



NatWest  
Group

# NatWest Markets Plc

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## Approval of Strategic report

The Strategic report for the year ended 31 December 2025 set out on pages 2 to 13 was approved by the Board of Directors on 12 February 2026.

By order of the Board

## Company Secretary

Sarah Beddows  
12 February 2026

## Interim Chair

Tamsin Rowe

## Executive Directors

Jonathan Peberdy, CEO  
Simon Lowe, CFO

## Non-Executive Directors

Rupert Hume-Kendall  
Thierry Roland  
Anne Simpson  
Sabrina Wilson

## Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly owned subsidiary of NatWest Group plc or 'the ultimate holding company'.

The NatWest Markets Group ('NWM Group') or 'we' comprises NWM Plc and its subsidiary and associated undertakings.

The term 'NatWest Group' comprises NatWest Group plc and its subsidiaries.

The term 'NatWest Markets' refers to the primary business activities for NWM Group. These activities form part of the NatWest Group Commercial & Institutional segment.

# Performance highlights

In 2025, NWM Group delivered a resilient operating performance during a year that presented challenges, including geopolitical tensions and unpredictable trade policies. Throughout the year, we maintained a high level of engagement with our customers and remained dedicated to supporting their progress. We capitalised on our strengths through a connected Commercial & Institutional segment to focus on what matters most, providing support to our customers, colleagues and key stakeholders.

We maintained our robust capital and liquidity position during 2025 and reported an operating profit before tax for the year of £160 million, compared with a profit of £37 million for 2024. We delivered higher year-on-year income, reflecting a strong performance in our Currencies and Capital Markets business lines, in addition to increases from the profit share arrangement with fellow NatWest Group subsidiaries<sup>(1)</sup>, one-off gains recognised in 2025 and lower foreign exchange (FX) reserves recycling losses. Fixed Income revenues were lower in 2025, largely due to challenging market conditions and reduced client activity. An increase in other operating expenses was largely driven by higher technology investment costs and staff costs, lower value-added tax (VAT) recoveries and credits recognised in 2024 in relation to property charges.

Refer to the Strategic progress section on page 5 and the Financial review section on page 14 for further details on the NWM Group performance for the period.

(1) For more details on the profit share arrangement with fellow NatWest Group subsidiaries, refer to Note 2 Non-interest income and Note 31 Related parties.

## Financial highlights

	2025	2024
<b>Performance (£m)</b>		
Total income	<b>1,471</b>	1,237
Other operating expenses <sup>(1)</sup>	<b>1,245</b>	1,106
Income excluding own credit adjustments	<b>1,470</b>	1,246
Operating profit before tax	<b>160</b>	37
<b>Capital and leverage (2)</b>		
Common Equity Tier 1 (CET1) ratio	<b>18.4%</b>	18.2%
Minimum requirement for own funds and eligible liabilities (MREL) ratio	<b>45.6%</b>	48.2%
Leverage ratio	<b>5.0%</b>	5.5%
Average liquidity coverage ratio (LCR) <sup>(3)</sup>	<b>198%</b>	192%
RWAs	<b>£21.5bn</b>	£20.8bn

(1) Excludes litigation and conduct costs.

(2) These metrics are shown for NWM Plc. Capital, leverage and risk-weighted assets (RWAs) are based on current Prudential Regulation Authority (PRA) rules. Regulatory capital is monitored and reported at NWM Plc level.

(3) Reported on an average basis in line with supervisory guidelines. The LCR is calculated as the average of the preceding 12 months.

## Non-financial highlights

	2025	2024
<b>Climate</b>		
Climate and sustainable funding and financing <sup>(1)</sup>	<b>£9.2bn</b>	£17.7bn
Climate and transition finance (CTF) <sup>(2)</sup>	<b>£8.6bn</b>	na
Facilitated emissions (MtCO <sub>2</sub> e) <sup>(3)</sup>	<b>0.45</b>	1.07
<b>People</b>		
Performance Culture index score <sup>(4)</sup>	<b>71%</b>	68%
Purposeful Leadership score <sup>(4)</sup>	<b>77%</b>	74%

(1) NatWest Group exceeded the climate and sustainable funding and financing target to provide £100 billion between 1 July 2021 and the end of 2025 during H1 2025. The number disclosed above relates to NWM Group's contribution to the target for the 6-month period up to 30 June 2025. The NatWest Group Climate and Sustainable Funding and Financing Inclusion (CSFFI) criteria, which underpinned the previous £100 billion target, has been retired. The CSFFI framework is available on natwestgroup.com.

(2) In July 2025, NatWest Group announced a new target to provide £200 billion in climate and transition finance between 1 July 2025 and the end of 2030. The CTF framework has been developed to expand the support provided to customers to achieve their climate and/or transition ambitions and is used to determine the assets, activities, acquisition targets and companies that are eligible to be included towards the new £200 billion CTF target. The CTF framework is available on natwestgroup.com.

(3) In 2025, we continued to refine our methodology for estimating facilitated emissions and updated the scope for syndicated lending to exclude passive best-efforts roles, ensuring only active facilitation is reflected. As a result, the 2024 facilitated emissions have been updated from 1.28 MtCO<sub>2</sub>e to 1.07 MtCO<sub>2</sub>e. Refer to pages 50 to 54 for the facilitated emissions disclosure including the PCAF methodology.

(4) NWM Group achieved the purposeful leadership score of 77% against a target of 73% and a Performance Culture index score of 71% against a target of 68%, as measured through the September 2025 Our View colleague survey, which is conducted on a half-yearly basis. The Performance Culture index and Purposeful Leadership scores consist of 10 Performance Culture and 12 Purposeful Leadership questions, as defined and measured in Our View. All scores shown are for NWM Group. To enable like-for-like year-on-year comparisons, all scores shown are based on the Willis Towers Watson (WTW) calculation methodology. Over 1,200 or 83% of NWM Group colleagues across all countries and levels participated in our September 2025 Our View colleague survey.

## Capital guidance<sup>(1,2)</sup>

Metric <sup>(3)</sup>	Estimate
CET1 ratio	~14%
MREL ratio <sup>(4)</sup>	>30%
Leverage ratio	>4%

(1) This supersedes all prior guidance.

(2) The guidance, targets, expectations and trends discussed in this section represent management's current medium-term expectations and are subject to change, including as a result of the factors described in the Risk Factors section in this document. These statements constitute forward-looking statements. Refer to Forward-looking statements in this document.

(3) All metrics presented relate to NWM Plc.

(4) Includes total regulatory capital, non-eligible capital and downstreamed internal MREL.

# Our business model: how we create value

NWM Group provides access to financial markets for NatWest Group customers, through an integrated corporate and institutional customer proposition, with full-service financing and risk management expertise.

<p><b>Our key strengths and resources</b></p>	<p><b>Our strengths</b></p> <ul style="list-style-type: none"> <li>• Strong specialist capabilities that our customers value.</li> <li>• Digital first-led Currencies and Fixed Income businesses that are connected across NatWest Group to support customers.</li> <li>• Innovative Capital Markets platform with industry-leading structuring and distribution expertise.</li> <li>• Recognised for strong capabilities and expertise in delivering specialist advice, sustainable finance solutions, and thought leadership.</li> </ul> <p><b>Our resources</b></p> <ul style="list-style-type: none"> <li>• Well positioned with national coverage as part of one of the UK's largest banks, we also offer reach and accessibility through our trading and sales hubs located in Asia, Europe and the US.</li> <li>• Our ability to source funding and distribute risk globally means we can support large and complex customer needs.</li> <li>• A highly engaged, diverse and customer-focused workforce with significant expertise in financial markets.</li> <li>• Strong capital and liquidity positions.</li> </ul>
<p><b>What we do</b></p>	<p><b>Our customers</b></p> <p>As part of NatWest Group, we support corporate and institutional customers. We work in close collaboration with teams across the bank to provide capital markets and risk management solutions to our customers.</p> <p><b>Our operations</b></p> <p>NWM Group is headquartered in the UK and offers financial markets access across NWM Plc and its subsidiaries, including NatWest Markets Securities Inc. and NatWest Markets N.V. (NWM N.V.).</p> <p><b>Our products and solutions</b></p> <p>We provide liquidity and risk management in our Currencies and Fixed Income businesses through a combination of voice and electronic distribution channels. Through our Capital Markets business, we provide an integrated proposition across financing and risk solutions and specialist advisory services, which incorporates relevant sustainable finance advice.</p> <p>Our strategists and content experts across Currencies, Fixed Income and Capital Markets offer industry and economic insights in the key economies where our customers do business.</p> <p>We have a sharp focus on digitalisation and automation, and we offer a range of digital FX, fixed income, risk management and international payments options. These use our applications or application programming interfaces (APIs), including Agile Markets, FXmicropay and Rate Manager.</p> <p><b>Fixed Income</b></p> <p>We have long-standing expertise in the fixed income markets and offer cash bond, repo and interest rate derivatives, with a focus on sterling, euros and US dollars, that supports our customers' financing and hedging needs. In addition, we provide liquidity and credit for investment-grade and high-yield bonds and loans for both financial institutions and corporate issuers.</p> <p><b>Currencies</b></p> <p>We are an award-winning FX service provider offering FX spot, forwards, cross-currency swaps and options, as well as an FX prime service and FX digital solutions.</p> <p><b>Capital Markets</b></p> <p>We help customers to access global debt capital markets across a wide variety of products and target markets, including bonds, loans, commercial paper, medium-term notes (MTNs) and private placements. We also provide bespoke financing solutions to customers, including structuring, distribution, on-balance-sheet financing and risk management products.</p>
<p><b>Creating value for our stakeholders</b></p>	<p><b>NatWest Group</b></p> <p>We provide access to financial markets for NatWest Group customers with integrated full-service solutions. The combined capabilities of our Commercial &amp; Institutional business segment position NatWest Markets well to capture greater activity and opportunities. This also helps us meet more of our customer needs.</p> <p><b>NatWest Markets investors</b></p> <p>We maintain a robust capital base and liquidity positions. This gives existing and future investors confidence in the resilience of NWM Group.</p>

<p><b>Creating value for our stakeholders (continued)</b></p> <p>Also refer to Board engagement with key stakeholders on pages 12 to 13.</p>	<p><b>Customers</b></p> <p>In 2025, we focused on deepening customer relationships by delivering excellent customer service and execution. Our support with financing and risk solutions was recognised by a number of industry awards<sup>(1)</sup> including:</p> <ul style="list-style-type: none"> <li>• ‘UK’s Best FX Bank for Corporates’ at the Euromoney Foreign Exchange Awards 2025.</li> <li>• ‘Best FX Prime Broker’ for the third consecutive year at the e-FX Awards 2025.</li> <li>• ‘Sterling Bond House of the Year’ at the International Financing Review (IFR) Awards 2025.</li> <li>• ‘Most Impressive Corporate Medium Term Notes (MTN) Dealer for Financial Institutions’ and ‘Most impressive Sovereign, Supranational, and Agency (SSA) House in Sterling’ at the Global Capital Bond Awards 2025.</li> <li>• ‘Lead manager of the year, green bonds – sovereigns’ and ‘Lead manager of the year, social bonds – financial institutions’ at the Environmental Finance’s Bond Awards 2025.</li> <li>• ‘Best ESG Bookrunner/Dealer’, ‘Best GBP Bookrunner/Dealer’ and ‘Best GBP MTN Private Placement Dealer’ at the CMD Portal January 2026 Awards.</li> </ul> <p><b>Colleagues</b></p> <p>We strengthened our colleague proposition by creating opportunities for career movement across business areas, fostering innovation and collaboration across NatWest Group. In 2025, we continued to embed our talent identification process to help leaders identify colleagues ready to progress further and faster. This will enable them to shape career growth aligned to their goals and ambitions. A new recognition approach, Recognise, was launched in October 2025, which enables colleagues to be acknowledged ‘in the moment’ for their contributions. This means that recognition can be given quickly and easily, helping to reinforce positive behaviours and celebrate success as it happens. Our performance management philosophy Beyond, continues to transform performance, with personalised goals, regular check-ins and people progress sessions fundamental to managing year-round performance. Our policies remain aligned, wherever possible, with NatWest Group standards. Further details are available in the ‘Sustainability review: skilled, engaged and inclusive workforce’ section of the NatWest Group 2025 Annual Report and Accounts (NatWest Group ARA).</p> <p>We also continued to focus on creating an inclusive workplace. NWM Group aligns with NatWest Group’s diversity targets<sup>(2)</sup> and strategy. It promotes NatWest Group-wide initiatives, such as the Enterprise Inclusion Committee. In 2025, 88% of colleagues<sup>(3)</sup> reported that they believe NWM Group recognises and respects the value of people’s differences and promotes an inclusive environment (+7% vs the global financial services norm and equalling the high-performing norm).</p> <p><b>Regulators and industry bodies</b></p> <p>During 2025, we provided insights through our active participation in trade associations and industry-wide forums on key topics such as European Market Infrastructure Regulation (EMIR) 3.0.</p> <p>We actively participate in industry-wide forums, which contribute to the development of market standards and legislation. In 2025, we focused on the changes to the Systemic Internaliser regime, implementation of Markets in Financial Instruments Directive (MIFID) II review requirements, U.S. Treasury Clearing requirements, Canadian Trade Reporting amendments, and other impactful regulatory changes.</p> <p><b>Community and environment</b></p> <p>Throughout 2025, we continued to support our Commercial &amp; Institutional customers and wider stakeholders through sustainability-related events, webinars, podcasts and articles. These covered key macro themes, including transition finance and diversity, bringing together industry leaders for round tables and panel discussions. Our second annual NatWest UK Sustainable Finance event focused on the financial imperative of decarbonising the UK real economy, with keynote speeches and interactive panels.</p> <p>During London Climate Action Week, NWM Group, as part of NatWest Group, hosted its third Women Mobilising Sustainability event, focusing on transition finance and diverse capital for a sustainable economy. This was followed by our inaugural Women in Sustainability Netherlands event, which addressed resilience and leadership for long-term sustainability impact.</p>
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(1) The award submission may be submitted at the NatWest Group parent level, incorporating content from NWM Plc.

(2) Refer to page 63 of the NatWest Group ARA for details on the NatWest Group level diversity targets and Gender / Ethnicity Pay Gap.

(3) Measured through the September 2025 Our View colleague survey, which is conducted on a half-yearly basis. Scores shown are based on the Willis Towers Watson (WTW) calculation methodology. Over 1,200 or 83% of NWM Group colleagues across all countries and levels participated in our September 2025 Our View colleague survey.

# Strategic progress

Building enduring, trusted relationships with our customers is the cornerstone of our strategy. It connects our purpose; turning possibilities into progress, with our ambition to succeed with customers, and is structured around three strategic priorities. Three core behaviours guide this, helping us achieve it: we start with customers, we raise the bar and we own our impact.

We serve our chosen customers through a multi-specialist proposition aligned to our strengths		
Strategic priorities	Progress in 2025	Our priorities
<b>Disciplined growth</b> will strengthen relationships and ensure sustainable earnings, attracting new customers and deepening existing ones.	<ul style="list-style-type: none"> <li>We deepened relationships in our areas of specialism across fixed income, currencies and capital markets, providing liquidity, products and solutions that support our customers' financing and risk-management needs.             <ul style="list-style-type: none"> <li>We led the UK Debt Management Office's (DMO) record £14 billion 4.75% Treasury Gilt issue (due October 2035), the largest-ever syndicated UK deal with a £141 billion orderbook.</li> <li>Jointly led the Inter-American Development Bank's inaugural digital bond sterling issuance.</li> <li>We onboarded approximately 700 additional mid-corporate customers in 2025 and saw growth of 23% in new fund managers now using our FX service for the first time.</li> </ul> </li> <li>In July 2025, NatWest Group published its new climate and transition finance (CTF) framework, supporting both climate-aligned and transition-enabling activities. In 2025 we:             <ul style="list-style-type: none"> <li>Acted as bookrunner for EDF's €1.25 billion hybrid green bond aligned to EU taxonomy for nuclear power generation.</li> <li>Acted as joint lead manager for the Republic of Italy's €5 billion 20-year green Buoni del Tesoro Poliennali (BTPs) and supported their Green Bond Framework update as one of the Sustainability Co-ordinators.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Be more customer-centric and develop a greater focus on our specialisms, by tailoring our services to meet the specific needs of clients in areas such as UK debt capital markets.</li> <li>Enhance our competitive edge where we compete against global investment banks.</li> <li>Create relevance with our customers as a multi-specialist provider recognised for deep expertise (including structured finance, funds and sustainable finance) that customers value.</li> </ul>
<b>Bank-wide simplification<sup>(1)</sup></b> will utilise our technology and capabilities to deliver customer growth more efficiently and effectively.	<ul style="list-style-type: none"> <li>We have invested in digital platforms to standardise and automate processes, notably rolling out enhanced online channels for client self-service and transaction execution.             <ul style="list-style-type: none"> <li>We completed the second phase of our Agile Markets, integration with Bankline, our main digital channel for mid-market and corporate customers, allowing Agile services to be embedded in it.</li> <li>We adapted digital products for automated controlled settlement, simplified operations and unlocked new FX opportunities in additional sectors. This includes expanding our currency offering within NatWest Markets to support over 130 currencies.</li> <li>We simplified our technology estate. All our FX execution now runs through Agile Markets, supporting our efficiency, simplification, and control objectives.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Simplify our products and services to clients so we can provide an improved customer experience and benefits at lower cost.</li> <li>Continue to develop a simpler, more technology-focused operating model for greater agility and scalability.</li> <li>Modernise and simplify core platforms.</li> <li>Improve colleague productivity by streamlining governance and resources.</li> </ul>
<b>Active balance sheet and risk management</b> will ensure we remain a trusted partner and deliver attractive risk-adjusted returns.	<ul style="list-style-type: none"> <li>We applied our structuring and distribution capabilities to support NatWest Group's balance sheet and risk management objectives. We played a key role in organising and structuring Significant Risk Transfer (SRT) and securitisation transactions, effectively managing regulatory capital and improving capital efficiency.</li> <li>We consistently used our capital actions toolkit through the use of credit risk insurance and secondary trades to support capital optimisation.</li> <li>We managed risk through a combination of hedging derivative and repo close out risks to mitigate potential losses from defaults in these portfolios.</li> </ul>	<ul style="list-style-type: none"> <li>Be more agile in deploying capital to where we can most profitably use it. This means allocating capital dynamically and decisively to customers who need our support.</li> <li>Continue to build risk management capabilities and broaden distribution capabilities.</li> <li>Improve returns through disciplined continuous review.</li> </ul>

(1) For 2026, the 'Bank-wide simplification' strategic priority becomes 'Leveraging simplification'. The priorities listed above for 2026 and beyond aligns to this updated strategic priority.

# Operating environment

We continued to adapt to evolving market trends in 2025. The environment we operate in is constantly changing. Understanding the influences on our business and our customers enables us to prepare for change, respond quickly and create value for the long term.

## Competitive landscape

### Overview

We work in close collaboration with teams across NatWest Group to provide full-service risk management, trading and debt financing solutions to both financial institutions and UK, European, and US corporate customers. We operate in a highly competitive market with large domestic banks, a number of investment banks and universal banks that offer combined investment and commercial banking capabilities.

Competition intensified in our main markets in 2025 as capital markets conditions improved and peers sought new growth opportunities. We saw competitors expand their financial markets propositions, invest in better platforms and show greater strategic intent by targeting higher transaction volumes, particularly with institutional clients. This was through more bespoke and innovative funding, complex risk management solutions and innovative sustainably linked products. The adoption of AI and machine learning accelerated, shifting from strategic planning to tactical implementation, aimed at better managing risk and personalising banking services.

In 2025, debt capital markets sentiment remained constructive as inflation continued to trend lower and central banks maintained a gradual easing cycle. This supportive backdrop sustained strong refinancing activity, with issuers capitalising on improved funding conditions. Fixed Income, Currencies and Commodities (FICC) divisions delivered another solid performance, underpinned by resilient client flows and persistent market volatility. Elevated trading volumes across FICC reflected ongoing demand for hedging and tactical positioning amid shifting rate expectations and geopolitical uncertainty.

### Our response

The strategy we have developed over the years continued to help us remain well positioned to respond to evolving threats from other players in the banking market during 2025. In addition, our expertise in fixed income, FX, sustainable finance, and our debt capital markets proposition continued to support customers' core risk-management needs and provide capabilities ranging from advisory, execution and distribution, to secondary market liquidity.

## Economy

### Overview

In 2025, most major economies managed to grow, with the International Monetary Fund forecasting developed-world GDP growth of 1.6% and global GDP growth of 3.2%. Inflation rates differed notably across major economies, but most central banks ended the year with official policy rates lower than where they started. In the US, the Federal Reserve reduced rates by 75 bps, whilst the European Central Bank (ECB) and the Bank of England (BoE) cut rates by 100 bps during 2025. The Bank of Japan took a different course, raising rates by 0.25% at its December meeting. Tariffs and trade restrictions prompted volatility in markets, but the World Trade Organisation still anticipated global trade growth of 2.4%. Equity markets performed strongly with the S&P 500 up 16%, the Euro Stoxx 50 up 19% and the FTSE 100 up 22%. US dollar weakness was the main theme in currency markets, especially during the first half of 2025. The yield on 10-year US Treasury bonds ended 2025 at close to 4.1%.

### Our response

Consistent with our strategy of disciplined growth and active balance sheet management, we remained focused on meeting the needs of all our customers in 2025 as markets moved in response to changing economic conditions and other geopolitical developments. Market moves affect liquidity conditions, customer activity, market risks and pricing behaviour. This is normal for our business and we manage the business risks and capital usage accordingly.

## Regulation

### Overview

We operate in highly regulated markets, which continue to evolve in scope. We are primarily regulated by the following bodies:

- The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) in the UK.
- The ECB, the Autoriteit Financiële Markten (the Dutch Authority for the Financial Markets) and De Nederlandsche Bank (DNB) in the Netherlands, the host state regulators of the jurisdictions in which NWM N.V. has a branch office and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg in respect of RBSI Depository Services S.A.
- The Federal Financial Supervisory Authority ('BaFin') in Germany.
- The Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), Federal Reserve Bank of New York (FRBNY), Board of Governors of the Federal Reserve System (FRB), Connecticut Department of Banking (CT DoB), Financial Industry Regulatory Authority (FINRA), National Futures Association (NFA), Chicago Mercantile Exchange (CME), and state regulatory agencies in the US.
- The Canadian Securities Administrators in Canada.
- The Monetary Authority of Singapore and the Japan Financial Services Agency in Asia.

### Our response

We have a global framework to identify, capture and implement new and changing regulatory requirements across all jurisdictions that NWM Group has a physical presence or explicit permissions. The global framework incorporates processes in relation to horizon scanning, rules interpretation, rules mapping and change delivery.

We also had direct engagement with regulatory bodies, as and when required, to keep them informed of ongoing compliance with regulations and market standards, as well as indirect contact through trade associations to help shape future regulatory requirements.

## Cyber threats and digital security

### Overview

Protecting our customers remains a top priority against the backdrop of a threat landscape which is being shaped by geopolitical tensions, ransomware attacks, and increasingly sophisticated adversaries. Regulatory expectations are also rising, with key frameworks setting new standards, and firms expected to demonstrate robust cyber defences and operational resilience.

### Our response

NatWest Group continued to invest in security and resilience to protect its customers and operations in 2025:

- The Security Operations Centre expanded its team of analysts in 2025, increasing coverage of real-time monitoring, backed by investment in automation. This enabled an increasingly rapid response to threats.
- Automated monitoring and new assurance processes were introduced to ensure new products and services have the required security controls in place.



- Through NatWest Group's AI Centre of Excellence, we continued to develop the use of AI technologies to enhance our defensive capabilities against the threat of bad actors using AI and machine learning for deep fakes and advanced phishing.
- NatWest Group enhanced its approach to identity and access management to safeguard sensitive information and mitigate risks associated with unauthorised access.
- NatWest Group mandated that all of its suppliers based in, or operating out of the UK, hold independent assurance, accredited to Cyber Essentials Plus at minimum.

## Climate risks and opportunities

### Overview

The market environment for climate continues to evolve rapidly, shaped by regulatory expectations, legislative change and shifting customer and societal priorities. These dynamics create both risks and opportunities for NWM Group and its customers.

### Our response

We continued to play a key role in delivering NatWest Group's climate-related ambitions and targets. This included supporting the continued implementation of NatWest Group's climate transition plan, focusing both on supporting customers' decarbonisation journey and identifying associated climate and transition related financing opportunities. In seeking to support the net zero ambitions of the economies in which we operate, we also recognised the power of partnerships and collaborations.

In 2025, we completed £9.2 billion of climate and sustainable funding and financing. This contributed to a cumulative £57.3 billion towards the NatWest Group target to provide £100 billion climate and sustainable funding and financing between 1 July 2021 and the end of 2025<sup>(1)</sup>. NatWest Group exceeded this target during Q1 2025.

In July 2025, NatWest Group set a new target to provide £200 billion in climate and transition finance between 1 July 2025 and the end of 2030. In 2025, NWM Group provided £8.6 billion towards this new target. The climate and sustainable funding and financing framework which underpinned the previous NatWest Group £100 billion target has been replaced with the climate and transition finance framework, both available at [natwestgroup.com](https://natwestgroup.com).

During 2025, through our Dutch subsidiary NatWest Markets N.V. and driven by European legal and regulation expectations, we continued to develop our approach to climate to include nature.

For further details on the NWM Group response, refer to Climate and nature risk on pages 50 to 54 and Climate and sustainability-related risk factors on pages 165 to 168.

NatWest Group (including NWM Group) recognise that achieving climate-related ambitions and targets is dependent on a range of factors, including timely and appropriate government policy, technology developments, and on suppliers, customers and society supporting the transition.

## Technology, AI, data and digital services

### Overview

The technology landscape continues to evolve rapidly, driven by rising customer expectations for seamless digital experiences and the imperative to modernise legacy infrastructure. Emerging technologies, such as generative artificial intelligence (GenAI) and the adoption of modern architecture, are reshaping how products are created, distributed, and consumed. Legacy systems and technical debt, combined with the volume of regulatory change, compound technical complexity. Simplification is a significant driver to address this complexity, increase agility, unlock investment capacity, and accelerate transformation.

### Our response

We remained focused in 2025 on delivering digital products that met evolving customer needs. We achieved this by collaborating closely with teams across the Commercial & Institutional business segment to strengthen connectivity with key customer channels. Our collaboration with NatWest Digital X continued to drive engineering excellence, ensuring we build scalable, secure, and sustainable digital ecosystems. In addition, we have set ourselves standards for responsible AI with our AI and Data Ethics Code of Conduct.

Simplification and modernisation of our technology estate, alongside increased AI adoption, remained central to our strategy, accelerating our transition to modern architecture. In 2025, we rolled out leading productivity enhancing AI tools including GitLab Duo and Microsoft Copilot to meet customer needs responsibly and efficiently. This shift helped enable faster delivery, improve agility, and enhance platform resilience. It also positions the organisation to meet increasing customer demands in a rapidly evolving digital landscape.

## Human rights and modern slavery

### Overview

NatWest Group (including NWM Group) plays an important role in promoting respect for human rights.

### Our response

In June 2025, NatWest Group published its first standalone Human Rights Report, which brought together our Human Rights Position Statement and Salient Human Rights Issues disclosure. It explained both our approach to upholding and respecting human rights, and our management of our identified salient human rights issues. We used the UN Guiding Principles Reporting Framework to assess our current approach and identify areas where we have more to do.

NatWest Group's internal Human Rights Action Group met bi-monthly to drive progress on our bank wide approach and it further embedded our human rights risk acceptance criteria across its commercial banking relationships. NatWest Group continues to monitor legislative changes, and in 2025, it mapped its risk standards to the updated UK Home Office Transparency in Supply Chain statutory guidance.

There were also notable trends and patterns in customer and stakeholder concerns relating to the salient issue of conflict and security. In response, NatWest Group's Human Rights Action Group coordinated risk-based due diligence, including additional monitoring and engagement with our commercial customers, suppliers and investment portfolios, drawing on our human rights risk acceptance criteria.

NatWest Group's ninth Modern Slavery and Human Trafficking Statement was published in June 2025 and retained Tier 2 status in the CCLA<sup>(2)</sup> 2025 Modern Slavery Benchmark. In September, NatWest Group won gold for Business Impact at the 2025 Unseen Business Awards for its approach to tackling modern slavery. We continued to educate our colleagues on the importance of human rights and modern slavery within their roles, including a week-long campaign of live webinars in recognition of Anti-Slavery Day.

For the seventh year, our NatWest Markets colleagues supported the TRIBE Freedom Foundation in 2025 and raised over £35,000 to assist in anti-slavery projects, which will contribute towards long-term support for survivors and prevention of modern slavery.

- (1) Climate and sustainable funding and financing as defined in the NatWest Group Climate and Sustainable Funding and Financing Inclusion (CSFFI) criteria and CTF as defined by the NatWest Group CTF framework represents only a proportion of our overall funding and financing.
- (2) Read more on the CCLA Modern Slavery Benchmark and its outcomes at [www.ccla.co.uk](https://www.ccla.co.uk).



# Risk overview

## Our approach to risk management

NWM Group operates within NatWest Group's enterprise-wide risk management framework (EWRMF), which applies to all subsidiary legal entities to help deliver NWM Group's strategy in a safe and sustainable way.

### Enterprise-wide risk management framework

**01** The EWRMF sets out our approach to managing risk across NWM Group and provides a common risk language and framework to facilitate effective risk management.

**02** The building blocks of the EWRMF are: risk appetite, risk governance, three lines of defence and risk culture.

#### Risk appetite

Risk appetite is defined as the type and aggregate level of risk NWM Group is willing to accept in pursuit of its strategic objectives and business plans.

#### Risk governance

NWM Group's governance structure facilitates sound risk management decision-making, in line with standards of good corporate governance.

#### Three lines of defence

NWM Group adopts a three lines of defence model of risk governance. Everyone has a responsibility for intelligent risk-taking.

#### Risk culture

The EWRMF is centred on the embedding of a strong risk culture that encompasses both prudential and conduct risk outcomes and prescribed behaviours.

**03** The EWRMF sets out a common risk language and standard definitions to ensure consistency in the application of risk management terminology.

### Common risk language, architecture and approach

#### Risk directory and principal risks

The risk directory provides a common language to ensure that consistent terminology is used across NWM Group to describe the principal risks.

#### Principal risk policies

Risk policies are in place for each principal risk and define, at a high level, the cascade of qualitative expectations, guidance and standards that stipulate the nature and extent of permissible risk-taking.

#### Risk standards

Risk standards provide a more granular expression of the risk policies and provide the detail for the first line of defence to develop operational policies/procedures.

#### Risk toolkits

Risk toolkits define the approaches, tools and techniques for managing risk (split by all principal risks, financial and non-financial risks).

**04** The risk toolkit cycle outlines the NWM Group-wide approach to identify, assess, mitigate, monitor and report risks.

Report	Identify and assess
Reporting of the risk profile, emerging themes, current issues and other key information.	Effective risk identification and assessment to understand the risk profile.
Monitor	Mitigate
Monitoring of the risk profile through principal risk indicators or other key metrics.	Determination of the appropriate action for how risks are managed or mitigated.

**05** Principal risks are used as the basis for setting risk appetite and risk identification.

Principal risks	
Financial risks	Non-financial risks
Traded market risk	Operational risk
Non-traded market risk	Compliance risk
Capital risk	Conduct risk
Liquidity and funding risk	Financial crime risk
Credit risk	Model risk
Climate and nature risk	Reputational risk
Pension risk	

For further details on risk culture, risk governance (including the three lines of defence model) and risk appetite, refer to pages 18 to 23 of the Risk management framework.

## Principal risks

To ensure common language and a consistent approach across NWM Group, the risk directory defines and documents all principal risks that NWM Group may face, categorised into financial and non-financial. The risk directory is an important component of the EWRMF, underpinning the linkage between strategy, risk appetite, risk reporting and governance. Principal risks are the Board-approved EWRMF categories that describe the highest-level financial and non-financial risks in the risk directory and are outlined in the table below. Refer to the Risk and capital management section for further details on each principal risk, including mitigation and key developments.

Principal risks – financial	Principal risks – non-financial
<p><b>Traded market risk</b> – 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.</p> <p><b>Non-traded market risk</b> – 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.</p> <p><b>Capital risk</b> – the risk that there 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.</p> <p><b>Liquidity and funding risk</b> – liquidity risk is the risk of being unable to meet actual or potential financial obligations in a timely manner when they fall due in the short term. Funding risk is the risk that current or prospective financial obligations cannot be met as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably.</p> <p><b>Credit risk</b> – the risk that customers, counterparties or issuers fail to meet a contractual obligation to settle outstanding amounts.</p> <p><b>Climate and nature risk</b> – 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.</p> <p><b>Pension risk</b> – the inability to meet contractual obligations and other liabilities to the established employee or related company pension scheme.</p>	<p><b>Operational risk</b> – 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.</p> <p><b>Compliance risk</b> – the risk that NWM Group fails to observe the letter and spirit of all relevant laws, codes, rules, regulations and standards of good market practice.</p> <p><b>Conduct risk</b> – the risk of inappropriate behaviour towards customers, or in the markets in which NWM Group operates, which leads to poor or inappropriate customer outcomes.</p> <p><b>Financial crime risk</b> – the risk that NWM 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.</p> <p><b>Model risk</b> – the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.</p> <p><b>Reputational risk</b> – the risk of damage to stakeholder trust due to negative consequences arising from internal actions or external events.</p>

## Risk profile

NWM Group maintained a stable risk profile in 2025 despite geopolitical tensions creating an uncertain risk environment. The overall financial risk profile remained within risk appetite supported by stable economic conditions.

## Top and emerging risks

Top and emerging risks are future scenarios that could have a significantly negative impact on our ability to operate or deliver our strategy and are managed through the EWRMF toolkit. They usually combine elements of several principal risks and require a coordinated management response. Top risks could occur or require management action within two years, while emerging risks are evolving and/or could occur over a longer time horizon but have the potential to become a top risk. In 2025, the Executive Risk Committee, the Board Risk Committee and the Board received regular reporting on top and emerging risks. The top and emerging risks scenarios that follow are shown in alphabetical order.

Top risk scenarios in focus in 2025	Description	Risk management actions
Artificial intelligence	Innovations in artificial intelligence (AI), including generative AI, may rapidly transform and disrupt customer interactions, the industry and the economy. NWM Group's ability to continue to deploy AI solutions and integrate AI in systems and controls will become increasingly important to retaining and growing business. There can be no certainty that NatWest Group's innovation strategy will be successful, and competitors may be more successful in implementing AI technologies, in turn, affecting industry competitive dynamics. Developments in AI may also result in increased model risk and rising levels of fraud.	NWM Group closely monitors developments in disruptive technologies, including AI. Strategy is developed as appropriate to leverage AI across NWM Group with a focus on helping improve customer journeys, personalisation, colleague effectiveness and improved risk and capital management. Using AI safely and ethically is a key area of focus, alongside compliance with evolving AI regulation. This includes developing a robust set of controls for the use of AI models and tools across NWM Group. AI risk management is being developed proactively to reflect technological and systems advances.
Climate ambitions	NatWest Group's <sup>(1)</sup> climate strategy – including ambitions, targets, and transition planning – carries significant financial and non-financial risks. Achieving these goals depends on timely and appropriate government policy, technology developments, and on suppliers, customers and society supporting the transition.	Following the review of NatWest Group's climate ambitions and targets in 2025 in the context of the UK Climate Change Committee issued advice and NatWest Group's progress to date, NatWest Group retains its ambition to at least halve the climate impact of its financing activity by 2030, against a 2019 baseline, having achieved a 39% reduction between 2019 and 2024, primarily through strategic decisions, and methodology and data enhancements.
Cyberattack	There is a constantly evolving threat from cyberattacks which are increasing in terms of frequency, sophistication, impact and severity. This includes hostile attempts to gain access to and exploit potential vulnerabilities of IT systems including via malware. Any failure in NWM Group's cybersecurity policies, procedures or controls, may result in significant financial losses, major business disruption, inability to deliver customer services, loss of data and associated reputational damage.	NWM Group continues to invest in additional capability to defend against threats including developing and evolving cybersecurity policies, procedures and controls that are designed to minimise the possibility of, and the potential effect of such attacks. The focus is to manage the impact of the attacks and maintain services for NWM Group's customers. This includes proving cyber resilience capabilities via stress testing of NWM Group's important business services. In addition, NWM Group utilises threat intelligence to inform its approach to identifying and responding to potential cyber risks.
Digital currency	NWM Group operates in markets which would be exposed to any developments in digital currency and/or assets, including tokenised deposits, stablecoins and a UK central bank digital currency. The introduction of new digital currencies could result in deposit outflows, higher funding costs, and/or other implications for UK banks including NWM Group.	NatWest Group is focused on delivery of its digital asset strategy which includes participation in tokenised deposit pilots, and close engagement with regulators on future regulatory regimes for digital assets and monitoring of industry developments. This approach ensures alignment with emerging market practices and regulatory expectations.  NatWest Group maintains an Executive Steering Group on digital assets which oversees developments and engagement on digital currencies. It also coordinates engagement with the UK Government and regulators on digital currency developments and financial market infrastructures such as proposals on regulatory treatment of UK stablecoins.
Economic and interest rate volatility	Economic conditions could deteriorate, depending on factors including weak economic activity, fiscal policies, volatility in interest rates, liquidity pressures, sharp falls in asset prices, escalating geopolitical tensions and concerns regarding sovereign debt or sovereign credit ratings. Any of these may have a materially adverse effect on NWM Group's future financial prospects.	A range of complementary approaches is used to mitigate the risks, such as targeted scenario analysis, stress tests, targeted customer reviews and reviews of risk appetite. Stress tests in 2025 included completion of regulatory stress tests as well as a range of internal scenarios.

(1) All references to NatWest Group in this table includes NWM Group.

