate supplier sustainability performance.

Within the Non-Personal credit portfolio, NatWest Group continues to use its CDF tools to engage with its customers to understand their climate transition journeys and how they are managing the climate-related risk for their business. In 2025, NatWest Group continued to roll-out CDF on a test-and-learn basis, adding coverage of insurance and other financial institutions' customers to the existing customer segments (Large Corporates, Mid-Corporates, Commercial Real Estate,

Housing Associations, Banks, Funds, and Asset Managers).

Enhancements were also made to the large corporates assessment to increase the granularity of sector and country-specific questions, for example, questions which assess how much of NatWest Group's customer's business activities are EU taxonomy aligned. This phased test-and-learn approach continues to build internal capability among first and second-line colleagues, and foster a culture where climate risk is embedded into the existing credit journey.

Recognising the complexity of the energy transition, we conducted an energy system review during 2025 to ensure our strategy reflects the interconnected risks and opportunities across the energy value chain as the economy transitions toward net zero. The energy system review considered the systemic nature of the energy transition which anticipates further growth in renewables, the important yet declining role of oil and gas, significant infrastructure investment and demand-side electrification. Reflecting the outcome of our energy system review, we have established a new [E&S](#) Energy Supply Sector Risk Acceptance Criteria. Noting that the natural resources portfolio limit remains unchanged following the energy system review, we are implementing an oversight and governance framework to help ensure that our financing activity aligns with our sector and bank-wide strategy and remains within the portfolio limit

and other constraints. Refer to the NatWest Group plc 2025 Climate Transition Plan Report for further details.

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

### Mitigation

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

- Top-down portfolio assessments, including incorporating climate factors in the overall sector strategy, updating the environmental, social and ethical risk acceptance criteria in response to potential climate-related risks and applying climate-enhanced transaction acceptance standards.
- Bottom-up customer assessments, including the use of CDF tools to provide a consistent and structured approach for understanding customer-specific exposure to climate-related risks and identify higher risk transactions for enhanced oversight or escalated approval processes.

In the residential mortgage portfolio, lending limits are applied based on climate characteristics, including:

- Exposure to EPC A and B rated properties.
- Buy-to-let properties with potential EPC between D and G.
- Flats, new builds and buy-to-let properties at high or very high risk of flood.

Additionally, NatWest Group credit policies do not allow buy-to-let mortgages to properties with an EPC rating between F and G. Limits are continually reviewed to reflect new flood risk data, risk profile and market conditions.

NatWest Group also continues to engage actively with academia to ensure that best practice and the latest thinking on climate risks is considered within NatWest Group's work. This includes attending and participating in academic events through, for example, the Centre for Greening Finance and Investment and supporting research initiatives by, for example, University College London and the Institute and Faculty of Actuaries.

### Industry engagement

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

# Non-traded market risk

## Definition (audited)

Non-traded market risk is the risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.

## Sources of risk (audited)

Non-traded market risk exists in all balance-sheet exposure that makes reference to market risk factors, when customer behaviour could impact the size and timing of the repricing or maturity of future cash flows, or when valuation of assets and liabilities is driven by market risk factors such as interest rates or foreign exchange rates.

The key sources of non-traded market risk are interest rate risk, credit spread risk, foreign exchange risk, equity risk and accounting volatility risk. Qualitative and quantitative information on these risk types is provided following the VaR table below.

## Key developments in 2025

- In the UK, the Bank of England base rate fell to 3.75% at 31 December 2025 from 4.75% at 31 December 2024. The five-year sterling overnight index interest rate swap rate also fell to 3.66% at 31 December 2025 from 4.04% at 31 December 2024. The corresponding ten-year rate fell to 4.00% from 4.09%. The movement in swap rates reflects market expectations about the level of the UK base rate in the medium term, with expectations for the UK base rate being slightly lower at 31 December 2025.
- Overall, total non-traded market risk VaR decreased in 2025 on both an average basis and a period-end basis. The largest component, credit spread VaR, remained relatively stable during 2025, supported by generally consistent bond holdings in the liquidity portfolio. For further VaR commentary, see the following page.
- NatWest Group's structural hedge notional increased to £198 billion at 31 December 2025 compared to £194 billion at 31 December 2024, reflecting increased equity structural hedging and deposit stability. As maturing structural hedges were replaced at higher swap rates, the yield on the hedge rose to 2.40% in 2025 from 1.77% in 2024.
- The sensitivity of net interest earnings to a 25-basis-point upward shift in the yield curve was a cumulative £824 million over three years at 31 December 2025, compared to £739 million at 31 December 2024. The main contributors to the sensitivity were managed-margin deposits, including instant access savings and unhedged current accounts, and the structural hedge.
- Sterling strengthened against the US dollar, to 1.35 at 31 December 2025 compared to 1.25 at 31 December 2024. It weakened against the euro, to 1.15 at 31 December 2025 compared to 1.20 at 31 December 2024. Net investments in foreign operations reduced by £0.4 billion in sterling-equivalent terms over the year. After hedging, residual structural foreign currency exposures were higher, increasing, in sterling-equivalent terms, by £0.1 billion.

## Governance (audited)

Risk governance for non-traded market risk is in line with the approach outlined in the Risk management framework section.

## Risk appetite

Risk appetite for non-traded market risk is in line with the approach outlined in the Risk management framework section.

NatWest Group's qualitative appetite for non-traded market risk is set out in the non-traded market risk appetite statement. Quantitative appetite is expressed in terms of exposure limits. At NatWest Group level, these comprise value-at-risk (VaR) and earnings-at-risk limits. Stress and sensitivity limits are also incorporated.

Non-traded market risk continued

## Risk measurement

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

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

NatWest Group's VaR metrics are explained on page 264. Each of the key risk types are discussed in greater detail in their individual sub-sections following this table.

	2025				2024			
	Average £m	Maximum £m	Minimum £m	Period end £m	Average £m	Maximum £m	Minimum £m	Period end £m
Interest rate	4.9	7.4	2.5	6.5	17.2	28.2	4.0	4.0
Credit spread	48.6	53.8	39.6	39.6	51.8	60.2	45.3	48.4
Structural foreign exchange rate	9.3	14.1	6.0	13.3	7.6	9.8	5.1	6.3
Equity	5.1	7.8	2.8	3.2	8.6	10.3	7.6	7.7
Pipeline risk	3.5	5.9	0.6	3.6	8.5	17.3	3.4	6.1
Diversification (1)	(22.6)			(24.3)	(35.3)			(23.4)
Total	48.8	53.3	41.9	41.9	58.4	73.8	49.1	49.1

- Overall, total non-traded market risk VaR decreased in 2025 on both an average and period-end basis.
- Interest rate VaR fell on an average basis, reflecting reduced interest rate repricing mismatches across customer products.
- Credit spread VaR remained relatively stable during 2025, supported by generally consistent bond holdings in the liquidity portfolio. The period-end decrease followed the rollout of updated timeseries in December 2025.
- Equity VaR decreased, mainly due to the sale of Permanent TSB equity.
- Pipeline VaR also decreased. This reflected changes in the assumptions applied to customer behaviour through the fixed-rate mortgage application process, which more closely aligned NatWest Group's estimates of future customer completions to pipeline hedging activity.

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

## Non-traded market risk continued

### Interest rate risk

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

NTIRR comprises the following three primary risk types:

- Gap risk: arises from the timing of rate changes in non-trading book instruments. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).
- Basis risk: captures the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices, or on the same interest rate indices but with different tenors.
- Option risk: arises from option derivative positions or from optional elements embedded in assets, liabilities and/or off-balance sheet items, where NatWest Group or its customer can alter the level and timing of their cash flows. Option risk also includes pipeline risk. Pipeline risk is the risk of loss arising from personal customers owning an option to draw down a loan – typically a mortgage – at a committed rate, where interest rate changes may result in greater or fewer customers than anticipated taking up the committed offer.