## Top and emerging risks continued

Evolving regulation	NWM Group's businesses are subject to substantial regulation and oversight, both of which are constantly evolving and may have an adverse impact on NWM Group. Areas of ongoing regulatory focus include Basel 3.1 standards implementation, including the resulting effect on RWAs and models, as well as the effective management of financial crime.	NWM Group constantly monitors regulatory change. It engages closely with regulators in the shaping of regulation that materially impacts NWM Group, responding when necessary, either bilaterally or in partnership with one of the affiliated industry bodies. NWM Group implements new responses to regulatory requirements where applicable and uses frequent engagement meetings with regulators to discuss key priorities.
Increased competition	Competitive pressures could intensify, impeding NWM Group's ability to grow or retain market share, impacting revenues and profitability. Drivers of competition mainly relate to developments in technology, evolving incumbents, challengers, new entrants to the market, shifts in customer behaviour and changes in regulation. For example, increased competition from technology conglomerates, who may have competitive advantages in scale, technology and customer engagement (including brand recognition).	NWM Group closely monitors the competitive environment and adapts its strategy as appropriate. This includes using scenario analysis and assessing how mega-trends will impact industry competitive dynamics. Strategic responses are focused on the delivery of innovative and compelling propositions for customers and effectively leveraging acquisitions and partnerships.
Operational risk scenarios	Operational risks are inherent in NWM Group's businesses and a broad range of scenarios are considered. NWM Group could be adversely impacted by scenarios including a failure to access current, complete, and accurate data, or disruption to services if a third-party service provider experienced any interruptions. These scenarios could result in business and customer interruption and related reputational damage, significant compensation costs, regulatory sanctions and/or a breach of applicable regulations.	<p>NWM Group maintains a robust approach to operational resilience through comprehensive, Group-wide processes and regular scenario tests to ensure effective management of interconnected operational risks.</p> <p>NWM Group devotes significant resources to third-party risk management. Focus areas include identifying critical-service suppliers, developing robust exit and contingency plans in the event of supply chain disruption, and ensuring appropriate monitoring and oversight of third-party performance.</p> <p>Effective and ethical use of data is critical to NWM Group's goals, with continued focus on delivering our long-term data strategy alongside enhancing control and policy frameworks governing data usage.</p>

Emerging risk scenarios in focus in 2025	Description	Risk management actions
Geopolitical risk	NWM Group is exposed to risks arising from geopolitical events or political developments. Geopolitical tensions remain elevated and a range of potential scenarios and impacts are considered. This includes the potential impact of armed conflict, global trade and supply chain disruption, volatility in commodity prices, protectionist policies or trade barriers and state-sponsored cyberattacks.	NWM Group closely monitors the geopolitical risk outlook and undertakes regular scenario analysis to understand the potential impacts and takes mitigating actions as required. This includes second and third-order analysis of impacts, for example, through customers' supply chain disruption or disruption to third-party providers.
Market-based finance (MBF)	NatWest Group is exposed to vulnerabilities within shadow banking or MBF, given the interlinkages between UK banks and MBF. This includes the potential for stress events or shocks to financial markets.	NatWest Group closely monitors exposure to MBF. An internal framework for the identification, management, control and mitigation of the risks associated with exposure to MBF is maintained. This includes effective reporting and governance in respect of such exposure.
Physical climate risk	Intensifying physical climate-related risks, including climate events, materially increasing in frequency and/or severity, results in direct impacts on property, infrastructure, supply chains, geopolitics and economic activity. This could lead to significant credit, operational (for example, business continuity), market, liquidity, pension risks and/or non-financial risks and, if those risks are not mitigated, losses.	NatWest Group leverages scenario analysis to explore the potential impact of physical climate risks and ensure appropriate mitigation. NatWest Group includes a scenario exploring quantifiable impacts of chronic physical climate effects, such as a drag on labour and land productivity, and acute physical shocks such as droughts, heatwaves, wildfires and floods within its suite of stress testing scenarios. In addition, a qualitative scenario is used to explore cascading and complex risks, including potential earth system tipping points, that are currently challenging for quantitative scenarios and models to capture.

## Section 172(1) statement

### Board engagement with key stakeholders

Here we highlight who our key stakeholders are, what matters to them, and how the NWM Plc Board (the 'Board') engages with them to create value.

What matters to them	Engagement
<b>Customers</b>	
The Board knows the importance of providing the right service to our customers at the right time. We also support them in managing their financial risks and achieving their short-term and long-term goals.	<ul style="list-style-type: none"> <li>The Board received regular updates on customer issues via reports from the NWM Plc CEO and Corporate and Institutional Banking (CIB) business heads.</li> <li>The Board was updated on the nature and extent of financing activity provided to customers throughout the reporting period, during which there continued to be significant changes in macroeconomic conditions. The Board was also regularly updated on resource allocation between different customer products and segments.</li> <li>The NWM Plc CEO continued to meet with customers throughout 2025 to understand their needs and how NWM Plc, as part of the Commercial &amp; Institutional segment, can best support them now and in the future.</li> </ul> <p><b>Outcome:</b> This approach allowed for informed decision-making that supported strategic objectives.</p>
<b>Colleagues</b>	
The Board appreciates it is important to our workforce that we implement a wide range of meaningful initiatives, including diversity, equity and inclusion, to promote a positive workplace and deliver our strategy.	<ul style="list-style-type: none"> <li>The Board asked colleagues to share thoughts on what it's like to work for NatWest Group, including in NWM Plc, by completing colleague surveys.</li> <li>The NatWest Group-level Colleague Advisory Panel provided a mechanism for directors to engage directly with colleagues on topics of strategic interest.</li> <li>Colleagues were regularly encouraged to report any concerns relating to wrongdoing or misconduct using NatWest Group's whistleblowing service, Speak Up.</li> </ul> <p><b>Outcome:</b> By actively engaging with colleagues, the Board was able to prioritise fostering a more inclusive and supportive environment, promoting a positive organisational culture.</p>
<b>Community and environment</b>	
The Board recognises the growing importance of climate change and its potential impact on our society. It aims to have a positive effect on our communities.	<ul style="list-style-type: none"> <li>The Board received regular updates on the progress made on sustainable finance and relevant regulatory initiatives, along with dedicated sessions held in relation to climate and sustainability more broadly, including such topics as the climate and transition financing framework.</li> </ul> <p><b>Outcome:</b> The Board was able to stay well informed about progress against NatWest Group climate ambitions and targets, remain abreast of nature-related developments and carbon markets, and provide appropriate feedback to management.</p>
<b>Regulators</b>	
The Board promotes constructive and open dialogue with all relevant regulatory bodies. In 2025, the focus was on the impact of macroeconomic conditions on the market, the operation of the Commercial & Institutional business segment and Board changes.	<ul style="list-style-type: none"> <li>The NWM Plc Chair, executive directors and non-executive directors had regular meetings with the PRA during 2025, as appropriate.</li> <li>The Board received regular reports on regulatory matters and outcomes of engagement in the UK, Europe, US and Asia.</li> <li>The Board played an active role in monitoring the delivery of important regulatory priorities.</li> <li>The Board maintained a strong focus on compliance with international regulatory standards.</li> </ul> <p><b>Outcome:</b> The Board was able to stay well informed about regulatory expectations and developments and maintained a proactive approach to compliance and governance.</p>
<b>Suppliers</b>	
The Board is mindful of the role suppliers play in making sure a reliable service is delivered to customers. The Board supports maintaining a diverse and responsible supply chain and a target of net-zero greenhouse gas emissions by 2050.	<ul style="list-style-type: none"> <li>The Board regularly received analytics, including updates on the support functions transferred to NatWest Group and the operation of the Commercial &amp; Institutional business segment. This meant we were aware of and able to isolate any issues for remediation.</li> <li>The Board received regular updates on the performance monitoring of critical internal service management services, provided under the now-embedded functionalised operating model and reviewed and approved risk standards for outsourcing.</li> </ul> <p><b>Outcome:</b> The Board had a heightened awareness of operational performance and challenges that enabled decision-making in line with strategic priorities, supporting the overall success of the company.</p>

In this statement we describe how our directors had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 (section 172) when performing their duty to promote the success of the company.

## Board engagement with stakeholders

The NWM Plc Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually. For 2025, these remained: customers, colleagues, community and environment, regulators, and suppliers. Examples of how the NWM Plc Board engaged with key stakeholders, including the impact of principal decisions, are available in this statement and on page 12.

## Supporting effective NWM Plc Board discussions and decision-making

Our NWM Plc Board and committee paper template supports consideration of stakeholders and includes a section for authors to include their assessment of the relevant stakeholder impacts for the directors to consider.

Our directors are mindful that it is not always possible to achieve an outcome which meets the requirements, needs and/or expectations of all stakeholders who are impacted, or who may be affected. For particularly challenging or complex decisions, directors are given more detailed information to support decision-making.

## Principal decisions

Principal decisions are those decisions taken by the NWM Plc Board that are material, or of strategic importance to the company, or significant to NWM Plc's key stakeholders. Below we set out an example of a principal decision taken by the NWM Plc Board during 2025.

The factors considered were:

- a) likely long-term consequences
- b) employee interests
- c) relationships with customers, suppliers and others
- d) the impact on community and environment
- e) maintaining a reputation for high standards of business conduct
- f) acting fairly between members of the company.

## Case study: non-executive succession

### What was the decision-making process?

On 17 January 2025, the Nominations Committee recommended that Rupert Hume-Kendall and Thierry Roland be appointed as independent non-executive directors. The Board subsequently approved their appointments following the completion of necessary due diligence.

The appointments followed a rigorous search process led by the former Chair, Frank Dangeard and supported by an external search firm. This included input from the NatWest Group Chair, non-executive members of the Group Nominations and Governance Committee and senior executives. The process was overseen by the NatWest Group Nominations and Governance Committee, and the Nominations Committee and Board held a number of in-depth discussions.

To support the Board in its decision-making, it received detailed presentations during 2024. These presentations described the process through which Mr Hume-Kendall and Mr Roland were identified as the preferred candidates. The Board's existing skills and capabilities were considered by the Nominations Committee in order to develop the role-specification criteria. The committee discussed how the candidate longlist and shortlist were compiled and reviewed, it also discussed directors' interview feedback on the skills, experience and suitability of shortlisted candidates. The Board subsequently reviewed Mr Hume-Kendall and Mr Roland's external appointments and time commitments, and confirmed that it had no concerns about their ability to fulfil the roles. The Board approved the appointments, noting that both Mr Hume-Kendall and Mr Roland had deep experience in financial services markets and complementary skills.

### How did the directors fulfil their duties under section 172? How were stakeholder interests considered?

Regulators were updated at appropriate points during the non-executive director search process. The Board carefully considered both candidates' fitness and propriety. The Board noted that Mr Hume-Kendall's and Mr Roland's appointments would provide the Board with greater resilience and strengthen its collective skills, including through the addition of valuable client management expertise.

### Actions and outcomes

Mr Hume-Kendall and Mr Roland joined the Board as non-executive directors on 9 and 14 April 2025 respectively.



# Financial review

## Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly owned subsidiary of NatWest Group plc or 'the ultimate holding company'. The term 'NWM Group' or 'we' refers to NWM Plc and its subsidiary and associated undertakings.

The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NatWest Holdings Limited ('NWH') and its subsidiary and associated undertakings. The term 'NatWest Bank Plc' or 'NWB Plc' refers to National Westminster Bank Plc.

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

## Non-IFRS measures

NWM Group prepares its financial statements in accordance with UK-adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). This document contains a number of non-IFRS measures, or alternative performance measures, defined under the European Securities and Markets Authority (ESMA) guidance, or non-Generally Accepted Accounting Principles (GAAP) financial measures in accordance with the Securities and Exchange Commission (SEC) regulations. These measures are adjusted for certain items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. Refer to the section, 'non-IFRS financial measures', on page 150 for further information and calculations of non-IFRS financial measures included throughout this document, and, where relevant, the most directly comparable IFRS financial measures.

## Performance overview

NWM Group reported a profit for the year ended 31 December 2025 of £275 million compared with a profit of £63 million for the year ended 31 December 2024. Higher income largely reflected a stronger performance in the Currencies and Capital Markets business lines. Operating expenses increased in 2025, as a decrease in litigation and conduct costs was more than offset by a rise in other operating expenses.

## Financial performance

- Income of £1,471 million in 2025 was up by £234 million compared with £1,237 million in 2024. The increase was largely driven by stronger performances in Currencies and Capital Markets, higher income from the profit share arrangement with fellow NatWest Group subsidiaries, one-off gains recognised in 2025 and lower FX reserves recycling losses. These increases were partially offset by lower revenues from Fixed Income.
- Operating expenses of £1,308 million increased by £100 million compared with £1,208 million in 2024. Litigation and conduct costs of £63 million reflected ongoing progress in closing legacy matters, including any associated conduct remediation activity, and were down by £39 million compared with £102 million in 2024. Other operating expenses of £1,245 million were £139 million higher than £1,106 million in 2024, largely driven by increases in technology investment costs and staff costs, lower VAT recoveries and a credit recognised in 2024 in relation to property charges.

- Total assets and total liabilities both decreased by £14.8 billion to £168.4 billion and £161.4 billion respectively at 31 December 2025, compared with the prior year. Derivative assets were down by £17.2 billion, largely reflecting FX volatility across major currencies including the weakening of USD in 2025, following contrasting trends in Q4 2024, and variations in interest rates across different currencies and tenors. Funded assets were up by £2.4 billion, mainly driven by increases in loans to customers and other financial assets.

## Capital and leverage

- Total NWM Plc RWAs were £21.5 billion at 31 December 2025, compared with £20.8 billion at 31 December 2024. The increase in 2025 was mainly driven by higher credit risk, primarily reflecting growth in lending, and an increase in operational risk RWAs following the annual recalculation, including an acceleration from Q1 2026 to align with market practice. These increases were partially offset by a reduction in market risk which reflected active risk management.
- NWM Plc's CET1 ratio was 18.4% at 31 December 2025, compared with 18.2% at 31 December 2024. The increase in the year was largely driven by higher CET1 capital, partially offset by the increase in RWAs.
- Total MREL for NWM Plc at 31 December 2025 was £9.8 billion, compared with £10.0 billion at 31 December 2024. The decrease in total MREL in 2025 was largely due to a reduction in eligible capital, driven by the redemption of Additional Tier 1 (AT1) capital notes with NatWest Group plc of \$1.15 billion, partially offset by the issuance of two new AT1 instruments with NatWest Group plc amounting to £600 million. In addition, senior unsecured debt reduced by £0.1 billion during 2025, largely due to the maturity of an internal MREL instrument with NatWest Group plc of \$1.15 billion, and the impact of FX movements, partially offset by two new internal MREL instruments with NatWest Group plc of €580 million and £490 million respectively. The MREL ratio decreased to 45.6% of RWAs at 31 December 2025, compared with 48.2% at 31 December 2024, mainly reflecting the increase in RWAs.
- NWM Plc's leverage ratio was 5.0% at 31 December 2025 compared with 5.5% at 31 December 2024. The decrease in 2025 reflected lower Tier 1 capital and higher leverage exposure. The increase in leverage exposure was driven by increases in other financial assets and net derivatives, partially offset by a decrease in trading assets.

## Liquidity and funding

- NWM Plc's average LCR<sup>(1)</sup> increased to 198% (31 December 2024 - 192%), largely reflecting higher average levels in the liquidity portfolio during the year. The liquidity portfolio at 31 December 2025 was £20.2 billion, down by £0.8 billion compared with £21.0 billion at 31 December 2024. Stressed outflow coverage<sup>(2)</sup> was 165% at 31 December 2025, compared with 179% at 31 December 2024.
- NWM Plc issued a total of £7.9 billion across a number of public benchmark transactions during 2025. This includes prefinancing of 2026 funding requirements, taking advantage of favourable market conditions. These transactions comprised €3.6 billion and CHF0.2 billion of notes under our Euro Medium Term Note programme, \$4.8 billion of notes under our US Medium Term Note programme and AUD2.0 billion of notes under our AUD debt issuance programme. NWM Plc also raised funding in other formats throughout 2025 including, but not limited to, structured note issuance.
- On 13 January 2026, NWM Plc issued a total of €1.0 billion of benchmark notes under the EMTN programme.

(1) Reported on an average basis in line with supervisory guidelines. The LCR is calculated as the average of the preceding 12 months.

(2) NWM Plc'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 comprised of market-wide, idiosyncratic and a combination of both. This assessment is performed in accordance with PRA guidance. The average SOC is calculated as the average of the preceding 12 months.

## NWM Group business review

The table below presents an analysis of key lines of NWM Group's income statement. Commentary refers to the table below as well as the statutory income statement presented on page 75.

	2025	2024	Variance	
	£m	£m	£m	%
<b>Income statement</b>				
Net interest income	488	432	56	13
Non-interest income	983	805	178	22
<b>Total income</b>	<b>1,471</b>	<b>1,237</b>	<b>234</b>	<b>19</b>
Litigation and conduct costs	(63)	(102)	39	(38)
Other operating expenses	(1,245)	(1,106)	(139)	13
<b>Operating expenses</b>	<b>(1,308)</b>	<b>(1,208)</b>	<b>(100)</b>	<b>8</b>
<b>Operating profit before impairment losses/releases</b>	<b>163</b>	<b>29</b>	<b>134</b>	<b>462</b>
Impairment (losses)/releases	(3)	8	(11)	(138)
<b>Operating profit before tax</b>	<b>160</b>	<b>37</b>	<b>123</b>	<b>332</b>
Tax credit	115	26	89	342
<b>Profit for the year</b>	<b>275</b>	<b>63</b>	<b>212</b>	<b>337</b>
<b>Income (1)</b>				
Fixed Income	135	190	(55)	(29)
Currencies	632	525	107	20
Capital Markets	749	666	83	12
Capital Management Unit and other (2)	17	(49)	66	(135)
Income including shared revenue before OCA	1,533	1,332	201	15
Transfer pricing arrangements with fellow NatWest Group subsidiaries (3)	(63)	(86)	23	(27)
Income excluding OCA	1,470	1,246	224	18
Own credit adjustments (OCA)	1	(9)	10	(111)
<b>Total income</b>	<b>1,471</b>	<b>1,237</b>	<b>234</b>	<b>19</b>

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

- **Net interest income** largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The increase of £56 million compared with 2024 largely reflects growth in lending activity within Capital Markets.
- **Non-interest income** increased by £178 million in 2025. This rise was largely driven by a stronger performance in Currencies, which reflected the successful navigation of volatile market conditions, and higher income in Capital Management Unit and other, driven by one-off gains recognised in 2025 including a dividend received on the restructuring of a strategic investment, and lower FX reserves recycling losses. In addition, the amount recognised under the profit share arrangement with fellow NatWest Group subsidiaries of £189 million was £43 million higher than the amount recognised in 2024. These increases were partially offset by lower revenues in Fixed Income, which reflected challenging market conditions and reduced client activity.
- **Operating expenses** were up by £100 million compared with 2024. Litigation and conduct costs reflected ongoing progress in closing legacy matters, including associated conduct remediation activity, and were down by £39 million compared with 2024. Other operating expenses increased by £139 million compared with 2024, largely due to increases in technology investment costs and staff costs, lower VAT recoveries and a credit recognised in 2024 in relation to property charges, partially offset by a reduction in severance costs.
- The **tax credit** of £115 million on the operating profit before tax of £160 million differs from the expected UK corporation tax rate of 25%, primarily due to a revision in our estimate of deductible costs in current and prior periods and a write-back of the deferred tax held on NWM N.V. losses.

## NWM Group business review continued

### Balance sheet profile as at 31 December 2025

NWM Group's balance sheet profile is summarised below. Commentary refers to the tables below as well as the consolidated balance sheet on page 76.

Assets			Liabilities		
	2025	2024		2025	2024
	£bn	£bn		£bn	£bn
Cash and balances at central banks	16.0	16.2			
Securities	12.6	13.9	7.5	10.5	Short positions
Reverse repos (1)	27.7	27.1	28.6	30.6	Repos (2)
Derivative cash collateral posted (3)	5.6	7.3	11.8	12.3	Derivative cash collateral received (4)
Other trading assets	0.3	0.6	0.9	1.1	Other trading liabilities
Total trading assets	46.2	48.9	48.8	54.5	Total trading liabilities
Loans - amortised cost	24.7	19.1	15.7	9.4	Deposits - amortised cost
Settlement balances	0.6	2.0	0.9	1.7	Settlement balances
Amounts due from holding company and fellow subsidiaries	0.3	0.3	6.1	6.8	Amounts due to holding company and fellow subsidiaries
Other financial assets	19.1	17.9	35.5	31.3	Other financial liabilities
Other assets	0.6	0.7	0.4	0.5	Other liabilities
Funded assets	107.5	105.1	107.4	104.2	Liabilities excluding derivatives
Derivative assets	60.9	78.1	54.0	72.0	Derivative liabilities
Total assets	168.4	183.2	161.4	176.2	Total liabilities
				of which:	
			36.2	32.5	Wholesale funding (5)
			14.4	16.8	Short-term wholesale funding (5)
Net derivative assets (6)	2.3	2.4	2.5	3.5	Net derivative liabilities (6)

(1) Comprises bank reverse repos of £4.6 billion (2024 - £5.9 billion) and customer reverse repos of £23.1 billion (2024 - £21.2 billion).

(2) Comprises bank repos of £8.2 billion (2024 - £7.2 billion) and customer repos of £20.4 billion (2024 - £23.4 billion).

(3) Comprises derivative cash collateral posted relating to banks of £2.6 billion (2024 - £3.6 billion) and customers of £3.0 billion (2024 - £3.7 billion).

(4) Comprises derivative cash collateral received relating to banks of £4.1 billion (2024 - £5.3 billion) and customers of £7.7 billion (2024 - £7.0 billion).

(5) Predominantly comprises bank deposits (excluding repos), debt securities in issue and third-party subordinated liabilities.

(6) Refer to page 44 for further details.

- **Total assets and total liabilities** both decreased by £14.8 billion at 31 December 2025, compared with the prior year, mainly driven by a decrease in derivative fair values which reflected FX rate volatility across major currencies and variations in interest rates across different currencies and tenors. Funded assets, which exclude derivatives, increased by £2.4 billion, largely driven by higher loans at amortised cost and other financial assets.
- **Trading assets**, which primarily relate to client-led activity as well as derivative cash collateral posted, were down by £2.7 billion, driven by decreases in derivative cash collateral posted and securities, partially offset by an increase in reverse repos. **Trading liabilities** decreased by £5.7 billion, driven by lower short positions, repos and derivative cash collateral received.
- **Loans – amortised cost** increased by £5.6 billion, driven by higher loans to customers reflecting growth in Capital Markets.
- **Other financial assets** were up by £1.2 billion, largely driven by an increase in bonds held in the liquid asset buffer.
- **Deposits – amortised cost** increased by £6.3 billion, driven by higher bank deposits reflecting increased repo funding and an increase in customer deposits in NWM N.V.
- **Other financial liabilities** increased by £4.2 billion, largely driven by new issuance partially offset by maturities. The balance as at 31 December 2025 includes £27.2 billion of medium-term notes issued.
- **Derivative assets and derivative liabilities** were down by £17.2 billion and £18.0 billion respectively. The decreases in fair values largely reflected FX volatility across major currencies including the weakening of USD in the year, following contrasting trends in Q4 2024, and variations in interest rates across different currencies and tenors.

# Board of directors and secretary

## Board and committees

### Interim Chair<sup>(1)</sup>

Tamsin Rowe

*Interim Chair of the Board and the Nominations Committee, Non-Executive director and Chair of the Performance and Remuneration Committee*

### Executive directors

Jonathan Peberdy

*Chief Executive Officer*

Simon Lowe

*Chief Financial Officer*

### Independent non-executive directors

Rupert Hume-Kendall

Thierry Roland

Anne Simpson

*Chair of the Audit Committee*

Sabrina Wilson

*Chair of the Board Risk Committee*

### Board changes in 2025

Vivek Ahuja resigned as a Director and Chair of Board Risk Committee on 17 January 2025.

Anne Simpson served as Chair of the Board Risk Committee on an interim basis from 18 January to 12 March 2025.

Sabrina Wilson was appointed Chair of the Board Risk Committee on 13 March 2025.

Tamsin Rowe took over Frank Dangeard's responsibilities as Interim Chair of the Board, in addition to her role as Chair of the Performance and Remuneration Committee on 25 March 2025.

Rupert Hume-Kendall was appointed to the Board on 9 April 2025.

Thierry Roland was appointed to the Board on 14 April 2025.

Frank Dangeard resigned from his role as Chair and from the Board on 23 April 2025.

## Auditors

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

## Registered office

### NatWest Markets Plc

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EH2 2YB

Registered in Scotland No. SC090312

## Principal offices

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London EC2M 4AA

### NatWest Markets N.V.

Claude Debussylaan 94  
1082 MD Amsterdam, The Netherlands

### NatWest Markets Securities Inc.

600 Washington Boulevard, Stamford  
06901, CT, USA

(1) The external search for a permanent NWM Chair is at an advanced stage. Further details regarding the proposed appointment will be provided in due course.

# Risk and capital management

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## Presentation of information

Where marked as audited in the section header, certain information in the Risk and capital management section (pages 18 to 60) is within the scope of the Independent auditor's report. Risk and capital management is generally conducted on an overall basis within NatWest Group such that common policies, procedures, frameworks and models apply across NatWest Group. Therefore, for the most part, discussion on these qualitative aspects reflects those in NatWest Group as relevant for the businesses and operations in NWM Group.

## Risk management framework

### Introduction

NWM Group operates under NatWest Group's 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 NWM 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 NWM Group. It aligns risk management with NWM 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 NatWest Group Chief Risk Officer. It is reviewed and approved annually by the 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 NWM 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 NWM Group's risk profile, the performance of its controls and in providing challenge where a proposed business strategy may exceed risk tolerance.

In addition, there is a process to identify and manage top and emerging risks, which are those that could have a significant negative impact on NWM 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.

## Risk management framework continued

### Culture

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

NWM 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 NWM 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 NWM 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 the 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 NWM Group's learning strategy. NWM 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 NWM 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

NWM Group operates under NatWest Group's conduct guidance, Our Code, which 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. 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.

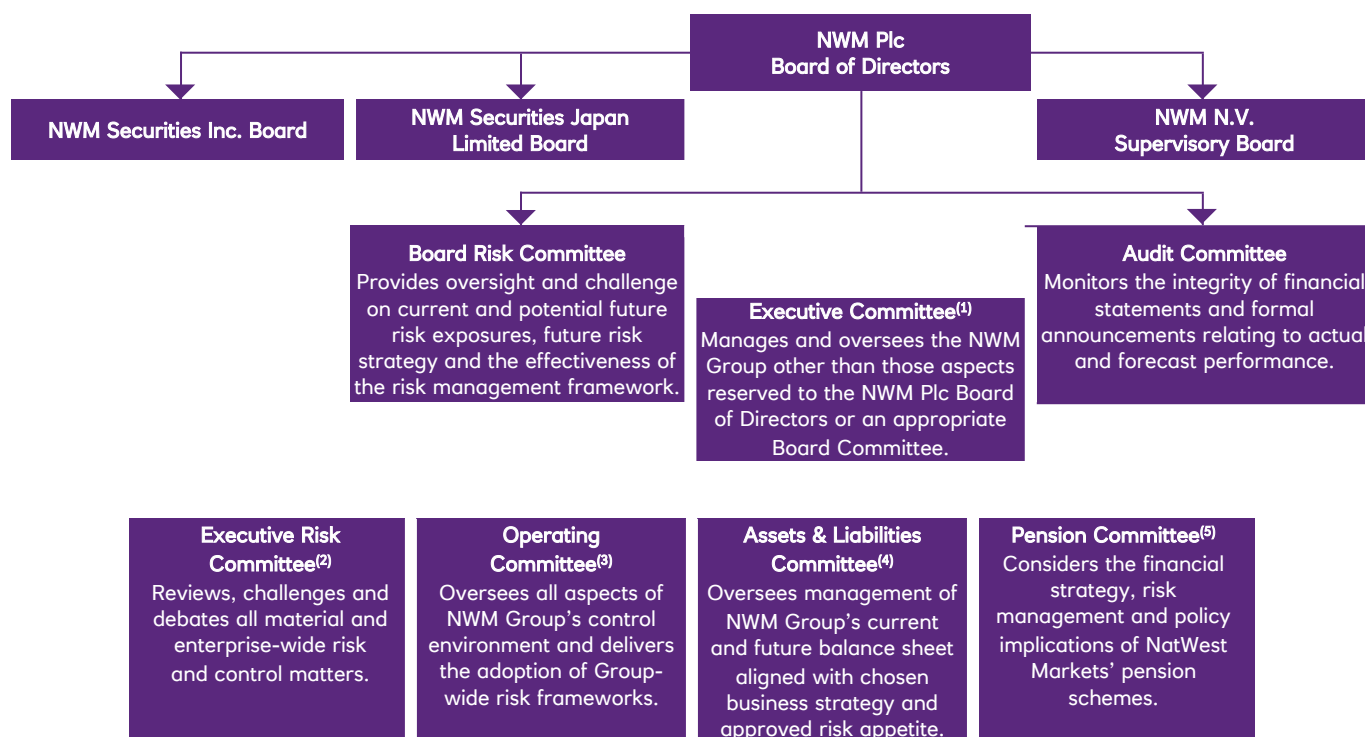


## Risk management framework continued

### Governance

#### Committee structure

The diagram shows NWM Plc's risk governance structure in 2025 and the main purposes of each committee.



- (1) The NWM Chief Executive Officer has established the Executive Committee to support him in discharging his individual responsibilities in managing the day to day activities of NWM.
- (2) The Executive Risk Committee is chaired by the NWM Chief Risk Officer and supports him in discharging his risk management accountabilities.
- (3) The Operating Committee is chaired by the NWM Chief Operating Officer and supports him in discharging his individual accountabilities in accordance with the authority delegated to him by the NWM Chief Executive Officer.
- (4) The Assets & Liabilities Committee is chaired by the NWM Chief Financial Officer and supports him in discharging his individual accountabilities relating to treasury and balance sheet management.
- (5) The Pension Committee is chaired by the NWM Chief Financial Officer and supports him in discharging his individual accountabilities relating to the management of NatWest Markets' pension schemes.
- (6) The Financial Crime Risk Committee, the NWM Electronic Trading Risk Committee, the Reputational Risk Committee, the Valuations Committee, the Policy Approval Committee, the NWM Model Risk Committee, the Provisions Committee, the Executive Disclosure Committee and the Credit Risk Committee are not shown here. They support the Executive Risk Committee in discharging its risk management responsibilities.

#### The Board Risk Committee (BRC) is responsible for:

- Providing oversight and advice to the Board on current and potential future risk exposures and future risk profile. including risk appetite and the approval and effectiveness of internal controls required to manage risk.
- Reviewing the performance of NWM Group relative to risk appetite.
- Reviewing all material risk exposures and management's recommendations to monitor, control and mitigate such exposures, including all principal risks.
- Approving the key risk policies.
- Providing input to remuneration decisions from a risk management perspective.
- Reviewing and recommending to the Board the assumptions, scenarios and metrics used for stress tests.

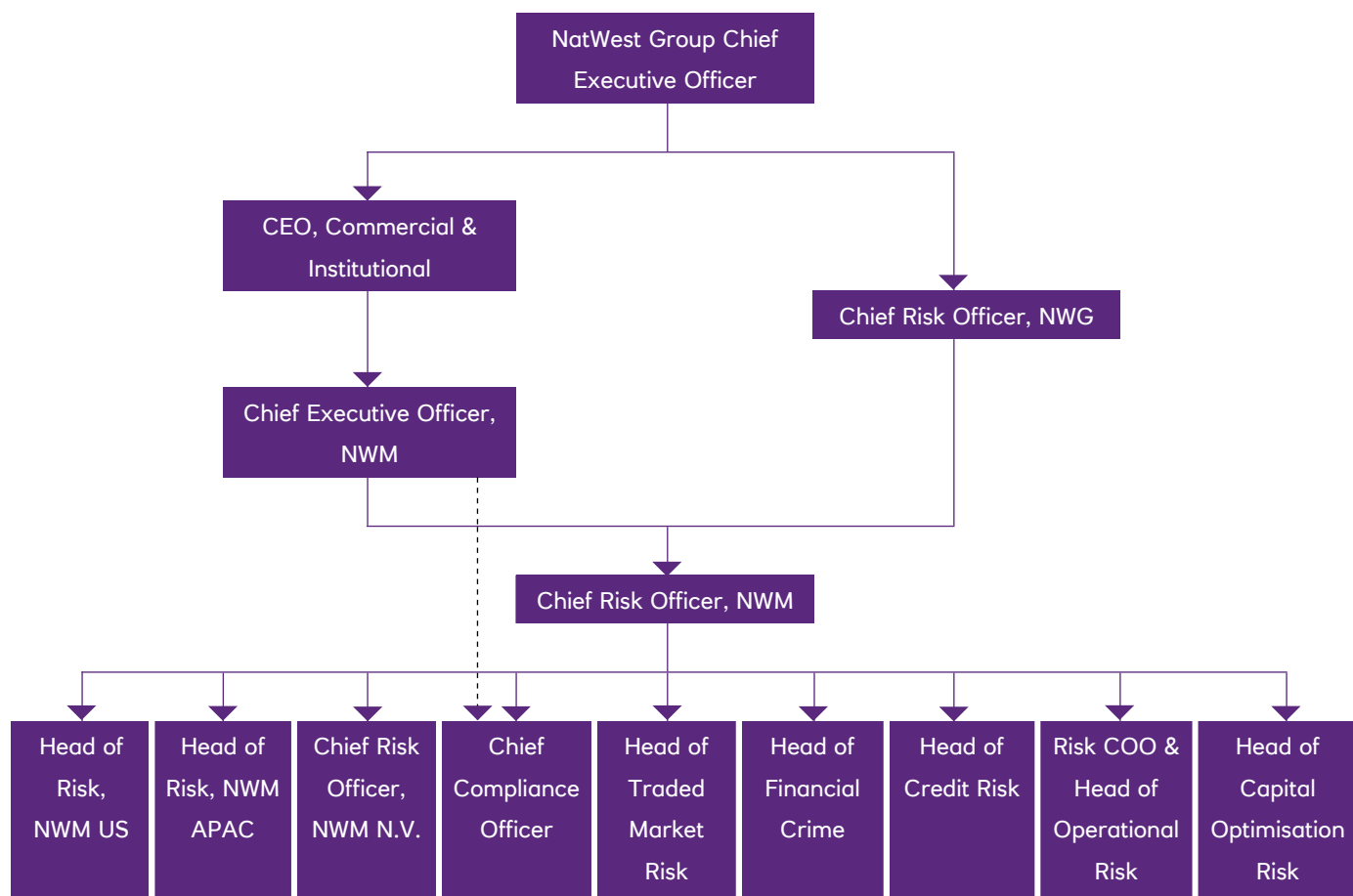
#### The Executive Risk Committee (ERC) is responsible for:

- Supporting the Chief Risk Officer and other accountable individuals in discharging their risk management accountabilities.
- Reviewing performance relative to risk appetite.
- Reviewing and debating all material risk exposures across NWM Group and management's recommendations to monitor and control such exposures.
- Reviewing the EWRMF, supporting its recommendation to BRC and overseeing its implementation across NWM Group.
- Reviewing the key risk policies and supporting their recommendation to BRC.

## Risk management framework continued

### Risk management structure

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



- (1) The NWM Chief Risk Officer reports directly to the NWM Chief Executive Officer and the NatWest Group Chief Risk Officer. The NWM Chief Risk Officer also has an additional reporting line to the chair of the NWM Board Risk Committee, and a right of access to the committee.
- (2) The NWM Group Risk function is independent and provides oversight of risk management activities to ensure risks are adequately monitored and controlled. The heads of risk work closely with the NWM N.V. Chief Risk Officer, the US Country Risk Head and the Head of NWM Risk, APAC to ensure consistency across the international businesses.
- (3) The NWH Group Risk function provides services across NatWest Group, including – where agreed – to the NWM Chief Risk Officer. These services are managed, as applicable, through service level agreements and resource augmentation agreements.

## Risk management framework continued

### Three lines of defence

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

#### First line of defence

The first line of defence incorporates most roles in NWM 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 set by NatWest Group and measures set by the NWM Group 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 NWM 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 set by NatWest Group and measures set by the NWM Group 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 NWM 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 NWM 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 NWM 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 NWM 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 out of 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 NWM 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 NWM Group faces are detailed in the NatWest Group risk directory. This provides a common risk language to ensure consistent terminology is used across NWM Group. The NatWest Group risk directory is subject to annual review to ensure it continues to fully reflect the risks that NWM 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 NWM Group is well placed to meet its priorities and long-term targets, even in challenging economic environments. This supports NWM 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 appetite is reviewed at least annually by the Board on the Board Risk Committee's recommendation to ensure it remains appropriate and aligned to strategy.

NWM 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.

## Risk management framework continued

NWM Group 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 NWM 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 NWM 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 conducted by IA 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, RCSA, 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.

### Stress testing

#### Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of NWM 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 NWM 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 NWM 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 to current and projected profit and loss and balance sheet across NWM 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 NWM Group's 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 Board Risk Committee and recommended to the Board for approval.</li> </ul>

## Risk management framework continued

Stress testing is used widely across NatWest Group, including at NWM Group level. The diagram below summarises key areas of focus.

Stress testing usage within NatWest Group	Strategic financial and capital planning	Capital adequacy
	Risk appetite	Sector review and credit limit setting
		Business vulnerabilities analysis
	Risk monitoring	Tail risk assessment
		Early warning indicators
	Risk mitigation	Contingency planning and management actions
		Assess financial performance

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 NWM 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 NWM Group's recovery plan.