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

Structural hedging aims to reduce gap risk and the sensitivity of earnings to interest rate shocks. It also provides some protection against prolonged periods of falling rates. Structural hedging is explained in greater detail below, followed by information on how NatWest Group measures NTIRR from both an economic value-based and an earnings-based perspective.

### Structural hedging

NatWest Group has a significant pool of stable, non and low interest-bearing liabilities, principally comprising current accounts and savings, in addition to its equity and reserves. A proportion of these balances are hedged, either by offsetting the positions against fixed-rate assets (such as fixed-rate mortgages and UK government gilts) or by hedging positions externally using interest rate swaps, which are generally booked as cash-flow hedges of floating-rate assets, in order to reduce income volatility and provide a revenue stream in net interest income. (Further details on NatWest Group's cash-flow hedge accounting programme can be found in Note 13 in the Notes to the accounts.) Hence, the structural hedge is one component of a larger interest rate risk management programme.

After offsetting or hedging the interest rate exposure, NatWest Group attributes income to equity or products in structural hedges by reference to the relevant interest rate swap curve. Over time, this approach has provided a basis for stable income attribution for management purposes to products and interest rate returns. The programme aims to track a time series of medium-term swap rates, but the yield will be affected by changes in product volumes and NatWest Group's equity capital.

The table below shows incremental income, hedge income, the period-end and average notional balances attributed to the structural hedge, and the total yield. These are analysed between equity and products. Hedge income represents the fixed leg of the hedge, while incremental income represents the difference between hedge income and short-term cash rates. For example, the sterling overnight index average (SONIA) is used to estimate incremental income from sterling structural hedges. If the UK base rate were to fall, the difference between incremental income and hedge income would continue to fall.

	Incremental income £m	Hedge income £m	Period end notional £bn	Average notional £bn	Total yield
<b>2025</b>					
Equity	(449)	487	25	22	2.18
Product	(2,990)	4,181	173	172	2.43
<b>Total</b>	<b>(3,439)</b>	<b>4,668</b>	<b>198</b>	<b>194</b>	<b>2.40</b>
2024					
Equity	(694)	440	22	22	1.98
Product	(5,806)	3,039	172	174	1.75
<b>Total</b>	<b>(6,500)</b>	<b>3,479</b>	<b>194</b>	<b>196</b>	<b>1.77</b>

Equity structural hedges refer to income allocated primarily to equity and reserves. At 31 December 2025, the equity structural hedge notional was allocated between NWH Group and NWM Group in a ratio of approximately 81%/19% respectively.

Product structural hedges refer to income allocated to customer products by NWH Group Treasury, mainly current account and savings balances in Commercial & Institutional, Retail Banking and Private Banking & Wealth Management.

At 31 December 2025, approximately 95% by notional of total structural hedges were sterling-denominated.

- The structural hedge period-end notional increased as a result of increased hedging of the NatWest Group equity and reserves. The product hedge was broadly stable, reflecting deposit stability year on year.
- The five-year sterling swap rate fell to 3.65% at 31 December 2025 from 4.04% at 31 December 2024. The ten-year sterling swap rate also fell, to 3.99% from 4.09%. The structural hedge yield rose to 2.40% in 2025 from 1.77% in 2024.
- Hedge income rose by £1,189 million to £4,668 million from £3,479 million. Incremental income remained negative but fell year on year. This was mainly driven by replacement of maturing hedges at higher yields and lower overnight SONIA rates in 2025 compared to 2024.

## Non-traded market risk continued

### Interest rate risk measurement

NTIRR can be measured using value-based or earnings-based approaches. Value-based approaches measure the change in value of the balance sheet assets and liabilities including all cash flows. Earnings-based approaches measure the potential impact on the income statement of changes in interest rates over a defined horizon, generally one to three years.

NatWest Group uses VaR as its value-based approach and sensitivity of net interest earnings as its earnings-based approach.

These two approaches provide complementary views of the impact of interest rate risk on the balance sheet at a point in time. The scenarios employed in the net interest earnings sensitivity approach may incorporate assumptions about how NatWest Group and its customers will respond to a change in the level of interest rates.

In contrast, the VaR approach measures the sensitivity of the balance sheet at a point in time. Capturing all cash flows, VaR also highlights the impact of duration and repricing risks beyond the one-to-three-year period shown in earnings sensitivity calculations.

### Value-at-risk

VaR is a statistical estimate of the potential change in the market value of a portfolio (and, thus, the impact on the income statement) over a specified time horizon at a given confidence level.

NatWest Group's standard VaR metrics – which assume a time horizon of one trading day and a confidence level of 99% – are based on interest rate repricing gaps at the reporting date.

Daily rate moves are modelled using observations from the last 500 business days. These incorporate customer products plus associated funding and hedging transactions as well as non-financial assets and liabilities. Behavioural assumptions are applied as appropriate.

The non-traded interest rate risk VaR metrics for NatWest Group's retail and commercial banking activities are included in the banking book VaR table presented earlier in this section. The VaR captures the risk resulting from mismatches in the repricing dates of assets and liabilities.

It also includes any mismatch between the maturity profile of external hedges and NatWest Group's target maturity profile for the hedge.

### Sensitivity of net interest earnings

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

Earnings sensitivity is derived from a market-implied forward rate curve, which will incorporate expected changes in central bank policy rates such as the Bank of England base rate.

A simple scenario is shown that projects forward earnings based on the 31 December 2025 balance sheet, which is assumed to remain constant. An earnings projection is derived from the market-implied curve, which is then subjected to interest rate shocks.

The difference between the market-implied projection and the shock gives an indication of underlying sensitivity to interest rate movements.

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

### Three-year 25-basis-point sensitivity table

The table below shows the sensitivity of net interest earnings – for both structural hedges and managed rate accounts – on a one, two and three-year forward-looking basis to an upward or downward interest rate shift of 25 basis points. In all scenarios, yield curves are assumed to move in parallel.

2025	+25 basis points upward shift			-25 basis points downward shift		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
	£m	£m	£m	£m	£m	£m
Structural hedges	41	130	220	(41)	(130)	(220)
Managed margin	153	139	125	(157)	(127)	(140)
Total	194	269	345	(198)	(257)	(360)

2024	41	125	212	(41)	(125)	(212)
Structural hedges	41	125	212	(41)	(125)	(212)
Managed margin	121	116	124	(142)	(120)	(125)

Total	162	241	336	(183)	(245)	(337)
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- The sensitivity of net interest earnings in all scenarios mainly reflects managed-margin deposits and the impact of higher or lower rates on structural hedges.
- Managed-margin sensitivity in both upward and downward rate scenarios partly reflects assumptions applied to deposits and other products, where customer rates change in response to changes in central bank rates. Managed-margin sensitivity to rate shocks was higher at 31 December 2025 than at 31 December 2024; however, as net interest earnings also increased, sensitivity as a proportion of net interest earnings was relatively stable overall.

## Non-traded market risk continued

### One-year 25 and 100-basis-point sensitivity table

The following table presents the one-year sensitivity to upward and downward 25-basis-point and 100-basis-point shifts in the yield curve, analysed by currency.