Reverse stress testing is also carried out in order to identify and assess scenarios that would cause NWM 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 NWM 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 NWM Group but also by the regulators to set specific capital buffers. NWM 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 NWM 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. Following review and recommendation by the NWM Plc Board Risk Committee, the ICAAP is approved by the Board and submitted to the PRA.

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

### Capital allocation

NWM Group has mechanisms to allocate capital across its 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 Assets & Liabilities 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, NWM Group maintains the Internal Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios. Each scenario evaluates either an idiosyncratic, market-wide or combined stress event as described in the table below.



## Risk management framework continued

Type	Description
<b>Idiosyncratic scenario</b>	The market perceives NWM Group to be suffering from a severe stress event, which results in an immediate assumption of increased credit risk or concerns over solvency.
<b>Market-wide scenario</b>	A market stress event affecting all participants in a market through contagion, potential counterparty failure and other market risks. NWM Group is affected under this scenario but no more severely than any other participants with equivalent exposure.
<b>Combined scenario</b>	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.

NWM 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

Within NWM Group, both NWM Plc and RBSH N.V. each have a recovery plan explaining how they would identify and respond to a financial stress event and restore their financial position so that they remain 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 critical services and products to be maintained, as well as core business lines, while operating within risk appetite and restoring financial condition. It is assessed for appropriateness on an ongoing basis. The NWM Plc plan is reviewed and approved by the Board prior to submission to the PRA.

Fire drill simulations of possible recovery events are used to test the effectiveness of the 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 the overall approach to recovery planning.

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

Resolution would be implemented if NatWest Group was assessed by the UK authorities to have failed and the appropriate regulator put it into resolution.

The process of resolution is owned and implemented by the Bank of England (as the UK resolution authority). NatWest Group ensures ongoing maintenance and enhancements of its resolution capabilities, in line with regulatory requirements.

### Stress testing – market risk

#### Non-traded market risk

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

Non-traded exposures are capitalised through the ICAAP. This covers gap risk, basis risk, credit spread risk, pipeline risk, structural foreign exchange risk, prepayment risk, equity risk and accounting volatility risk. The ICAAP is completed with a combination of value and earnings measures. The total non-traded market risk capital requirement is determined by adding the different charges for each sub risk type.

The ICAAP methodology captures at least ten years of historical volatility, produced with a 99% confidence level. Methodologies are reviewed by NatWest Group Model Risk and the results are approved by the NatWest Group Balance Sheet Management Committee.

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

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

#### Traded market risk

NWM 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.

NWM 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. 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.

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



## Risk management framework continued

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 (including NWM 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 the Commercial & Institutional portfolio.
- A non-financial risk scenario for climate focused on external communications which could omit or contain incorrect information and mislead on NWM Group as part of NatWest Group activities.

There are various challenges with quantitative climate scenario analysis. 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>

In addition to its participation in NatWest Group's stress testing programme, NWM Group has a further regulatory commitment in relation to its traded risk model approvals for market risk (IMA) and counterparty credit risk (IMM). A robust stress testing framework is a regulatory requirement.

The purpose of this stress testing framework includes the identification of possible causes of large losses, an estimation of their size and potential impact on capital adequacy together with the identification of steps that could be taken to manage those exposures as required. Such risk management-led stress testing covers both traded market risk and counterparty credit risk and is used to monitor and set risk appetite.

The requirements of NWM Group's stress testing programme are codified in NWM Group's stress testing policy and associated mandatory procedures.

## 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)

NWM Group is exposed to traded market risk through trading activities that it enters into 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. NWM Group 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 NWM 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.

NWM 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 NWM 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 (audited)

NWM 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 NWM 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.

The suite of internal metrics used for risk management purposes at NWM Group level have been designed to capture correlation effects and to allow for an aggregated view of 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. For further information on back-testing, refer to the following page.

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 VaR) are independently reviewed to ensure they are still fit for purpose given current market conditions and portfolio profile. Further detail on the independent model validation by Model Risk Management is on pages 58 and 59. More information on pricing and market risk models is in the NatWest Group Pillar 3 Report.

### One-day 99% traded internal VaR (audited)

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

	2025				2024			
	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum	Period end
Traded internal VaR (1-day 99%)	£m	£m	£m	£m	£m	£m	£m	£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) NWM Group benefits from diversification across various financial instrument types, currencies and markets. The extent of the diversification benefit depends on the correlation between the assets and risk factors in the portfolio at a particular time. The diversification factor is the sum of the VaR on individual risk types less the total 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 and the differences between internal and regulatory VaR, refer to the Market risk section of the NatWest Group Pillar 3 Report.

### Regulatory back-testing

In the 250-business-day period to 31 December 2025, NWM Plc recorded zero back-testing exceptions for one-day 99% traded regulatory VaR compared with Actual or Hypothetical (Hypo) P&L.

### Internal back-testing

The table below shows internal back-testing exceptions in the major NWM businesses for the 250-business-day period to 31 December 2025. Internal back-testing compares one-day 99% traded internal VaR with Actual and 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%. NWM Group's internal traded SVaR model captures all trading book positions.

The table below analyses 10-day 99% internal SVaR for the trading portfolios of NWM Group.

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

## Traded market risk continued

### 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 NatWest Group Pillar 3 Report.

### Stress testing

For information on stress testing, refer to page 23.

### 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 NatWest Group Pillar 3 Report.

### Monitoring and mitigation

Traded market risk is identified and assessed by gathering, analysing, monitoring and reporting market risk information at desk, business and NWM 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 and NWM 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 NWM Group's Executive Risk Committee and Board Risk Committee.

## 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. The key sources of non-traded market risk are interest rate risk, credit spread risk, foreign exchange risk and equity risk.

### Key developments in 2025

- NWM Plc's non-traded market risk internal VaR increased on an average and period-end basis compared to 2024. The increase was driven by structural foreign exchange rate VaR. This was largely due to a reduction in the US dollar open foreign exchange position, which resulted in greater sensitivity of the CET1 ratio to foreign exchange rates.
- NWM Plc maintains a structural hedge of its common equity and reserves. At 31 December 2025, the notional amount of the structural hedge in place was £3.4 billion (£3.4 billion at 31 December 2024). NWM N.V. also maintains a structural hedge of its common equity and reserves; at 31 December 2025, the notional amount of this hedge, in sterling-equivalent terms, was £1.3 billion (£1.2 billion at 31 December 2024).

### 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.

Qualitative appetite is set out in the non-traded market risk appetite statement. Quantitative appetite for non-traded market risk is expressed in terms of value-at-risk (VaR) and earnings-at-risk limits. Stress and sensitivity limits are also incorporated.

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

The following table shows NWM Plc's one-day internal banking book 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. For NWM N.V. VaR, refer to the NWM N.V. ARA.

	2025				2024			
	Average £m	Maximum £m	Minimum £m	Period end £m	Average £m	Maximum £m	Minimum £m	Period end £m
NWM Plc								
Interest rate	2.5	3.8	1.9	2.9	3.4	4.9	1.3	2.3
Credit spread	3.6	4.7	2.6	3.6	5.1	6.3	4.2	4.2
Structural foreign exchange rate	4.6	7.6	2.8	7.6	2.9	3.4	2.5	2.9
Equity risk	1.1	1.6	0.7	1.2	1.0	1.2	0.8	0.9
Diversification (1)	(3.5)			(6.2)	(4.5)			(5.3)
Total	8.3	9.7	5.0	9.1	7.9	10.3	4.9	5.0

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

For VaR commentary, refer to Key developments in 2025 above.

## Non-traded market risk continued

### Interest rate risk

Non-traded interest rate risk (NTIRR) mainly arises from capital hedges, from portfolios held for liquidity purposes and from interest rate repricing mismatches between assets and liabilities in other portfolios. 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 NWM Group or its customer can alter the level and timing of their cash flows.

NWM Group manages its interest rate positions within limits at legal entity level and hedges these positions externally using cash and derivatives (primarily interest rate swaps).

### Credit spread risk

Credit spread risk arises from the potential adverse economic impact of a change in the spread between bond (or other credit-sensitive instrument) yields and swap rates, where the portfolios are accounted at fair value through other comprehensive income. Credit risk also arises on loan portfolios classified at fair value.

To ensure NWM Group can continue to meet its obligations in the event that access to wholesale funding markets is restricted, it maintains a liquidity buffer in the form of bond portfolios – comprising primarily high-quality securities – and central bank cash.

Credit spread risk is monitored daily through sensitivities and VaR measures. Exposures and limit utilisations are reported to senior management on a regular basis. The 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 two 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.

Structural foreign exchange rate risk is assessed and managed by NWM Plc Treasury, with the aim of reducing NWM Plc's solo CET1 ratio sensitivity to unexpected movements in spot foreign exchange rates.

The position is managed within risk appetite levels under delegated authority from NWM Plc ALCo. The sensitivity of the CET1 ratio to exchange rates is reported to NWM Plc senior management monthly.

Gains or losses arising from the retranslation of net investments in overseas operations are recognised in equity reserves and reduce the sensitivity of capital ratios to foreign exchange rate movements primarily arising from the retranslation of non-sterling denominated RWAs.

Foreign exchange exposures arising from customer transactions are hedged by businesses on a regular basis in line with NatWest Group policy.

### Foreign exchange exposures

The table below shows NWM Group's structural foreign currency exposures.

	Net investments in foreign operations £m	Net investment hedges £m	Structural foreign currency exposures £m	Economic hedges £m	Residual structural foreign currency exposures £m
<b>2025</b>					
US dollar (1)	1,053	-	1,053	(557)	496
Euro	2,592	(400)	2,192	-	2,192
Swiss franc	190	(189)	1	-	1
Other non-sterling	280	(36)	244	-	244
	<b>4,115</b>	<b>(625)</b>	<b>3,490</b>	<b>(557)</b>	<b>2,933</b>
<b>2024</b>					
US dollar (1)	1,824	(598)	1,226	(1,226)	-
Euro	2,392	(355)	2,037	-	2,037
Swiss franc	180	(180)	-	-	-
Other non-sterling	313	(38)	275	-	275
	<b>4,709</b>	<b>(1,171)</b>	<b>3,538</b>	<b>(1,226)</b>	<b>2,312</b>

(1) Economic hedges of US dollar net investments in foreign operations represent US dollar equity securities that do not qualify as net investment hedges for accounting purposes.

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.

Changes in foreign currency exchange rates affect equity in proportion to structural foreign currency exposure. 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.



## Capital, liquidity and funding risk

NWM 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 capital, liquidity & funding risks. The framework ensures the tools and capability are in place to facilitate the management and mitigation of risk ensuring the 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 are set by applicable regulations to determine capital eligibility.

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 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 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 (audited)

#### Capital

The eligibility of instruments and financial resources as regulatory capital is laid down by applicable regulation. Capital is categorised by applicable regulation under two tiers (Tier 1 and Tier 2) according to the ability to absorb losses on either a going or gone concern basis, degree of permanency and the ranking of loss absorption. 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 perpetual in nature, with an initial call period of at least five years from issue and are written off or converted into CET1 capital if a pre-specified CET1 ratio is reached. The sum of CET1 and AT1 capital is referred to as Tier 1 capital.
- **Tier 2 capital** - Tier 2 capital is the bank entities' supplementary capital and provides loss absorption on a gone concern basis. Gone concern refers to the situation in which resources must be available to enable an orderly resolution, in the event that the Bank of England (BoE) deems that NWM Plc has failed. Tier 2 capital absorbs losses after Tier 1 capital. It typically consists of subordinated debt securities with a minimum initial maturity of five years.

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

In addition to capital, other specific loss absorbing instruments, including senior notes with a residual maturity of at least one year issued by NWM Plc, may be used to cover certain gone concern capital requirements.

### Liquidity

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

Liquidity portfolio 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 whole 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

NWM Group's primary funding sources are as follows:

Type	Description
Wholesale markets	Includes: <ul style="list-style-type: none"> <li>• Short-term (less than 1 year) unsecured money market funding.</li> <li>• Commercial paper and certificates of deposit.</li> <li>• Secured repo market funding.</li> </ul>
Term debt	Includes: <ul style="list-style-type: none"> <li>• Long-term (typically more than 1 year) senior unsecured and secured debt securities.</li> <li>• Long-term subordinated liabilities.</li> </ul>
Internal capital and MREL	Includes: <ul style="list-style-type: none"> <li>• Equity, AT1, Tier 2 capital instruments and MREL issued to NatWest Group plc (under the Single Point of Entry regime).</li> </ul>

### Managing capital, liquidity and funding requirements: regulated entities

In line with paragraph 135 of IAS 1 'Presentation of Financial Statements', NWM Group manages capital having regard to regulatory requirements. Regulatory capital, MREL, RWA and leverage is monitored and reported on an individual regulated bank legal entity basis ('bank entity'), which is based on the relevant CRR prudential rules and regulations as applied in the UK and EU.

Liquidity metrics including the LCR are presented for the solo legal entity as regulated by the PRA. Disclosures for funding sources and notes issued are presented for NWM Group rather than for NatWest Markets Plc.

## Capital, liquidity and funding risk continued

### Key developments in 2025

- NWM Plc's RWAs increased by £0.7 billion to £21.5 billion at 31 December 2025. This increase was mainly driven by higher credit risk, primarily reflecting growth in lending, and an increase in operational risk RWAs following the annual recalculation, including an acceleration from Q1 2026 to align with market practice. These increases were partially offset by a reduction in market risk reflecting active risk management.
- NWM Plc's CET1 ratio increased by 20 basis points to 18.4% at 31 December 2025, from 18.2% at 31 December 2024, largely driven by an increase in CET1 capital, partially offset by the increase in RWAs.
- NWM Plc's Tier 1 capital decreased by £0.1 billion in 2025, driven by the redemption of AT1 capital notes with NatWest Group plc of \$1.15 billion, partially offset by the issuance of two new AT1 instruments to NatWest Group plc amounting to £600 million.
- NWM Plc's MREL at 31 December 2025 was £9.8 billion, compared with £10.0 billion at 31 December 2024. The decrease of £0.2 billion was largely due to the reduction in Tier 1 capital, and a reduction in senior unsecured debt of £0.1 billion during 2025. This reduction in senior unsecured debt was largely due to the maturity of an internal MREL instrument with NatWest Group plc of \$1.15 billion, and the impact of FX movements, partially offset by two new internal MREL instruments with NatWest Group plc of €580 million and £490 million respectively. As a percentage of RWAs, total MREL decreased to 45.6% compared with 48.2% at 31 December 2024, mainly due to the increase in RWAs.
- NWM Plc's leverage ratio decreased by 50 basis points to 5.0%, driven by the decrease in Tier 1 capital and higher leverage exposure. The main drivers of the increase in leverage exposure were an increase in other financial assets and net derivatives, partially offset by a decrease in trading assets.
- NWM Plc's liquidity portfolio decreased by £0.8 billion to £20.2 billion at 31 December 2025, compared with £21.0 billion at the prior year end.
- The average LCR for NWM Plc increased to 198% at 31 December 2025 from 192% at 31 December 2024, largely reflecting higher average levels in the liquidity portfolio during the year.

### Capital management

Capital management is the process by which banks ensure that they have sufficient capital and other loss absorbing instruments to operate effectively. This includes meeting minimum regulatory requirements, operating within Board-approved risk appetite, maintaining credit ratings and supporting strategic goals. Capital management is critical in supporting banks businesses. Capital management within NWM Group is executed in accordance with the NatWest Group-wide framework.

NWM Plc's capital plans are produced and updated by the bank on a monthly basis. This process includes integration into NatWest Group's wider annual budgeting process and is summarised below. Other elements of capital management, including risk appetite and stress testing, are set out on pages 22 and 23.

Produce capital plans	<ul style="list-style-type: none"> <li>• A capital plan is produced for NWM Plc using a five-year planning horizon under expected and stress conditions. Stressed capital plans are produced to support internal stress testing through the ICAAP or for regulatory purposes.</li> <li>• A shorter term (rolling 12 month) forecast is updated frequently in response to actual performance, changes in internal and external business environment and to manage risks and opportunities.</li> </ul>
Assess capital adequacy	<ul style="list-style-type: none"> <li>• Capital plans are developed to ensure that capital of sufficient quantity and quality is planned to be available to support NWM Group's business and strategic plans over the planning horizon within approved risk appetite, as determined via stress testing, and minimum regulatory requirements.</li> <li>• Impact assessment captures input from across NWM Group including from businesses.</li> </ul>
Inform capital actions	<ul style="list-style-type: none"> <li>• Capital planning informs potential capital actions including managing capital through new issuance, redemptions or internal transactions.</li> <li>• Decisions on capital actions will be influenced by strategic and regulatory requirements, the cost and prevailing market conditions.</li> <li>• As part of capital planning, NWM Group will monitor its portfolio of capital securities and assess the optimal blend.</li> </ul>

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

### Liquidity and funding management

Liquidity and funding management follows a similar process to that outlined above for capital.

#### Liquidity portfolio management

The size of the portfolio is determined by reference to NWM Group's liquidity risk appetite. Consistent with NatWest Group, NWM Group retains a prudent approach to setting the composition of the liquidity portfolio, which is subject to internal policies and limits covering quality of counterparty, maturity mix and currency mix. NWM Group categorises its liquidity portfolio, including its locally managed liquidity portfolios, into primary and secondary liquid assets. The majority of the NWM Plc portfolio is managed by NatWest Holdings Treasury on behalf of NWM Plc, for which the NatWest Markets Treasurer is responsible.

NatWest Markets Securities Inc. and NatWest Markets N.V., both of which are significant operating subsidiaries of NWM Plc, hold locally managed liquidity portfolios to comply with local regulations that differ from PRA rules.

The liquidity value of the portfolio is determined by taking current market prices and applying a discount or haircut, to determine a liquidity value that represents the amount of cash that can be generated by the asset.

## Capital, liquidity and funding risk continued

### Funding risk management

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

The long-term obligations of NWM Group must be met with diverse and stable funding sources, the behavioural maturity of these liabilities must at a minimum equal those of the assets.

### Minimum requirements

#### Capital ratios

NWM Plc is subject to minimum capital requirements relative to RWAs. The table below summarises the minimum Pillar 1 capital requirements and additional capital buffers that the entity is expected to have to meet.

Type	CET1	Total tier 1	Total capital
Minimum capital requirements	4.5%	6.0%	8.0%
Capital conservation buffer (1)	2.5%	2.5%	2.5%
Countercyclical capital buffer (1)	0.9%	0.9%	0.9%
Total	7.9%	9.4%	11.4%

- (1) The UK countercyclical buffer (CCyB) rate is currently being maintained at 2%. This may vary in either direction in the future subject to how risks develop. Foreign exposures may be subject to different CCyB rates depending on the rate set in those jurisdictions. The capital conservation buffer and the countercyclical capital buffer are required to be met with CET1 capital only.
- (2) In addition, NWM Plc is subject to Pillar 2A requirements for CET1, AT1 and T2. Refer to the NWM Plc Pillar 3 report for further details on these additional capital requirements.

#### Leverage ratio

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

Type	CET1	Total tier 1
Minimum ratio	2.44%	3.25%
Countercyclical leverage ratio buffer (1)	0.3%	0.3%
Total	2.74%	3.55%

- (1) The countercyclical leverage ratio buffer is set at 35% of NWM Plc's CCyB.

#### Liquidity ratio

NWM Plc has a minimum LCR requirement under the PRA framework of 100%.

### Measurement

#### Capital, RWAs and leverage

The table below sets out the key capital and leverage metrics in accordance with current PRA rules.

	2025 %	2024 %
<b>Capital adequacy ratios</b>		
CET1	18.4	18.2
Tier 1	23.0	24.3
Total	26.0	27.8
Total MREL	45.6	48.2
<b>Capital</b>	<b>£m</b>	<b>£m</b>
CET1	3,952	3,779
Tier 1	4,926	5,067
Total	5,576	5,779
Total MREL (1)	9,787	10,038
<b>RWAs</b>		
Credit risk	10,447	8,908
Counterparty credit risk	5,868	5,797
Market risk	3,431	5,105
Operational risk	1,711	1,002
Total RWAs	21,457	20,812

- (1) Includes senior debt instruments issued to NatWest Group plc with a regulatory value of £4.2 billion (2024 - £4.3 billion).

#### Leverage

	2025	2024
Tier 1 capital (£m)	4,926	5,067
Leverage exposure (£m) (1)	97,880	92,859
Leverage ratio (%)	5.0	5.5

- (1) Leverage exposure is broadly aligned to the accounting value of on and off-balance sheet exposures, subject to specific adjustments for derivatives, securities financing positions and off-balance sheet exposures.

## 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.

	2025	2024
	£m	£m
<b>Leverage</b>		
Cash and balances at central banks	9,357	11,069
Trading assets	22,087	26,186
Derivatives	57,793	74,982
Financial assets	43,722	37,408
Other assets	3,329	3,292
Total assets	136,288	152,937
Derivatives		
- netting and variation margin	(54,908)	(72,159)
- potential future exposures	16,778	15,093
Securities financing transactions gross up	2,759	1,959
Other off balance sheet items	9,267	8,638
Regulatory deductions and other adjustments	(2,643)	(2,266)
Exclusion of core UK-group exposures	(317)	(288)
Claims on central banks	(9,344)	(11,055)
Leverage exposure	97,880	92,859

### Liquidity portfolio

The liquidity portfolio comprises of both HQLA managed in the Treasury owned Liquid Asset Buffer (LAB) and other eligible unencumbered HQLA arising in the entity, all of which are under the control of the NatWest Markets Treasurer. 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
	£m	£m
Cash and balances at central banks	9,238	10,965
High quality government/MDB/PSE and GSE bonds (1)	10,133	8,962
Extremely high quality covered bonds	-	-
LCR Level 1 eligible assets	19,371	19,927
LCR Level 2 eligible assets (2)	783	1,031
Primary liquidity (HQLA) (3)	20,154	20,958
Secondary liquidity (4)	-	30
Total liquidity value	20,154	20,988
Average LCR (%)	198	192

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

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

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

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

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

	GBP	USD	EUR	Other	Total
	£m	£m	£m	£m	£m
<b>Total liquidity portfolio</b>					
2025	11,747	3,981	3,642	784	20,154
2024	11,667	3,353	4,996	972	20,988

## Capital, liquidity and funding risk continued

### Funding sources (audited)

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

	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
Bank deposits	2,140	6,361	8,501	4,056	509	4,565
of which: repos (amortised cost)	611	5,445	6,056	2,487	-	2,487
Customer deposits	6,100	1,061	7,161	4,784	56	4,840
of which: repos (amortised cost)	150	1,043	1,193	482	-	482
<b>Trading liabilities (1)</b>						
Repos (2)	26,168	2,410	28,578	29,752	810	30,562
Derivative cash collateral received	11,792	-	11,792	12,307	-	12,307
Other bank and customer deposits	454	285	739	627	268	895
Debt securities in issue	28	206	234	20	237	257
	38,442	2,901	41,343	42,706	1,315	44,021
<b>Other financial liabilities</b>						
Customer deposits (designated at fair value)	836	1,476	2,312	221	1,316	1,537
Debt securities in issue						
Commercial paper and certificates of deposits	4,955	683	5,638	7,228	377	7,605
Medium term notes (MTNs)	7,510	19,722	27,232	7,548	14,304	21,852
Subordinated liabilities	17	254	271	-	269	269
	13,318	22,135	35,453	14,997	16,266	31,263
<b>Amounts due to holding company and fellow subsidiaries (3)</b>						
Internal MREL	759	3,564	4,323	929	3,429	4,358
Other bank and customer deposits	589	-	589	1,204	-	1,204
Subordinated liabilities	-	1,066	1,066	-	1,115	1,115
	1,348	4,630	5,978	2,133	4,544	6,677
<b>Total funding</b>	<b>61,348</b>	<b>37,088</b>	<b>98,436</b>	<b>68,676</b>	<b>22,690</b>	<b>91,366</b>
<i>Of which: available in resolution (4)</i>			<b>4,885</b>			<b>4,813</b>

(1) Funding sources excludes short positions of £7,504 million (2024 - £10,491 million) reflected as trading liabilities on the balance sheet.

(2) Comprises Central and other bank repos of £8,152 million (2024 - £7,174 million), other financial institution repos of £18,042 million (2024 - £20,398 million) and other corporate repos of £2,384 million (2024 - £2,990 million).

(3) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments of £90 million (2024 - £94 million) have been excluded from the table.

(4) Eligible liabilities (as defined in the Banking Act 2009 as amended from time to time) that meet the eligibility criteria set out in the regulations, rules, policies, guidelines, or statements of the Bank of England. In July 2025, the Bank of England finalised MREL policy changes requiring firms to use full accounting values for eligible liabilities, with the new rules taking effect on 1 January 2026.

## Capital, liquidity and funding risk continued

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

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

	Trading liabilities	Other financial liabilities				Amounts due to holding company and fellow subsidiaries		
	Debt securities in issue	Debt securities in issue						
	MTNs	Commercial paper and CDs	MTNs	Subordinated liabilities	Total	Internal MREL	Subordinated liabilities	Total notes in issue
	£m	£m	£m	£m	£m	£m	£m	£m
<b>2025</b>								
Less than 1 year	28	4,955	7,510	17	12,482	759	-	13,269
1-3 years	1	683	11,097	-	11,780	1,799	-	13,580
3-5 years	73	-	8,042	-	8,042	1,765	1,066	10,946
More than 5 years	132	-	583	254	837	-	-	969
<b>Total</b>	<b>234</b>	<b>5,638</b>	<b>27,232</b>	<b>271</b>	<b>33,141</b>	<b>4,323</b>	<b>1,066</b>	<b>38,764</b>

<b>2024</b>								
Less than 1 year	20	7,228	7,548	-	14,776	929	-	15,725
1-3 years	35	377	9,959	-	10,336	1,751	-	12,122
3-5 years	42	-	3,652	-	3,652	1,678	987	6,359
More than 5 years	160	-	693	269	962	-	128	1,250
<b>Total</b>	<b>257</b>	<b>7,605</b>	<b>21,852</b>	<b>269</b>	<b>29,726</b>	<b>4,358</b>	<b>1,115</b>	<b>35,456</b>

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

	GBP	USD	EUR	Other	Total
	£m	£m	£m	£m	£m
<b>2025</b>					
Commercial paper and CDs	1,129	479	4,030	-	5,638
MTNs	2,106	7,308	14,926	3,126	27,466
External subordinated liabilities	18	16	237	-	271
Internal MREL due to NatWest Group plc	493	2,395	1,435	-	4,323
Subordinated liabilities due to NatWest Group plc	-	1,066	-	-	1,066
<b>Total</b>	<b>3,746</b>	<b>11,264</b>	<b>20,628</b>	<b>3,126</b>	<b>38,764</b>
<b>2024 total</b>	<b>4,785</b>	<b>11,135</b>	<b>16,606</b>	<b>2,930</b>	<b>35,456</b>



## Credit risk

### Definition (audited)

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

### Sources of risk (audited)

The principal sources of credit risk for NWM Group are lending, off-balance sheet products, derivatives and securities financing, debt securities, and settlement risk through trading activities.

### Key developments in 2025 (audited)

- The credit profile remained stable and NWM Group has yet to see signs of financial stress materially affect customers' ability to repay.
- Current and potential credit exposure increased in the context of planned business growth.

### Governance (audited)

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

### Risk appetite

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

### 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

Customers, which includes businesses 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 taking credit risk. 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. Higher-risk and larger transactions involve more analysis that can include on-site due diligence. The credit process is facilitated through an auto-decision making system, which utilises scorecards, strategies and policy rules.

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

### Mitigation

Mitigation techniques outlined in the credit risk toolkits and transactional acceptance standards are applied in managing credit portfolios across NWM 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.

## Problem debt management

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

NWM 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 is designed to provide early identification of credit deterioration, support intelligent risk-taking, ensure fair and consistent customer outcomes and provide key insights into customer lending portfolios.

### Customer Lending Support

Customer Lending Support is a centre of expertise that provides support to customers in financial stress.

### 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.

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 probability of default (PD) and facility 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, NWM Group may pursue repayment, enforcement of security or insolvency proceedings, although these are options of last resort.

## IFRS 9 models

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

## Credit risk continued

### 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

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

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

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.

The most significant economic drivers for material portfolios include stock indices, gross domestic product (GDP) and interest rates.

### 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.

## Credit risk continued

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

Growth	<b>Outperformance sustained</b> – above trend growth as consumer sentiment recovers	Upside
	<b>Steady growth</b> – staying close to trend pace	Base case
	<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
Inflation	<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>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
Labour market	<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>Job shedding</b> – redundancies, reduced hours, building slack	Downside
	<b>Depression</b> – unemployment hits levels close to previous peaks amid severe stress	Extreme downside
Rates short-term	<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
Rates long-term	<b>Above consensus</b> – 4%	Upside
	<b>Middle</b> – 3.25%	Base case
	<b>Low</b> – 2.5% and below	Downside/Extreme downside

### Main macroeconomic variables

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

	2025					2024				
	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
<b>Five-year summary</b>										
GDP	2.1	1.4	0.5	0.1	1.2	2.0	1.3	0.5	(0.2)	1.1
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	

(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 average levels for the Bank of England base rate and Q4 to Q4 compound annual growth rate for the other parameters.

### Probability weightings of scenarios

NWM 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 NWM 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 NWM Group operates are exposed to, NWM Group judges it appropriate that downside-biased scenarios have higher combined probability weights than the upside-biased scenario. It presents good coverage to the range of outcomes assumed in the scenarios, including the potential for a robust recovery on the upside and exceptionally challenging outcomes on the downside. A 22.4% 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

### Annual figures

	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
<b>GDP - annual growth</b>					
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

### Bank of England base rate - annual 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

### Stock price index - four quarter change

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

### 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	-
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 and stock price index. For the 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.

### 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.

#### Significant increase in credit risk (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. NWM 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. A doubling of PD would indicate a SICR, subject to a minimum PD uplift of 0.1%.
- 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 and exposures managed within the Wholesale Problem Debt framework.

## Credit risk continued

### 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 – asset duration is based on annual customer review schedules and would be set to the next review date.

### Governance (audited)

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 NWM 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 that may be more susceptible to specific risk factors.

For 2025, the economic uncertainty post model adjustment remained at £10 million (2024 – £10 million) with £7 million in Stage 1 and £3 million in Stage 2 (2024 – £8 million (Stage 1) and £2 million (Stage 2)).

### 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, NWM 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. NWM 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.

			Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
31 December 2025	Actual	Base scenario			
Stage 1 modelled loans (£m)	23,961	24,006	24,006	23,960	23,300
Stage 1 modelled ECL (£m)	28	23	22	30	58
Stage 1 coverage (%)	0.12%	0.10%	0.09%	0.13%	0.25%
Stage 2 modelled loans (£m)	226	181	181	227	887
Stage 2 modelled ECL (£m)	8	8	6	8	18
Stage 2 coverage (%)	3.54%	4.42%	3.31%	3.52%	2.03%
Stage 1 and Stage 2 modelled loans (£m)	24,187	24,187	24,187	24,187	24,187
Stage 1 and Stage 2 modelled ECL (£m)	36	31	28	38	76
Stage 1 and Stage 2 coverage (%)	0.15%	0.13%	0.12%	0.16%	0.31%
Variance – (lower)/higher to actual total Stage 1 and Stage 2 ECL (£m)	-	(5)	(8)	2	40
Reconciliation to Stage 1 and Stage 2 flow exposures (£m)					
Modelled loans	24,187	24,187	24,187	24,187	24,187
Other asset classes	33,134	33,134	33,134	33,134	33,134

(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 NWM Group 2024 Annual Report and Accounts for 2024 comparatives.

## Credit risk – Trading activities

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

### Securities financing transactions and collateral (audited)

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

	Reverse repos			Repos		
	Total	Of which: can be offset	Outside netting arrangements	Total	Of which: can be offset	Outside netting arrangements
	£m	£m	£m	£m	£m	£m
<b>2025</b>						
Gross	48,581	48,525	56	52,956	50,897	2,059
IFRS offset	(17,129)	(17,129)	-	(17,129)	(17,129)	-
Carrying value	31,452	31,396	56	35,827	33,768	2,059
Master netting arrangements	(474)	(474)	-	(474)	(474)	-
Securities collateral	(30,669)	(30,669)	-	(33,294)	(33,294)	-
Potential for offset not recognised under IFRS	(31,143)	(31,143)	-	(33,768)	(33,768)	-
Net	309	253	56	2,059	-	2,059
<b>2024</b>						
Gross	45,774	45,734	40	48,705	48,002	703
IFRS offset	(15,174)	(15,174)	-	(15,174)	(15,174)	-
Carrying value	30,600	30,560	40	33,531	32,828	703
Master netting arrangements	(1,549)	(1,549)	-	(1,549)	(1,549)	-
Securities collateral	(28,799)	(28,799)	-	(31,279)	(31,279)	-
Potential for offset not recognised under IFRS	(30,348)	(30,348)	-	(32,828)	(32,828)	-
Net	252	212	40	703	-	703

### 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.

	Central and local government			Financial institutions	Corporate	Total
	UK	US	Other			
	£m	£m	£m	£m	£m	£m
<b>2025</b>						
AAA	-	-	1,505	654	-	2,159
AA to AA+	-	4,153	257	309	18	4,737
A to AA-	1,808	-	1,481	596	215	4,100
BBB- to A-	-	-	892	256	384	1,532
Non-investment grade	-	-	-	11	50	61
Total	1,808	4,153	4,135	1,826	667	12,589
<b>2024</b>						
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
Total	2,077	3,734	3,506	2,988	1,573	13,878



## Credit risk – Trading activities continued

## Derivatives (audited)

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

	2025							2024		
	Notional				Total	Assets	Liabilities	Notional	Assets	Liabilities
	GBP £bn	USD £bn	EUR £bn	Other £bn						
Gross exposure						62,981	56,370		79,894	74,421
IFRS offset						(2,537)	(2,537)		(2,727)	(2,727)
<b>Carrying value</b>	<b>3,025</b>	<b>3,494</b>	<b>6,243</b>	<b>1,156</b>	<b>13,918</b>	<b>60,444</b>	<b>53,833</b>	<b>13,007</b>	<b>77,167</b>	<b>71,694</b>
Of which:										
Interest rate (1)	2,702	1,997	5,617	192	10,508	32,623	26,689	9,740	36,582	31,276
Exchange rate	321	1,491	619	964	3,395	27,755	26,973	3,254	40,474	40,183
Credit	2	6	7	-	15	66	171	13	111	235
Equity and commodity	-	-	-	-	-	-	-	-	-	-
<b>Carrying value</b>					<b>13,918</b>	<b>60,444</b>	<b>53,833</b>	<b>13,007</b>	<b>77,167</b>	<b>71,694</b>
Counterparty mark-to-market netting						(45,877)	(45,877)		(61,531)	(61,531)
Cash collateral						(9,104)	(4,241)		(9,815)	(5,797)
Securities collateral						(3,169)	(1,256)		(3,396)	(896)
<b>Net exposure</b>						<b>2,294</b>	<b>2,459</b>		<b>2,425</b>	<b>3,470</b>
Banks (2)						90	220		204	342
Other financial institutions (3)						1,502	1,119		1,424	1,443
Corporate (4)						669	1,098		764	1,653
Government (5)						33	22		33	32
<b>Net exposure</b>						<b>2,294</b>	<b>2,459</b>		<b>2,425</b>	<b>3,470</b>
UK						1,090	1,500		1,041	1,744
Europe						693	588		874	977
US						437	283		443	605
RoW						74	88		67	144
<b>Net exposure</b>						<b>2,294</b>	<b>2,459</b>		<b>2,425</b>	<b>3,470</b>
<b>Asset quality of uncollateralised derivative assets</b>										
AQ1-AQ4						1,856			2,028	
AQ5-AQ8						435			394	
AQ9-AQ10						3			3	
<b>Net exposure</b>						<b>2,294</b>			<b>2,425</b>	

- (1) The notional amount of interest rate derivatives includes £8,191 billion (2024 – £6,733 billion) in respect of contracts cleared through central clearing counterparties.
- (2) Transactions with certain counterparties with which NWM Group has netting arrangements but collateral is not posted on a daily basis; certain transactions with specific terms that may not fall within netting and collateral arrangements; derivative positions in certain jurisdictions where the collateral agreements are not deemed to be legally enforceable.
- (3) Includes transactions with securitisation vehicles and funds where collateral posting is contingent on NWM Group's external rating.
- (4) Mainly large corporates with which NWM 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 – Banking activities

### Introduction

This section details the credit risk profile of NWM Group's banking activities. Refer to Accounting policy 3.11 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.

#### Financial assets

	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	60.4			55.2		
In scope of IFRS 9 ECL framework	59.6			53.1		
% in scope	99%			96%		
Loans to customers - in scope - amortised cost	23.5	-	23.5	18.0	-	18.0
Loans to customers - in scope - FVOCI	0.1	-	0.1	-	-	-
Loans to banks - in scope - amortised cost	1.1	-	1.1	1.1	-	1.1
<b>Total loans - in scope</b>	<b>24.7</b>	<b>-</b>	<b>24.7</b>	<b>19.1</b>	<b>-</b>	<b>19.1</b>
Stage 1	24.5	-	24.5	18.7	-	18.7
Stage 2	0.2	-	0.2	0.4	-	0.4
Stage 3	-	-	-	-	-	-
Other financial assets - in scope - amortised cost	28.7	-	28.7	29.4	-	29.4
Other financial assets - in scope - FVOCI	6.2	-	6.2	4.6	-	4.6
<b>Total other financial assets - in scope</b>	<b>34.9</b>	<b>-</b>	<b>34.9</b>	<b>34.0</b>	<b>-</b>	<b>34.0</b>
Stage 1	34.9	-	34.9	34.0	-	34.0
Out of scope of IFRS 9 ECL framework	0.8	na	0.8	2.1	na	2.1
Loans to banks - out of scope - amortised cost	0.1	na	0.1	-	na	-
Other financial assets - out of scope - amortised cost	0.6	na	0.6	2.1	na	2.1
Other financial assets - out of scope - FVOCI	0.1	na	0.1	-	na	-

na = not applicable

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

- Settlement balances, items in the course of collection, cash balances and other non-credit risk assets of £0.7 billion (2024 – £2.1 billion). These were assessed as having no ECL unless there was evidence that they were defaulted.
- Equity shares of £0.1 billion (2024 – £0.1 billion) as not within the IFRS 9 ECL framework by definition.
- Fair value adjustments on loans and debt securities hedged by interest rate swaps, where the underlying loan was within the IFRS 9 ECL scope of nil (2024 – nil).