	2025				2024			
	Shifts in yield curve				Shifts in yield curve			
	+25 basis points	-25 basis points	+100 basis points	-100 basis points	+25 basis points	-25 basis points	+100 basis points	-100 basis points
	£m	£m	£m	£m	£m	£m	£m	£m
Euro	25	(11)	56	(47)	11	(7)	38	(43)
Sterling	147	(165)	503	(655)	131	(155)	531	(646)
US dollar	19	(19)	69	(75)	15	(16)	63	(71)
Other	3	(3)	13	(11)	5	(5)	19	(17)
Total	194	(198)	641	(788)	162	(183)	651	(777)

### Sensitivity of fair value through other comprehensive income (FVOCI) portfolios and cash flow hedging reserves to interest rate movements

NatWest Group holds most of the bonds in its liquidity portfolio at fair value and the bonds are generally classified as FVOCI for accounting purposes. Valuation changes arising from unexpected movements in market rates are initially recognised in FVOCI reserves.

Interest rate swaps are used to implement the structural hedging programme and also hedging of some personal and commercial lending portfolios, primarily fixed-rate mortgages. Generally, these swaps are booked in cash flow hedge accounting relationships. Changes in the valuation of swaps that are in effective cash flow hedge accounting relationships are recognised in cash flow hedge reserves.

The table below shows the sensitivity of bonds initially classified as FVOCI and swaps subject to cash flow hedge accounting to a parallel shift in all rates. Valuation changes affecting interest rate swaps that hedge bonds in the liquidity portfolio are also included. Where FVOCI bonds and swaps are booked in fair value hedge accounting relationships, the valuation change affecting both instruments would be recognised in the income statement. For the purpose of this analysis, cash flow hedges are assumed to be fully effective.

The effectiveness of cash flow and fair value hedge relationships is monitored and regularly tested in accordance with IFRS requirements. Note also that valuation changes affecting the cash flow hedge reserve affect tangible net asset value, but would not be expected to affect CET1 capital.

	2025				2024			
	Shifts in yield curve				Shifts in yield curve			
	+25 basis points	-25 basis points	+100 basis points	-100 basis points	+25 basis points	-25 basis points	+100 basis points	-100 basis points
	£m	£m	£m	£m	£m	£m	£m	£m
FVOCI reserves	(22)	22	(91)	87	(9)	9	(38)	31
Cash flow hedge reserves	(171)	174	(664)	713	(244)	249	(946)	1,027
Total	(193)	196	(754)	801	(253)	258	(984)	1,058

- The sensitivity of cash flow hedge reserves fell in 2025 compared to 2024, while the sensitivity of FVOCI reserves increased slightly. The movement in cash flow hedge reserves in 2025 is shown in the statement of changes in equity on pages 294 to 296.

## Non-traded market risk continued

### Credit spread risk

Credit spread risk arises from the potential adverse economic impact of a change in the spread between bond yields and swap rates, where the bond portfolios are accounted at fair value through other comprehensive income.

NatWest Group's bond portfolios primarily comprise high-quality securities maintained as a liquidity buffer to ensure it can continue to meet its obligations in the event that access to wholesale funding markets is restricted. Additionally, other high-quality bond portfolios are held for collateral purposes and to support payment systems.

Credit spread risk is monitored daily through sensitivities and VaR measures (refer to the non-traded market risk VaR table earlier in this section). Exposures and limit utilisations are reported to senior management on a regular basis. Dealing mandates in place for the bond portfolios further mitigate the risk by imposing constraints by duration, asset class and credit rating.

### Foreign exchange risk

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

- Structural foreign exchange rate risk** – mainly arises from the capital deployed in foreign subsidiaries and branches.
- Transactional foreign exchange rate risk** – arises from customer transactions and profits and losses that are in a currency other than the functional currency.
- Forecast earnings or costs in foreign currencies** – NatWest Group assesses its potential exposure to forecast foreign currency income and expenses. NatWest Group hedges forward some forecast expenses.

The most material non-traded open currency positions are the structural foreign exchange exposures arising from investments in foreign subsidiaries and branches. These exposures are assessed and managed to predefined risk appetite levels under delegated authority agreed by the CFO with support from the Asset & Liability Management Committee. NatWest Group seeks to limit the potential volatility impact on its CET1 ratio from exchange rate movements by deliberately maintaining a structural open currency position. Gains or losses arising from the retranslation of net investments in overseas operations are recognised in other comprehensive income and reduce the sensitivity of capital ratios to foreign exchange rate movements primarily arising from the retranslation of non-sterling denominated RWAs. Sensitivity is minimised where, for a given currency, the ratio of the structural open position to RWAs equals the CET1 ratio.

The sensitivity of this ratio to exchange rates is monitored monthly and reported to the Asset & Liability Management Committee at least quarterly. Foreign exchange exposures arising from customer transactions are hedged by businesses on a regular basis in line with NatWest Group policy.

The table below shows structural foreign currency exposures.

	Net investments	Net	Structural foreign	Residual	
	in foreign operations	investment hedges	currency exposures pre-economic hedges	Economic hedges (1)	structural foreign currency exposures
2025	£m	£m	£m	£m	£m
US dollar	1,067	-	1,067	(1,067)	-
Euro	4,543	(2,560)	1,983	-	1,983
Other non-sterling	901	(478)	423	-	423
Total	6,511	(3,038)	3,473	(1,067)	2,406

2024	US dollar	(598)	1,228	(1,228)	-
	Euro	(2,351)	1,811	-	1,811
	Other non-sterling	(372)	502	-	502
	Total	(3,321)	3,541	(1,228)	2,313

(1) Economic hedges of US dollar net investments in foreign operations represent US dollar AT1 equity securities that do not qualify as net investment hedges for accounting purposes. They provide an offset to structural foreign exchange exposures to the extent that there are net assets in overseas operations available, but they are accounted for at historical cost under IFRS until redemption.

- Changes in foreign currency exchange rates affect equity in proportion to structural foreign currency exposure pre economic hedges. For example, a 5% strengthening or weakening in foreign currencies against sterling would result in a gain or loss of £0.2 billion in equity, respectively.

### Equity risk (audited)

Non-traded equity risk is the potential variation in income and reserves arising from changes in equity valuations. Equity positions are carried on the balance sheet at fair value based on market prices where available. Equity positions may take the form of shares that are publicly listed on a recognised exchange, privately owned investments and shareholdings in industry participations including SWIFT. Further disclosure of NatWest Group's investments in equity shareholdings, fair value gains and losses and valuation techniques may be found in the notes to the consolidated financial statements. Investments, acquisitions or disposals of a strategic nature are referred to the Acquisitions & Disposals Committee. Once approved by the Chief Financial Officer with support from the Acquisitions & Disposals Committee for execution, such transactions are referred for approval to the Board, the Executive Committee, the Chief Executive Officer, the Chief Financial Officer or as otherwise required. Decisions to acquire or hold equity positions in the non-trading book that are not of a strategic nature are taken by authorised persons with delegated authority. Non-traded equity value at risk is monitored monthly and capital allocation to the risk is included in NatWest Group's annual Internal Capital Adequacy Assessment Process (ICAAP).

### Accounting volatility risk

Accounting volatility risk arises when an exposure is accounted for at amortised cost but economically hedged by a derivative that is accounted for at fair value. Although this is not an economic risk, the difference in accounting between the exposure and the hedge creates volatility in the income statement. Accounting volatility can be mitigated through hedge accounting. However, residual volatility will remain in cases where accounting rules mean that hedge accounting is not an option, or where there is some hedge ineffectiveness. Accounting volatility risk is reported to the Asset & Liability Management Committee monthly and capitalised as part of the ICAAP.

# Traded market risk

## Definition (audited)

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

## Sources of risk (audited)

NatWest Group is exposed to traded market risk through trading activities entered into by NatWest Markets where such risk arises from market-making and underwriting activity and by facilitating customer-facing business that cannot be immediately offset with other customers or market participants.

From a market risk perspective, activities are focused on rates; currencies; and traded credit. NatWest Markets undertakes transactions in financial instruments including debt securities, as well as securities financing and derivatives.

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

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

## Key developments in 2025

- Drivers of market volatility during the year included global inflationary concerns, US tariffs, the ongoing Russia-Ukraine conflict and geopolitical tensions in the Middle East.
- Traded VaR and SVaR remained within appetite, aided by NatWest Group's continued disciplined approach to risk-taking.
- Overall, internal traded VaR decreased on an average basis, compared to 2024.

## Governance (audited)

Risk governance for traded market risk is in line with the approach outlined in the Risk management framework section.

## Risk appetite

Risk appetite for traded market risk is in line with the approach outlined in the Risk management framework section.

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

## Measurement

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

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

These methods have been designed to capture correlation effects and allow NatWest Group to form an aggregated view of its traded market risk across risk types, markets and business lines while also taking into account the characteristics of each risk type.

## Value-at-risk

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

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

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

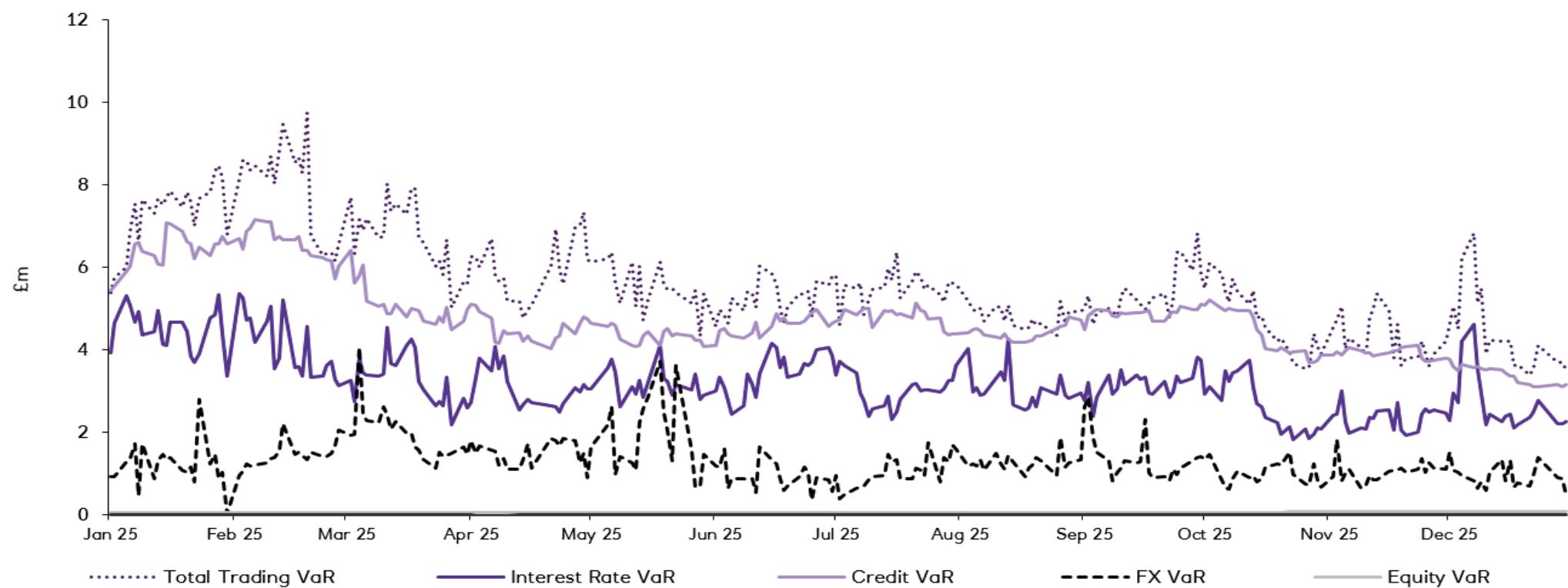
When simulating potential movements in such risk factors, a combination of absolute, relative and rescaled returns is used.

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

- Back-testing: Internal and regulatory back-testing is conducted on a daily basis. Information on internal back-testing is provided in this section. Information on regulatory back-testing appears in the Pillar 3 Report.
- Ongoing model validation: VaR model performance is assessed both regularly, and on an ad-hoc basis, if market conditions or portfolio profile change significantly.
- Model Risk Management review: As part of the model lifecycle, all risk models (including the VaR model) are independently reviewed to ensure the model is still fit for purpose given current market conditions and portfolio profile. For further detail on the independent model validation carried out by Model Risk Management refer to page 274. More information relating to pricing and market risk models is presented in the Pillar 3 Report.

Traded market risk continued

One-day 99% traded internal VaR



#### Traded VaR (1-day 99%) (audited)

The table below shows one-day 99% internal VaR for NatWest Group's trading portfolios, split by exposure type.

	2025				2024			
	Average £m	Maximum £m	Minimum £m	Period end £m	Average £m	Maximum £m	Minimum £m	Period end £m
Interest rate	3.2	5.4	1.8	2.3	6.6	12.1	3.0	3.8
Credit spread	4.8	7.2	3.1	3.1	7.7	10.1	5.6	5.6
Currency	1.3	4.0	-	0.5	2.0	6.7	0.5	1.3
Equity	0.1	0.1	-	0.1	0.1	0.3	-	-
Diversification (1)	(3.8)			(2.5)	(6.3)			(5.4)
Total	5.6	9.7	3.4	3.5	10.1	16.2	5.3	5.3

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

- Both interest rate VaR and credit spread VaR decreased on an average basis, compared to 2024.
- This reflects an earlier period of higher market volatility dropping out of the rolling window for VaR calculation during H2 2024.

## Traded market risk continued

### VaR back-testing

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

Two types of profit and loss (P&L) are used in back-testing comparisons: Actual P&L and Hypothetical P&L. For more details on the back-testing approach, refer to the Pillar 3 Report.

The table below shows internal back-testing exceptions in the major NatWest Markets businesses for the 250-business-day period to 31 December 2025. Internal back-testing compares one-day 99% traded internal VaR with Actual and Hypothetical (Hypo) P&L.

	Back-testing exceptions	
	Actual	Hypo
Fixed income	-	-
Currencies	-	3

- The back-testing exceptions in Currencies were driven by losses in February, April and August 2025 due to increased foreign exchange and rates market volatility.

### Stressed VaR (SVaR)

As with VaR, the SVaR methodology produces estimates of the potential change in the market value of a portfolio, over a specified time horizon, at a given confidence level. SVaR is a VaR-based measure using historical data from a one-year period of stressed market conditions.

A simulation of 99% VaR is run on the current portfolio for each 250-day period from 2005 to the current VaR date, moving forward one day at a time. The SVaR is the worst VaR outcome of the simulated results.

This is in contrast with VaR, which is based on a rolling 500-day historical data set. A time horizon of ten trading days is assumed with a confidence level of 99%.

The internal traded SVaR model captures all trading book positions.

	2025				2024			
	Period				Period			
	Average	Maximum	Minimum	end	Average	Maximum	Minimum	end
Total internal traded SVaR	58	112	31	38	56	136	31	41

### Risks not in VaR (RNIVs)

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

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

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

### Stress testing

For information on stress testing, refer to page 183.