In-scope assets also include an additional £0.2 billion (2024 – £0.3 billion) of inter-Group assets not shown in the table above.

### Contingent liabilities and commitments

Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope of £15.8 billion (2024 – £14.8 billion) comprised Stage 1 £15.3 billion (2024 – £14.3 billion); Stage 2 £0.5 billion (2024 – £0.5 billion); and Stage 3 nil (2024 – nil).

## 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 by sector, asset quality and geographical region based on the country of operation of the customer. The tables below report only third-party exposures and related ECL provisions, charges and write-offs.

	Corporate and other £m	Financial institutions (1) £m	Sovereign £m	Total £m
<b>2025</b>				
<b>Loans by geography</b>	<b>1,044</b>	<b>23,407</b>	<b>292</b>	<b>24,743</b>
- UK	295	8,875	-	9,170
- Other Europe	686	5,431	242	6,359
- RoW	63	9,101	50	9,214
<b>Loans by stage and asset quality</b>	<b>1,044</b>	<b>23,407</b>	<b>292</b>	<b>24,743</b>
<b>Stage 1</b>	<b>893</b>	<b>23,322</b>	<b>292</b>	<b>24,507</b>
- AQ1-AQ4	294	20,866	292	21,452
- AQ5-AQ8	599	2,456	-	3,055
<b>Stage 2</b>	<b>129</b>	<b>85</b>	<b>-</b>	<b>214</b>
- AQ1-AQ4	-	69	-	69
- AQ5-AQ8	129	16	-	145
<b>Stage 3</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>22</b>
- AQ10	22	-	-	22
of which: individual	15	-	-	15
of which: collective	7	-	-	7
<b>Weighted average life (2)</b>	<b>4</b>	<b>4</b>	<b>nm</b>	<b>4</b>
- ECL measurement (years)				
<b>Weighted average 12 months PDs (2)</b>	<b>1.23</b>	<b>0.17</b>	<b>0.01</b>	<b>0.20</b>
- IFRS 9 (%)				
- Basel (%)	1.30	0.15	0.01	0.19
<b>ECL provisions by geography</b>	<b>26</b>	<b>24</b>	<b>1</b>	<b>51</b>
- UK	7	10	-	17
- Other Europe	12	6	1	19
- RoW	7	8	-	15
<b>ECL provisions by stage</b>	<b>26</b>	<b>24</b>	<b>1</b>	<b>51</b>
- Stage 1	5	22	1	28
- Stage 2	6	2	-	8
- Stage 3	15	-	-	15
of which: individual	8	-	-	8
of which: collective	7	-	-	7
<b>ECL provisions coverage (%)</b>	<b>2.49</b>	<b>0.10</b>	<b>0.34</b>	<b>0.21</b>
- Stage 1 (%)	0.56	0.09	0.34	0.11
- Stage 2 (%)	4.65	2.35	-	3.74
- Stage 3 (%)	68.18	-	-	68.18
<b>ECL (release)/charge - Third party</b>	<b>4</b>	<b>-</b>	<b>(1)</b>	<b>3</b>
Amounts written-off	1	-	-	1
<b>Other financial assets by asset quality (3)</b>	<b>285</b>	<b>12,653</b>	<b>21,982</b>	<b>34,920</b>
- AQ1-AQ4	278	12,499	21,982	34,759
- AQ5-AQ8	7	154	-	161
<b>Off-balance sheet</b>	<b>6,791</b>	<b>8,997</b>	<b>-</b>	<b>15,788</b>
- Loan commitments	6,772	8,410	-	15,182
- Financial guarantees	19	587	-	606
<b>Off-balance sheet by asset quality (3)</b>	<b>6,791</b>	<b>8,997</b>	<b>-</b>	<b>15,788</b>
- AQ1-AQ4	6,125	8,713	-	14,838
- AQ5-AQ8	665	284	-	949
- AQ10	1	-	-	1

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

## Credit risk – Banking activities continued

### Sector analysis – portfolio summary (audited)

2024	Corporate and other £m	Financial institutions (1) £m	Sovereign £m	Total £m
<b>Loans by geography</b>	599	17,903	661	19,163
- UK	199	6,446	-	6,645
- Other Europe	319	4,273	625	5,217
- RoW	81	7,184	36	7,301
<b>Loans by stage and asset quality</b>	599	17,903	661	19,163
Stage 1	471	17,627	661	18,759
- AQ1-AQ4	196	16,218	661	17,075
- AQ5-AQ8	275	1,409	-	1,684
Stage 2	76	276	-	352
- AQ1-AQ4	22	164	-	186
- AQ5-AQ8	54	112	-	166
Stage 3	52	-	-	52
- AQ10	52	-	-	52
of which: individual	45	-	-	45
of which: collective	7	-	-	7
<b>Weighted average life (2)</b>				
- ECL measurement (years)	3	3	-	3
<b>Weighted average 12 months PDs (2)</b>				
- IFRS 9 (%)	1.31	0.16	0.01	0.19
- Basel (%)	1.31	0.14	0.01	0.16
<b>ECL provisions by geography</b>	23	23	1	47
- UK	5	11	1	17
- Other Europe	11	5	-	16
- RoW	7	7	-	14
<b>ECL provisions by stage</b>	23	23	1	47
- Stage 1	4	20	1	25
- Stage 2	2	3	-	5
- Stage 3	17	-	-	17
of which: individual	10	-	-	10
of which: collective	7	-	-	7
<b>ECL provisions coverage (%)</b>	3.84	0.13	0.15	0.25
- Stage 1 (%)	0.85	0.11	0.15	0.13
- Stage 2 (%)	2.63	1.09	-	1.42
- Stage 3 (%)	32.69	-	-	32.69
<b>ECL (release)/charge - Third party</b>	(9)	1	-	(8)
Amounts written-off	2	-	-	2
<b>Other financial assets by asset quality (3)</b>	117	13,967	19,913	33,997
- AQ1-AQ4	114	13,659	19,913	33,686
- AQ5-AQ8	3	308	-	311
<b>Off-balance sheet</b>	6,296	8,518	-	14,814
- Loan commitments	6,272	7,829	-	14,101
- Financial guarantees	24	689	-	713
<b>Off-balance sheet by asset quality (3)</b>	6,296	8,518	-	14,814
- AQ1-AQ4	6,122	8,107	-	14,229
- AQ5-AQ8	171	411	-	582
- AQ10	3	-	-	3

(1) Financial institutions (FI) include transactions, such as securitisations, where the underlying assets may be in other sectors.

(2) Not within audit scope.

(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
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

## 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 £bn	Maximum credit risk			CREM by type			CREM coverage		Exposure post CREM	
		ECL £bn	Total £bn	Stage 3 £bn	Financial (1) £bn	Property £bn	Other (2) £bn	Total £bn	Stage 3 £bn	Total £bn	Stage 3 £bn
2025											
Financial assets											
Cash and balances at central banks	16.0	-	16.0	-	-	-	-	-	-	16.0	-
Loans - amortised cost (3)	24.7	-	24.7	-	5.0	-	-	5.0	-	19.7	-
Debt securities	19.0	-	19.0	-	0.1	-	-	0.1	-	18.9	-
Total financial assets	59.7	-	59.7	-	5.1	-	-	5.1	-	54.6	-
Contingent liabilities and commitments	15.8	-	15.8	-	1.1	0.1	-	1.2	-	14.6	-
Total off-balance sheet	15.8	-	15.8	-	1.1	0.1	-	1.2	-	14.6	-
Total exposure	75.5	-	75.5	-	6.2	0.1	-	6.3	-	69.2	-
2024											
Financial assets											
Cash and balances at central banks	16.2	-	16.2	-	-	-	-	-	-	16.2	-
Loans - amortised cost (3)	19.2	-	19.2	-	3.8	-	-	3.8	-	15.4	-
Debt securities	17.8	-	17.8	-	-	-	-	-	-	17.8	-
Total financial assets	53.2	-	53.2	-	3.8	-	-	3.8	-	49.4	-
Contingent liabilities and commitments	14.8	-	14.8	-	0.9	0.1	-	1.0	-	13.8	-
Total off-balance sheet	14.8	-	14.8	-	0.9	0.1	-	1.0	-	13.8	-
Total exposure	68.0	-	68.0	-	4.7	0.1	-	4.8	-	63.2	-

(1) Includes cash and securities collateral.

(2) Includes guarantees and charges over trade debtors.

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

## Credit risk – Banking activities continued

### Flow statement (audited)

The flow statement that follows shows the main ECL and related income statement movements. It also shows the changes in ECL as well as the changes in related financial assets used in determining ECL. Due to differences in scope, exposures may differ from those reported in other tables, principally in relation to exposures in Stage 1 and Stage 2.

These differences do not have a material ECL effect. Other points to note:

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

	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>NWM Group</b>								
<b>At 1 January 2025</b>	<b>52,474</b>	<b>25</b>	<b>349</b>	<b>5</b>	<b>53</b>	<b>17</b>	<b>52,876</b>	<b>47</b>
Currency translation and other adjustments	(424)	-	(3)	-	2	-	(425)	-
Transfers from Stage 1 to Stage 2	(581)	(2)	581	2	-	-	-	-
Transfers from Stage 2 to Stage 1	765	8	(765)	(8)	-	-	-	-
Net re-measurement of ECL on stage transfer		(7)		7		-		-
Changes in risk parameters		(5)		2		(1)		(4)
Other changes in net exposure	4,839	9	86	-	(32)	-	4,893	9
Other (P&L only items)		-		(1)		(1)		(2)
<b>Income statement (releases)/charges</b>		<b>(3)</b>		<b>8</b>		<b>(2)</b>		<b>3</b>
Amounts written-off	-	-	-	-	(1)	(1)	(1)	(1)
<b>At 31 December 2025</b>	<b>57,073</b>	<b>28</b>	<b>248</b>	<b>8</b>	<b>22</b>	<b>15</b>	<b>57,343</b>	<b>51</b>
<b>Net carrying amount</b>	<b>57,045</b>		<b>240</b>		<b>7</b>		<b>57,292</b>	
<b>At 1 January 2024</b>	49,168	24	687	8	24	24	49,879	56
2024 movements	3,306	1	(338)	(3)	29	(7)	2,997	(9)
<b>At 31 December 2024</b>	<b>52,474</b>	<b>25</b>	<b>349</b>	<b>5</b>	<b>53</b>	<b>17</b>	<b>52,876</b>	<b>47</b>
<b>Net carrying amount</b>	<b>52,449</b>		<b>344</b>		<b>36</b>		<b>52,829</b>	



## Climate and nature risk

### Definition

Climate and nature<sup>(1)</sup> 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. NWM 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. NWM 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 NWM Group's competitiveness and profitability, as well as threaten reputational damage.

**Liability risks** may arise should stakeholders consider NWM 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, NatWest Group broadened the definition to climate and nature risk and updated its internal risk policy to reflect this. NatWest Group (including NWM Group) are in the early stages of embedding nature into its risk management processes.

As climate and nature risk is both a principal risk within NatWest Group's EWRMF, and a crosscutting risk, which impacts other principal risks, NWM Group periodically refreshes its assessment of the impact of climate-related risk factors to other principal risks, where NWM 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 NWM 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.

The outcome of the latest assessments of the impacts of climate-related risk factors to other principal risks is included in the table that follows. All principal risks in the table were identified as potentially 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 NWM Group	Drivers	Identification, assessment and measurement
<b>Credit risk</b>	From the adverse impact on future credit worthiness of customers due to climate change risk factors impacting asset valuation, income and costs, for example, from water stress events. Mitigants include the inclusion of climate considerations in sector strategy within the various portfolios relevant to NWM Group.	Physical: acute, chronic  Transition: government policy and legislation, market, technology, reputation	Scenario analysis  Portfolio level assessments  Transaction level assessments
<b>Traded market risk</b>	Risk of losses on trading book positions driven by underlying climate risk factors affecting macro or company specific market prices. Mitigants include stress testing and portfolio reviews.	Physical: acute, chronic  Transition: government policy and legislation, market, technology, reputation	Scenario analysis
<b>Operational risk</b>	Due to the increased likelihood and potential impact of business disruption arising from new and changing policy standards. Mitigants include resilience and external reporting governance.	Physical: acute, chronic  Transition: government policy and legislation, market, technology, reputation	Scenario analysis  Transaction level assessments
<b>Compliance risk</b>	NatWest Group (including NWM Group) is required to comply with all applicable climate-related legal and regulatory obligations. Mitigants include relevant horizon scanning.	Physical: acute, chronic  Transition: government policy and legislation, market, technology, reputation	Transaction level assessments
<b>Conduct risk</b>	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  Liability: greenwashing	Scenario analysis  Transaction level assessments
<b>Reputational risk</b>	Arising from NatWest Group's (including NWM Group) actual or perceived contribution to climate change, or from the adequacy of our actions in response. Mitigants include the environmental social, & ethical (ESE) risk framework <sup>(2)</sup> .	Transition: government policy and legislation, market, technology  Liability: greenwashing	Portfolio level assessments  Transaction level assessments

## Climate and nature risk continued

### Key developments in 2025

The effective management of climate and nature risk requires the integration of climate and nature-related risk drivers into strategic planning, transactions and decision-making. The approach has evolved since 2021 alongside NatWest Group's (including NWM Group) ongoing, multi-year progressive pathway to mature climate risk management capabilities. NWM Group's capability to manage climate risks is more mature than its capability to manage nature-related risks.

- NatWest Group (including NWM 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 with further enhancements to come in 2026.
- NatWest Group (including NWM 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 and initial use cases were introduced where we identify higher-risk transactions for enhanced oversight or escalated approval processes.
- Building on first-generation testing of the Environmental Decisioning Framework (EDF) in 2024, the 2025 testing scope was extended to include large corporate customers across the EU and UK, supporting further refinement of the framework.

### Governance

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

- Board responsibilities – The NWM Plc Board oversees climate and nature-related risks within the overall business strategy and risk appetite of NWM Group, ensuring progress on NatWest Group's ambitions and targets regarding climate and nature.
- Risk oversight – The NWM Plc Board Risk Committee oversees the risk profile of NWM Group. The CEO of NWM Plc supports the NatWest Group CEO to identify and manage risks and opportunities from climate change. The NWM Executive Committee and broader governance framework support the assessment and management of climate-related risks and opportunities across NWM Group.

### Risk appetite

Risk appetite for climate and nature risk is in line with the approach outlined in the Risk management framework section on pages 22 and 23.

Work continued in 2025 to mature NWM Group's climate-related risk management capabilities, while building out nature-related awareness. NWM Group has operational limits and a suite of key risk indicators. These measures provide management with information, including balance sheet exposure to heightened climate risk sectors, financed and facilitated emissions.

### Identification, assessment and measurement

NatWest Group (including NWM Group) continues to enhance its processes to effectively measure the potential size and scope of climate-related risks, through the three approaches detailed below. The approach to nature-related risks is not as mature as the approach to climate-related risks.

### Scenario analysis

NatWest Group (including NWM 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 (including NWM 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 (including NWM 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 the Commercial & Institutional 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 (including NWM Group) activities.
- A traded market risk scenario where stress testing applies delayed transition assumptions to shock credit spreads with macroeconomic overlays, impacting the trading book, and monitored on a quarterly basis.
- An environmental water stress scenario to assess credit risk impacts under a severe drought in Western Europe, focusing on water-dependent sectors. The scenario was selected based on materiality and data availability, providing relevant insights to guide future methodology improvements.

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

There are various challenges with quantitative climate scenario analysis. 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.

### Portfolio level assessment

NatWest Group (including NWM Group) uses a number of tools to undertake portfolio level assessments including stress analysis in operational limits in credit risk, stress analysis in market risk and heightened climate-related risk sector assessment in credit risk. The latter refreshed annually seeks to identify sectors that are likely to see increased credit risks for NWM Group because of climate-related factors, over a 10 to 15-year horizon.

### Liquidity risk stress testing

Within NWM Group, climate risk is included in liquidity stress testing which assesses potential outflows under a range of extreme but plausible stress scenarios. Climate risk, which falls within the market-wide scenario theme, is captured in the form of major climate-related disruption in the UK and northern Europe. This leads to widespread disruption and a temporary fall in economic output. This is exacerbated by degradation of ecosystems. A higher demand for cash from certain impacted business sectors is experienced due to the uncertainty. Volatility in financial markets impacts sterling, UK bonds and asset prices, while non-UK/European depositors re-evaluate their exposure to the UK/European financial sector. For 2025 reporting, climate is not the most severe scenario within the wider scenario suite used for calculating the stressed outflow coverage ratio disclosed on page 14.

## Climate and nature risk continued

### Transaction level assessment

Assessments are undertaken to consider any potential greenwashing risk within our marketing and communications.

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

NatWest Group (including NWM 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 (including NWM Group) continued to roll-out CDF on a test-and-learn basis adding coverage of insurance and other financial institutions customers.

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 (including NWM 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, NatWest Group (including NWM Group) conducted an energy system review during 2025 to ensure the 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 the energy system review, NatWest Group (including NWM Group) has established a new E&S Energy Supply Sector Risk Acceptance Criteria.

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

### Mitigation

NatWest Group (including NWM Group) manages and mitigates climate-related risk 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 the 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.

### Impact of NWM Group business activities on climate change

NWM Group identified emissions resulting from its business activities to include:

- Emissions attributable to the trading book (Scope 3).
- Emissions relating to financing activities – financed<sup>(3)</sup> and facilitated emissions (Scope 3).
- Emissions from NWM Group's own operations, which is reported at the consolidated NatWest Group level (Scope 1,2 and 3)<sup>(3)</sup>.

### Trading book

Due to the size of the trading book within NWM Group, the associated carbon emissions have the potential to be significant. However, at present, the scale of these emissions is uncertain given that trading book positions typically have shorter holding horizons and are more dynamic than those in the banking book. This continues to be an industry-wide challenge with no agreed approach on quantification of trading book related emissions.

### Financing activities

#### Financed emissions – lending and investments<sup>(8)</sup>

Given the smaller size of the banking book relative to NWM Group's underwriting activities and trading book, financed emissions currently play a limited role within NWM Group.

NatWest Group reports financed emissions at a consolidated group level including NWM Group.

#### Estimate of facilitated emissions on bond underwriting and syndicated lending

Banks play a key role as facilitators between issuers and investors, and borrowers and lenders, by offering and conducting financial intermediation activities critical to the functioning of capital markets.

Facilitation activities differ from on-balance sheet lending financed emissions in two respects. They are off-balance sheet (representing services rather than financing) and they can take the form of a flow activity (temporary association with transactions) rather than a stock activity (recorded on the balance sheet). NWM Group calculates facilitated emissions based on the annual transaction volume. This reflects the transactional nature of capital markets activities and the period in which banks generate revenue from them.

Facilitated emissions arising from capital markets activity, specifically bond underwriting and syndicated lending, are inherently volatile, being dependent on client mandates and deal flow, which can fluctuate significantly year on year. This limits the comparability of emissions over time and poses challenges for setting consistent, forward-looking targets. While NWM Group acknowledges the importance of these emissions in understanding our climate-related risks and opportunities, NWM Group has not set quantitative targets for this activity. The focus remains on succeeding with customers and supporting the real economy's transition towards net zero through the launch of the climate and transition finance framework<sup>(8)</sup>. Additionally, NWM Group is aiming to improve its data to enable more robust measurement and disclosure of facilitated emissions in line with evolving methodologies and applicable sustainability disclosure standards.

NWM Group followed the PCAF Part B Global Greenhouse Gas Accounting and Reporting Standard for Facilitated Emissions to define an issuer as an organisation that issues debt or equity capital markets instruments<sup>(4,7,10)</sup>. We also included green bond, green loan syndication<sup>(6,8)</sup> and the role of co-manager<sup>(9)</sup> in the estimation of facilitated emissions.

NWM Group absolute estimated customer Scope 1 and Scope 2 facilitated emissions for capital markets activities includes:

- Capital markets bond underwriting activities of £35.96 billion. This constituted 49% of our capital markets bond underwriting. Securitisations, Sovereigns, Supnationals and Agencies, are out of scope for PCAF<sup>(4,5)</sup>.
- Capital markets syndicated lending activities<sup>(10,11)</sup> of £1.27 billion.

NWM Group absolute Scope 1 and Scope 2 facilitated emissions weighted at 33%, were 0.45 MtCO<sub>2</sub>e for 2025 (2024: 1.07 MtCO<sub>2</sub>e<sup>(12)</sup>).

It is important to note that the absolute amounts presented are estimates and may be subject to change given shifting baselines year-on-year and evolving PCAF guidance<sup>(15)</sup>.

## Climate and nature risk continued

The table below shows NWM Group's estimated facilitated emissions from bond underwriting and syndicated lending activities in 2025 and 2024, as attributed to NWM Group and split between conventional and green issuance or syndicated lending, where applicable<sup>(6,8,12,13,16)</sup>. Estimated facilitated emissions, captured within Financial Institutions, can include emissions associated with underlying company activity.

- For Power utilities, NWM Group attributable bond underwriting and syndicated lending decreased by 13% between 2024 and 2025. Of the estimated facilitated emissions arising from

attributable bond underwriting and syndicated lending, 68% was green<sup>(6,8)</sup>.

- Total attributable bond underwriting and syndicated lending for Building materials increased in 2025, constituting 21% of estimated facilitated emissions.
- Estimated facilitated emissions for both Airlines and Aerospace and Chemicals decreased between 2024 and 2025 by 86% and 85% respectively.
- Oil and gas represented 1% of the total NWM Group attributable bond underwriting and syndicated lending and constituted 2% of the facilitated emissions in 2025.

Sector	2025						2024		
	Facilitated emissions from bond underwriting and syndicated lending (33% weighting) MtCO2e						Attributable bond underwriting and syndicated lending <sup>(12,13)</sup>		
	Attributable bond underwriting and syndicated lending		Sector % of total emissions		Green % of sector emissions	PCAF data quality score	£m		Facilitated emissions MtCO2e
	£m	%	MtCO2e					%	
Power utilities	3,517	9%	0.19	43%	68%	2.2	4,024	9%	0.58
Building materials	1,069	3%	0.09	21%	0%	3.2	50	0%	-
Airlines and aerospace	957	3%	0.01	2%	4%	3.1	1,253	3%	0.07
Chemicals	154	0%	0.02	4%	0%	3.2	395	1%	0.13
Leisure	832	2%	0.02	4%	0%	2.0	937	2%	0.03
Oil and gas	209	1%	0.01	2%	7%	2.7	712	2%	0.04
Land transport and logistics	702	2%	0.02	4%	6%	2.2	716	2%	0.04
Retail	1,282	3%	0.01	3%	0%	2.7	2,183	5%	0.02
Water and waste	920	2%	0.01	2%	20%	2.5	1,103	2%	0.02
Manufacturing	694	2%	0.00	0%	0%	2.9	1,412	3%	0.02
Financial institutions	19,123	51%	0.02	4%	17%	2.4	24,603	55%	0.01
Automotive	1,029	3%	0.01	2%	0%	2.2	2,541	6%	0.02
Commercial real estate	503	1%	0.00	0%	0%	2.6	763	2%	0.01
Other <sup>(14)</sup>	6,240	18%	0.04	9%	4%	2.5	4,249	9%	0.08
Total	37,231	100%	0.45	100%		2.5	44,941	100%	1.07

### NWM Group methodology used for estimation

- NWM Group shows the breakdown of conventional versus green bonds and loans to highlight the expected difference of facilitated emissions associated with the conventional versus green activities but does not distinguish these from conventional transactions or apply lower emissions<sup>(6,8)</sup>.
- For syndicated lending, NWM Group included the roles of active and passive underwriting and active best-efforts. The role of coordination is not in scope by PCAF<sup>(4,10,11)</sup>.
- In 2025, we continued to review our methodology for estimating facilitated emissions and updated the scope for syndicated lending to exclude passive best-efforts roles, ensuring only active facilitation is reflected. This change represents scope refinements rather than changes in underlying performance or the source of data<sup>(12)</sup>.
- In line with the PCAF Facilitated Emissions Standard<sup>(4)</sup>, NWM Group allocated transactions based on actual volume facilitated where available; for remaining positions transaction volume was apportioned equally among bookrunners / arrangers.
- In line with the PCAF published standard<sup>(4)</sup>, to estimate greenhouse gas emissions, NWM Group sourced customer-level emissions data, where possible. If customer-level data was unavailable, emissions estimates (PCAF 4) or emission sector averages (PCAF 5) were used for emission intensities from 2024 and applied against 2025 volumes<sup>(15)</sup>.
- PCAF recommends that Scope 3 emissions for all sectors are disclosed in climate reporting from the beginning of 2025. NWM Group continues to review Scope 3 estimation methodologies and the availability of appropriate data for inclusion in future reporting.
- PCAF scores are categorised between 1-5. PCAF scores of 1 or 2 are typically considered to have a higher degree of confidence in the estimation of facilitated emissions, as these are directly sourced from reports published by the customer. A PCAF score of 5 is typically considered to have a lower degree of confidence, as these are estimated by the reporting entity. The PCAF data quality score is based on the PCAF approach taken to estimate Scope 1 and Scope 2 emissions within a given sector. Where estimation methodologies differ between Scope 1 and Scope 2, NWM Group use the least favourable of a customers' PCAF scores in the weighted average calculation.

Refer to page 54 for the footnotes referenced in this section.

## Climate and nature risk continued

- (1) Nature elements apply to EU legal entities subject to ECB prudential regulation, i.e. NWM N.V. Group and will underpin the maturing approach to nature-related risks beyond climate change. NWM Group use the terms 'nature' and 'environment' interchangeably in recognition of both the NatWest Group climate and nature policy and also European Central Bank (ECB) terminology.
- (2) From 1 January 2026, NatWest Group updated the name of the ESE Risk Framework 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.
- (3) NatWest Group reports emissions at a consolidated group level. NWM Group own operations and financed emissions are therefore subsumed into NatWest Group's estimation of own operational footprint and estimated financed emissions for the consolidated group.
- (4) <https://carbonaccountingfinancials.com/files/PCAF-PartB-Facilitated-Emissions-Standard-Dec2023.pdf>.
- (5) NatWest Group's own bond issuances are not included within estimates of facilitated emissions.
- (6) Green bonds and loans are excluded in PCAF's facilitated emissions guidance<sup>(4)</sup>. While these instruments are expected to have lower emissions intensity, there is currently no agreed method to quantify their emissions. NWM Group treat Sustainability linked and sustainable bond and loan activities as conventional for the purpose of estimating and reporting on facilitated emissions.
- (7) The PCAF standard<sup>(4)</sup> does not currently outline an estimation approach for short-term assets (such as commercial papers), as such these products are currently excluded from the facilitated emissions estimation.
- (8) NatWest Group 2024 Climate and sustainable funding and financing inclusion criteria was used to determine the assets, activities and companies eligible for inclusion up to 30 June 2025. From 1 July 2025, the NatWest Group climate and transition finance framework was used. Both frameworks are available at [Natwestgroup.com](https://natwestgroup.com).
- (9) Co-managers are not captured by the PCAF standard. Our inclusion aligns with NatWest Group's climate and sustainable funding and financing inclusion criteria<sup>(8)</sup>, and climate and transition finance framework<sup>(8)</sup>, as well as the PCAF Standard's guidance relating to greenhouse gas (GHG) accounting and its recommendations to adopt a 'follow the money' approach.
- (10) A syndicated loan transaction is defined as a loan made available by two or more providers under a common loan agreement and ranking credit is assigned upon signature of the loan documentation. Where a financial institution provides an underwriting facility that puts the institution's capital at risk, this should be treated separately from the role they provide in arranging and facilitating an issuance<sup>(4)</sup>.
- (11) The syndicated loan market is a private market with no requirement for banks to report collectively into third-party league tables. NWM Group identified relevant loan markets volumes based upon an internal scope and methodology with an aim to align to guidance from PCAF issued in December 2024<sup>(4)</sup>. The numbers reported are therefore presented on a best endeavours basis and are subject to change as guidance develops.
- (12) The 2024 facilitated emissions comparatives have been updated from 1.28 MtCO<sub>2</sub>e to 1.07 MtCO<sub>2</sub>e, and attributable bond underwriting and syndicated lending from £94,367m to £89,400m, as a result of updating the scope for syndicated lending to exclude best-efforts passive roles.
- (13) In 2025, we identified an overstatement in the 2024 bond underwriting co-manager volumes. Accordingly, the 2024 comparative has been restated to aid comparability where considered material, reducing the volume noted above in footnote 10 from £89,400 million to £44,940 million.
- (14) Other consists of Technology, Media & Telecommunications of £3,855 million and emissions of 0.02 MtCO<sub>2</sub>e (2024 £1,982 million and 0.01 MtCO<sub>2</sub>e respectively) and Business & Professional Services of £856 million and emissions of 0.01 MtCO<sub>2</sub>e (2024 £1,072 million and 0.07 MtCo<sub>2</sub>e respectively).
- (15) NWM Group aims to estimate facilitated emissions using the latest data available, recognising there may be a lag between the availability of emissions data and the date of record for reporting. As a consequence of this lag, more recent changes in a counterparty's activities may not be reflected in the estimate of facilitated emissions. NWM Group continues to refine its estimates as NWM Group enhances its understanding, calculation methodologies and data. Also, methodologies to calculate emissions for certain sectors are still under development. Based on these limitations, NWM Group expects its estimates to change as NWM Group improves the granularity and coverage of customer climate data and develop methodologies further.
- (16) The table should be read in conjunction with the NWM Group Climate and sustainability risk factors included on pages 165 to 168 and Forward-looking statements on pages 169 to 170.



## 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

NWM Group has exposure to pension risk through its defined benefit schemes worldwide. The two largest NWM Group schemes are the AA and the NatWest Markets sections of The NatWest Group Pension Fund. Refer to Note 5 to the consolidated financial statements for further details on NWM 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 NWM Group's largest scheme (the AA section of the NatWest Group Pension Fund) holds a buy-in policy with a third-party insurer. Under the buy-in insurance contract, the insurer makes payments to the scheme to cover pension benefits paid to members. As a result, 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. Uninsured pension scheme assets continue to vary with changes in market risk drivers such as interest rates, inflation expectations and credit spreads.

NWM 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, NWM 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.

### Governance

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

The NWM Pension Committee, chaired by the Chief Financial Officer, reviews and monitors risk management, asset and liability strategy and financing issues on behalf of NWM Group. As part of its remit, the Committee:

- Considers the financial strategy, risk management and policy implications of NWM Group pension schemes.
- Reviews and recommends NWM Group pension risk appetite to the NWM Group Executive Risk Committee and the NWM Group Board Risk Committee.
- Reviews the pension impact on the capital plan for NWM Group and escalates any concerns to the NWM Group Assets & Liabilities Committee.

### Risk appetite

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

NWM Group maintains an independent view of the risk inherent in its pension funds. NWM 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.

### Measurement and monitoring

Pension risk is monitored by the NWM Group Executive Risk Committee and the NWM Group Board Risk Committee by way of the monthly risk management report. Relevant pension risk matters are escalated to the Board as applicable.

Stress tests are carried out each year on NWM Group's material defined benefit pension schemes. 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 NWM Group's balance sheet, income statement and capital position are incorporated into NWM Group's and overall NatWest Group stress test results.

### Mitigation

As a result of the buy-in transaction for NWM Group's largest scheme (the AA section of the NatWest Group Pension Fund), the scheme is now protected against all material demographic and market risks.

If, in an extreme scenario, the insurer was unable to make payments due to the scheme under the buy-in insurance contract, NWM Group would continue to be responsible for financially supporting the scheme to meet pension benefits. However, significant mitigants are in place against this risk, including the insurance regulatory regime and residual surplus assets retained within the scheme. The financial strength of the third-party insurer is also monitored on a periodic basis by the Trustee and NatWest Group.

The NatWest Markets section of the NatWest Group Pension Fund is also well protected against interest rate and inflation risks and is being run on a low investment risk basis.

The potential impact of climate change is one of the factors considered in managing the assets of the pension schemes. The NatWest Group Pension Fund 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 AA section.

Further details regarding the NatWest Group Pension Fund 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 NWM 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 (RCSA) 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 the EU Digital Operational Resilience Act.
- NWM Group continued to embed and 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 aligned to the requirements set out in the Board-approved EWRMF and are consistent with achieving safety, soundness and sustainable risk outcomes.

The Operating Committee discusses operational risk matters relating to the control environment, NWM Group's implementation of the EWRMF, risk identification and oversight of return-to-appetite plans. Significant issues are escalated to the Board Risk Committee.

### 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 are in line with the approach outlined in the Risk management framework section. NWM Group has additional levels of monitoring over and above the risk management framework requirements via dedicated fora for the discussion of material risks as well as governance and controls committees established for each principal business function for the escalation and discussion of material concerns.

### 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 the RCSA process on a regular basis to determine risk exposure. Mitigation is prioritised using a risk-based approach considering risk appetite.

### Operational resilience and cybersecurity

NWM 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 risk indicators and performance metrics for Important Business Services.

In Q1 2025, the NatWest Group operational resilience annual self-assessment confirmed its approach to enhancing and strengthening operational resilience met the UK and EU regulatory requirements for operational resilience, within defined timeframes.

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.

NWM Group recognises and continues to prioritise operational resilience as an outcome and benefit of the effective management of a range of interconnected operational risks, ensuring NWM Group continues to meet regulatory expectations for its operational resilience with continued involvement in a number of industry-wide operational resilience forums.

This engagement provides a valuable cross-sector perspective on the evolving operational resilience landscape and supports NWM Group's ability to adapt to ongoing innovation and change, both internally and across the financial services sector.

NWM 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.

## Operational risk continued

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.

## Event and loss data management

The operational risk event and loss data management process ensures NWM 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 an early event escalation process. NWM 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, including cyberattacks, and to comply with statutory or contractual requirements.

## Compliance and conduct risk

### Definition

Compliance risk is the risk that NWM 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 NWM 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 NWM 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 NWM 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.
- NWM Group are 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 NatWest Group's framework remains resilient and future-ready.
- On 4 September 2025, the U.S. 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 NWM's 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 directly.
- The FCA's March review of the treatment of vulnerable customers recognised progress but highlighted areas for improvement. NWM 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 Financial Ombudsman Service's (FOS) remit and modernise the framework. The FCA and FOS have published next steps, signalling coordinated reform of consumer compensation mechanisms.

## Governance

NWM Group defines appropriate standards of compliance and conduct and ensures adherence to those standards through its risk management framework.

To support ongoing oversight of the management of the compliance and conduct risk profile, there are a number of committees in place across both the first and second line of defence. Relevant compliance and conduct matters are escalated through the NWM Group Executive Risk Committee and Board Risk 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.

## Compliance and conduct risk continued

### 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 NWM 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 and market conduct focus across NWM Group.

## Financial crime risk

### Definition

Financial crime risk is the risk that NWM 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 NWM Group's customers, employees or third parties undertake or facilitate financial crime, or if NWM 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 the 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 and this work will continue into 2026.
- In January, the FCA published the "Assessing and reducing the risk of Money Laundering Through the Markets" report. The NWM Group's first line of defence conducted a gap analysis of the report's key findings against the existing controls in NWM Group and concluded that there were no material gaps other than those known about and documented as part of Risk Issues. The analysis was oversighted by the NWM Group second line of defence.
- The Economic Crime & Corporate Transparency Act (2023) became effective from 1 September 2025 – Section 199 introduced the offence of failure to prevent fraud and requires the implementation of reasonable measures to prevent fraud by staff or other associated persons. NWM Group conducted a risk assessment against this requirement as part of a NatWest Group-wide review – no material controls were identified as being missing.
- During 2025, a self-identified data issue impacting the transaction monitoring control continued to be assessed through four workstreams. That work continues to be conducted and will continue into 2026. Regulatory authorities, including the FCA, have been advised of the issue and receive regular update reports.
- 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 Risk Committee, which is chaired by the Head of Financial Crime/SMF17, is NWM Group's second line of defence financial crime risk oversight forum. The committee reviews and monitors key financial crime risks providing guidance, challenge, recommendations and decisions on issues affecting NWM Group globally. Where appropriate, the committee escalates material financial crime risks and issues across NWM Group to the NWM Executive Risk Committee and NWM Group Board Risk Committee. The committee is an escalation point for the Financial Crime Oversight Committee, which is first line owned and the principal financial crime committee in NWM Group.

### 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 NWM Group's senior risk committees and both the NatWest Group and NWM Group Boards. 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 within NatWest Group is available to detect and disrupt threats to NWM 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. A model is defined as a quantitative method, system, or approach that applies statistical, economic, financial, accounting, mathematical or data science theories, techniques and assumptions to process input data into estimates.

### Sources of risk

NWM Group uses a variety of models in the course of its business activities. Examples include the use of model outputs to support measuring and assessing risk exposures (including credit and market risk), valuation of positions, calculating regulatory capital and liquidity requirements and automation of operational processes. The models used for stress-testing purposes also play a key role in ensuring NWM Group holds sufficient capital, even in stressed market scenarios.

## Model risk continued

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

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

Material reputational risks to NWM Group are escalated via the NWG 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.

## Reputational risk continued

### 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. NWM 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.

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

### Measurement and monitoring

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

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

### Mitigation

Standards of conduct are in place across NWM 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 NWM 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 & 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.



# Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2025. The statements in this report are correct as of 31 December 2025, subsequent changes to Board membership are detailed in Board of directors and secretary on page 17.