### Incremental risk charge (IRC)

The IRC model quantifies the impact of rating migration and default events on the market value of instruments with embedded credit risk (in particular, bonds and credit default swaps) held in the trading book. It further captures basis risk between different instruments, maturities and reference entities. For further qualitative and quantitative disclosures on the IRC, refer to the Market risk section of the Pillar 3 Report 2025.

### Monitoring and mitigation

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

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

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

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

Traded market risk continued

## Market risk – linkage to balance sheet

The table below analyses NatWest Group's balance sheet by non-trading and trading business.

	2025			2024			Primary market risk factor
	Total	Non-trading	Trading	Total	Non-trading	Trading	
		business (1)	business (2)		£bn	business (1)	business (2)
<b>Assets</b>							
Cash and balances at central banks	85.2	85.2	-	93.0	93.0	-	Interest rate
<b>Trading assets</b>	<b>46.5</b>	<b>0.1</b>	<b>46.4</b>	48.9	0.3	48.6	
Reverse repos	27.7	-	27.7	27.1	-	27.1	Interest rate
Securities	12.8	-	12.8	13.9	-	13.9	Interest rate, credit spreads, equity
Other	6.0	0.1	5.9	7.9	0.3	7.6	Interest rate
Derivatives	60.8	0.8	60.0	78.4	1.4	77.0	Interest rate, credit spreads, equity
Settlement balances	0.6	-	0.6	2.1	0.1	2.0	Settlement
Loans to banks	7.0	7.0	-	6.0	6.0	-	Interest rate
Loans to customers	418.9	418.9	-	400.3	400.3	-	Interest rate
Other financial assets	79.8	79.8	-	63.2	63.2	-	Interest rate, credit spreads, equity
Intangible assets	7.3	7.3	-	7.6	7.6	-	Interest rate, credit spreads, equity
Other assets	8.5	8.5	-	8.5	8.5	-	
<b>Total assets</b>	<b>714.6</b>	<b>607.6</b>	<b>107.0</b>	708.0	580.4	127.6	
<b>Liabilities</b>							
Bank deposits	44.1	44.1	-	31.5	31.5	-	Interest rate
Customer deposits	443.0	443.0	-	433.5	433.5	-	Interest rate
Settlement balances	0.9	0.1	0.8	1.7	-	1.7	Settlement
<b>Trading liabilities</b>	<b>49.0</b>	<b>0.2</b>	<b>48.8</b>	54.7	0.2	54.5	
Repos	28.6	-	28.6	30.6	-	30.6	Interest rate
Short positions	7.5	-	7.5	10.5	-	10.5	Interest rate, credit spreads
Other	12.9	0.2	12.7	13.6	0.2	13.4	Interest rate
Derivatives	54.0	0.5	53.5	72.1	1.0	71.1	Interest rate, credit spreads
Other financial liabilities	67.6	67.6	-	61.1	61.1	-	Interest rate
Subordinated liabilities	6.1	6.1	-	6.1	6.1	-	Interest rate
Notes in circulation	3.2	3.2	-	3.3	3.3	-	Interest rate
Other liabilities	4.0	4.0	-	4.6	4.6	-	
<b>Total liabilities</b>	<b>671.9</b>	<b>568.8</b>	<b>103.1</b>	668.6	541.3	127.3	

(1) Non-trading businesses are entities that primarily have exposures that are not classified as trading book. For these exposures, with the exception of pension-related activities, the main measurement methods are sensitivity analysis of net interest income, internal non-traded market risk VaR and fair value calculations. For more information refer to the non-traded market risk section.

(2) Trading businesses are entities that primarily have exposures that are classified as trading book under regulatory rules. For these exposures, the main methods used by NatWest Group to measure market risk are detailed in the traded market risk section.

(3) Foreign exchange risk affects all non-sterling denominated exposures on the balance sheet across trading and non-trading businesses, and therefore has not been listed in the above tables.

# Pension risk

## Definition

Pension risk is the inability to meet contractual obligations and other liabilities to the established employee or related company pension scheme.

## Sources of risk

NatWest Group has exposure to pension risk through its defined benefit schemes worldwide. The Main section of The NatWest Group Pension Fund (the Main section) is the largest source of pension risk. Refer to Note 5 to the consolidated financial statements, for further details on NatWest Group's pension obligations, including sensitivities to the main risk factors.

Pension scheme liabilities vary with changes in long-term interest rates and inflation as well as with pensionable salaries, the longevity of scheme members and legislation.

The Trustee of NatWest Group's largest scheme (the Main section of the NatWest Group Pension Fund) holds buy-in policies with third-party insurers. Under the buy-in insurance contracts, the insurer makes payments to the scheme to cover pension benefits paid to members. As a result, the insured portion of the scheme is protected against all material demographic and market risks.

These risks have been replaced with the risk that the insurer defaults on payments due to the scheme. The uninsured scheme assets continue to vary with changes in market risk drivers such as interest rates, inflation expectations and credit spreads. NatWest Group is therefore still exposed to the risk that the schemes' assets, together with future returns and additional future contributions, are estimated to be insufficient to meet liabilities as they fall due. In such circumstances, NatWest Group could be obliged (or might choose) to make additional contributions to the schemes or be required to hold additional capital to mitigate this risk.

## Key developments in 2025

- During the year, the Trustee of the Main section of the NatWest Group Pension Fund completed partial buy-in transactions, in addition to those completed during 2024, passing demographic and market risk to third-party insurers. Over 40% (£10.3 billion) of the scheme's liabilities are now covered by buy-in policies, which is an increase from one-third at the end of 2024.

## Governance

Risk governance for pension risk is in line with the approach outlined in the Risk management framework section.

Chaired by the Chief Financial Officer (CFO), the Asset & Liability Management Committee supports the CFO in considering the financial strategy and balance sheet implications relating to pension liabilities and pension strategy and other issues material to NatWest Group's pension strategy. It also supports the CFO in considering investment strategy proposals from the Trustee of the Main section. The Board reviews and, as appropriate, approves any material pension strategy proposals.

## Risk appetite

Risk appetite for pension risk is in line with the approach outlined in the Risk management framework section.

Pension risk appetite is approved by the Board. NatWest Group maintains an independent view of the risk inherent in its pension funds. NatWest Group has a pension risk appetite statement that is reviewed and approved at least annually by the Board on the Board Risk Committee's recommendation to ensure it remains appropriate and aligned to strategy.

Policies and standards are in place to provide formal controls for pension risk reporting, modelling, governance and stress testing.

A pension risk policy, which sits within the enterprise-wide risk management framework, is also in place and is subject to associated framework controls.

Performance against risk appetite is reported regularly to the Executive Risk Committee, the Board Risk Committee, and the Board. Relevant pension risk matters are escalated through the Executive Risk Committee, Asset & Liability Management Committee and Board Risk Committee as appropriate and to the Board as applicable. For more information, refer to the Governance and remuneration section.

## Measurement and monitoring

Pension risk is monitored by the Executive Risk Committee and the Board Risk Committee. Relevant pension risk matters are escalated to the Board as applicable. NatWest Group also undertakes stress tests on its material defined benefit pension schemes each year.

These tests are also used to satisfy the requests of regulatory bodies such as the Bank of England. The stress testing framework includes pension risk capital calculations for the purposes of the Internal Capital Adequacy Assessment Process as well as additional stress tests for a number of internal management purposes.

The results of the stress tests and their consequential impact on NatWest Group's balance sheet, income statement and capital position are incorporated into the overall NatWest Group stress test results. NatWest Bank Plc (a subsidiary of NatWest Group) is the principal employer of the Main section and could be required to fund any deficit that arises. The financial strength of third-party insurers is monitored on a periodic basis by the Trustee and NatWest Group.