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

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## Group structure

NatWest Markets Plc ('NWM Plc') is a wholly-owned subsidiary of NatWest Group plc ('NWG plc' or 'the ultimate holding company'). The NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' comprises NatWest Group plc and its subsidiaries. NatWest Group plc is incorporated in the UK and has its registered office at 36 St Andrew Square, Edinburgh, EH2 2YB.

Details of NWM Plc's principal subsidiary undertakings and their activities are shown in Note 16 to the consolidated financial statements. A full list of related undertakings of NWM Plc is shown in Note 34 to the consolidated financial statements.

The financial statements of NWG plc can be obtained from NatWest Group Corporate Governance, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or at [natwestgroup.com](https://natwestgroup.com).

## Activities

NWM Group offers debt financing, risk management and trading solutions to customers.

## Results and dividends

The profit attributable to the ordinary shareholders of NWM Group for the year ended 31 December 2025 was £167 million compared with a loss of £20 million for the year ended 31 December 2024, as set out in the consolidated income statement on page 75.

No dividends were paid to NatWest Group plc during the year.

## Employees

At 31 December 2025, NWM Group employed 1,600 people (excluding temporary staff). Details of all related costs are included in Note 3 to the consolidated financial statements.

## Corporate Governance statement

For the financial year ended 31 December 2025, the company has chosen to report against the Wates Corporate Governance Principles for Large Companies (the Wates Principles) and the disclosures below explain how the company has applied the Wates Principles in the context of its corporate governance arrangements.

## 1. Purpose and leadership

### Strategy

NatWest Group's strategy is set and approved by the NatWest Group plc Board. The NWM Plc Board ('the Board') reviews and sets the strategic direction of NWM Plc and, as appropriate, the strategies for each of its businesses in order to maintain the consistency of NWM Plc's activities with the Commercial & Institutional strategy and the wider NatWest Group strategy. It subsequently oversees the execution of the strategy and holds management to account for its delivery.

Further information on NatWest Group's progress against its strategy can be found in the NatWest Group plc 2025 Annual Report and Accounts.

### Culture

The NatWest Group plc Board actively monitors culture across NatWest Group in a number of ways. In February 2025, the NatWest Group plc Board approved the new core behavioural framework. Following the refresh of the Group's purpose, strategy, ambition and performance culture, the new framework consolidated previous colleague frameworks into a single set of action-oriented behaviours under the "Winning Together" banner. It was noted that the move away from values to behaviours would help to drive measurable progress.

There is regular reporting to the Board on culture, so as to provide appropriate oversight of culture matters. NWM Group continues to embed and develop its risk culture. This supports our ambition to foster a positive culture and ensure 'good conduct' outcomes for clients.

## 2. Board Composition

### The Board

The Board is structured to ensure that the directors provide NatWest Markets Plc with the appropriate combination of skills, experience, knowledge, and diversity, as well as independence. The Board has seven directors comprising: the interim Chair, two executive directors (being the Chief Executive Officer and Chief Financial Officer) and four independent non-executive directors. The size of the Board is considered appropriate, taking into account the size and scale of NWM Plc's business.

### The Chair

The role of the Chair is to lead the Board and ensure its overall effectiveness. This is distinct and separate from that of the Chief Executive Officer who manages the business day-to-day.

### Non-Executive Directors

The majority of the Board comprises independent non-executive directors. Their role is to challenge and scrutinise the performance of management and to help develop proposals on strategy. They also review the performance of management in meeting agreed goals and objectives and monitor the firm's risk profile. The non-executive directors combine broad business and commercial expertise and bring experience from a wealth of areas including audit, banking, finance, human resources, digital assets and risk management.

The Board periodically undertakes an independence assessment of the non-executive directors. All non-executive directors are considered to be independent and there are no relationships or circumstances that are likely to affect their judgement.

### Induction Training

All new directors undergo a formal induction programme upon joining the Board which is coordinated by the Company Secretary and tailored to their individual needs. This includes meetings with other directors, senior executives and business heads. Meetings with the external auditor, legal counsel and other key stakeholders are arranged as appropriate. Directors also receive comprehensive guidance from the Company Secretary on NatWest Group's Corporate Governance Framework and associated policies, including their duties as directors.

### Continuous Development

Non-executive directors discuss their professional development periodically with the Chair. Directors maintain their knowledge and familiarity with NWM Plc through regular meetings with senior management (including representatives of NatWest Group) and participate in scheduled Board training and other external sessions as appropriate.

During 2025, teach-in sessions on Private Markets, Capital, Liquidity, Recovery and Resolution including Trading Activity Wind-down and Stablecoins and Tokenised Deposits amongst others were arranged for the directors. Directors may also request individual in-depth briefings from time to time on areas of particular interest.

### Board Diversity

The Board is committed to promoting diversity and inclusion in the boardroom and aims to meet industry targets and recommendations wherever possible. The Board has a Boardroom Inclusion Policy which aims to promote diversity and inclusion in the composition of the Board of Directors and in the nomination and appointment process. The Policy reflects the values of the wider NatWest Group, its Inclusion Policy and relevant legal, regulatory or best practice requirements.

### Committees

The responsibilities of the Board are executed, in part, through its committees (namely, the Audit Committee, the Board Risk Committee, the Performance and Remuneration Committee and the Nominations Committee). All matters that the Board has specifically delegated to these committees are set out in their terms of reference (ToRs). All other matters, including responsibility for the day-to-day operation of NWM Plc (that are not specifically reserved for the Board or delegated to a committee) are delegated to the NWM Plc Chief Executive Officer (CEO) in accordance with such policies and directions as the Board determines appropriate, including the NWM Plc CEO's role profile.

### Succession

The Board is responsible for ensuring that NWM Plc has in place succession plans for the Board and senior management so as to maintain an appropriate balance of skills and experience. The NatWest Group Nominations and Governance Committee is also required to approve all appointments to the Board, reflecting the company's position as a subsidiary of NatWest Group.

### Board Effectiveness

The effectiveness of the Board, including the Chair, individual directors and committees, is assessed periodically. The Board considers such assessments to play an important role in the identification of areas for further improvement, focus and for strengthening its overall performance.

### The Company Secretary

In fulfilling its role, the Board is supported by the Company Secretary. The Company Secretary is responsible for ensuring good information flows between the Board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development of non-executive directors, as required. The directors may also seek independent, professional advice, where necessary, at NWM Plc's expense.

## 3. Director Responsibilities

### Policy & Framework

NatWest Group has in place a Corporate Governance Framework, including a Corporate Governance Policy. All directors of NWM Plc are required to ensure that they are familiar with the Corporate Governance Framework and that NWM Plc complies with it.

The Board has a programme of seven scheduled meetings every year. The Board ToRs include a formal schedule of matters specifically reserved for the Board which are reviewed at least annually. Each director has a role profile which clearly articulates their responsibilities and accountabilities. Similarly, any additional regulatory responsibilities and accountabilities where any of the directors undertake a Senior Manager Function (as defined under the Prudential Regulation Authority's and Financial Conduct Authority's 'Senior Manager Regimes') are set out in their Statement of Responsibilities.

To support them in the discharge of their duties, all directors receive regular and timely information on all key aspects of the business including financial performance, strategy, key risks, and market conditions.

### Conflicts of Interest

The Board follows NatWest Group's guidance relating to directors' conflicts of interest.

The Board has the power to authorise any actual or potential conflicts of interest in accordance with the Companies Act 2006 and NWM Plc's Articles of Association. The company maintains a register of directors' interests and appointments and there is discussion of directors' conflicts in Board meetings, as required. During the year, none of the directors declared any material interest, directly or indirectly, in any contract of significance with any company within NatWest Group.

All directors were reminded of their obligations in respect of transacting in NWM Plc securities (Personal Account Dealing) and all directors have confirmed that they have complied with their obligations.



## Board Committees

In order to provide effective oversight and leadership, the Board has established a number of committees with particular responsibilities:

**The Audit Committee** comprises at least two independent non-executive directors, one of whom is the Chair of the Board Risk Committee. The Committee assists the Board in discharging its responsibilities for monitoring the integrity of the financial statements. It reviews the accounting policies, financial reporting and regulatory compliance practices of NWM Plc, its system and standards of internal controls, and monitors the processes for internal audit and external audit.

**The Board Risk Committee** comprises at least two independent non-executive directors, one of whom is the Chair of the Audit Committee and one of whom is a member of the NWM RemCo. The Committee provides oversight and advice to the Board in relation to current and potential future risk exposures and future risk profile, including determination of risk appetite, the effectiveness of the risk management framework and (in conjunction with the Audit Committee) internal controls required to manage risk. The Committee also reviews compliance with NatWest Group Policy Framework and reviews the performance of NWM Plc relative to risk appetite.

**The Performance and Remuneration Committee (RemCo)** comprises at least four independent non-executive directors and oversees the implementation of the Group-wide Remuneration Policy within NWM. It also considers and makes recommendations on remuneration arrangements for senior executives of NWM Plc.

**The Nominations Committee** comprises the Chair and the independent non-executive directors. It is responsible for assisting the Board in the formal selection and appointment of directors. It reviews the structure, size and composition of the Board and membership and chairship of Board committees.

## 4. Opportunity and risk

The role of the Board is to promote the long-term success of NWM Plc and the delivery of sustainable value to its shareholder.

The Board reviews and approves risk appetite for strategic and material risks in accordance with NatWest Group's risk appetite framework; monitors performance against risk appetite for NWM Plc; and considers any material risks and approves (as appropriate) recommended actions escalated by the NWM Plc Board Risk Committee.

NWM Plc's risk strategy is informed and shaped by an understanding of the risk landscape including a range of significant risks and uncertainties in the external economic, political and regulatory environments.

NWM Plc complies with NatWest Group's risk appetite framework, which is approved annually by the NWG plc Board, in line with NatWest Group's risk appetite statements, frameworks and policies. NatWest Group risk appetite is set in line with overall strategy.

NatWest Group operates an integrated risk management framework, which is centred on the embedding of a strong risk culture. The framework ensures the tools and capability are in place to facilitate sound risk management and decision-making across the organisation.

NWM Plc also complies with the NatWest Group Policy Framework, the purpose of which is to ensure that NatWest Group establishes and maintains NatWest Group-wide policies that adequately address the risks inherent in its business activities.

Further information on NWM Plc's risk management framework including risk culture, risk governance, risk appetite, risk controls and limits, and risk identification and measurement can be found in the Risk overview section of this report.

## 5. Remuneration

The NatWest Group reward policy provides a consistent policy across all NatWest Group companies and ensures compliance with regulatory requirements. The reward policy is aligned with the business strategy, objectives, values and long-term interests of the company. The policy supports a culture where individuals are rewarded for delivering sustained performance in line with risk appetite and for demonstrating the right conduct and behaviours.

The RemCo reviews remuneration for executives of the company and considers reports on the wider workforce including annual pay outcomes and diversity information. The RemCo helps to ensure that the remuneration policies, procedures and practices being applied are appropriate at NWM Plc level.

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

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

NatWest Group are proud to be an accredited Living Wage Employer, demonstrating commitment to setting pay levels above the real living wage rates. In 2025, NatWest Group furthered its commitment to fair pay by achieving re-certification as a Global Living Wage Employer, recognising that rates of pay for colleagues outside the UK are at or above the living wage threshold as defined by the Fair Wage Network.

NatWest Group helps colleagues to have an awareness of the financial and economic factors affecting its performance through quarterly 'Results Explained' communications and events with the Group Chief Executive Officer and Chief Financial Officer.

Further information on the remuneration policy, pay ratios and employee share plans can be found in the Directors' remuneration report (DRR) of the NatWest Group plc 2025 Annual Report and Account. Gender and Ethnicity Pay Gap information can be found in the Strategic report section of the NatWest Group plc 2025 Annual Report and Accounts along with the steps being taken to build an inclusive and engaged workforce.

## 6. Stakeholder relationships and engagement

NWM Plc is committed to managing the wider social, environmental and economic impacts of its operations which includes the way it deals with its customers and manages the sustainability of its supply chain.

The Board recognises the importance of engaging with stakeholders and discussions at Board meetings are focused around the impact that NWM Plc's activities may have on key stakeholder groups. The Board reporting style has a specific section focussing on the stakeholder impacts to support decision-making.

For further details on the Board's engagement with employees, customers, suppliers and others, and how these stakeholders' interests have influenced one of the Board's principal decisions, refer to pages 12 to 13 of the Strategic report.

### Internal control over financial reporting

The internal controls over financial reporting for NWM Group are consistent with those at NatWest Group level. NWM Group has designed and assessed the effectiveness of its internal control over financial reporting as of 31 December 2025 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 publication of 'Internal Control – Integrated Framework'. As part of the assessment, management have considered the additional activities required for its internal control over financial reporting during the year, such as oversight on controls performed on NWM Group's behalf, to better reflect the size, scale and overall materiality of the business profile compared to the NatWest Group framework. Any deficiencies identified are reported to NWM Group Audit Committee along with management's remediation plans.

### Directors' interests

The executive directors may participate in NatWest Group's long-term incentive plans, executive share option and share save schemes, further details can be found in Note 29 to the consolidated financial statements 'Directors' and key management remuneration'.

None of the directors held an interest in the loan capital of the ultimate holding company or in the shares or loan capital of NWM Plc or any of its subsidiaries, during the period from 1 January 2025 to 12 February 2026.

### Directors' indemnities

In terms of section 236 of the Companies Act 2006 (the 'Companies Act'), Qualifying Third Party Indemnity Provisions have been issued by the ultimate holding company to NWM Plc directors, individuals authorised by the PRA/FCA and certain directors and/or officers of NatWest Group's subsidiaries and all trustees of NatWest Group pension schemes.

### Going concern

NWM Plc's business activities and financial position, the factors likely to affect its future development and performance and its objectives and policies in managing the financial risks to which it is exposed, and its capital are discussed in the Financial review. The risk factors which could materially affect NWM Plc's future results are set out on pages 151 to 168. NWM Plc's regulatory capital resources and significant developments in 2025, and anticipated future developments are detailed in the Capital, liquidity and funding section on pages 32 to 37. This section also describes NWM Plc's funding and liquidity profile, including changes in key metrics and the build-up of liquidity reserves.

Having reviewed NWM Plc's principal risks, forecasts, projections and other relevant evidence, the directors have a reasonable expectation that NWM Plc will continue in operational existence for a period of 12 months from the date of this report. Accordingly, the financial statements of NWM Plc have been prepared on a going concern basis.

### Political donations

During 2025, no political donations were made in the UK or EU, nor any political expenditure incurred in the UK or EU.

### Directors' disclosure to auditors

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

- (a) so far as the director is aware, there is no relevant audit information of which NWM Plc's auditors are unaware; and
- (b) the director has taken all the steps that they ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that NWM Plc's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

### Auditors

Ernst & Young LLP (EY) are the current auditors of the company. Following a tender undertaken in 2022, overseen by the NatWest Group Audit Committee, NWM Plc intends to appoint PricewaterhouseCoopers LLP (PwC) as auditors for the financial period ending 31 December 2026. This will be the last period of audit by EY as they will not be proposed for re-appointment as auditors by the company. A resolution to appoint PwC as the company's auditors will be proposed at a future General Meeting.

PwC has shadowed the 2025 year-end audit, which was completed by EY, and attended NWM Audit Committee meetings during 2025, as appropriate.

By order of the Board

Sarah Beddows  
Company Secretary  
12 February 2026

NatWest Markets Plc  
is registered in Scotland No. SC090312

# Statement of directors' responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on pages 67 to 74.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required to prepare Group financial statements, and as permitted by the Companies Act 2006 have elected to prepare company financial statements, for each financial year in accordance with UK-adopted IAS, and IFRS, as issued by the IASB. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of NWM Group and NWM Plc. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of NWM Group and to enable them to ensure that the Annual Report and Accounts complies with the Companies Act 2006. They are also responsible for safeguarding the assets of NWM Plc and NWM Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with UK-adopted IAS, and IFRS, as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of NWM Plc and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Report of the directors (incorporating the Financial review) includes a fair review of the development and performance of the business and the position of NWM Plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Tamsin Rowe  
Interim Chair

Jonathan Peberdy  
Chief Executive Officer

Simon Lowe  
Chief Financial Officer

12 February 2026

## Board of directors

**Interim Chair**  
Tamsin Rowe

**Executive directors**  
Jonathan Peberdy  
Simon Lowe

**Non-executive directors**  
Rupert Hume-Kendall  
Thierry Roland  
Anne Simpson  
Sabrina Wilson

# Financial statements

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# Independent auditors' report to the members of NatWest Markets plc

## Opinion

In our opinion:

- The financial statements of NatWest Markets Plc (the 'Bank') and its subsidiaries (together, the 'Group') give a true and fair view of the state of the Group's and of the Bank's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards ('IAS') and International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRS as issued by the International Accounting Standards Board ('IASB');
- The Bank's financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006, and IFRS as issued by the IASB;
- The financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements (see table below) of the Group and the Bank for the year ended 31 December 2025 which comprise:

Group	Bank
<ul style="list-style-type: none"><li>• Consolidated balance sheet as at 31 December 2025</li><li>• Consolidated income statement for the year then ended</li><li>• Consolidated statement of comprehensive income for the year then ended</li><li>• Consolidated statement of changes in equity for the year then ended</li><li>• Consolidated cash flow statement for the year then ended</li><li>• Related Notes 1 to 34 to the financial statements, including material accounting policy information; and</li><li>• Risk and capital management sections identified as 'audited'</li></ul>	<ul style="list-style-type: none"><li>• Balance sheet as at 31 December 2025</li><li>• Statement of changes in equity for the year then ended</li><li>• Cash flow statement for the year then ended</li><li>• Related Notes 1 to 34 to the financial statements, including material accounting policy information; and</li><li>• Risk and capital management sections identified as 'audited'</li></ul>

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards to the Group financial statements, IFRS as adopted by the European Union and IFRS as issued by the IASB, and as regards to the Bank's financial statements, as applied in accordance with section 408 of the Companies Act 2006.

## Basis for opinion

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

## Independence

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

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

## Conclusions relating to going concern

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

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of the directors' going concern assessment process. We engaged with management to determine if key factors were considered in the assessment.
- We evaluated the directors' going concern assessment which included assessing their evaluation of business and strategic plans on future capital adequacy, liquidity and funding position. The assessment of these positions considered the results of internal stress tests and other factors including non-financial risks.
- We evaluated the directors' going concern assessment under different scenarios considering the current uncertain geopolitical and economic outlook.
- We reviewed the Group's going concern disclosures included in the Annual Report and Accounts in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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

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

## Overview of our audit approach

<b>Audit scope</b>	<ul style="list-style-type: none"> <li>We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further two components.</li> <li>We performed centralised procedures for certain audit areas and balances as outlined in the Tailoring the scope section of our report.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>Valuation of financial instruments with higher risk characteristics</li> <li>Provisions for litigation</li> <li>IT access management</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall Group and Bank materiality of £69 million which represents 1% of shareholder's equity of the Bank.</li> </ul>

## An overview of the scope of the Group audit

### Tailoring the scope

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

Our risk assessment and scoping identified the following entities that are relevant to the Group audit (collectively the 'Relevant Components'):

Legal entity	Component type	Key locations where work was performed
NatWest Markets Plc	Individually relevant component	United Kingdom, India and Singapore
NatWest Markets N.V.	Individually relevant component	United Kingdom, Netherlands and India
NatWest Markets Securities Inc.	Additional relevant component	United States, United Kingdom and India
NatWest Markets Securities Japan Limited	Additional relevant component	United Kingdom, India and Japan

In addition, we performed centralised audit procedures over the Relevant Components in the following key audit areas:

Key audit area on which procedures were performed centrally	Relevant Components subject to central procedures
Valuation of financial instruments with higher risk characteristics	All components
Certain procedures relating to provisions for litigation	All components
IT access management	All components

We identified NatWest Markets Plc and NatWest Markets N.V. as individually relevant components (IRCs) to the Group due to materiality or financial size of the components relative to the Group and significant risks being associated with the components

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

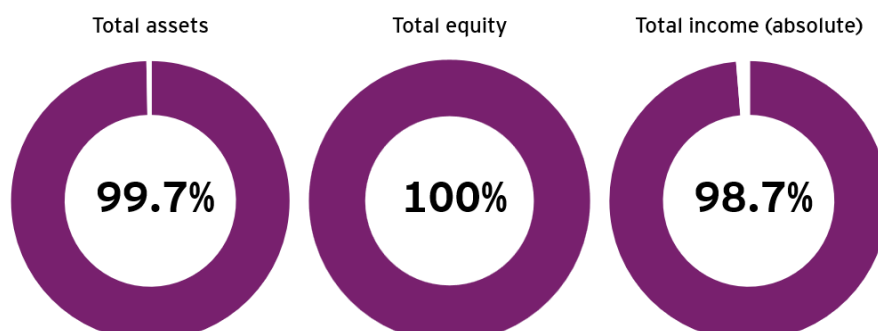
We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. We selected NatWest Markets Securities Inc. and NatWest Markets Securities Japan Limited as additional relevant components (ARCs) to include in our audit scope to address this risk.

We instructed EY component teams (including functional component teams) to perform the audit of NatWest Markets Securities Inc. The audits for NatWest Markets Plc, NatWest Markets N.V. and NatWest Markets Securities Japan Limited were performed by the Group audit engagement team in the UK with support from EY component teams (including functional component teams) and EY teams in other locations to perform work in certain areas. The EY functional component teams focused on the audit of specific balances and/or specified procedures including aspects of treasury, credit, operating costs, and financial reporting processes across Relevant Components.

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

### Coverage of the Group financial statements

The coverage obtained from the procedures performed on the Relevant Components is as below. We considered total assets, total equity and total income to verify we had appropriate overall coverage.





## Involvement with other teams involved in the audit

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

The Group audit engagement team interacted regularly with the component teams (including functional component teams) and EY teams in other locations, where appropriate, throughout the course of the audit. This included holding planning meetings, maintaining regular communications on the status of the audits, reviewing key working papers and taking responsibility for the scope and direction of the audit process. The Group audit engagement team continued to follow a programme of virtual or in person oversight visits that have been designed to ensure that the Senior Statutory Auditor, or another Group audit partner, has ongoing interactions with all in scope locations. During the current year's audit cycle, visits were undertaken by the Group audit engagement team to India and the United States. These visits involved meetings with local management and discussions with our teams on audit approach and significant issues arising from their work. The Group audit engagement team interacted regularly with the component teams and EY teams in other locations and maintained a continuous and open dialogue, as well as holding periodic formal closing meetings, to ensure that the Group audit engagement team were fully aware of their progress and the results of their procedures.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

## Climate change

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

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

The Group has explained in the Accounting policies how they have reflected the impact of climate change in their financial statements and the significant judgements and estimates relating to climate change. The Group notes that many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgements and estimates for the current period.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating the Group's assessment of the impact of climate risk, their climate commitments and the significant judgements disclosed in the Accounting policies, and whether these have been appropriately reflected in forward-looking accounting estimates following the requirements of UK adopted International Accounting Standards, IFRS as adopted by the European Union and IFRS as issued by the IASB. As part of this evaluation, we performed our own risk assessment to determine the risk of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matter, valuation of financial instruments with higher risk characteristics. Details of the impact, our procedures and findings are included in our explanation of this key audit matter below.



## Key audit matters

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

Risk	Our response to the risk
<b>Valuation of financial instruments with higher risk characteristics</b> <p>As at 31 December 2025 the Group held financial instruments with higher risk characteristics. These included, but are not limited to, reported level 3 assets of £0.8 billion (2024 - £1.1 billion) and level 3 liabilities of £0.3 billion (2024 - £0.5 billion) whose value is dependent upon unobservable inputs. Refer to the Accounting policies and Note 10 to the financial statements.</p> <p>The valuation of those financial instruments with higher risk characteristics can include significant judgement as outlined below. The fair value of these instruments can involve complex valuation models and significant fair value adjustments, both of which may be reliant on inputs where there is limited market observability.</p> <p>Management's estimates which required significant judgement include:</p> <ul style="list-style-type: none"> <li>• <b>Complex models:</b> complex model-dependent valuations of financial instruments, the most significant being interest rate swaps linked to pre-payment behaviour and interest rate options with exotic features;</li> <li>• <b>Illiquid inputs:</b> Pricing inputs and calibrations for illiquid instruments, including fair value loan exposures for which there is no active market. Additionally, derivative instruments whose valuation is dependent on discount rates associated with complex collateral arrangements; and</li> <li>• <b>Fair value adjustments:</b> The appropriateness of fair value adjustments made to derivative valuations including Funding Valuation Adjustments (FVA) and Credit Valuation Adjustments (CVA) relating to counterparties whose credit spread may not be observable, and material product and deal specific valuation adjustments on long dated derivative portfolios.</li> </ul>	
<p><b>Controls testing:</b></p> <p>We evaluated the design and operating effectiveness of controls relating to financial instrument valuation including independent price verification, valuation models governance, collateral management, income statement analysis and the associated controls over relevant information technology systems. We also observed the Valuation Committees where valuation inputs, assumptions and adjustments were discussed and approved.</p> <p><b>Overall assessment:</b> We involved our financial instrument valuation and modelling specialists to assist us in performing procedures including the following:</p> <ul style="list-style-type: none"> <li>• <b>Complex models:</b> Testing a sample of complex model-dependent valuations by performing independent revaluation to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group;</li> <li>• <b>Illiquid inputs:</b> Independently re-pricing a sample of financial instruments that had been valued using illiquid pricing inputs, using alternative pricing sources where available, to evaluate management's valuation; and</li> <li>• <b>Fair value adjustments:</b> Comparing fair value adjustment methodologies to current industry standards and assessing the appropriateness and adequacy of the valuation adjustment framework in light of emerging market practice and changes in the risk profile of the underlying portfolio; and revaluing a sample of counterparty level FVA and CVA, comparing funding spreads to third party data, independently challenging illiquid CVA inputs, and testing material product and deal specific adjustments on the long-dated derivatives portfolio.</li> </ul> <p>Throughout our audit procedures we considered the current uncertain geopolitical and economic outlook, including market volatility and the impact of climate change on the valuation of financial instruments. We performed analysis focusing on long-dated illiquid positions to understand if there were indicators that pricing did not appropriately capture climate related risks.</p> <p>We assessed whether there were any indicators of aggregate bias in financial instrument marking and methodology assumptions.</p> <p>We performed back-testing analysis of recent trade activity and asset disposals to evaluate the drivers of significant differences between book value and trade value to assess the impact on the fair value of similar instruments within the portfolio. We performed an analysis of significant collateral discrepancies with counterparties to assess the potential impact on the fair value of the underlying (and similar) financial instruments.</p>	

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

We performed a risk assessment to identify financial instruments with higher risk of valuation characteristics. We performed procedures centrally across all components for which this risk is relevant.

### Key observations communicated to the Group Audit Committee

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

- Complex model-dependent valuations were appropriate based on the output of our independent revaluations, analysis of trade activity, assessment of the output of the independent price verification process, inspection of collateral disagreements and peer benchmarking;
- The fair value estimates of financial instruments with illiquid inputs appropriately reflected pricing information available at 31 December 2025;
- Valuation adjustments applied to derivative portfolios for credit, funding and other risks were recorded in accordance with the requirements of IFRS considering trade activity for positions with common risk characteristics, analysis of market data and peer benchmarking; and
- Where control deficiencies were identified, we tested compensating controls and performed additional substantive procedures, where necessary.

Risk	Our response to the risk
<b>Provisions for litigation</b>	
<p>At 31 December 2025, the Group has reported £46 million (2024 - £108 million) of provisions for litigation. Refer to the Accounting policies and Note 25 to the financial statements.</p> <p>Regulatory scrutiny and the continued litigious environment give rise to a high level of management judgement in determining the appropriate provision for each case. Management judgement is needed to determine whether a present obligation existed, and a provision should be recorded as at 31 December 2025 in accordance with the accounting criteria set out under IAS 37.</p> <ul style="list-style-type: none"> <li>We identified certain significant legal matters where management's estimates required significant judgement. This included the determination of whether an outflow in respect of these legal matters is probable and can be estimated reliably in accordance with IAS37 assessment.</li> </ul>	<p><b>Controls testing:</b> We evaluated the design and operating effectiveness of key controls over the identification, estimation, monitoring and disclosure of provisions whilst considering the potential for management override of controls. The controls tested, among others, included those to identify and monitor claims, determine when a provision is required and to ensure the completeness and accuracy of data used to estimate provisions.</p> <p>We examined relevant regulatory and legal correspondence to assess developments in the significant legal matters identified. We understood and assessed the provisioning methodology as well as testing the underlying data and assumptions used in the determination of the provisions recorded in accordance with IAS37 for these matters.</p> <p>We considered the accuracy of management's historical estimates and considered peer bank settlements in similar cases, where appropriate.</p> <p>We conducted inquiries with internal legal counsel and obtained confirmations from the Group's external legal counsels to assist us in evaluating the existence of an obligation and in assessing management's estimate of potential outflow at year-end.</p> <p>We assessed management's conclusion by evaluating the underlying information used in estimating the provisions including the consideration of alternate sources.</p>
<b>How we scoped our audit to respond to the risk and involvement with component teams</b>	
<p>We performed a risk assessment to identify significant legal matters where management's estimates required significant judgement. We performed centralised procedures to address the risk across all components for which this risk is relevant, and instructed our NatWest Markets Securities Inc. component team to perform certain additional procedures under our supervision.</p>	
<b>Key observations communicated to the Group Audit Committee</b>	
<p>We are satisfied that provisions for significant legal matters were reasonable and recognised in accordance with IAS 37.</p>	

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

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

All audit work performed to address this risk was undertaken by the Group audit engagement team on all Relevant Components.

#### Key observations communicated to the Group Audit Committee

Based on our testing procedures, including validating management's remediation activities, testing of compensating controls and substantive procedures, we concluded that the findings identified in relation to the IT control environment relevant to the financial statements did not give rise to material misstatement.

Improvements have been made to further standardise and strengthen IT access management processes and controls, however privileged access control deficiencies continue to be identified, including instances where the underlying systems are subject to change within the year, including migrations. While privileged access findings led to an increase in the overall number of reported IT control deficiencies requiring remediation by management, we tested compensating controls and performed additional substantive procedures to address the residual risk.

### Our application of materiality

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

### Materiality

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

We determined materiality for the Group and Bank to be £69 million (2024: £59 million), which is 1% (2024: 1%) of shareholder's equity of the Bank. In our prior year audit, we excluded Additional Tier 1 instruments that were set to mature in 2025 to normalise our materiality. This adjustment was necessary to prevent a temporary increase that would have resulted from additional issuances near the end of the prior year. No Additional Tier 1 instruments are due to mature in 2026 and therefore we have not adjusted our materiality in the current year.

## Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2024 - 50%) of our planning materiality, namely £35 million (2024 - £29.5 million). We have set performance materiality at this percentage (which is at the lowest end of the acceptable range of our audit methodology) based on various considerations including the past history of misstatements.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the Group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was between £17 million to £35 million (2024 - £18 million to £29.5 million).

## Reporting threshold

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

We agreed with the Group Audit Committee that we would report to them all uncorrected audit differences in excess of £3 million (2024 - £3 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

## Other information

The other information comprises the information included in the Annual Report and Accounts including the Strategic report, Financial review, Risk and capital management sections not identified as 'audited', Report of the directors, Statement of directors' responsibilities, Risk factors, Forward-looking statements and Non-IFRS financial measures, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Report of the directors.

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

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the regulations of the Prudential Regulation Authority, the Financial Conduct Authority and the Companies Act 2006.
- We understood how the Group is complying with those frameworks by making inquiries of management, Internal Audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and regulatory bodies; reviewed minutes of the Board and other key committees; and gained an understanding of the Group's governance framework.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud. We also assessed the risks of fraud in our key audit matters. Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions made and judgements required in determining these estimates. Our procedures also involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business.
- We designed our audit procedures to identify non-compliance with laws and regulations. Our procedures involved inquiries of legal counsel, management and Internal Audit. We also tested controls and performed procedures to respond to any financial statement impacts of non-compliance with laws and regulations. These procedures were performed by both the Group audit engagement team and component teams with oversight from the Group audit engagement team.
- The Group operates in the banking industry which is a highly regulated environment. As such, the Senior statutory auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, involving specialists where appropriate.

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

## Other matters we are required to address

- Following the recommendation from the NatWest Group Audit Committee we were appointed by NatWest Group Plc at its annual general meeting on 4 May 2016 to audit the financial statements of the Group and the Bank for the year ended 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is ten years, covering periods from our appointment through 31 December 2025.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Bank and we remain independent of the Group and the Bank in conducting the audit.
- The audit opinion is consistent with the additional report to the Group Audit Committee.

## Use of our report

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

Chris Brouard (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London, United Kingdom  
12 February 2026

# Consolidated income statement

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Interest receivable		2,585	2,720
Interest payable		(2,097)	(2,288)
<b>Net interest income</b>	1	<b>488</b>	432
Fees and commissions receivable		417	476
Fees and commissions payable		(188)	(213)
Income from trading activities		658	585
Other operating income		96	(43)
<b>Non-interest income</b>	2	<b>983</b>	805
<b>Total income</b>		<b>1,471</b>	1,237
Staff costs		(506)	(452)
Premises and equipment		(79)	(75)
Other administrative expenses		(711)	(671)
Depreciation and amortisation		(12)	(10)
<b>Operating expenses</b>	3	<b>(1,308)</b>	(1,208)
<b>Profit before impairment losses/releases</b>		<b>163</b>	29
Impairment (losses)/releases	14	(3)	8
<b>Operating profit before tax</b>		<b>160</b>	37
Tax credit	7	115	26
<b>Profit for the year</b>		<b>275</b>	63
<b>Attributable to:</b>			
Ordinary shareholders		167	(20)
Paid-in equity holders		108	73
Non-controlling interests		-	10
		<b>275</b>	63

# Consolidated statement of comprehensive income

for the year ended 31 December 2025

	2025 £m	2024 £m
Profit for the year	275	63
<b>Items that do not qualify for reclassification</b>		
Remeasurement of retirement benefit schemes	5	(13)
Changes in fair value of financial liabilities designated at fair value through profit or loss (FVTPL)	(17)	(33)
FVOCI financial assets	3	14
Tax	(8)	23
	(17)	(9)
<b>Items that do qualify for reclassification</b>		
FVOCI financial assets	16	5
Cash flow hedges (1)	127	(29)
Currency translation	23	(14)
Tax	(46)	16
	120	(22)
<b>Other comprehensive income/(loss) after tax</b>	<b>103</b>	(31)
<b>Total comprehensive income for the year</b>	<b>378</b>	32
<b>Attributable to:</b>		
Ordinary shareholders	270	(50)
Paid-in equity holders	108	73
Non-controlling interests	-	9
	<b>378</b>	32

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

# Balance sheet

as at 31 December 2025

		NWM Group		NWM Plc	
	Note	2025 £m	2024 £m	2025 £m	2024 £m
<b>Assets</b>					
Cash and balances at central banks	9	16,023	16,229	9,357	11,069
Trading assets	12	46,174	48,883	22,087	26,186
Derivatives	13	60,866	78,105	57,793	74,982
Settlement balances	9	643	2,043	490	550
Loans to banks - amortised cost	9	1,221	1,171	603	897
Loans to customers - amortised cost	9	23,454	17,921	22,154	17,089
Amounts due from holding company and fellow subsidiaries	31	287	343	3,611	3,341
Other financial assets	15	19,084	17,850	17,354	16,081
Investments in group undertakings	16	-	-	2,403	2,263
Other assets	17	619	621	436	479
<b>Total assets</b>		<b>168,371</b>	<b>183,166</b>	<b>136,288</b>	<b>152,937</b>
<b>Liabilities</b>					
Bank deposits	9	8,501	4,565	7,650	4,069
Customer deposits	9	7,161	4,840	2,824	2,350
Amounts due to holding company and fellow subsidiaries	31	6,068	6,771	8,278	10,757
Settlement balances	9	932	1,729	501	444
Trading liabilities	12	48,847	54,512	25,916	30,130
Derivatives	13	53,977	72,036	52,166	70,016
Other financial liabilities	18	35,453	31,263	31,740	27,966
Other liabilities	20	469	521	333	386
<b>Total liabilities</b>		<b>161,408</b>	<b>176,237</b>	<b>129,408</b>	<b>146,118</b>
Owners' equity	21	6,963	6,929	6,880	6,819
Non-controlling interests		-	-	-	-
<b>Total equity</b>		<b>6,963</b>	<b>6,929</b>	<b>6,880</b>	<b>6,819</b>
<b>Total liabilities and equity</b>		<b>168,371</b>	<b>183,166</b>	<b>136,288</b>	<b>152,937</b>

Owners' equity of NWM Plc as at 31 December 2025 includes the profit for the year of £265 million (2024 loss - £33 million).