## Mitigation

The Main section is well-protected against interest rate and inflation risks within the non-insured portfolio, reflecting risk mitigation measures taken by the Trustee such as hedging and reduced exposure to growth assets. The buy-in transactions completed to date further protect against demographic and market risks.

If, in an extreme scenario, an insurer was unable to make payments due to the scheme under the buy-in insurance contracts, NatWest Group would continue to be responsible for financially supporting the scheme to meet pension benefits. However, strong mitigants are in place against this risk, including the insurance regulatory regime.

The potential impact of climate change is one of the factors considered in managing the assets of the Main section. The Trustee monitors the risk to its investments from changes in the global economy and invests, where return justifies the risk, in sectors that reduce the world's reliance on fossil fuels, or that may otherwise promote environmental benefits. The Trustee also expects third-party insurers to have appropriate policies to address climate risk and to report on climate exposure attributable to the Main section.

Further details regarding the Trustee's approach to managing climate change risk can be found in its Responsible Ownership Policy, its net zero commitment and its climate disclosures produced on an annual basis, as required by The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

# Operational risk

## Definition

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

## Sources of risk

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

## Key developments in 2025

- The enhanced risk and control self-assessment approach was refined further with a focus on material operational risks and controls across the key end-to-end processes.
- The use of automated data-led insights was embedded to oversee the operational risk profile and manage it within appetite.
- Improvements to technology end of life risk management were implemented to mitigate associated technology and cyber risks.
- AI tools have been introduced to support the articulation and adequacy of controls including generative AI chat bots to support the embedding of frameworks and to help with horizon scanning.
- Compliance with UK and EU operational resilience regulatory requirements was achieved and maintained along with material compliance with EU Digital Operational Resilience Act (DORA).

- NatWest Group continued to evolve the assessment of its operational resilience with increasingly severe, complex, and prolonged scenario tests for cyber, third-party, and significant IT failure risks.
- Threat horizon scanning and vulnerability management processes were enhanced to support risk identification, scenario testing and the prioritisation of risk mitigation activities.

## Governance

The risk governance arrangements in place for operational risk are in line with the approach as set out in the Risk management framework section.

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

To support ongoing oversight of the management of the operational risk profile the Operational Risk Executive Steering Committee ensures all material operational risks are monitored and managed within appetite.

## Risk appetite

Risk appetite for operational risk is in line with the approach outlined in the Risk management framework section.

## Measurement and monitoring

Measurement and monitoring for operational risk is in line with the approach outlined in the Risk management framework section.

## Mitigation

Mitigation for operational risk is in line with the approach outlined in the Risk management framework section.

Operational risks are mitigated by applying preventative and detective controls which are assessed on adequacy and effectiveness through risk and control self-assessment process on a regular basis to determine risk exposure. Mitigation is prioritised using risk-based approach considering risk appetite.

## Operational resilience and cybersecurity

NatWest Group maintains a robust approach to operational resilience through comprehensive, NatWest Group-wide processes. These include regular scenario tests that simulate increasingly severe and sophisticated disruption events. In 2025, as part of NatWest Group's operational resilience strategy, severe but plausible disruption scenario tests were undertaken and encompassed cyber threats, third-party risks, and significant IT failures confirming the preparedness and effectiveness of NatWest Group's operational resilience strategies, and plans including third party arrangements in the event of severe but plausible disruptions.

This rigorous approach was underpinned with the enhancement, ongoing monitoring, and transparent reporting of key risk indicators and performance metrics for Important Business Services. In early Q1 2025, NatWest Group confirmed that it had materially met the requirements of the EU DORA. Furthermore, by the end of March 2025, NatWest Group confirmed full compliance with the operational resilience requirements set by the Financial Conduct Authority and the Prudential Regulation Authority.

By meeting the 2025 compliance deadlines for these critical regulatory frameworks, NatWest Group demonstrated the strength and reliability of its systems and controls. This enables effective risk management, minimises potential disruptions, and safeguards both customers and the wider financial system.

These efforts reinforce NatWest Group's commitment to building trust and stability within financial services.

Operational resilience remains a key priority, achieved through the effective management of a broad spectrum of interconnected operational risks. NatWest Group consistently meets regulatory expectations and actively participates in multiple industry-wide operational resilience forums. This engagement provides a valuable cross-sector perspective on the evolving operational resilience risk landscape and supports NatWest Group's ability to adapt to ongoing innovation and change, both internally and across the financial services sector.

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

Throughout 2025, NatWest Group continued to monitor and manage the threat landscape focusing on:

- Initial access brokers (cyber criminals who specialise in breaching organisations then selling the access to other threat actors), ransomware gangs and, in light of ongoing geopolitical tensions, nation states.
- Innovations in technology, assessing the inherent risk and developing appropriate responses to manage any associated risks. Artificial Intelligence, Quantum Computing and Cloud Adoption have been areas of focus in 2025.

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

## Operational risk continued

### Event and loss data management

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

All financial impacts and recoveries associated with an operational risk event are reported against the date they were recorded in NatWest Group's financial accounts. A single event can result in multiple losses (or recoveries) that may take time to crystallise. Losses and recoveries with a financial accounting date in 2025 may relate to events that occurred, or were identified in, prior years. NatWest Group purchases insurance against specific losses and to comply with statutory or contractual requirements.

### Percentage and value of events

At 31 December 2025, the total value of operational risk events was £76 million, representing an increase of £58 million compared with 2024. This movement was primarily driven by the release of unutilised provisions in 2024 within the clients, products and business practices category. The volume of losses has decreased by 10% compared to 2024.

Event category	Value of events £k				Volume of events <sup>(1)</sup>			
	2025	2024	YoY £	YoY %	2025	2024	YoY	YoY %
Fraud	47	43	4	22%	1,169	1,321	(152)	(10%)
Clients, products and business practices	16	(37)	53	294%	18	30	(12)	(1%)
Execution, delivery and process management	9	8	1	6%	-	1	(1)	-
Employment practices and workplace safety	3	1	2	11%	20	12	8	-
Technology and infrastructure failures	1	3	(2)	(11%)	144	129	15	1%
Disasters and public safety	-	-	-	-	5	11	(6)	-
	<b>76</b>	18	58	322%	<b>1,356</b>	1,504	(148)	(10%)

(1) The calculation in the table is based on the volume and value of events (the proportion and cost of operational risk events to NatWest Group) where the associated loss is more than or equal to £10,000.

## Operational risk continued

### Cybersecurity risk management processes

NatWest Group's cybersecurity risk management forms an integral part of its overall EWRMF, which is designed around a three lines of defence model. Specifically, management of cybersecurity risk is a subset of NatWest Group's wider operational risk management. To support NatWest Group's cybersecurity risk management, it has an information security (including cyber) policy. This is reviewed at least annually and benchmarked against industry best practice standards, including the Information Security Forum: Standard Of Good Practice (ISF: SOGP) and relevant publications by competent authorities such as the National Cyber Security Centre (NCSC), to help NatWest Group identify and remediate any gaps in its controls and procedures. NatWest Group's policies are also aligned with a number of other international and industry standards, such as ISO 27001 and the National Institute of Standards and Technology Cyber Security Framework. Throughout 2025, NatWest Group was certified by the IASME Consortium Ltd (IASME) in Cyber Essentials Plus, a recognised government owned scheme operated by the NCSC.

The information security policy forms part of the internal process to support NatWest Group's annual attestation to its management's assessment of the effectiveness of its internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act.

The cybersecurity risk management framework is designed to mitigate the impact of cybersecurity threats and incidents.