The accounts were approved by the Board of directors on 12 February 2026 and signed on its behalf by:

Tamsin Rowe  
Interim Chair

Jonathan Peberdy  
Chief Executive Officer

Simon Lowe  
Chief Financial Officer

NatWest Markets Plc  
Registration No. SC090312



# Statement of changes in equity

for the year ended 31 December 2025

	Note	NWM Group		NWM Plc	
		2025 £m	2024 £m	2025 £m	2024 £m
<b>Called-up share capital - at 1 January and 31 December</b>	21	<b>400</b>	400	<b>400</b>	400
<b>Paid-in equity - at 1 January</b>		<b>1,496</b>	904	<b>1,496</b>	904
Redeemed		(904)	-	(904)	-
Issued		600	592	600	592
At 31 December	21	<b>1,192</b>	1,496	<b>1,192</b>	1,496
<b>Share premium account - at 1 January and 31 December</b>		<b>1,946</b>	1,946	<b>1,946</b>	1,946
<b>Merger reserve - at 1 January</b>		<b>(11)</b>	(14)	-	-
Amortisation		3	3	-	-
At 31 December		<b>(8)</b>	(11)	-	-
<b>FVOCI reserve - at 1 January</b>		<b>25</b>	13	<b>9</b>	-
Unrealised gains		17	20	14	14
Realised losses/(gains)		1	(5)	2	(2)
Tax		(6)	(3)	(6)	(3)
At 31 December		<b>37</b>	25	<b>19</b>	9
<b>Cash flow hedging reserve - at 1 January</b>		<b>(177)</b>	(164)	<b>(204)</b>	(187)
Amount recognised in equity (1)		(102)	(299)	(87)	(290)
Reclassification of OCI to P&L (2)		229	270	235	257
Tax		(41)	16	(41)	16
At 31 December		<b>(91)</b>	(177)	<b>(97)</b>	(204)
<b>Foreign exchange reserve - at 1 January</b>		<b>87</b>	100	<b>(142)</b>	(157)
Retranslation of net assets		(27)	(98)	(100)	(14)
Foreign currency gains/(losses) on hedges of net assets		19	15	49	(7)
Recycled to profit or loss on disposal of businesses		31	70	76	36
At 31 December		<b>110</b>	87	<b>(117)</b>	(142)
<b>Retained earnings - at 1 January</b>		<b>3,163</b>	3,195	<b>3,314</b>	3,407
Profit attributable to ordinary shareholders and other equity owners		275	53	265	(33)
Paid-in equity dividends paid		(108)	(73)	(108)	(73)
Redemption/reclassification of paid-in equity		59	-	59	-
Realised gains/(losses) in period on FVOCI equity shares					
- gross		1	4	-	1
- tax		(6)	8	(6)	8
Remeasurement of the retirement benefit schemes					
- gross		5	(13)	5	(13)
- tax		(1)	16	(1)	16
Changes in fair value of financial liabilities designated at FVTPL due to changes in credit risk					
- gross		(17)	(33)	-	(8)
- tax		-	2	-	2
Share-based payments					
- gross		-	(3)	-	(3)
- tax		7	10	7	10
Amortisation of merger reserve		(3)	(3)	-	-
Sharing in success		2	-	2	-
At 31 December		<b>3,377</b>	3,163	<b>3,537</b>	3,314
<b>Owners' equity at 31 December</b>		<b>6,963</b>	6,929	<b>6,880</b>	6,819

## Statement of changes in equity for the year ended 31 December 2025 continued

	NWM Group		NWM Plc	
	2025	2024	2025	2024
	£m	£m	£m	£m
<b>Non-controlling interests - at 1 January</b>	-	(2)	-	-
Currency translation adjustments and other movements	-	(1)	-	-
Profit attributable to non-controlling interests	-	10	-	-
Dividends paid	-	(7)	-	-
At 31 December	-	-	-	-
<b>Total equity at 31 December</b>	<b>6,963</b>	6,929	<b>6,880</b>	6,819
<b>Attributable to:</b>				
Ordinary shareholders	<b>5,771</b>	5,433	<b>5,688</b>	5,323
Paid-in equity holders	<b>1,192</b>	1,496	<b>1,192</b>	1,496
	<b>6,963</b>	6,929	<b>6,880</b>	6,819

(1) The change in the cash flow hedging reserve is driven by realised accrued interest transferred into the income statement.

(2) The amount transferred from equity to the income statement is mostly recorded within net interest income mainly within loans to banks and customers – amortised costs, balances at central banks. Refer to Note 13.

# Cash flow statement

for the year ended 31 December 2025

	Note	NWM Group		NWM Plc	
		2025 £m	2024 £m	2025 £m	2024 £m
<b>Cash flows from operating activities</b>					
Operating profit/(loss) before tax		<b>160</b>	37	<b>186</b>	(32)
<b>Adjustments for:</b>					
Non-cash and other items	26	<b>(1,001)</b>	143	<b>(895)</b>	(104)
Changes in operating assets and liabilities	26	<b>(1,731)</b>	(226)	<b>(1,864)</b>	(51)
Income taxes received/(paid)		<b>96</b>	(89)	<b>108</b>	(81)
<b>Net cash flows from operating activities (1)</b>		<b>(2,476)</b>	(135)	<b>(2,465)</b>	(268)
<b>Cash flows from investing activities</b>					
Sale and maturity of other financial assets		<b>9,568</b>	5,711	<b>8,623</b>	4,622
Purchase of other financial assets		<b>(10,645)</b>	(8,020)	<b>(9,833)</b>	(7,364)
Income received on other financial assets		<b>913</b>	971	<b>871</b>	882
Additional investment in associates		-	(1)	-	(1)
Dividends received from subsidiaries		-	-	<b>98</b>	94
Sale of property, plant and equipment		-	8	-	-
Purchase of property, plant and equipment		<b>(1)</b>	(2)	<b>(1)</b>	(1)
<b>Net cash flows from investing activities</b>		<b>(165)</b>	(1,333)	<b>(242)</b>	(1,768)
<b>Cash flows from financing activities</b>					
Issue of paid-in equity		<b>600</b>	592	<b>600</b>	592
Redemption of paid-in equity		<b>(845)</b>	-	<b>(845)</b>	-
Issue of subordinated liabilities		-	918	-	918
Redemption of subordinated liabilities		-	(814)	-	(814)
Interest paid on subordinated liabilities		<b>(69)</b>	(91)	<b>(67)</b>	(82)
Issue of MRELS		<b>978</b>	1,680	<b>978</b>	1,680
Maturity of MRELS		<b>(874)</b>	(433)	<b>(874)</b>	(433)
Interest paid on MRELS		<b>(239)</b>	(179)	<b>(239)</b>	(179)
Dividends paid		<b>(108)</b>	(80)	<b>(108)</b>	(73)
<b>Net cash flows from financing activities</b>		<b>(557)</b>	1,593	<b>(555)</b>	1,609
Effects of exchange rate on cash and cash equivalents		<b>319</b>	(532)	<b>114</b>	(291)
<b>Net decrease in cash and cash equivalents</b>		<b>(2,879)</b>	(407)	<b>(3,148)</b>	(718)
Cash and cash equivalents at 1 January		<b>24,536</b>	24,943	<b>16,270</b>	16,988
<b>Cash and cash equivalents at 31 December (2)</b>	28	<b>21,657</b>	24,536	<b>13,122</b>	16,270

- (1) NWM Group includes interest received of £2,598 million (2024 - £2,658 million) and interest paid of £2,093 million (2024 - £2,233 million), and NWM Plc includes interest received of £2,521 million (2024 - £2,397 million) and interest paid of £2,046 million (2024 - £2,056 million).
- (2) Cash and cash equivalents comprise loans and advances due from the holding company and fellow subsidiaries with an original maturity of less than three months for 2025 and 2024.

# Accounting policies

## 1. Presentation of financial statements

NatWest Markets Plc (NWM Plc) is incorporated in the UK and registered in Scotland. The financial statements are presented in the functional currency, pounds sterling.

The audited financial statements include these accounting policies, the accompanying notes to the financial statements on pages 86 to 149 and the audited sections of the Risk and capital management section on pages 18 to 60 which together form an integral part of the primary financial statements.

The directors have prepared the financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved (see the Report of the directors) and in accordance with UK-adopted IAS, and IFRS, as issued by the IASB. The critical and material accounting policies and related judgements are set out below.

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

The effect of the amendments to IFRS Accounting Standards effective from 1 January 2025 on our financial statements was immaterial.

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

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

A subsidiary is included in the consolidated financial statements at fair value on acquisition from the date it is controlled by us until the date we cease to control it through a sale or a significant change in circumstances. Changes in our interest in a subsidiary that do not result in us ceasing to control that subsidiary are accounted for as equity transactions.

## How Climate risk affects our accounting judgements and estimates

### Business planning

Key financial estimates are based on management's latest five-year revenue and cost forecasts. The outputs from this forecast affect forward-looking accounting estimates. Measurement of deferred tax and expected credit losses are highly sensitive to reasonably possible changes in those anticipated conditions. In 2025, scenario planning was enhanced by the further integration of NatWest Group's (including NWM Group) climate transition plan, including the assessment of climate-related risks and opportunities.

- The climate transition plan includes an assessment of:
  - o Changes in products, services and business operations to support customer transition towards net zero.
  - o Financial impacts of supporting customer transition, including investment required. The linkage between the financial plan and the climate transition plan will continue to be developed and refreshed annually as part of the financial planning cycle.
  - o The impact of UK Government policies. To estimate the impact of current UK Government policy on the climate transition plan, NatWest Group developed a progress-adjusted scenario. NatWest Group use the UK CCC's Seventh Carbon Budget Report's sectoral balanced pathways and apply estimated time delays based on the credibility assessment of policies from the UK CCC's June 2025 Progress Report.

There remains considerable uncertainty in the climate policy environment, shaped by geopolitical developments and wider uncertainty over how the climate will evolve and how and when governments, regulators, businesses, investors and customers will respond

### Information used in other accounting estimates

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

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

## 2. Critical accounting policies

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

### Information used for significant estimate

Policy	Judgement	Estimate	Further information
Deferred tax	Determination of whether sufficient sustainable taxable profits will be generated in future years to recover the deferred tax asset.	Our estimates are based on the five-year revenue and cost forecasts (which include inherent uncertainties).	Note 7
Fair value – financial instruments	Classification of a fair value instrument as level 3, where the valuation is driven by unobservable inputs.	Estimation of the fair value, where it is reasonably possible to have alternative assumptions in determining the FV.	Note 10
Provisions for liabilities and charges	Determination of whether a present obligation exists in respect of customer redress, litigation and other regulatory, property and other provisions. Legal proceedings often require a high degree of judgement and these are likely to change as the matter progresses.	Provisions remain sensitive to the assumptions used in the estimate. We consider a wide range of possible outcomes. It is often not practical to meaningfully quantify ranges of possible outcomes, given the uncertainties involved.	Note 20

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

### 2.1. Deferred tax

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

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

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

### 2.2. Fair value – financial instruments

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

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

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

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

### 2.3. Provisions for liabilities and charges

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

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

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

### 3. Material accounting policies

#### 3.1. Revenue recognition

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

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value and is reported in income from trading activities or other operating income as relevant. Fees in respect of customer services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable. Fees in respect of services to fellow subsidiaries reflect relative contribution determined using a share of profits, and the most likely value is recognised throughout the year taking account of whether a reversal of cumulative income may occur.

#### 3.2. Staff costs

Employee costs, such as salaries, paid absences, and other benefits are recognised over the period in which the employees provide the related services to us. Employees may receive variable compensation in cash, in deferred cash or debt instruments of NWM Group or in ordinary shares of NatWest Group plc subject to deferral, clawback and forfeiture criteria. We operate a number of share-based compensation schemes under which we grant awards of NatWest Group plc shares and share options to our employees. Such awards are subject to vesting conditions.

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

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

##### Defined contribution pension scheme

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

##### Defined benefit pension scheme

A scheme that defines the benefit an employee will receive on retirement and is dependent on one or more factors such as age, salary, and years of service. The net of the recognisable scheme assets and obligations is reported on the balance sheet in other assets or other liabilities. The defined benefit obligation is measured on an actuarial basis. The charge to the income statement for pension costs (mainly the service cost and the net interest on the net defined benefit asset or liability) is recognised in operating expenses.

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

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

We recognise a liability where a minimum funding requirement exists for any of our defined benefit pension schemes. This reflects agreed minimum funding and the availability of a net surplus as described above. When estimating the liability for minimum funding requirements we only include contributions that are substantively or contractually agreed and do not include contingent and discretionary features, including dividend-linked contributions or contributions subject to contingent events requiring future verification.

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

#### 3.3. Foreign currencies

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

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

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



### 3. Material accounting policies continued

#### 3.4. Tax

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

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

#### 3.5. Financial instruments

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

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

- **amortised cost** measured at cost using the effective interest rate method, less any impairment allowance;
- **fair value through other comprehensive income (FVOCI)** measured at fair value, using the effective interest rate method and changes in fair value through other comprehensive income;
- **mandatory fair value through profit or loss (MFVTPL)** measured at fair value and changes in fair value reported in the income statement; or
- **designated at fair value through profit or loss (DFV) (held for trading)** measured at fair value and changes in fair value reported in the income statement.

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

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

The contractual terms of a financial asset; any leverage features; prepayment and extension terms; and discounts or penalties to interest rates that are part of meeting environmental, social and governance targets as well as other contingent and leverage features, non-recourse arrangements and features that could modify the timing and/or amount of the contractual cash flows that might reset the effective rate of interest; are considered in determining whether cash flows are solely payments of principal and interest.

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

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

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

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

Financial liabilities are classified into one of following measurement categories:

- **amortised cost** measured at cost using the effective interest rate method;
- **held for trading** measured at fair value and changes in fair value reported in income statement; or
- **designated at fair value through profit or loss** measured at fair value and changes in fair value reported in the income statement except changes in fair value attributable to the credit risk component recognised in other comprehensive income when no accounting mismatch occurs.

#### 3.6. Financial guarantee contracts

Under a financial guarantee contract, we, in return for a fee, undertake to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. A financial guarantee not designated as fair value through profit or loss is recognised as a liability; initially at fair value and subsequently at the higher of its initial value less cumulative amortisation and any provision under the contract measured in accordance with our ECL accounting policy. Amortisation is calculated to recognise fees receivable in the income statement over the period of the guarantee. A separate asset is recognised in respect of fees receivable for provision of the financial guarantee.

Purchased financial guarantees are considered to be integral, and fully adjust the covered debt instrument expected credit loss provision, only where the guarantee is contemplated at the inception of the debt instrument and is entered into within a reasonable timeframe.

#### 3.7. Netting

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

### 3. Material accounting policies continued

#### 3.8. Capital instruments

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

#### 3.9. Derivatives and hedging

Derivatives are reported on the balance sheet at fair value.

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

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

##### Hedge accounting

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

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

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

We enter into three types of hedge accounting relationships.

##### Fair value hedge

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

##### Cash flow hedge

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

##### Hedge of net investment in a foreign operation

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

##### Discontinuation of hedge accounting

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

For fair value hedging any cumulative adjustment is amortised to the income statement over the life of the hedged item. Where the hedged item is no longer on the balance sheet the adjustment to the hedged item is reported in the income statement.

For cash flow hedging the cumulative unrealised gain or loss is reclassified from equity to the income statement when the hedged cash flows occur or, if the forecast transaction results in the recognition of a financial asset or financial liability, when the hedged forecast cash flows affect the income statement. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is reclassified from equity to the income statement immediately.

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

#### 3.10. Investment in Group undertakings

Our investments in Group undertakings (subsidiaries) are stated at cost less any impairment.

#### 3.11. Loan impairment provisions: expected credit losses (ECL)

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

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

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

The measurement of expected credit loss considers the ability of borrowers to make payments as they fall due. Future cashflows are discounted, so long-dated cashflows are less likely to affect current expectations on credit loss. Our assessment of sector-specific risks, and whether additional adjustments are required, includes expectations on the ability of those sectors to meet their financing needs in the market.

### 3. Material accounting policies continued

Changes in credit stewardship and credit risk appetite that stem from climate transition policies may directly affect our positions.

Judgement is exercised as follows:

- **Non-modelled portfolios** - under IFRS 9, there are bespoke treatments for the identification of significant increase in credit risk. Benchmark PDs, EADs and LGDs are reviewed annually for appropriateness. The ECL calculation is based on expected future cash flows, which is typically applied at a portfolio level.
- **Multiple economic scenarios (MES)** – the central, or base, scenario is most critical to the ECL calculation, independent of the method used to generate a range of alternative outcomes and their probabilities.
- **Significant increase in credit risk** - IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the current probability of default over the remaining lifetime) with the equivalent lifetime PD as determined at the date of initial recognition.

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

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

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

Uncollateralised impaired business loans are generally written off within five years.

### 4. Future accounting developments

#### International Financial Reporting Standards

##### Effective 1 January 2026

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

##### Effective 1 January 2027

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

We are assessing the effect of adopting the accounting developments effective from 1 January 2027 on our financial statements and have largely completed a similar assessment for the Amendments to IFRS 9 and IFRS 7 effective from 1 January 2026. We do not expect any to have a material impact on our financial performance or position, although IFRS 18 may have an impact on presentation and disclosure.

# Notes to the consolidated financial statements

## 1 Net interest income

	2025 £m	2024 £m
Balances at central banks and loans to banks - amortised cost	495	640
Loans to customers - amortised cost	1,152	1,005
Amounts due from holding company and fellow subsidiaries	4	9
Other financial assets	934	1,066
Interest receivable	2,585	2,720
Bank deposits	241	163
Customer deposits	217	302
Amounts due to holding company and fellow subsidiaries	351	369
Other financial liabilities	1,288	1,454
Interest payable	2,097	2,288
Net interest income	488	432

Interest income on financial instruments measured at amortised cost, debt instruments classified as FVOCI and the interest element of the effective portion of any designated hedging relationships are measured using the effective interest rate method, which allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows. Interest income on financial assets is presented in interest receivable, interest expense on financial liabilities is presented in interest payable.

For accounting policy information refer to Accounting policy 3.1.

## 2 Non-interest income

	2025 £m	2024 £m
<b>Analysis of net fees and commissions</b>		
<b>Fees and commissions receivable</b>		
- Lending and financing	101	118
- Brokerage	49	45
- Underwriting fees	159	154
- Other	108	159
<b>Total</b>	<b>417</b>	<b>476</b>
Fees and commissions payable	(188)	(213)
<b>Net fees and commissions</b>	<b>229</b>	<b>263</b>
<b>Income from trading activities</b>		
Foreign exchange	327	204
Interest rate	267	542
Credit	63	(152)
Changes in fair value of own debt and derivative liabilities attributable to own credit risk		
- debt securities in issue and derivative liabilities	1	(9)
	658	585
<b>Other operating income</b>		
Changes in fair value of financial assets and liabilities at DFV (1)	(134)	(132)
Dividend income	59	9
Foreign exchange recycling losses (2)	(30)	(70)
Other income (3)	201	150
	96	(43)
<b>Total</b>	<b>983</b>	<b>805</b>

(1) Includes related derivatives.

(2) Foreign exchange reserves recycling arising from capital and funding actions during the year.

(3) Other income includes a profit share agreement with fellow NatWest Group subsidiaries that rewards NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment.

For accounting policy information refer to Accounting policies 3.1, 3.3, 3.5 and 3.9.

### 3 Operating expenses

	2025 £m	2024 £m
Salaries and other staff costs	299	289
Temporary and contract costs	21	11
Social security costs	49	43
Bonus awards	122	105
Pension costs	15	4
- defined benefit schemes (see Note 5)	(9)	(19)
- defined contribution schemes	24	23
Staff costs	506	452
Premises and equipment	79	75
Depreciation and amortisation	12	10
Other administrative expenses (1,2)	711	671
Administrative expenses	802	756
	1,308	1,208

(1) Includes £642 million (2024 - £543 million) recharges from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.

(2) Includes litigation and other regulatory costs. Further details are provided in Note 20.

For accounting policy information refer to Accounting policy 3.2.

The average number of persons employed during the year, excluding temporary staff and rounded to the nearest hundred, was 1,700 (2024 - 1,700). The number of persons employed by NWM Group at 31 December 2025, excluding temporary staff and rounded to the nearest hundred, was as follows:

	2025	2024
UK	900	1,000
USA	300	300
Rest of the World	400	400
Total	1,600	1,700

#### Bonus awards

	2025 £m	2024 £m	Change %
Deferred cash awards (1)	93	86	8%
Deferred share awards	25	29	(14%)
Total bonus awards (2)	118	115	3%

	2025 £m	2024 £m
<b>Reconciliation of bonus awards to income statement charge</b>		
Bonuses awarded	118	115
Less: deferral of charge for amounts awarded for current year	(43)	(44)
<b>Income statement charge for amounts awarded in current year</b>	<b>75</b>	<b>71</b>
Add: current year charge for amounts deferred from prior years	49	35
Less: forfeiture of amounts deferred from prior years	(2)	(1)
<b>Income statement charge for amounts deferred from prior years</b>	<b>47</b>	<b>34</b>
Income statement charge for bonus awards (2)	122	105

(1) Includes March cash awards which are limited to £2,000 for all employees and are paid in the March following the balance sheet date.

(2) Excludes other performance related compensation.

## 4 Geographical segment analysis

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

2025	UK £m	USA £m	Europe £m	RoW £m	Total £m
Total revenue	2,844	294	529	89	3,756
Interest receivable	2,256	23	299	7	2,585
Interest payable	(1,822)	(48)	(225)	(2)	(2,097)
Fees and commissions receivable	-	142	222	53	417
Fees and commissions payable	(164)	-	(24)	-	(188)
Income from trading activities	462	136	31	29	658
Other operating income	126	(7)	(23)	-	96
Total income	858	246	280	87	1,471
Operating (loss)/profit before tax	(54)	99	79	36	160
Total assets	112,207	22,924	32,819	421	168,371
Total liabilities	116,770	21,413	23,084	141	161,408
Contingent liabilities and commitments (1)	8,273	-	7,510	-	15,783
2024					
Total revenue	2,725	297	625	91	3,738
Interest receivable	2,238	32	438	12	2,720
Interest payable	(1,900)	(63)	(323)	(2)	(2,288)
Fees and commissions receivable	73	134	213	56	476
Fees and commissions payable	(161)	(26)	(25)	(1)	(213)
Income from trading activities	414	135	13	23	585
Other operating income	-	(4)	(39)	-	(43)
Total income	664	208	277	88	1,237
Operating (loss)/profit before tax	(195)	75	112	45	37
Total assets	123,458	25,793	32,984	931	183,166
Total liabilities	128,675	23,495	23,449	618	176,237
Contingent liabilities and commitments (1)	8,356	-	6,453	1	14,810

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



## 5 Pensions

### Defined contribution schemes

NWM Group sponsors a number of defined contribution pension schemes in different territories, which new employees are offered the opportunity to join.

### Defined benefit schemes

NWM Group sponsors a number of pension schemes in the UK and overseas, including the AA and NatWest Markets (NWM) sections of the NatWest Group Pension Fund which operate under UK trust law and are managed and administered on behalf of their members in accordance with the terms of the trust deed, the scheme rules and UK legislation.

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

The schemes generally provide a pension of one-sixtieth of final pensionable salary for each year of service prior to retirement up to a maximum of 40 years and are contributory for current members. These have been closed to new entrants since 2006, although active members continue to build up additional pension benefits, currently subject to 2% maximum annual pensionable salary inflation, while they remain employed by NWM Group.

The corporate trustee is NatWest Pension Trustee Limited (the Trustee), a wholly owned subsidiary of NWB Plc. The Board of the Trustee includes member trustee directors selected from eligible active staff, deferred and pensioner members who apply and trustee directors appointed by NatWest Group. Under UK legislation, a defined benefit pension scheme is required to meet the statutory funding objective of having sufficient and appropriate assets to cover its liabilities (the pensions that have been promised to members).

### Investment strategy

The assets of the AA section represent 79% of all plan assets at 31 December 2025 (2024 – 79% of plan assets) and are invested as shown below.

The AA section now comprises largely of a buy-in insurance policy, following a transaction in 2023. This insurance transaction saw a premium paid to an insurer in exchange for a buy-in insurance contract. The contract provides a stream of cashflows to the Trustee replicating payments due to members, thereby passing material demographic and market risk to the insurer.

At 31 December 2025, the AA section included a buy-in insurance contract covering around 99% of the liabilities.

The premium was determined by the insurer using its pricing basis. Under IAS 19, the value placed on this asset mirrors the valuation of the defined benefit obligations covered, incorporating an assessment of credit risk. The value of the buy-in insurance contract moves in line with movements in the defined benefit obligations covered, meaning that the scheme is protected against demographic and market risk.

The NWM section employs physical, derivative and non-derivative instruments to achieve a desired asset class exposure and to reduce the scheme's interest rate, inflation and currency risk. This means that the net funding position is considerably less sensitive to changes in market conditions than the value of the assets or liabilities in isolation. In particular, the Trustee hedges movements in interest rates and inflation.

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

Major classes of plan assets as a percentage of total plan assets of the AA section	2025			2024		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Corporate and other bonds	0.8	1.5	2.3	1.6	1.9	3.5
Buy-in insurance contracts	-	75.3	75.3	-	77.5	77.5
Equities	11.8	0.6	12.4	-	0.8	0.8
Cash and other assets	-	10.0	10.0	-	18.2	18.2
	12.6	87.4	100.0	1.6	98.4	100.0

## 5 Pensions continued

The schemes do not invest directly in NWM Group but can have exposure to NWM Group. The trustees are responsible for ensuring that indirect investments in NWM Group do not exceed the 5% regulatory limit.

	AA section			All schemes <sup>(3)</sup>			
	Fair value of plan assets £m	Present value of defined benefit obligation <sup>(1)</sup> £m	Net pension asset/ (liability) £m	Fair value of plan assets £m	Present value of defined benefit obligation <sup>(1)</sup> £m	Asset ceiling/ minimum funding <sup>(2)</sup> £m	Net pension asset/ (liability) £m
<b>Changes in value of net pension asset/(liability)</b>							
At 1 January 2024	691	(551)	140	870	(722)	(65)	83
Currency translation and other adjustments	-	-	-	-	-	-	-
Income statement - operating expenses	32	(27)	5	41	(19)	(3)	19
Other comprehensive income	(58)	51	(7)	(83)	49	21	(13)
Contributions by employer	3	-	3	8	-	-	8
Benefits paid	(26)	26	-	(26)	36	-	10
Transfers to/from fellow subsidiaries	-	-	-	(1)	1	-	-
At 1 January 2025	<b>642</b>	<b>(501)</b>	<b>141</b>	<b>809</b>	<b>(655)</b>	<b>(47)</b>	<b>107</b>
Currency translation and other adjustments	-	-	-	(2)	4	-	2
<b>Income statement - operating expenses</b>							
Net interest expense	35	(27)	8	44	(35)	(3)	6
Gain on curtailments	-	-	-	-	5	-	5
Current service cost	-	(1)	(1)	-	(2)	-	(2)
	<b>35</b>	<b>(28)</b>	<b>7</b>	<b>44</b>	<b>(32)</b>	<b>(3)</b>	<b>9</b>
<b>Other comprehensive income</b>							
Return on plan assets excluding recognised interest income	(1)	-	(1)	(6)	-	-	(6)
Experience gains and losses	-	(4)	(4)	-	(4)	-	(4)
Effect of changes in actuarial financial assumptions	-	15	15	-	22	-	22
Effect of changes in demographic assumptions	-	(3)	(3)	-	(3)	-	(3)
Asset ceiling adjustments	-	-	-	-	-	(4)	(4)
	<b>(1)</b>	<b>8</b>	<b>7</b>	<b>(6)</b>	<b>15</b>	<b>(4)</b>	<b>5</b>
Contributions by employer <sup>(4)</sup>	1	-	1	6	-	-	6
Benefits paid	(29)	29	-	(33)	37	-	4
Transfers to/from fellow subsidiaries	-	-	-	1	(1)	-	-
At 31 December 2025	<b>648</b>	<b>(492)</b>	<b>156</b>	<b>819</b>	<b>(632)</b>	<b>(54)</b>	<b>133</b>

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

(2) In recognising the net surplus or deficit of a pension scheme, the funded status of each scheme is adjusted to reflect any minimum funding requirement imposed on the sponsor and any ceiling on the amount that the sponsor has an unconditional right to recover from a scheme.

(3) Includes the NWM Section which has a net pension asset of £nil at 31 December 2025 (2024 - net pension asset of £nil). This scheme has plan assets of £156 million, a defined benefit obligation of £101 million and an asset ceiling adjustment of £55 million (2024 - £149 million, £101 million and £48 million respectively).

(4) NWM Group expects to make contributions to the AA section of £1 million and to the NWM section of £1 million in 2026.

	All schemes	
	2025 £m	2024 £m
<b>Amounts recognised on the balance sheet</b>		
Fund asset at fair value	819	809
Present value of fund liabilities	(632)	(655)
Funded status	187	154
Assets ceiling/minimum funding	(54)	(47)
	<b>133</b>	<b>107</b>
<b>Net pension asset/(liability) comprises</b>		
Net assets of schemes in surplus (included in Other assets, Note 17)	160	146
Net liabilities of schemes in deficit (included in Other liabilities, Note 20)	(27)	(39)
	<b>133</b>	<b>107</b>

## 5 Pensions continued

### Funding and contributions by NWM Group

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

The triennial funding valuation of the AA and NWM sections as at 31 December 2023 was completed during 2024. This determined the funding level to be 121% and 129% respectively, based on pension liabilities of £641 million and £125 million.

The key assumptions used to determine the uninsured funding liabilities were the discount rate, which is determined based on a gilt yield curve plus 0.4% per annum, and mortality assumptions, which result in life expectancies of 27.8/29.9 years for AA section male/female pensioners who were age 60 and 29.8/31.5 years from age 60 for AA section males/females who were aged 40 at the valuation date.

### Accounting assumptions

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

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

	Principal IAS 19 actuarial assumptions	
	2025	2024
	%	%
Discount rate	5.7	5.6
Inflation assumption (RPI)	2.9	3.2
Rate of increase in deferred pensions	2.3	2.7
Rate of increase in pensions in payment	2.8	2.9
Lump sum conversion rate at retirement	15.0	15.0
Longevity at age 60:	years	years
Current pensioners		
Males	27.6	27.2
Females	29.5	29.3
Future pensioners, currently aged 40		
Males	29.2	28.9
Females	30.7	30.6

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

### Discount rate

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

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

## 5 Pensions continued

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

	(Decrease) increase in value of assets £m	(Decrease) increase in value of liabilities £m	Increase in net pension (obligations)/ assets £m
<b>2025</b>			
0.5% increase in interest rates/discount rate	(27)	(27)	-
0.25% increase in inflation	11	11	-
0.5% increase in credit spreads	(27)	(27)	-
Longevity increase of one year	18	18	-
0.25% additional rate of increase in pensions in payment	13	13	-
Increase in equity values of 10% (1)	8	na	8
<b>2024</b>			
0.5% increase in interest rates/discount rate	(28)	(28)	-
0.25% increase in inflation	10	10	-
0.5% increase in credit spreads	(28)	(28)	-
Longevity increase of one year	18	18	-
0.25% additional rate of increase in pensions in payment	13	13	-
Increase in equity values of 10% (1)	1	n/a	1

(1) Includes both quoted and private equity.

Note the longevity sensitivities quoted above reflect the impact of a one-year increase to single life annuities. As can be seen from the table above, the funded status of the AA section is no longer sensitive to credit spreads and longevity, because the insured asset value moves in line with the underlying liabilities.

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

	<b>2025</b>	2024
<b>Membership category</b>	<b>%</b>	<b>%</b>
Active members	-	-
Deferred members	28.8	47.8
Pensioners and dependants	71.2	52.2
	<b>100.0</b>	<b>100.0</b>

The experience history of the AA section is shown below:

	<b>2025</b>	2024
<b>Experience history of defined benefit schemes</b>	<b>£m</b>	<b>£m</b>
Fair value of plan assets	648	642
Present value of plan obligations	(492)	(501)
Net surplus	156	141
Experience gains/(losses) on plan liabilities	(4)	5
Experience losses on plan assets	(1)	(58)
Actual return on plan assets	34	(26)
Actual return on plan assets	5.2%	(3.6%)

## 6 Auditor's remuneration

Amounts payable to the NWM Group's auditors for statutory audit and other services are set out below:

	2025 £m	2024 £m
Fees payable for:		
- the audit of the NWM Group's annual accounts	7.7	7.2
- the audit of NWM Plc's subsidiaries	4.7	4.6
- audit-related assurance services	1.5	1.5
Total audit and audit-related assurance services fees	13.9	13.3
Corporate finance services	0.4	0.3
Total other services	0.4	0.3

Fees payable to the auditor for non-audit services are disclosed in the consolidated financial statements of NatWest Group plc.

## 7 Tax

	2025 £m	2024 £m
<b>Current tax</b>		
Credit/(charge) for the year	21	(56)
Over/(under) provision in respect of prior years	45	(19)
	66	(75)
<b>Deferred tax</b>		
(Charge)/credit for the year	(9)	54
Net increase in the carrying value of deferred tax assets in respect of losses	58	50
Under provision in respect of prior years	-	(3)
<b>Tax credit for the year</b>	<b>115</b>	<b>26</b>

Current tax for the year ended 31 December 2025 is based on rates of 25% for the standard rate of UK corporation tax and 3% for the UK banking surcharge.

The actual tax credit differs from the expected tax charge, computed by applying the standard rate of UK corporation tax of 25% (2024 – 25%), as follows:

	2025 £m	2024 £m
<b>Expected tax charge</b>	<b>(40)</b>	<b>(9)</b>
Losses and temporary differences in year where no deferred tax asset recognised	-	(3)
Foreign profits and losses taxed at other rates	(10)	(7)
Items not allowed for tax:		
- losses on disposal and write-downs	-	(17)
- UK bank levy	(6)	(6)
- regulatory and legal actions	8	(25)
- other disallowable items	(5)	-
Non-taxable items:		
- foreign exchange recycling on capital reduction	10	-
- RPI related uplift on index linked gilts	8	18
- dividends	15	-
- other non-taxable items	3	9
Unrecognised losses brought forward and utilised	17	18
Increase in the carrying value of deferred tax assets in respect of:		
- Netherlands losses	58	50
Banking surcharge	4	2
Redemption of AT1 (paid-in-equity) capital notes	(19)	-
Tax on AT1 (paid-in equity) dividends	27	18
Adjustments in respect of prior years (1)	45	(22)
<b>Actual tax credit</b>	<b>115</b>	<b>26</b>

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

## 7 Tax continued

### Judgement: tax contingencies

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

For accounting policy information refer to Accounting policies 2.1 and 3.4.

### Deferred tax

	NWM Group		NWM Plc	
	2025 £m	2024 £m	2025 £m	2024 £m
Deferred tax asset (included in Other assets, Note 17)	187	172	52	87
Deferred tax liability (included in Other liabilities, Note 20)	(42)	(37)	(40)	(35)
Net deferred tax asset	145	135	12	52

Net deferred tax asset comprised:

	NWM Group						Total £m
	Pension £m	Accelerated capital allowances £m	Expense provisions £m	Financial instruments (1) £m	Tax losses carried forward £m	Other £m	
At 1 January 2024	(47)	(58)	8	33	55	10	1
(Charge)/credit to income statement	(1)	59	(2)	12	31	2	101
Credit to other comprehensive income	15	-	-	14	-	8	37
Currency translation and other adjustments	(1)	-	-	-	(3)	-	(4)
At 31 December 2024	(34)	1	6	59	83	20	135
(Charge)/credit to income statement	(3)	-	1	9	44	(2)	49
(Charge)/credit to other comprehensive income	(2)	-	-	(46)	-	3	(45)
Currency translation and other adjustments	1	-	-	-	5	-	6
At 31 December 2025	(38)	1	7	22	132	21	145

	NWM Plc						Total £m
	Pension £m	Accelerated capital allowances £m	Expense provisions £m	Financial instruments (1) £m	Other £m		
At 1 January 2024	(47)	(56)	8	35	11		(49)
(Charge)/credit to income statement	(1)	57	(1)	9	(1)		63
Credit to other comprehensive income	15	-	-	15	8		38
At 31 December 2024	(33)	1	7	59	18		52
(Charge)/credit to income statement	(3)	-	-	10	(2)		5
(Charge)/credit to other comprehensive income	(2)	-	-	(46)	3		(45)
At 31 December 2025	(38)	1	7	23	19		12

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

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

	2025 £m	2024 £m
Overseas tax losses carried forward		
- NWM N.V.	132	83
Total	132	83



## 7 Tax continued

### Critical accounting policy: Deferred tax

The deferred tax asset of £187 million as at 31 December 2025 (2024 - £172 million) principally comprises losses which arose in the Netherlands, and temporary differences. These deferred tax assets are recognised to the extent that it is probable that there will be future taxable profits to recover them.

**Judgement** - NWM Group has considered the carrying value of deferred tax assets and management considers that sufficient sustainable taxable profits will be generated in future years to recover the remaining deferred tax asset.

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

### UK tax losses

Under UK tax rules, tax losses can be carried forward indefinitely. As the recognised tax losses in NWM Plc arose prior to 1 April 2015, credit in future periods is given against 25% of profits at the main rate of UK corporation tax, excluding the Banking Surcharge rate.

**NWM Plc** - Losses of £5,553 million have not been recognised in the deferred tax balance at 31 December 2025.

### Overseas tax losses

**NWM N.V.** – A deferred tax asset of £132 million (2024 - £83 million) has been recognised in respect of losses and tax credits of £512 million of total losses of £2,371 million carried forward at 31 December 2025. NWM N.V. expects the deferred tax asset to be utilised against future taxable profits by the end of 2032. The tax losses and tax credits have no expiry date.

### Unrecognised deferred tax

Deferred tax assets of £3,291 million (2024 - £3,455 million) have not been recognised in respect of tax losses and other deductible temporary differences carried forward of £11,928 million (2024 - £12,365 million) in jurisdictions where doubt exists over the availability of future taxable profits. Of these losses and other deductible temporary differences, £4,176 million expire after ten years. The balance of tax losses and other deductible temporary differences carried forward has no expiry date.

There are no unrecognised temporary timing differences or deferred tax liabilities in respect of retained earnings of overseas subsidiaries and held-over gains on the incorporation of certain overseas branches.

## 8 Profit/(loss) dealt with in the accounts of NWM Plc

As permitted by section 408(3) of the Companies Act 2006, NWM Plc has not presented an income statement or a statement of comprehensive income as a primary financial statement.