The framework also includes a structured approach for identifying and managing both internal cybersecurity incidents and external

incidents impacting NatWest Group's third-party suppliers.

In addition, the framework includes a process for assessing the severity and source of a cybersecurity threat or incident, including in relation to third-party service providers, enabling NatWest Group to implement mitigating controls as required and to inform its management and board of directors of any material impact.

The functions of the cybersecurity risk management framework are based on a three lines of defence model:

- NatWest Group's first line of defence is responsible for setting NatWest Group's information and cybersecurity risk management strategy and Information Security Policy, including: delivering effective and efficient cybersecurity products and services and identifying, considering and assessing material cybersecurity threats on an ongoing basis. As part of the first line of defence, NatWest Group:
  - a) continues to invest significant resources in developing and improving its cybersecurity risk management.
  - b) supports due diligence processes in respect of third-party service providers involved in NatWest Group's supply chain by defining minimum security requirements in line with industry practice that suppliers are contractually bound by. These minimum standards, among others, require suppliers to notify NatWest Group of any material cybersecurity incidents and for UK based suppliers to hold independent assurance, with Cyber Essentials+ certification being the minimum accepted.
- As part of the second line of defence, a dedicated operational risk team is responsible for the assessment, identification and management of NatWest Group's cybersecurity risk and provides regular updates and opinions to senior risk committees of NatWest Group. These include monthly updates and escalations as required to the NatWest Digital X Risk Committee. The operational risk team also provides a Risk opinion as part of the annual information and cyber security risk spotlight to NatWest Group's Executive Risk Committee and Board Risk Committee.
- As part of the third line of defence, NatWest Group's Internal Audit team has a risk-based coverage approach to assess the adequacy of the design and operational effectiveness of key internal controls, governance and risk management, including in connection with cybersecurity risk. The frequency and scope of the internal audit coverage depends on the ongoing assessment of the key risks to NatWest Group.

### Cybersecurity threats for 2025

NatWest Group is continuously exposed to cybersecurity threats across its business and supply chain, which are closely monitored by NatWest Group. In the year ended 31 December 2025, NatWest Group did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect NatWest Group. However, given the nature of cybersecurity threats, NatWest Group cannot eliminate all risks from cybersecurity threats or provide assurances that NatWest Group has not experienced an undetected cybersecurity incident. For more information about these risks, refer to the Risk Factors section – "NatWest Group is subject to increasingly sophisticated and frequent cyberattacks".

### Cybersecurity Risk Oversight Board

The Board of Directors (Board) ensures there is a framework of prudent and effective controls which enables risks – including information and cyber security risk – to be assessed and managed. The Board approves the EWRMF (including NatWest Group's risk appetite framework) on recommendation from the Group Board Risk Committee, and approves risk appetite.

The Board monitors information and cybersecurity performance against risk appetite through the receipt of regular reporting and receives reporting on top and emerging risks, including the likelihood of a cyber-attack. The Board also reviews the effectiveness of risk management and internal control systems.

## Operational risk continued

### Group Board Risk Committee (BRC)

Provides oversight and advice to the Board on current and future risk exposures of NatWest Group and its subsidiaries; future risk profile including risk appetite; the approval and effectiveness of the EWRMF and the internal controls required to manage risk. It approves the enterprise-wide risk management strategy and oversees its effective delivery. BRC reviews all information and cybersecurity risk exposures and management's recommendations to monitor, control and mitigate such exposures. It also reviews NatWest Group's information and cybersecurity performance against risk appetite through the receipt of regular reporting, updates on top and emerging risks and updates from the first and second lines of defence – including an information and cyber security spotlight at least annually – and escalates matters to the Board as required.

### Management responsible for managing information and cybersecurity risk

The first line of defence is responsible for setting NatWest Group's information and cybersecurity risk management strategy, including: delivering effective and efficient cybersecurity products, policies and services and identifying, considering and assessing material cybersecurity threats on an ongoing basis. NatWest Group's cybersecurity programmes are under the direction of the Chief Information Officer (CIO) who holds regulatory accountability under the Senior Managers and Certification Regime for defining and delivering NatWest Group's internal technology, infrastructure services and customer operations, including NatWest Group's IT strategy, cybersecurity, operational continuity, and resilience. The Chief Information Security Officer (CISO) reports to the CIO and receives regular reports from the cybersecurity team under his supervision.

The CIO is an established Technology Leader with over 30 years of experience in Financial Services, joining NatWest Group in 2022.

Prior to 2022, the CIO spent eight years at Deutsche Bank where he held a number of roles including CIO for the Corporate and Investment Bank, Head of Technology for Financial Crime, CIO for the UK and Group CTO. Prior to joining Deutsche Bank, the CIO drove the technology strategy and innovation agenda for RBS Markets as its CIO and spent the early part of his career at JP Morgan.

The CISO, via the cybersecurity team, monitors the prevention, detection, mitigation and remediation of cybersecurity threats and incidents. The CISO and the cybersecurity team are experienced information security professionals with many years of experience in the information and cybersecurity industry. Prior to joining NatWest Group, the CISO was a technical director at Communications-Electronics Security Group (now known as the UK's National Cyber Security Centre) where he advised on securing some of the UK's most critical assets. He has worked in this industry for over 20 years and has spoken at a wide range of events on the topic of cybersecurity.

# Compliance and conduct risk

## Definition

Compliance risk is the risk that NatWest Group fails to observe the letter and spirit of all relevant laws, codes, rules, regulations and standards of good market practice.

Conduct risk is the risk of inappropriate behaviour towards customers, or in the markets in which NatWest Group operates, which leads to poor or inappropriate customer outcomes, and/or undermines market integrity.

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

## Sources of risk

Compliance and conduct risk exist across all stages of NatWest Group's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential inside information.

As set out in Note 25 to the consolidated financial statements, members of NatWest Group are party to legal proceedings and are subject to investigation and other regulatory action in the UK, the US and other jurisdictions.

## Key developments in 2025

- As part of the Non-Financial Risk Enhancement Programme, NatWest Group reviewed its compliance and conduct framework against the Operational Riskdata eXchange Association (ORX) regulatory compliance and conduct risk taxonomy.

ORX is the largest operational risk management association in the financial services sector and this industry-standard taxonomy informed proposals for the annual risk directory refresh, including new level 2 risks and a consolidation of conduct and regulatory compliance risks into a single 'compliance and conduct level 1 risk' from 2026. These changes will enhance risk coverage, strengthen integration with the EWRMF, and align more closely with industry practice.

- NatWest Group is also evaluating alternative rules mapping approaches, including a regulatory traceability model supported by an integrated AI-enabled platform. This will simplify governance, reduce complexity, and improve consistency, while ensuring its framework remains resilient and future-ready.
- On 4 September 2025, the US Court of Appeal approved an amendment of the plea agreement and formally terminated the Monitorship (extended oversight) of NatWest Markets Plc (NWM). This is a result of the notable progress made in strengthening our compliance programme, improvements in internal controls and remediation, and the status of the implementation of the Monitor's recommendations. NWM's obligations under the plea agreement and probation have been extended until December 2026. Going forward, NWM will report progress on the compliance programme to the US Department of Justice (DOJ) directly.
- The Judicial Review challenging the Financial Ombudsman Service's (FOS) interpretation of 'unfair relationships' under Section 140 of the Consumer Credit Act (CCA) remains ongoing.

NatWest Group and peer banks have raised concerns over the reopening of closed complaints, with the FCA intervening in support of our position. Separately, proposed CCA reforms aim to modernise regulation via a flexible, outcome-based regime.