## 9 Financial instruments – classification

### Judgement: classification of financial assets

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

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

We originate loans that include features that change the contractual cash flows based on the borrower meeting certain contractually specified environmental, social and governance (ESG) targets. These are known as ESG-linked (or sustainability-linked) loans. As part of the terms of these loans, the contractual interest rate is reduced or increased if the borrower meets (or fails to meet) specific targets linked to the activity of the borrower, for example; reducing carbon emissions, increase the level of diversity at Board level, or achieving a sustainable supply chain. ESG features are first assessed to ascertain whether the adjustment to the contractual cash flows results in a de minimis exposure to risks or volatility in those contractual cash flows. If this is the case the classification of the loan is not affected. If the effect of the ESG feature is assessed as being more than de minimis, we apply judgement to ensure that the ESG features do not generate compensation for risks that are not in line with a basic lending arrangement. This includes, amongst other aspects, a review of the consistency of the ESG targets with the asset or activity of the borrower, and consideration of the targets within our risk appetite. Some of these loans were eligible under NatWest Group's climate and sustainable funding and financing inclusion (CSFFI) criteria, which underpinned NatWest Group's previous target to provide £100 billion in climate and sustainable funding and financing between 1 July 2021 and the end of 2025. NatWest Group's CSFFI criteria was replaced with its climate and transition finance framework in July 2025 alongside a new target to provide £200 billion in climate and transition finance. Some of these loans continue to be eligible under the climate and transition finance framework.

For accounting policy information refer to Accounting policies 3.5, 3.7 and 3.9.

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

	NWM Group					
	MFVTPL £m	DFV £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
<b>Assets</b>						
Cash and balances at central banks				16,023		16,023
Trading assets	46,174					46,174
Derivatives (1)	60,866					60,866
Settlement balances				643		643
Loans to banks – amortised cost (2)				1,221		1,221
Loans to customers – amortised cost				23,454		23,454
Amounts due from holding company and fellow subsidiaries	3	-	-	216	68	287
Other financial assets	46	3	6,349	12,686		19,084
Other assets					619	619
31 December 2025	107,089	3	6,349	54,243	687	168,371
Cash and balances at central banks				16,229		16,229
Trading assets	48,883					48,883
Derivatives (1)	78,105					78,105
Settlement balances				2,043		2,043
Loans to banks – amortised cost (2)				1,171		1,171
Loans to customers – amortised cost				17,921		17,921
Amounts due from holding company and fellow subsidiaries	29	-	-	260	54	343
Other financial assets	49	5	4,611	13,185		17,850
Other assets					621	621
31 December 2024	127,066	5	4,611	50,809	675	183,166

## 9 Financial instruments – classification continued

Liabilities	NWM Group				
	Held-for-trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Bank deposits (3)			8,501		8,501
Customer deposits			7,161		7,161
Amounts due to holding company and fellow subsidiaries	280	-	5,706	82	6,068
Settlement balances			932		932
Trading liabilities	48,847				48,847
Derivatives (1)	53,977				53,977
Other financial liabilities	-	4,854	30,599		35,453
Other liabilities (4)			38	431	469
31 December 2025	103,104	4,854	52,937	513	161,408
Bank deposits (3)			4,565		4,565
Customer deposits			4,840		4,840
Amounts due to holding company and fellow subsidiaries	613	-	6,075	83	6,771
Settlement balances			1,729		1,729
Trading liabilities	54,512				54,512
Derivatives (1)	72,036				72,036
Other financial liabilities	-	3,507	27,756		31,263
Other liabilities (4)			44	477	521
31 December 2024	127,161	3,507	45,009	560	176,237

(1) Includes net hedging derivative assets of £348 million (2024 - £110 million) and net hedging derivative liabilities of £326 million (2024 - £474 million).

(2) Includes items in the course of collection from other banks of £107 million (2024 - £44 million).

(3) Includes items in the course of transmission to other banks of £182 million (2024 - £102 million).

(4) Includes lease liabilities of £33 million (2024 - £41 million), held at amortised cost.

The following tables show the bank's financial assets and financial liabilities in accordance with the categories of financial instruments in IFRS 9.

Assets	NWM Plc				
	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Cash and balances at central banks			9,357		9,357
Trading assets	22,087				22,087
Derivatives (1)	57,793				57,793
Settlement balances			490		490
Loans to banks - amortised cost (2)			603		603
Loans to customers - amortised cost			22,154		22,154
Amounts due from holding company and fellow subsidiaries	1,516	-	2,003	92	3,611
Other financial assets	46	5,726	11,582		17,354
Investment in group undertakings				2,403	2,403
Other assets				436	436
31 December 2025	81,442	5,726	46,189	2,931	136,288
Cash and balances at central banks			11,069		11,069
Trading assets	26,186				26,186
Derivatives (1)	74,982				74,982
Settlement balances			550		550
Loans to banks - amortised cost (2)			897		897
Loans to customers - amortised cost			17,089		17,089
Amounts due from holding company and fellow subsidiaries	1,080	-	2,176	85	3,341
Other financial assets	48	4,106	11,927		16,081
Investment in group undertakings				2,263	2,263
Other assets				479	479
31 December 2024	102,296	4,106	43,708	2,827	152,937

## 9 Financial instruments – classification continued

Liabilities	NWM Plc				
	Held-for-trading £m	DFV £m	Amortised cost £m	Other liabilities £m	Total £m
Bank deposits (3)			7,650		7,650
Customer deposits			2,824		2,824
Amounts due to holding company and fellow subsidiaries	1,642	-	6,541	95	8,278
Settlement balances			501		501
Trading liabilities	25,916				25,916
Derivatives (1)	52,166				52,166
Other financial liabilities	-	3,481	28,259		31,740
Other liabilities (4)			7	326	333
31 December 2025	79,724	3,481	45,782	421	129,408
Bank deposits (3)			4,069		4,069
Customer deposits			2,350		2,350
Amounts due to holding company and fellow subsidiaries	3,899	-	6,761	97	10,757
Settlement balances			444		444
Trading liabilities	30,130				30,130
Derivatives (1)	70,016				70,016
Other financial liabilities	-	2,426	25,540		27,966
Other liabilities (4)			8	378	386
31 December 2024	104,045	2,426	39,172	475	146,118

(1) Includes net hedging derivative assets of £349 million (2024 - £110 million) and net hedging derivative liabilities of £325 million (2024 - £474 million).

(2) Includes items in the course of collection from other banks of £83 million (2024 - £28 million).

(3) Includes items in the course of transmission to other banks of £166 million (2024 - £97 million).

(4) Includes lease liabilities of £4 million (2024 - £5 million), held at amortised cost.

## Financial instruments – financial assets and liabilities that can be offset

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

	NWM Group								
	Instruments which can be offset			Potential for offset not recognised by IFRS					
	Gross £m	IFRS offset £m	Balance sheet £m	Effect of master netting and similar agreements £m	Cash collateral £m	Securities collateral £m	Net amount after effect of netting agreements and related collateral £m	Instruments outside netting agreements £m	Balance sheet total £m
2025									
Derivative assets	63,021	(2,537)	60,484	(46,019)	(9,384)	(3,170)	1,911	382	60,866
Derivative liabilities	56,190	(2,537)	53,653	(46,019)	(4,242)	(1,256)	2,136	324	53,977
Net position	6,831	-	6,831	-	(5,142)	(1,914)	(225)	58	6,889
Trading reverse repos	44,729	(17,129)	27,600	(465)	-	(26,882)	253	56	27,656
Trading repos	43,648	(17,129)	26,519	(465)	-	(26,054)	-	2,059	28,578
Net position	1,081	-	1,081	-	-	(828)	253	(2,003)	(922)
Non trading reverse repos	3,796	-	3,796	(9)	-	(3,787)	-	-	3,796
Non trading repos	7,249	-	7,249	(9)	-	(7,240)	-	-	7,249
Net position	(3,453)	-	(3,453)	-	-	3,453	-	-	(3,453)

2024									
Derivative assets	80,313	(2,727)	77,586	(61,849)	(10,421)	(3,396)	1,920	519	78,105
Derivative liabilities	74,293	(2,727)	71,566	(61,849)	(5,821)	(896)	3,000	470	72,036
Net position	6,020	-	6,020	-	(4,600)	(2,500)	(1,080)	49	6,069
Trading reverse repos	42,261	(15,174)	27,087	(1,469)	-	(25,406)	212	40	27,127
Trading repos	45,033	(15,174)	29,859	(1,469)	-	(28,390)	-	703	30,562
Net position	(2,772)	-	(2,772)	-	-	2,984	212	(663)	(3,435)
Non trading reverse repos	3,473	-	3,473	(80)	-	(3,393)	-	-	3,473
Non trading repos	2,969	-	2,969	(80)	-	(2,889)	-	-	2,969
Net position	504	-	504	-	-	(504)	-	-	504

## 9 Financial instruments - classification continued

NWM Plc									
	Instruments which can be offset			Potential for offset not recognised by IFRS				Instruments outside netting agreements	Balance sheet total
	Gross £m	IFRS offset £m	Balance sheet £m	Effect of master netting £m	Cash collateral £m	Securities collateral £m	Net amount after effect of netting agreements and related collateral £m		
<b>2025</b>									
Derivative assets	68,228	(10,785)	57,443	(45,651)	(7,447)	(2,628)	1,717	350	57,793
Derivative liabilities	61,545	(9,623)	51,922	(45,651)	(3,437)	(949)	1,885	244	52,166
Net position (1)	6,683	(1,162)	5,521	-	(4,010)	(1,679)	(168)	106	5,627
Trading reverse repos	11,198	(1,781)	9,417	(230)	-	(9,187)	-	43	9,460
Trading repos	8,658	(1,781)	6,877	(230)	-	(6,647)	-	2,059	8,936
Net position	2,540	-	2,540	-	-	(2,540)	-	(2,016)	524
Non trading reverse repos	3,467	-	3,467	(9)	-	(3,458)	-	-	3,467
Non trading repos	7,249	-	7,249	(9)	-	(7,240)	-	-	7,249
Net position	(3,782)	-	(3,782)	-	-	3,782	-	-	(3,782)
<b>2024</b>									
Derivative assets	85,300	(10,801)	74,499	(61,961)	(8,304)	(2,660)	1,574	483	74,982
Derivative liabilities	79,339	(9,717)	69,622	(61,961)	(4,205)	(798)	2,658	394	70,016
Net position (1)	5,961	(1,084)	4,877	-	(4,099)	(1,862)	(1,084)	89	4,966
Trading reverse repos	12,213	(2,130)	10,083	(283)	-	(9,789)	11	16	10,099
Trading repos	11,719	(2,130)	9,589	(283)	-	(9,306)	-	704	10,293
Net position	494	-	494	-	-	(483)	11	(688)	(194)
Non trading reverse repos	3,473	-	3,473	(80)	-	(3,393)	-	-	3,473
Non trading repos	2,969	-	2,969	(80)	-	(2,889)	-	-	2,969
Net position	504	-	504	-	-	(504)	-	-	504

(1) The net IFRS offset balance of £1,162 million (2024 - £1,084 million) relates to variation margin netting reflected on other balance sheet lines.

## 10 Financial instruments - valuation

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(D) = Descriptive; (T) = Table

### Critical accounting policy: Fair value - financial instruments

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

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

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

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

For accounting policy information refer to Accounting policies 2.2, 3.5 and 3.9.



## 10 Financial instruments – valuation continued

### Fair value hierarchy

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

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

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

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

**Level 3** – instruments valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Examples include non-derivative instruments which trade infrequently, certain syndicated and commercial mortgage loans, private equity, and derivatives with unobservable model inputs.

### Valuation techniques

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

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

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

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

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

Fair value classification of modelled instruments is either level 2 or level 3, depending on the product/model combination, the observability and quality of input parameters and other factors. All these must be assessed to classify a position. The modelled product is assigned to the lowest fair value hierarchy level of any significant input used in that valuation.

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

### Inputs to valuation models

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

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

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

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

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

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

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

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

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

## 10 Financial instruments – valuation continued

### Valuation control

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

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

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

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

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

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

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

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

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

### Key areas of judgement

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

In general, the degree of expert judgement used and hence valuation uncertainty depends on the degree of liquidity of an instrument or input.

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

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

## 10 Financial instruments – valuation continued

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

	NWM Group							
	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>								
Trading assets								
Loans	-	33,489	96	33,585	-	34,727	278	35,005
Securities	9,273	3,316	-	12,589	8,772	5,106	-	13,878
Derivatives								
Interest rate	-	32,650	369	33,019	-	37,019	483	37,502
Foreign exchange	-	27,678	103	27,781	-	40,382	110	40,492
Other	-	57	9	66	-	64	47	111
Amounts due from holding company and fellow subsidiaries	-	3	-	3	-	29	-	29
Other financial assets								
Loans	-	-	142	142	-	1	93	94
Securities	4,232	1,930	94	6,256	3,163	1,313	95	4,571
<b>Total financial assets held at fair value</b>	<b>13,505</b>	<b>99,123</b>	<b>813</b>	<b>113,441</b>	<b>11,935</b>	<b>118,641</b>	<b>1,106</b>	<b>131,682</b>
<b>As % of total fair value assets</b>	<b>12%</b>	<b>87%</b>	<b>1%</b>		<b>9%</b>	<b>90%</b>	<b>1%</b>	
<b>Liabilities</b>								
Amounts due to holding company and fellow subsidiaries	-	280	-	280	-	613	-	613
Trading liabilities								
Deposits	-	41,109	-	41,109	-	43,764	-	43,764
Debt securities in issue	-	234	-	234	-	257	-	257
Short positions	6,172	1,331	1	7,504	8,766	1,724	1	10,491
Derivatives								
Interest rate	-	26,642	171	26,813	-	31,223	287	31,510
Foreign exchange	-	26,939	54	26,993	-	40,225	66	40,291
Other	-	115	56	171	-	115	120	235
Other financial liabilities								
Deposits	-	2,285	27	2,312	-	1,537	-	1,537
Debt securities in issue	-	2,302	3	2,305	-	1,733	3	1,736
Subordinated liabilities	-	237	-	237	-	234	-	234
<b>Total financial liabilities held at fair value</b>	<b>6,172</b>	<b>101,474</b>	<b>312</b>	<b>107,958</b>	<b>8,766</b>	<b>121,425</b>	<b>477</b>	<b>130,668</b>
<b>As % of total fair value liabilities</b>	<b>6%</b>	<b>94%</b>	<b>0%</b>		<b>7%</b>	<b>93%</b>	<b>0%</b>	

## 10 Financial instruments – valuation continued

	NWM Plc							
	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>								
Trading assets								
Loans	-	13,613	92	13,705	-	15,921	181	16,102
Securities	5,120	3,262	-	8,382	5,134	4,950	-	10,084
Derivatives								
Interest rate	-	29,316	338	29,654	-	33,827	443	34,270
Foreign exchange	-	27,972	103	28,075	-	40,492	110	40,602
Other	-	55	9	64	-	63	47	110
Amounts due from holding company and fellow subsidiaries	-	1,516	-	1,516	-	1,080	-	1,080
Other financial assets								
Loans	-	-	142	142	-	1	93	94
Securities	3,871	1,670	89	5,630	2,750	1,220	90	4,060
<b>Total financial assets held at fair value</b>	<b>8,991</b>	<b>77,404</b>	<b>773</b>	<b>87,168</b>	<b>7,884</b>	<b>97,554</b>	<b>964</b>	<b>106,402</b>
<b>As % of total fair value assets</b>	<b>10%</b>	<b>89%</b>	<b>1%</b>		<b>7%</b>	<b>92%</b>	<b>1%</b>	
<b>Liabilities</b>								
Amounts due to holding company and fellow subsidiaries	-	1,642	-	1,642	-	3,899	-	3,899
Trading liabilities								
Deposits	-	19,414	-	19,414	-	21,137	-	21,137
Debt securities in issue	-	234	-	234	-	257	-	257
Short positions	5,017	1,250	1	6,268	7,089	1,646	1	8,736
Derivatives								
Interest rate	-	24,515	124	24,639	-	29,151	219	29,370
Foreign exchange	-	27,309	54	27,363	-	40,351	66	40,417
Other	-	109	55	164	-	109	120	229
Other financial liabilities								
Deposits	-	1,727	-	1,727	-	1,146	-	1,146
Debt securities in issue	-	1,754	-	1,754	-	1,280	-	1,280
<b>Total financial liabilities held at fair value</b>	<b>5,017</b>	<b>77,954</b>	<b>234</b>	<b>83,205</b>	<b>7,089</b>	<b>98,976</b>	<b>406</b>	<b>106,471</b>
<b>As % of total fair value liabilities</b>	<b>6%</b>	<b>94%</b>	<b>0%</b>		<b>7%</b>	<b>93%</b>	<b>0%</b>	

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

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

## 10 Financial instruments – valuation continued

### Valuation adjustments

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

	NWM Group	
	2025 £m	2024 £m
Funding valuation adjustments	(11)	(3)
Credit valuation adjustments	178	190
Bid-offer	40	49
Product and deal specific	124	156
Total	331	392

	NWM Plc	
	2025 £m	2024 £m
Funding valuation adjustments	(1)	8
Credit valuation adjustments	76	88
Bid-offer	37	45
Product and deal specific	107	129
Total	219	270

The decrease in FVA was driven by exposure changes arising from the impacts of market moves and new trading activity. The decrease in CVA was driven by credit spreads tightening with the impacts of exposure changes largely offsetting. The decrease in bid-offer was driven by risk reduction. The decrease in product and deal specific was driven by the amortisation of deferred trade inception profits partially offset by new trading activity.

### Funding valuation adjustments (FVA)

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

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

### Credit valuation adjustments (CVA)

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

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

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

### Bid-offer

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

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

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

### Product and deal specific

On initial recognition of financial assets and liabilities valued using valuation techniques which have a significant dependence on information other than observable market data, any difference between the transaction price and that derived from the valuation technique is deferred. Such amounts are recognised in the income statement over the life of the transaction; when market data becomes observable; or when the transaction matures or is closed out as appropriate. On 31 December 2025, net gains of £109 million (2024 - £139 million) were carried forward. During the year, net gains of £205 million (2024 - £218 million) were deferred and £235 million (2024 - £157 million) were recognised in the income statement.

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

### Own Credit

NWM Group considers the effect of its own credit standing when valuing financial liabilities recorded at fair value. Own credit spread adjustments are made when valuing issued debt held at fair value, including issued structured notes. An own credit adjustment is applied to positions where it is believed that counterparties would consider NWM Group's creditworthiness when pricing trades. Accumulated changes in fair value due to credit risk are £57 million (2024 - £44 million).

## 10 Financial instruments – valuation continued

### Level 3 additional information

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

### Level 3 ranges of unobservable inputs

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

				NWM Group			
Financial instrument	Valuation technique	Unobservable inputs	Units	2025		2024	
				Low	High	Low	High
Trading assets and Other financial assets							
Loans	Price-based	Price	%	-	121	-	123
	Discount cash flow	Credit spreads	bps	34	81	36	93
Debt securities	Price-based	Price	%	-	111	-	116
Equity Shares	Price-based	Price	GBP	-	44,090	-	47,312
	Net asset valuation	Fund NAV	%	80	120	80	120
Derivative assets and liabilities							
Credit derivatives	Credit derivative pricing	Credit spreads	bps	16	133	15	86
	Option pricing	Correlation	%	(15)	75	(15)	95
		Volatility	%	30	75	30	80
		Upfront points	%	-	99	-	99
		Recovery rate	%	-	60	-	60
Interest rate & FX derivatives	Option pricing	Correlation	%	(50)	98	(50)	98
		Volatility	%	3	82	3	99
		Constant					
		prepayment rate	%	2	25	2	20
		Mean reversion	%	-	13	-	20
		Inflation volatility	%	1	2	1	2
		Inflation rate	%	2	2	2	2

				NWM Plc			
				2025		2024	
Financial instrument	Valuation technique	Unobservable inputs	Units	Low	High	Low	High
Trading assets and Other financial assets							
Loans	Price-based	Price	%	-	121	-	123
	Discount cash flow	Credit spreads	bps	34	81	36	93
Debt securities	Price-based	Price	%	-	101	-	104
Equity Shares	Price-based	Price	GBP	-	8,176	-	6,675
Derivative assets and liabilities							
Credit derivatives	Credit derivative pricing	Credit spreads	bps	16	133	15	86
	Option pricing	Correlation	%	(15)	75	(15)	95
		Volatility	%	30	75	30	80
		Upfront points	%	-	99	-	99
		Recovery rate	%	-	60	-	60
Interest rate & FX derivatives	Option pricing	Correlation	%	(50)	98	(50)	98
		Volatility	%	3	82	3	99
		Constant					
		prepayment rate	%	2	25	2	20
		Mean reversion	%	-	13	-	20
		Inflation volatility	%	1	2	1	2
		Inflation rate	%	2	2	2	2

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

(2) NWM Group and NWM Plc do not have any material liabilities measured at fair value that are issued with an inseparable third party credit enhancement.



## 10 Financial instruments – valuation continued

### Level 3 sensitivities

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

### Alternative assumptions

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

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

### Other considerations

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

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

## 10 Financial instruments – valuation continued

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

	NWM Group					
	2025			2024		
	Level 3 £m	Favourable £m	Unfavourable £m	Level 3 £m	Favourable £m	Unfavourable £m
<b>Assets</b>						
Trading assets						
Loans	96	-	-	278	-	-
Derivatives						
Interest rate	369	20	(20)	483	20	(20)
Foreign exchange	103	-	-	110	-	-
Other	9	-	-	47	-	-
Other financial assets						
Loans	142	-	-	93	-	-
Securities	94	10	(10)	95	10	(10)
<b>Total</b>	<b>813</b>	<b>30</b>	<b>(30)</b>	<b>1,106</b>	<b>30</b>	<b>(30)</b>
<b>Liabilities</b>						
Trading liabilities						
Short positions	1	-	-	1	-	-
Derivatives						
Interest rate	171	10	(10)	287	10	(10)
Foreign exchange	54	-	-	66	-	-
Other	56	-	-	120	10	(10)
Other financial liabilities						
Deposits	27	-	-	-	-	-
Debt securities in issue	3	-	-	3	-	-
<b>Total</b>	<b>312</b>	<b>10</b>	<b>(10)</b>	<b>477</b>	<b>20</b>	<b>(20)</b>

	NWM Plc					
	2025			2024		
	Level 3 £m	Favourable £m	Unfavourable £m	Level 3 £m	Favourable £m	Unfavourable £m
<b>Assets</b>						
Trading assets						
Loans	92	-	-	181	-	-
Derivatives						
Interest rate	338	20	(10)	443	20	(20)
Foreign exchange	103	-	-	110	-	-
Other	9	-	-	47	-	-
Other financial assets						
Loans	142	-	-	93	-	-
Securities	89	10	(10)	90	10	(10)
<b>Total</b>	<b>773</b>	<b>30</b>	<b>(20)</b>	<b>964</b>	<b>30</b>	<b>(30)</b>
<b>Liabilities</b>						
Trading liabilities						
Short positions	1	-	-	1	-	-
Derivatives						
Interest rate	124	10	(10)	219	-	-
Foreign exchange	54	-	-	66	-	-
Other	55	-	-	120	10	(10)
<b>Total</b>	<b>234</b>	<b>10</b>	<b>(10)</b>	<b>406</b>	<b>10</b>	<b>(10)</b>

## 10 Financial instruments – valuation continued

### Movement in Level 3 assets and liabilities over the reporting period

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

	NWM Group							
	Derivatives assets	Other trading assets (2)	Other financial assets (3)	Total assets	Derivatives liabilities	Other trading liabilities (2)	Other financial liabilities	Total liabilities
	£m	£m	£m	£m	£m	£m	£m	£m
<b>2025</b>								
<b>At 1 January</b>	<b>640</b>	<b>278</b>	<b>188</b>	<b>1,106</b>	<b>473</b>	<b>1</b>	<b>3</b>	<b>477</b>
Amounts recorded in the income statement (1)	(147)	(3)	(1)	(151)	(142)	-	2	(140)
Amount recorded in the statement of comprehensive income	-	-	3	3	-	-	-	-
Level 3 transfers in	43	-	-	43	11	-	24	35
Level 3 transfers out	(41)	-	-	(41)	(13)	-	-	(13)
Purchases/originations	124	105	107	336	100	-	-	100
Settlements/other decreases	(39)	(89)	-	(128)	(46)	-	-	(46)
Sales	(100)	(197)	(61)	(358)	(105)	-	-	(105)
Foreign exchange and other adjustments	1	2	-	3	3	-	1	4
<b>At 31 December</b>	<b>481</b>	<b>96</b>	<b>236</b>	<b>813</b>	<b>281</b>	<b>1</b>	<b>30</b>	<b>312</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	(14)	11	(3)	(6)	(36)	-	-	(36)
<b>2024</b>								
<b>At 1 January</b>	<b>843</b>	<b>223</b>	<b>205</b>	<b>1,271</b>	<b>700</b>	<b>3</b>	<b>3</b>	<b>706</b>
Amounts recorded in the income statement (1)	(131)	(16)	1	(146)	(124)	-	-	(124)
Amount recorded in the statement of comprehensive income	-	-	3	3	-	-	-	-
Level 3 transfers in	7	1	-	8	1	2	-	3
Level 3 transfers out	(3)	(19)	(1)	(23)	(2)	(2)	-	(4)
Purchases/originations	148	117	3	268	121	1	-	122
Settlements/other decreases	(44)	(27)	(18)	(89)	(31)	-	-	(31)
Sales	(179)	-	(4)	(183)	(186)	(2)	-	(188)
Foreign exchange and other adjustments	(1)	(1)	(1)	(3)	(6)	(1)	-	(7)
<b>At 31 December</b>	<b>640</b>	<b>278</b>	<b>188</b>	<b>1,106</b>	<b>473</b>	<b>1</b>	<b>3</b>	<b>477</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	73	2	-	75	53	-	-	53

## 10 Financial instruments – valuation continued

NWM Plc								
	Derivatives assets	Other trading assets (2)	Other financial assets (3)	Total assets	Derivatives liabilities	Other trading liabilities (2)	Other financial liabilities	Total liabilities
	£m	£m	£m	£m	£m	£m	£m	£m
<b>2025</b>								
<b>At 1 January</b>	<b>600</b>	<b>181</b>	<b>183</b>	<b>964</b>	<b>405</b>	<b>1</b>	<b>-</b>	<b>406</b>
Amounts recorded in the income statement (1)	(132)	(3)	(1)	(136)	(117)	-	-	(117)
Amount recorded in the statement of comprehensive income	-	-	3	3	-	-	-	-
Level 3 transfers in	97	-	-	97	11	-	-	11
Level 3 transfers out	(95)	-	-	(95)	(13)	-	-	(13)
Purchases/originations	119	105	107	331	91	-	-	91
Settlements/other decreases	(44)	(86)	-	(130)	(57)	-	-	(57)
Sales	(95)	(105)	(61)	(261)	(87)	-	-	(87)
Foreign exchange and other adjustments	-	-	-	-	-	-	-	-
<b>At 31 December</b>	<b>450</b>	<b>92</b>	<b>231</b>	<b>773</b>	<b>233</b>	<b>1</b>	<b>-</b>	<b>234</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	(1)	12	(3)	8	(24)	-	-	(24)
<b>2024</b>								
<b>At 1 January</b>	<b>816</b>	<b>207</b>	<b>198</b>	<b>1,221</b>	<b>598</b>	<b>3</b>	<b>-</b>	<b>601</b>
Amounts recorded in the income statement (1)	(136)	(18)	-	(154)	(77)	-	-	(77)
Amount recorded in the statement of comprehensive income	-	-	3	3	-	-	-	-
Level 3 transfers in	7	-	-	7	1	2	-	3
Level 3 transfers out	(3)	(19)	-	(22)	(2)	(2)	-	(4)
Purchases/originations	138	23	3	164	103	1	-	104
Settlements/other decreases	(44)	(12)	(18)	(74)	(32)	-	-	(32)
Sales	(179)	-	(3)	(182)	(185)	(2)	-	(187)
Foreign exchange and other adjustments	1	-	-	1	(1)	(1)	-	(2)
<b>At 31 December</b>	<b>600</b>	<b>181</b>	<b>183</b>	<b>964</b>	<b>405</b>	<b>1</b>	<b>-</b>	<b>406</b>
Amounts recorded in the income statement in respect of balances held at period end - unrealised	12	1	-	13	38	-	-	38

(1) For NWM Group, net losses on trading assets and liabilities of £8 million (2024 – £23 million net losses) were recorded in income from trading activities. Net loss on other instruments of £3 million (2024 – £1 million net gains) were recorded in other operating income and interest income as appropriate. For NWM Plc, net losses on trading assets and liabilities of £18 million (2024 – £77 million net loss) were recorded in income from trading activities. Net losses on other instruments of £1 million (2024 – nil) were recorded in other operating income and interest income as appropriate.

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

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

## 10 Financial instruments – valuation continued

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

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

	NWM Group				
	Carrying value	Fair value	Fair value hierarchy level		Items where fair value approximates carrying value
	£bn	£bn	Level 2 £bn	Level 3 £bn	£bn
2025					
Financial assets					
Cash and balances at central banks	16.0	16.0	-	-	16.0
Settlement balances	0.6	0.6	-	-	0.6
Loans to banks	1.2	1.2	0.4	0.3	0.5
Loans to customers	23.5	23.5	3.6	19.9	-
Amounts due from holding company and fellow subsidiaries	0.2	0.2	-	0.2	-
Other financial assets - securities	12.7	12.7	7.0	5.7	-
2024					
Financial assets					
Cash and balances at central banks	16.2	16.2	-	-	16.2
Settlement balances	2.0	2.0	-	-	2.0
Loans to banks	1.2	1.2	0.5	-	0.7
Loans to customers	17.9	17.9	3.1	14.8	-
Amounts due from holding company and fellow subsidiaries	0.3	0.3	-	0.2	0.1
Other financial assets - securities	13.2	13.3	5.6	7.7	-
2025					
Financial liabilities					
Bank deposits	8.5	8.5	6.1	2.2	0.2
Customer deposits	7.2	7.2	1.3	5.9	-
Amounts due to holding company and fellow subsidiaries	5.7	5.7	5.4	0.3	-
Settlement balances	0.9	0.9	-	-	0.9
Other financial liabilities					
Debt securities in issue	30.6	30.6	23.3	7.3	-
2024					
Financial liabilities					
Bank deposits	4.6	4.6	2.5	2.0	0.1
Customer deposits	4.8	4.8	0.5	4.2	0.1
Amounts due to holding company and fellow subsidiaries	6.1	6.1	5.5	0.6	-
Settlement balances	1.7	1.7	-	-	1.7
Other financial liabilities					
Debt securities in issue	27.7	27.7	22.8	4.9	-

## 10 Financial instruments – valuation continued

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

	NWM Plc				
	Carrying value £bn	Fair value £bn	Fair value hierarchy level		Items where fair value approximates carrying value £bn
			Level 2 £bn	Level 3 £bn	
<b>2025</b>					
<b>Financial assets</b>					
Cash and balances at central banks	9.4	9.4	-	-	9.4
Settlement balances	0.5	0.5	-	-	0.5
Loans to banks	0.6	0.6	-	0.3	0.3
Loans to customers	22.2	22.2	3.5	18.7	-
Amounts due from holding company and fellow subsidiaries	2.0	2.0	-	1.9	0.1
Other financial assets – securities	11.6	11.6	7.0	4.6	-
<b>2024</b>					
<b>Financial assets</b>					
Cash and balances at central banks	11.1	11.1	-	-	11.1
Settlement balances	0.6	0.6	-	-	0.6
Loans to banks	0.9	0.9	0.4	-	0.5
Loans to customers	17.1	17.1	3.1	14.0	-
Amounts due from holding company and fellow subsidiaries	2.2	2.2	-	2.0	0.2
Other financial assets – securities	11.9	12.0	5.5	6.5	-
<b>2025</b>					
<b>Financial liabilities</b>					
Bank deposits	7.7	7.7	6.1	1.4	0.2
Customer deposits	2.8	2.8	1.2	1.6	-
Amounts due to holding company and fellow subsidiaries	6.5	6.5	5.4	0.8	0.3
Settlement balances	0.5	0.5	-	-	0.5
Other financial liabilities					
Debt securities in issue	28.3	28.4	22.5	5.9	-
<b>2024</b>					
<b>Financial liabilities</b>					
Bank deposits	4.1	4.1	2.5	1.5	0.1
Customer deposits	2.4	2.4	0.5	1.8	0.1
Amounts due to holding company and fellow subsidiaries	6.8	6.8	5.5	1.2	0.1
Settlement balances	0.4	0.4	-	-	0.4
Other financial liabilities					
Debt securities in issue	25.5	25.5	21.5	4.0	-

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

#### Short-term financial instruments

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

#### Loans to banks and customers

In estimating the fair value of net loans to customers and banks measured at amortised cost, NWM Group's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Loans are valued using contractual cashflows that are discounted using a market discount rate that incorporates the current spread for the borrower or where this is not observable, the spread for borrowers of a similar credit standing.

#### Debt securities and subordinated liabilities

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

#### Bank and customer deposits

Fair values of deposits are estimated using contractual cashflows using a market discount rate incorporating the current spread.

## 11 Financial instruments - maturity analysis

### Remaining maturity

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

	NWM Group					
	2025			2024		
	Less than 12 months £m	More than 12 months £m	Total £m	Less than 12 months £m	More than 12 months £m	Total £m
<b>Assets</b>						
Cash and balances at central banks	16,023	-	16,023	16,229	-	16,229
Trading assets	33,314	12,860	46,174	37,134	11,749	48,883
Derivatives	23,886	36,980	60,866	33,968	44,137	78,105
Settlement balances	643	-	643	2,043	-	2,043
Loans to banks - amortised cost	1,029	192	1,221	1,152	19	1,171
Loans to customers - amortised cost	8,412	15,042	23,454	8,157	9,764	17,921
Amounts due from holding company and fellow subsidiaries (1)	140	79	219	271	18	289
Other financial assets	1,595	17,489	19,084	1,239	16,611	17,850
<b>Liabilities</b>						
Bank deposits	2,140	6,361	8,501	4,056	509	4,565
Customer deposits	6,100	1,061	7,161	4,784	56	4,840
Amounts due to holding company and fellow subsidiaries (2)	1,355	4,631	5,986	2,136	4,553	6,689
Settlement balances	932	-	932	1,729	-	1,729
Trading liabilities	39,743	9,104	48,847	44,481	10,031	54,512
Derivatives	24,177	29,800	53,977	34,172	37,864	72,036
Other financial liabilities	13,318	22,135	35,453	14,997	16,266	31,263
Lease liabilities	9	24	33	9	32	41

	NWM Plc					
	2025			2024		
	Less than 12 months £m	More than 12 months £m	Total £m	Less than 12 months £m	More than 12 months £m	Total £m
<b>Assets</b>						
Cash and balances at central banks	9,357	-	9,357	11,069	-	11,069
Trading assets	14,853	7,234	22,087	17,697	8,489	26,186
Derivatives	24,059	33,734	57,793	33,889	41,093	74,982
Settlement balances	490	-	490	550	-	550
Loans to banks - amortised cost	584	19	603	878	19	897
Loans to customers - amortised cost	8,140	14,014	22,154	7,730	9,359	17,089
Amounts due from holding company and fellow subsidiaries (1)	2,550	969	3,519	2,363	893	3,256
Other financial assets	1,050	16,304	17,354	736	15,345	16,081
<b>Liabilities</b>						
Bank deposits	1,702	5,948	7,650	3,601	468	4,069
Customer deposits	1,780	1,044	2,824	2,305	45	2,350
Amounts due to holding company and fellow subsidiaries (2)	2,995	5,188	8,183	5,796	4,864	10,660
Settlement balances	501	-	501	444	-	444
Trading liabilities	19,227	6,689	25,916	21,797	8,333	30,130
Derivatives	24,322	27,844	52,166	34,081	35,935	70,016
Other financial liabilities	11,463	20,277	31,740	13,383	14,583	27,966
Lease liabilities	2	2	4	2	3	5

(1) Amounts due from holding company and fellow subsidiaries relating to non-financial instruments of £68 million (2024 - £54 million) for NWM Group and £92 million (2024 - £85 million) for NWM Plc have been excluded from the tables.

(2) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments of £82 million (2024 - £82 million) for NWM Group and £95 million (2024 - £97 million) for NWM Plc have been excluded from the tables.



## 11 Financial instruments - maturity analysis continued

### Assets and liabilities by contractual cash flows up to 20 years

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

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by NWM Group. Financial liabilities are included at the earliest date on which the counterparty can require repayment, regardless of whether or not such early repayment results in a penalty. If repayment is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the time band that contains the latest date on which it can be repaid, regardless of early repayment. The liability is included in the time band that contains the earliest possible date on which the conditions could be fulfilled, without considering the probability of the conditions being met. For example, if a structured note is automatically prepaid when an equity index exceeds a certain level, the cash outflow will be included in the less than three months' period whatever the level of the index at the year end.

The settlement date of debt securities in issue, issued by certain securitisation vehicles consolidated by NWM Group depends on when cash flows are received from the securitised assets. Where these assets are prepayable, the timing of the cash outflow relating to securities assumes that each asset will be prepaid at the earliest possible date. As the repayments of assets and liabilities are linked, the repayment of assets in securitisations is shown on the earliest date that the asset can be prepaid, as this is the basis used for liabilities.

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

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

MFVTPL assets of £107 billion (2024 - £127 billion) for NWM Group, £81 billion (2024 - £102 billion) for NWM Plc, HFT liabilities of £103 billion (2024 - £127 billion) for NWM Group and £79 billion (2024 - £104 billion) for NWM Plc have been excluded from the following tables.