- Following the Supreme Court's August 2025 ruling regarding 'unfair relationships' when arranging motor finance, the FCA's October consultation outlined a redress scheme expected to launch in 2026.
- A review of mortgage rules was launched by the FCA to simplify regulatory requirements and improve consumer flexibility. The proposals seek to simplify rules, enhance access to advice and execution-only options, and streamline affordability assessments under Consumer Duty. NatWest Group continues to monitor developments to ensure its proposition remains compliant and responsive.
- The FCA's March review of the treatment of vulnerable customers recognised progress but highlighted areas for improvement. NatWest Group remains committed to delivering fair outcomes and maintaining regulatory compliance.
- The PRA and FCA are consulting across the financial services industry on the Senior Managers and Certification Regime that could reduce the number of roles within scope by up to 40%, with His Majesty's Treasury (HMT) supporting swift implementation.
- HMT has launched a consultation to review the FOS's remit and propose to modernise the framework. The FCA and FOS have published next steps, signalling coordinated reform of consumer compensation mechanisms.

## Governance

Risk governance for compliance and conduct risk is in line with the approach outlined in the Risk management framework section.

To support ongoing oversight of the management of the compliance and conduct risk profile, a number of committees are in place, the most senior of which is the "One Bank Good Customer Outcomes Leadership Committee".

## Risk appetite

Risk appetite for compliance and conduct risk is in line with the approach outlined in the Risk management framework section.

## Measurement and monitoring

Measurement and monitoring for compliance and conduct risk are in line with the approach outlined in the Risk management framework section.

## Mitigation

Mitigation for compliance and conduct risk is in line with the approach outlined in the Risk management framework section.

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

# Financial crime risk

## Definition

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

## Sources of risk

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

## Key developments in 2025

- Significant investment continued to be made to support the delivery of a multi-year transformation plan across financial crime risk management.
- Enhancements were made to technology, data quality, and data analytics to improve the effectiveness of systems used to monitor customers and transactions.
- Financial crime events were held throughout the year to further embed financial crime risk management culture and behaviours.
- There was active participation in public/private partnerships including the Joint Money Laundering Intelligence Taskforce and Data Fusion. Following the success of the pilot, Data Fusion has become a permanent operational capability, able to deliver benefits across the public-private economic crime system. This includes the implementation of a permanent public-private Joint Analytical Team, housed within the National Crime Agency.

## Governance

Risk governance for financial crime risk is in line with the approach outlined in the Risk management framework section.

The Financial Crime Oversight Committee, which is jointly chaired by the Group Money Laundering Reporting Officer and the Director of Financial Crime is the core governance committee for financial crime risk (excluding fraud). It oversees financial crime risk management, operational performance, and transformation matters including decision-making.

Financial crime matters are escalated through the Executive Risk Committee and to the Board as applicable.

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

## Risk appetite

Risk appetite for financial crime risk is in line with the approach outlined in the Risk management framework section.

## Measurement and monitoring

Measurement and monitoring for financial crime risk are in line with the approach outlined in the Risk management framework section.

Financial crime risks are identified and reported through continuous risk management and regular reporting to the Financial Crime Oversight Committee and other risk governance committees (including the Board Risk Committees). Quantitative and qualitative data is reviewed and assessed to measure whether financial crime risk is within appetite.

## Mitigation

Mitigation for financial crime risk is in line with the approach outlined in the Risk management framework section.

Through the financial crime framework, relevant policies, systems, processes and controls are used to mitigate and manage financial crime risk. This includes the use of dedicated screening and monitoring systems and controls to identify people, organisations, transactions and behaviours that may require further investigation or other actions.

Centralised expertise is available to detect and disrupt threats to NatWest Group and its customers.

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

# Model risk

## Definition

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

## Sources of risk

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

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

## Key developments in 2025

- Continued with a programme of work to implement model risk management (MRM) framework changes that were introduced in 2024 in response to PRA's Supervisory Statement 1/23 across the model landscape.
- Introduced further updates to the MRM framework to address feedback received from the PRA following their industry-wide thematic review of MRM and further improve model risk management practices.
- Deterministic quantitative methods, which are complex and material calculators that although not technically models still present similar risks, were brought in scope of the MRM framework.

- Enhanced the framework for the independent validation of models.
- Delivered model inventory design changes to support implementation of MRM framework enhancements, including a focus on recording of model use, which has enabled better oversight and risk management of models.
- Continued focus on improving the completeness and accuracy of model risk data contained within the inventory through enhanced oversight metrics and targeted remediation work.

## Governance

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

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

## Risk appetite

Risk appetite for model risk is in line with the approach outlined in the Risk management framework section.

## Measurement and monitoring

Model risk is measured and managed through continuous assessment and regular reporting to NatWest Group's senior risk committees and at Board level.

Policies, toolkits and model standards related to the development, validation, approval, implementation, use and ongoing monitoring of models are in place to ensure adequate control across the lifecycle of an individual model.

All models developed for use are assigned a model tier, based on the model's materiality and complexity. Risk based model tiering is used to prioritise risk management activities throughout the model lifecycle, and to identify and classify those models which pose the highest risk to NatWest Group's business activities, safety and/or soundness.

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

The model materiality combined with the validation rating provides the basis for model risk appetite measures and enables model risk to be robustly monitored and managed across NatWest Group.

Ongoing performance monitoring is conducted by model owners and overseen by the model validators to ensure parameter estimates and model constructs remain fit for purpose, model assumptions remain valid and that models are being used consistently with their intended purpose.

This allows timely action to be taken to remediate poor model performance and/or any control gaps or weaknesses.

## Mitigation

By their nature – as approximations of reality – model risk is inherent in the use of models. It is managed by refining or redeveloping models where appropriate – due to changes in market conditions, business assumptions or processes – and by applying adjustments to model outputs (either quantitative or based on expert opinion). Enhancements may also be made to the process within which the model output is used in order to further limit risk levels.

# Reputational risk

## Definition

Reputational risk is the risk of damage to stakeholder trust due to negative consequences arising from internal actions or external events.

## Sources of risk

The three primary drivers of reputational risk are: failure in internal risk management systems, processes or culture; NatWest Group's actions materially conflicting with stakeholder expectations; and contagion (when NatWest Group's reputation is damaged by failures in key sectors including NatWest Group's supply chain or other partnerships).

## Key developments in 2025

- Enhancements were made to expand the requirements of the reputational risk policy to suppliers and third parties.
- The environmental, social and ethical (ESE)<sup>(1)</sup> animal welfare, mining and metals and forestry, fisheries and agribusiness risk acceptance criteria were reviewed and updated in line with strategic objectives.

## Governance

Risk governance for reputational risk is in line with the approach outlined in the Risk management framework section.

A reputational risk policy supports reputational risk management across NatWest Group. Reputational risk registers are used to manage reputational risks identified within relevant business areas.

These are reported to the relevant business executive risk committee.

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

## Risk appetite

Risk appetite for reputational risk is in line with the approach outlined in the Risk management framework section.

Reputational risk appetite is approved by the Board. NatWest Group manages and articulates its appetite for reputational risk through a qualitative reputational risk appetite statement and associated quantitative measures.

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

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

## Monitoring and measurement

Relevant internal and external factors are monitored through regular reporting via reputational risk registers at business or legal entity level. They are escalated, where appropriate, to the relevant business risk committee and, where material, to the Group Reputational Risk Committee.

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

## Mitigation

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

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

(1) From 1 January 2026, the name of the ESE risk framework was updated to the Environmental and Social Risk Framework. This change better reflects the framework's underlying methodology which focuses on a risk-based approach aligned to organisational risk appetite, rather than values-based judgements.