## 11 Financial instruments - maturity analysis continued

	NWM Group					
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	10-20 years
2025	£m	£m	£m	£m	£m	£m
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	16,023	-	-	-	-	-
Derivatives held for hedging	(16)	59	(9)	141	4	10
Settlement balances	643	-	-	-	-	-
Loans to banks - amortised cost	875	156	193	-	-	-
Loans to customers - amortised cost	4,447	4,924	7,992	5,843	3,443	23
Amounts due from holding company and fellow subsidiaries (1)	137	-	-	1	26	36
Other financial assets (2)	718	824	4,606	1,683	4,778	5,449
	22,827	5,963	12,782	7,668	8,251	5,518
<b>2025</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	832	1,320	4,043	2,487	-	-
Customer deposits	5,031	1,091	1,053	-	-	14
Amounts due to holding company and fellow subsidiaries (3)	1,090	50	1,930	2,855	-	-
Settlement balances	932	-	-	-	-	-
Derivatives held for hedging	(3)	46	226	135	23	-
Other financial liabilities	3,877	9,448	12,923	8,299	552	550
Lease liabilities	3	6	13	9	2	-
	11,762	11,961	20,188	13,785	577	564
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	591	-	-	-	-	-
Commitments (6)	14,075	-	-	-	-	-
	14,666	-	-	-	-	-

	NWM Group					
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	10-20 years
2024	£m	£m	£m	£m	£m	£m
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	16,229	-	-	-	-	-
Derivatives held for hedging	(9)	28	51	28	5	8
Settlement balances	2,043	-	-	-	-	-
Loans to banks - amortised cost	1,148	5	20	-	-	-
Loans to customers - amortised cost	3,221	5,741	3,790	4,093	3,781	283
Amounts due from holding company and fellow subsidiaries (1)	242	-	-	-	-	-
Other financial assets (2)	1,226	948	3,862	1,621	4,769	4,940
	24,100	6,722	7,723	5,742	8,555	5,231
<b>2024</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	2,945	1,117	429	81	-	-
Customer deposits	3,483	1,332	51	-	-	14
Amounts due to holding company and fellow subsidiaries (3)	339	1,184	1,757	2,667	128	-
Settlement balances	1,729	-	-	-	-	-
Derivatives held for hedging	31	290	271	155	2	-
Other financial liabilities	4,733	8,498	12,496	4,582	501	550
Lease liabilities	2	7	16	10	6	-
	13,262	12,428	15,020	7,495	637	564
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	696	-	-	-	-	-
Commitments (6)	13,107	-	-	-	-	-
	13,803	-	-	-	-	-

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

## 11 Financial instruments - maturity analysis continued

	NWM Plc					
	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
<b>2025</b>						
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	9,357	-	-	-	-	-
Derivatives held for hedging	(16)	58	(10)	141	5	10
Settlement balances	490	-	-	-	-	-
Loans to banks - amortised cost	585	-	20	-	-	-
Loans to customers - amortised cost	4,394	4,644	7,571	5,246	3,285	23
Amounts due from holding company and fellow subsidiaries (1)	740	294	632	276	26	36
Other financial assets (2)	360	639	4,549	1,552	4,651	5,361
	15,910	5,635	12,762	7,215	7,967	5,430
<b>2025</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	625	1,086	4,043	2,073	-	-
Customer deposits	1,076	720	1,044	-	-	-
Amounts due to holding company and fellow subsidiaries (3)	1,473	192	2,241	2,855	-	-
Settlement balances	501	-	-	-	-	-
Derivatives held for hedging	(3)	46	227	134	22	-
Other financial liabilities	3,654	7,817	12,149	7,928	231	50
Lease liabilities	1	1	2	-	-	-
	7,327	9,862	19,706	12,990	253	50
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	131	-	-	-	-	-
Commitments (6)	7,636	-	-	-	-	-
	7,767	-	-	-	-	-

	NWM Plc					
	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
<b>2024</b>						
<b>Assets by contractual maturity up to 20 years</b>						
Cash and balances at central banks	11,069	-	-	-	-	-
Derivatives held for hedging	(9)	28	51	28	5	8
Settlement balances	550	-	-	-	-	-
Loans to banks - amortised cost	879	1	20	-	-	-
Loans to customers - amortised cost	3,156	5,343	3,605	3,908	3,695	283
Amounts due from holding company and fellow subsidiaries (1)	1,001	283	520	372	-	-
Other financial assets (2)	894	835	3,800	1,572	4,528	4,565
	17,540	6,490	7,996	5,880	8,228	4,856
<b>2024</b>						
<b>Liabilities by contractual maturity up to 20 years</b>						
Bank deposits	2,741	862	387	81	-	-
Customer deposits	1,604	722	47	-	-	-
Amounts due to holding company and fellow subsidiaries (3)	581	1,318	1,857	2,878	128	-
Settlement balances	444	-	-	-	-	-
Derivatives held for hedging	31	290	271	155	2	-
Other financial liabilities	4,002	7,605	11,742	4,271	298	116
Lease liabilities	1	2	3	-	-	-
	9,404	10,799	14,307	7,385	428	116
<b>Guarantees and commitments notional amount (4)</b>						
Guarantees (5)	272	-	-	-	-	-
Commitments (6)	7,384	-	-	-	-	-
	7,656	-	-	-	-	-

(1) Amounts due from holding company and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.

(2) Other financial assets excludes equity shares.

(3) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments have been excluded from the tables.

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

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

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

## 12 Trading assets and liabilities

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

	NWM Group		NWM Plc	
	2025	2024	2025	2024
	£m	£m	£m	£m
<b>Assets</b>				
Loans				
Reverse repos	27,656	27,127	9,460	10,099
Collateral given	5,635	7,333	4,005	5,606
Other loans	294	545	240	397
Total loans	33,585	35,005	13,705	16,102
Securities				
Central and local government				
- UK	1,808	2,077	1,808	2,077
- US	4,153	3,734	257	186
- Other	4,135	3,506	4,135	3,506
Financial institutions and Corporate	2,493	4,561	2,182	4,315
Total securities	12,589	13,878	8,382	10,084
Total	46,174	48,883	22,087	26,186
<b>Liabilities</b>				
Deposits				
Repos	28,578	30,562	8,936	10,293
Collateral received	11,792	12,307	9,762	9,993
Other deposits	739	895	716	851
Total deposits	41,109	43,764	19,414	21,137
Debt securities in issue	234	257	234	257
Short positions				
Central and local government				
- UK	1,504	2,680	1,504	2,680
- US	1,161	1,677	19	14
- Other	4,137	4,755	4,137	4,755
Financial institutions and Corporate	702	1,379	608	1,287
Total short positions	7,504	10,491	6,268	8,736
Total	48,847	54,512	25,916	30,130

For accounting policy information refer to Accounting policy 3.5.

## 13 Derivatives

NWM Group uses derivatives as part of its trading activities or to manage its own risk such as interest rate, foreign exchange, or credit risk.

	NWM Group								
	Notional			Asset			Liability		
	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total
	£bn	£bn	£bn	£m	£m	£m	£m	£m	£m
<b>2025</b>									
Interest rate	794	9,752	10,546	4	33,015	33,019	-	26,813	26,813
- Swaps	-	7,395	7,395	-	25,964	25,964	-	19,739	19,739
- Options	324	1,106	1,430	4	7,051	7,055	-	7,074	7,074
- Forwards and futures	470	1,251	1,721	-	-	-	-	-	-
Exchange rate	1	3,400	3,401	-	27,781	27,781	12	26,981	26,993
- Swaps	-	455	455	-	4,960	4,960	-	4,406	4,406
- Options	1	727	728	-	4,422	4,422	12	4,474	4,486
- Spot, forwards and futures	-	2,218	2,218	-	18,399	18,399	-	18,101	18,101
Credit	-	15	15	-	66	66	-	171	171
Equity and commodity	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>795</b>	<b>13,167</b>	<b>13,962</b>	<b>4</b>	<b>60,862</b>	<b>60,866</b>	<b>12</b>	<b>53,965</b>	<b>53,977</b>
<b>2024</b>									
Interest rate	1,067	8,706	9,773	20	37,482	37,502	2	31,508	31,510
- Swaps	-	6,452	6,452	-	28,952	28,952	-	23,091	23,091
- Options	737	1,492	2,229	20	8,530	8,550	2	8,417	8,419
- Forwards and futures	330	762	1,092	-	-	-	-	-	-
Exchange rate	1	3,260	3,261	6	40,486	40,492	15	40,276	40,291
- Swaps	-	453	453	-	8,407	8,407	-	8,162	8,162
- Options	1	851	852	6	5,385	5,391	15	5,561	5,576
- Spot, forwards and futures	-	1,956	1,956	-	26,694	26,694	-	26,553	26,553
Credit	-	13	13	-	111	111	-	235	235
Equity and commodity	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,068</b>	<b>11,979</b>	<b>13,047</b>	<b>26</b>	<b>78,079</b>	<b>78,105</b>	<b>17</b>	<b>72,019</b>	<b>72,036</b>

## 13 Derivatives continued

	NWM Plc								
	Notional			Asset			Liability		
	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total	Traded on recognised exchanges	Traded over the counter	Total
2025	£bn	£bn	£bn	£m	£m	£m	£m	£m	£m
Interest rate	745	8,995	9,740	4	29,650	29,654	-	24,639	24,639
- Swaps	-	6,776	6,776	-	22,784	22,784	-	17,744	17,744
- Options	324	1,111	1,435	4	6,866	6,870	-	6,895	6,895
- Forwards and futures	421	1,108	1,529	-	-	-	-	-	-
Exchange rate	1	3,420	3,421	-	28,075	28,075	12	27,351	27,363
- Swaps	-	457	457	-	4,963	4,963	-	4,438	4,438
- Options	1	727	728	-	4,430	4,430	12	4,469	4,481
- Spot, forwards and futures	-	2,236	2,236	-	18,682	18,682	-	18,444	18,444
Credit	-	15	15	-	64	64	-	164	164
Equity and commodity	-	-	-	-	-	-	-	-	-
Total	746	12,430	13,176	4	57,789	57,793	12	52,154	52,166
2024									
Interest rate	1,048	8,204	9,252	20	34,250	34,270	2	29,368	29,370
- Swaps	-	6,003	6,003	-	25,964	25,964	-	21,141	21,141
- Options	736	1,495	2,231	20	8,286	8,306	2	8,227	8,229
- Forwards and futures	312	706	1,018	-	-	-	-	-	-
Exchange rate	1	3,273	3,274	6	40,596	40,602	15	40,402	40,417
- Swaps	-	454	454	-	8,444	8,444	-	8,174	8,174
- Options	1	851	852	6	5,386	5,392	15	5,561	5,576
- Spot, forwards and futures	-	1,968	1,968	-	26,766	26,766	-	26,667	26,667
Credit	-	13	13	-	110	110	-	229	229
Equity and commodity	-	-	-	-	-	-	-	-	-
Total	1,049	11,490	12,539	26	74,956	74,982	17	69,999	70,016

Included in the tables above is the notional amount of £8,191 billion (2024 - £6,733 billion) for NWM Group and £7,274 billion (2024 - £6,057 billion) for NWM Plc of interest rate derivatives that are traded over the counter and settled through central clearing. NWM Group and NWM Plc has no other type of derivatives that are settled through central counterparties.

## 13 Derivatives continued

### Hedge accounting using derivatives

For accounting policy information refer to Accounting policies 3.5 and 3.9.

Refer to Note 31 for amounts due from/to fellow NatWest Group subsidiaries.

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

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

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

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

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

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

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

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

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

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



## 13 Derivatives continued

### Derivatives in hedge accounting relationships

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

NWM Group								
	2025				2024			
	Notional £bn	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m	Notional £bn	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m
<b>Fair value hedging</b>								
Interest rate contracts (2)	27.8	230	240	118	22.7	215	472	241
<b>Cash flow hedging</b>								
Interest rate contracts	5.9	34	211	127	6.2	27	355	3
Exchange rate contracts	14.2	342	317	6	8.3	110	455	3
<b>Net investment hedging</b>								
Exchange rate contracts (2)	0.1	2	1	1	0.1	-	-	-
	48.0	608	769	252	37.3	352	1,282	247
IFRS netting and clearing house settlements		(260)	(444)			(242)	(808)	
		348	325			110	474	

NWM Plc								
	2025				2024			
	Notional £bn	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m	Notional £bn	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m
<b>Fair value hedging</b>								
Interest rate contracts (2)	27.7	230	241	117	22.5	214	471	242
<b>Cash flow hedging</b>								
Interest rate contracts	4.6	20	205	146	5.1	5	354	(2)
Exchange rate contracts	14.2	342	317	6	8.3	110	455	3
<b>Net investment hedging</b>								
Exchange rate contracts	0.1	2	1	1	0.1	-	-	-
	46.6	594	764	270	36.0	329	1,280	243
IFRS netting and clearing house settlements		(245)	(438)			(219)	(806)	
		349	326			110	474	

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

(2) In addition to the derivative hedging instruments above, £589 million notional (2024 - £1,134 million) of non-derivative hedging instruments with a carrying value of £606 million (2024 - £1,152 million) were used in net investment hedges. The non-derivative instruments are other financial liabilities, specifically debt securities in issue.

## 13 Derivatives continued

### Hedge ineffectiveness

Hedge ineffectiveness recognised in other operating income in continuing operations comprised.

	NWM Group	
	2025	2024
	£m	£m
<b>Fair value hedging</b>		
Loss on hedged items attributable to the hedged risk	(117)	(241)
Gain on the hedging instruments	118	241
Fair value hedging ineffectiveness	1	-
<b>Cash flow hedging</b>		
Interest rate risk	(2)	-
Cash flow hedging ineffectiveness	(2)	-
Total	(1)	-

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

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

## 13 Derivatives continued

### Maturity of notional hedging contracts

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

NWM Group							
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
<b>2025</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	0.3	4.7	0.9	0.4	0.1	6.4
Hedging liabilities	0.7	1.2	8.5	10.6	0.4	-	21.4
<b>2024</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	0.4	2.7	0.6	0.2	0.2	4.1
Hedging liabilities	0.8	3.3	6.7	6.8	1.0	-	18.6
<b>2025</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	-	0.4	1.0	1.2	3.3	-	5.9
Exchange rate risk							
Hedging liabilities	-	1.5	4.5	8.2	-	-	14.2
<b>2024</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	0.1	1.5	1.1	0.9	2.6	-	6.2
Exchange rate risk							
Hedging liabilities	-	2.3	2.7	3.3	-	-	8.3
NWM Plc							
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
<b>2025</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	0.3	4.7	0.8	0.3	0.1	6.2
Hedging liabilities	0.7	1.2	8.6	10.6	0.4	-	21.5
<b>2024</b>							
<b>Fair value hedging</b>							
Interest rate risk							
Hedging assets	-	0.4	2.7	0.5	0.3	0.2	4.1
Hedging liabilities	0.8	3.2	6.7	6.7	1.0	-	18.4
<b>2025</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	-	0.4	0.7	0.7	2.8	-	4.6
Exchange rate risk							
Hedging liabilities	-	1.5	4.5	8.2	-	-	14.2
<b>2024</b>							
<b>Cash flow hedging</b>							
Interest rate risk							
Hedging assets	-	1.4	0.7	0.7	2.3	-	5.1
Exchange rate risk							
Hedging liabilities	-	2.3	2.7	3.3	-	-	8.3

## 13 Derivatives continued

### Average fixed interest rates

Average fixed rate for cash flow hedges, interest rate risk.

	NWM Group						
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
2025	%	%	%	%	%	%	%
Average fixed interest rate							
Hedging assets	2.45	1.75	1.52	1.64	4.67	-	3.29
2024							
Average fixed interest rate							
Hedging assets	2.65	1.33	1.77	1.50	3.65	-	2.44

		NWM Plc						
		0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
2025		%	%	%	%	%	%	%
Average fixed interest rate								
	Hedging assets	-	1.66	1.10	1.20	4.97	-	3.55
2024								
Average fixed interest rate								
	Hedging assets	-	1.15	1.28	1.24	3.81	-	2.38

### Average foreign exchange rates

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

	2025	2024
USD/GBP	1.29	1.27
JPY/USD	137.82	130.79
NOK/USD	9.21	9.21
AUD/USD	1.54	1.49
CHF/USD	0.88	0.91
EUR/USD	0.90	0.91

## 13 Derivatives continued

### Analysis of hedged items and related hedging instruments

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

	NWM Group		
	Carrying value of hedged assets and liabilities £m	Impact on hedged items included in carrying value £m	Changes in fair value used as a basis to determine ineffectiveness (1) £m
<b>2025</b>			
<b>Fair value hedging - interest rate</b>			
Other financial assets - securities (3)	6,273	(5)	37
Bank and customer deposits	1,582	2	1
Other financial liabilities - debt securities in issue	20,132	27	(128)
Subordinated liabilities	1,080	9	(27)
<b>Total</b>	<b>22,794</b>	<b>38</b>	<b>(154)</b>
<b>2024</b>			
<b>Fair value hedging - interest rate</b>			
Other financial assets - securities (3)	4,091	(51)	(35)
Bank and customer deposits	382	-	(3)
Other financial liabilities - debt securities in issue	18,379	(99)	(197)
Subordinated liabilities	1,130	(19)	(6)
<b>Total</b>	<b>19,891</b>	<b>(118)</b>	<b>(206)</b>
<b>2025</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (2)	5,535		(118)
Other financial assets - securities	384		(10)
<b>Total</b>	<b>5,919</b>		<b>(128)</b>
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	7,706		(7)
<b>2024</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (2)	5,891		(5)
Other financial assets - securities	346		2
<b>Total</b>	<b>6,237</b>		<b>(3)</b>
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	4,212		(3)

Refer to the following page for footnotes.

## 13 Derivatives continued

## Analysis of hedged items and related hedging instruments - continued

	NWM Plc		
	Carrying value of hedged assets and liabilities £m	Impact on hedged items included in carrying value £m	Changes in fair value used as a basis to determine ineffectiveness (1) £m
<b>2025</b>			
<b>Fair value hedging - interest rate</b>			
Other financial assets - securities (3)	6,171	(5)	38
Bank and customer deposits	1,582	2	1
Other financial liabilities - debt securities in issue	20,119	27	(127)
Subordinated liabilities	1,080	9	(27)
Total	22,781	38	(153)
<b>2024</b>			
<b>Fair value hedging - interest rate</b>			
Other financial assets - securities (3)	4,006	(52)	(36)
Bank and customer deposits	382	-	(3)
Other financial liabilities - debt securities in issue	18,363	(98)	(198)
Subordinated liabilities	1,130	(19)	(6)
Total	19,875	(117)	(207)
<b>2025</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (2)	4,203		(137)
Other financial assets - securities	384		(10)
Total	4,587		(147)
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	7,706		(7)
<b>2024</b>			
<b>Cash flow hedging - interest rate</b>			
Loans to banks and customers - amortised cost (2)	4,725		1
Other financial assets - securities	346		1
Total	5,071		2
<b>Cash flow hedging - exchange rate</b>			
Other financial liabilities - debt securities in issue	4,212		(3)

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

(2) Includes cash and balances at central banks.

(3) The carrying value include £1,210 million (2024 - £658 million) of debt securities held at amortised cost.

### 13 Derivatives continued

#### Analysis of cash flow and foreign exchange hedge reserve

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

	NWM Group			
	2025		2024	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Continuing</b>				
Interest rate risk	(133)	-	(261)	-
Foreign exchange risk	5	(22)	(9)	(5)
<b>De-designated</b>				
Interest rate risk	4	-	17	-
Foreign exchange risk	-	(114)	-	(142)
<b>Total</b>	<b>(124)</b>	<b>(136)</b>	<b>(253)</b>	<b>(147)</b>

	NWM Plc			
	2025		2024	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Continuing</b>				
Interest rate risk	(139)	-	(287)	-
Foreign exchange risk	5	1	(9)	(7)
<b>De-designated</b>				
Interest rate risk	2	-	17	-
Foreign exchange risk	-	22	-	1
<b>Total</b>	<b>(132)</b>	<b>23</b>	<b>(279)</b>	<b>(6)</b>

	NWM Group			
	2025		2024	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Amount recognised in equity</b>				
Interest rate risk	27	-	(175)	-
Foreign exchange risk	(129)	19	(124)	15
<b>Total</b>	<b>(102)</b>	<b>19</b>	<b>(299)</b>	<b>15</b>
<b>Amount transferred from equity to earnings</b>				
Interest rate risk to net interest income	86	-	151	-
Foreign exchange risk to net interest income	143	-	119	-
Foreign exchange risk to non-interest income	-	(9)	-	21
<b>Total</b>	<b>229</b>	<b>(9)</b>	<b>270</b>	<b>21</b>

	NWM Plc			
	2025		2024	
	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m	Cash flow hedge reserve £m	Foreign exchange hedge reserve £m
<b>Amount recognised in equity</b>				
Interest rate risk	42	-	(166)	-
Foreign exchange risk	(129)	49	(124)	(7)
<b>Total</b>	<b>(87)</b>	<b>49</b>	<b>(290)</b>	<b>(7)</b>
<b>Amount transferred from equity to earnings</b>				
Interest rate risk to net interest income	92	-	138	-
Foreign exchange risk to net interest income	143	-	119	-
Foreign exchange risk to non-interest income	-	(21)	-	(27)
<b>Total</b>	<b>235</b>	<b>(21)</b>	<b>257</b>	<b>(27)</b>



## 14 Loan impairment provisions

### Loan exposure and impairment metrics

The table below summarises loans and related credit impairment measures within the scope of ECL framework.

	NWM Group		NWM Plc	
	31 December 2025 £m	31 December 2024 £m	31 December 2025 £m	31 December 2024 £m
<b>Loans - amortised cost</b>				
- Stage 1	24,507	18,759	22,708	17,789
- Stage 2	214	352	107	253
- Stage 3	22	52	22	25
<i>Of which: individual</i>	15	45	15	18
<i>Of which: collective</i>	7	7	7	7
- Inter-Group	216	260	1,733	1,839
<b>Total</b>	<b>24,959</b>	<b>19,423</b>	<b>24,570</b>	<b>19,906</b>
<b>ECL provisions (1)</b>				
- Stage 1	28	25	22	21
- Stage 2	8	5	4	4
- Stage 3	15	17	15	16
<i>Of which: individual</i>	8	10	8	9
<i>Of which: collective</i>	7	7	7	7
- Inter-Group	-	-	2	2
<b>Total</b>	<b>51</b>	<b>47</b>	<b>43</b>	<b>43</b>
<b>ECL provision coverage (2)</b>				
- Stage 1 (%)	0.11	0.13	0.10	0.12
- Stage 2 (%)	3.74	1.42	3.74	1.58
- Stage 3 (%)	68.18	32.69	68.18	64.00
- Inter-Group (%)	-	0.05	0.12	0.11
<b>Total</b>	<b>0.21</b>	<b>0.25</b>	<b>0.18</b>	<b>0.23</b>
<b>Impairment (releases)/losses</b>				
ECL (release)/charge				
- Stage 1	(3)	(3)	(5)	(1)
- Stage 2	8	3	5	2
- Stage 3	(2)	(8)	(2)	(7)
<i>Of which: individual</i>	(2)	(7)	(2)	(6)
<i>Of which: collective</i>	-	(1)	-	(1)
- Third party	3	(8)	(2)	(6)
- Inter-Group	-	-	-	(1)
<b>Total</b>	<b>3</b>	<b>(8)</b>	<b>(2)</b>	<b>(7)</b>
Amounts written off	1	2	-	2
<i>Of which: individual</i>	1	2	-	2
<i>Of which: collective</i>	-	-	-	-

(1) NWM Group's intercompany assets were classified as Stage 1. The ECL for these loans was £0.1 million at 31 December 2025.

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

(3) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to page 45 for Financial instruments within the scope of the IFRS 9 ECL framework for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £16 billion (2024 – £16.2 billion) and debt securities of £18.9 billion (2024 – £17.8 billion).

For accounting policy information refer to Accounting policy 3.11.

### Credit risk enhancement and mitigation

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

### IFRS 9 models

Refer to Credit risk – IFRS 9 models section for further details.

### Approach for multiple economic scenarios (MES)

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

## 15 Other financial assets

## NWM Group

	Debt securities							
	Central and local government					Equity shares	Loans	Total
	UK £m	US £m	Other £m	Other debt £m	Total £m			
<b>2025</b>								
Mandatory fair value through profit or loss	-	-	-	1	1	-	45	46
Designated as at fair value	-	-	-	3	3	-	-	3
Fair value through other comprehensive income	378	3,216	758	1,835	6,187	64	98	6,349
Amortised cost	-	-	-	12,686	12,686	-	-	12,686
<b>Total</b>	<b>378</b>	<b>3,216</b>	<b>758</b>	<b>14,525</b>	<b>18,877</b>	<b>64</b>	<b>143</b>	<b>19,084</b>

<b>2024</b>								
Mandatory fair value through profit or loss	-	-	-	1	1	1	47	49
Designated as at fair value	-	-	2	3	5	-	-	5
Fair value through other comprehensive income	-	2,523	835	1,144	4,502	62	47	4,611
Amortised cost	-	-	-	13,185	13,185	-	-	13,185
<b>Total</b>	<b>-</b>	<b>2,523</b>	<b>837</b>	<b>14,333</b>	<b>17,693</b>	<b>63</b>	<b>94</b>	<b>17,850</b>

## NWM Plc

	Debt securities							
	Central and local government					Equity shares	Loans	Total
	UK £m	US £m	Other £m	Other debt £m	Total £m			
<b>2025</b>								
Mandatory fair value through profit or loss	-	-	-	1	1	-	45	46
Fair value through other comprehensive income	378	3,216	405	1,577	5,576	52	98	5,726
Amortised cost	-	-	-	11,582	11,582	-	-	11,582
<b>Total</b>	<b>378</b>	<b>3,216</b>	<b>405</b>	<b>13,160</b>	<b>17,159</b>	<b>52</b>	<b>143</b>	<b>17,354</b>

<b>2024</b>								
Mandatory fair value through profit or loss	-	-	-	1	1	-	47	48
Fair value through other comprehensive income	-	2,523	345	1,140	4,008	51	47	4,106
Amortised cost	-	-	-	11,927	11,927	-	-	11,927
<b>Total</b>	<b>-</b>	<b>2,523</b>	<b>345</b>	<b>13,068</b>	<b>15,936</b>	<b>51</b>	<b>94</b>	<b>16,081</b>

There are no significant acquisitions and disposal of equity shares held at FVOCI in either year. Dividends received on FVOCI equity shares during 2025 includes £58 million from OTCDERIV LIMITED.

## 16 Investments in Group undertakings

Investments in group undertakings are carried at cost less impairment losses. Movements during the year were as follows:

	NWM Plc	
	2025	2024
	£m	£m
At 1 January	<b>2,263</b>	2,320
Currency translation and other adjustments	<b>29</b>	(27)
Additional investments in Group undertakings	-	208
Disposals of investments in Group undertakings	-	(208)
Net reversal of impairment/(impairment) of investments	<b>111</b>	(30)
At 31 December	<b>2,403</b>	2,263

The reversal/impairment of investments in both 2025 and 2024 is mainly related to NWM Plc's investment in RBS Holdings N.V. due to changes in its net asset value.

NWM Plc's subsidiaries are assessed for potential impairment of investment based on net asset value. Fair value measurement for this purpose was categorised as Level 3 of the fair value hierarchy.

The principal subsidiary undertakings of the company are shown below. Their capital consists of ordinary shares and Additional Tier 1 notes which are unlisted. All of these subsidiaries are included in NWM Group's consolidated financial statements and have an accounting reference date of 31 December.

	Nature of business	Country of incorporation and principal area of operation	Group interest
NatWest Markets Securities Inc.	Broker dealer	US	100%
NatWest Markets N.V.	Banking	Netherlands	100%

For accounting policy information refer to Accounting policy 3.10.

Full information on all related undertakings is included in Note 34.

## 17 Other assets

	NWM Group		NWM Plc	
	2025	2024	2025	2024
	£m	£m	£m	£m
Property, plant and equipment	<b>33</b>	42	<b>10</b>	14
Pension schemes in net surplus (Note 5)	<b>160</b>	146	<b>160</b>	146
Accrued income	<b>45</b>	36	<b>32</b>	23
Tax recoverable	<b>103</b>	137	<b>99</b>	136
Deferred tax (Note 7)	<b>187</b>	172	<b>52</b>	87
Other assets	<b>91</b>	88	<b>83</b>	73
Total	<b>619</b>	621	<b>436</b>	479

## 18 Other financial liabilities

	NWM Group		NWM Plc	
	2025	2024	2025	2024
	£m	£m	£m	£m
Customer deposits - designated as at fair value through profit or loss	<b>2,312</b>	1,537	<b>1,727</b>	1,146
Debt securities in issue				
Medium term notes	<b>27,232</b>	21,852	<b>25,688</b>	20,817
Commercial paper and certificates of deposit	<b>5,638</b>	7,605	<b>4,307</b>	5,985
Subordinated liabilities				
Designated as at fair value through profit or loss	<b>237</b>	234	-	-
Amortised cost	<b>34</b>	35	<b>18</b>	18
Total	<b>35,453</b>	31,263	<b>31,740</b>	27,966

For accounting policy information refer to Accounting policy 3.5 and 3.8.

## 19 Subordinated liabilities

	NWM Group		NWM Plc	
	2025	2024	2025	2024
	£m	£m	£m	£m
Dated loan capital	253	251	-	-
Undated loan capital	18	18	18	18
Total	271	269	18	18

(1) Excludes amounts due to holding company and fellow subsidiaries of £1,066 million (2024 - £1,115 million) for NWM Group and NWM Plc.

The following tables analyse third party subordinated liabilities:

					2025	2024
					£m	£m
Undated loan capital						
		First call date	Maturity date	Capital treatment		
£31 million	7.380% notes	-	-	Not applicable	1	1
£16 million	5.630% notes	Sep-2026	-	Not applicable	17	17
					18	18

The following tables analyse intercompany subordinated liabilities:

					NWM Group and NWM Plc	
					2025	2024
					£m	£m
Dated loan capital					1,066	1,115
Dated loan capital					2025	2024
		First call date	Maturity date	Capital treatment	£m	£m
\$1000 million	6.475% notes	-	Mar-2034	Tier 2	763	801
\$250 million	4.960% notes	-	Jan-2034	Tier 2	181	186
\$160 million	6.258% notes	-	Aug-2030	Tier 2	122	128
					1,066	1,115

## 20 Other liabilities

	NWM Group		NWM Plc	
	2025	2024	2025	2024
	£m	£m	£m	£m
Lease liabilities	33	41	4	5
Provisions for liabilities and charges	85	146	62	126
Retirement benefit liabilities (Note 5)	27	39	25	36
Accruals	170	177	124	129
Deferred income	66	43	50	34
Current tax	5	9	3	6
Deferred tax (Note 7)	42	37	40	35
Other liabilities	41	29	25	15
<b>Total</b>	<b>469</b>	<b>521</b>	<b>333</b>	<b>386</b>

	NWM Group		
	Litigation and other regulatory	Other (1)	Total
	£m	£m	£m
<b>Provisions for liabilities and charges</b>			
At 1 January 2025	108	38	146
Currency translation and other movements	(7)	1	(6)
Charge to income statement	7	15	22
Release to income statement	(50)	(4)	(54)
Provisions utilised	(13)	(10)	(23)
<b>At 31 December 2025</b>	<b>45</b>	<b>40</b>	<b>85</b>

	NWM Plc		
	Litigation and other regulatory	Other (1)	Total
	£m	£m	£m
<b>Provisions for liabilities and charges</b>			
At 1 January 2025	104	22	126
Currency translation and other movements	(6)	-	(6)
Charge to income statement	7	7	14
Release to income statement	(50)	(2)	(52)
Provisions utilised	(13)	(7)	(20)
<b>At 31 December 2025</b>	<b>42</b>	<b>20</b>	<b>62</b>

(1) Materially comprises provisions relating to restructuring costs.

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

For accounting policy information refer to Accounting policy 2.3.

### Critical accounting policy: Provisions for liabilities

The key judgement is involved in determining whether a present obligation exists. There is often a high degree of uncertainty and judgement is based on the specific facts and circumstances relating to individual events in determining whether there is a present obligation. Judgement is also involved in estimation of the probability, timing and amount of any outflows. Where NWM Group can look to another party such as an insurer to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

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

- **Litigation and other regulatory:** NWM Group is engaged in various legal proceedings, both in the UK and in overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, refer to Note 25.
- **Other provisions:** These materially comprise provisions for onerous contracts and restructuring costs. Onerous contract provisions comprise an estimate of the costs involved in fulfilling the terms and conditions of contracts net of any expected benefits to be received. Redundancy and restructuring provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists.

## 21 Share capital and reserves

	2025 £m	2024 £m	Number of shares	
			2025 000s	2024 000s
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1	<b>400</b>	400	<b>399,517</b>	399,517

### Ordinary shares

NWM Plc has not paid ordinary dividends in 2025, consistent with 2024.

### Paid-in equity

Comprises equity instruments issued by NWM Plc other than those legally constituted as shares.

Additional Tier 1 instruments issued by NWM Plc having the legal form of debt are classified as equity under IFRS. The coupons on these instruments are non-cumulative and payable at NWM Plc's discretion.

	2025 £m	2024 £m
<b>Additional Tier 1 instruments</b>		
US\$950 million 7.9604% instruments callable August 2025	-	749
US\$200 million 5.540% instruments callable August 2025	-	155
GBPE250 million 7.50% instruments callable Feb 2032	250	-
US\$750 million 7.30% instruments callable November 2034	592	592
GBPE350 million 8.3250% instruments callable May 2035	350	-
	<b>1,192</b>	1,496

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

### Reserves

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

For accounting policy information refer to Accounting policy 3.8.

## 22 Structured entities

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

### Securitisations

In a securitisation, assets, or interests in a pool of assets, are transferred to a SE which then issues liabilities to third party investors.

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

### Covered debt programme

NWM Group has assigned certain loans to customers and other debt instruments to bankruptcy remote limited liability partnerships to provide security for issues of debt securities by NWM Group. NWM Group retains all of the risks and rewards of these assets and continues to recognise them. The partnerships are consolidated by the NWM Group, and the related covered debt included within other financial liabilities. At 31 December 2025, £1,195 million (2024 - £1,345 million) of loans and other debt instruments provided security for £2,186 million (2024 - £1,556 million) debt securities in issue and other borrowing by NWM Plc and NWM Group.

## Lending of own issued securities

Where the NWM Plc issues and retains debt securities it does not recognise them. From time to time the NWM Plc issues, retains, and lends debt securities under bespoke securities lending and repurchase financing arrangements. Under standard terms in the UK and US markets, the recipient has an unrestricted right to sell or repledge collateral, subject to returning equivalent securities on maturity of the transaction. NWM Plc retains all of the risks and rewards of own issued liabilities lent or sold under such arrangements and, where the ability of the recipient to sell or pledge the asset is restricted under a bespoke arrangement, does not recognise them. At 31 December 2025, £3,330 million (2024 - £2,965 million) of secured own issued liabilities have been retained and lent under securities lending and repurchase financing arrangements, total retained secured own issued liabilities £5,156 million (2024 - £3,956 million). At 31 December 2025, £3,817 million (2024 - £3,127 million) of loans and other debt instruments provided security for secured own issued liabilities that have been retained and lent under securities lending and repurchase financing arrangements, total loans and other debt instruments providing security for retained secured own issued liabilities £5,196 million (2024 - £4,194 million).

## Unconsolidated structured entities

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

The nature and extent of NWM Group's interests in unconsolidated structured entities is summarised below.

	2025			2024		
	Asset-backed securitisation vehicles £m	Investment funds and other £m	Total £m	Asset-backed securitisation vehicles £m	Investment funds and other £m	Total £m
<b>Assets</b>						
Trading assets	122	28	150	252	216	468
Derivatives	96	-	96	94	-	94
Loans to customers	6,479	1,167	7,646	4,953	1,127	6,080
Other financial assets	11,808	722	12,530	12,144	923	13,067
<b>Total</b>	<b>18,505</b>	<b>1,917</b>	<b>20,422</b>	<b>17,443</b>	<b>2,266</b>	<b>19,709</b>
<b>Liabilities</b>						
Derivatives	82	2	84	153	8	161
<b>Total</b>	<b>82</b>	<b>2</b>	<b>84</b>	<b>153</b>	<b>8</b>	<b>161</b>
<b>Off balance sheet</b>						
Liquidity facilities/loan commitments	2,127	274	2,401	1,989	375	2,364
Guarantees	-	546	546	-	93	93
<b>Total</b>	<b>2,127</b>	<b>820</b>	<b>2,947</b>	<b>1,989</b>	<b>468</b>	<b>2,457</b>
<b>Maximum exposure</b>	<b>20,550</b>	<b>2,735</b>	<b>23,285</b>	<b>19,279</b>	<b>2,726</b>	<b>22,005</b>



## 23 Asset transfers and collateral received

### Transfers that do not qualify for derecognition

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

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

	NWM Group		NWM Plc	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>The following assets have failed derecognition (1)</b>				
Trading assets	<b>7,897</b>	7,708	<b>4,696</b>	4,919
Other financial assets	<b>5,163</b>	4,190	<b>4,795</b>	3,809
<b>Total</b>	<b>13,060</b>	11,898	<b>9,491</b>	8,728

(1) Associated liabilities were £12,557 million for the NWM Group (2024 - £12,290 million) and £9,051 million for NWM Plc (2024 - £8,377 million).

### Assets pledged as collateral

NWM Group pledges collateral with its counterparties in respect of derivative liabilities and bank and stock borrowings. Under standard arrangements the counterparty has the right to sell or repledge the collateral. Where NWM Group retains exposure to the significant risks and rewards of the transferred collateral it is not derecognised from the NWM Group balance sheet and continues to be disclosed within either Trading Assets or Other Financial Assets.

	NWM Group		NWM Plc	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Assets pledged against liabilities</b>				
Trading assets	<b>7,828</b>	10,254	<b>6,198</b>	7,862
Other financial assets (1)	<b>4,872</b>	3,952	<b>4,363</b>	3,311
	<b>12,700</b>	14,206	<b>10,561</b>	11,173

(1) Includes pledges for stock borrowing.

The following table analyses assets that have been transferred but have failed the derecognition rules under IFRS 9 and therefore continue to be recognised on NWM Plc's balance sheet.

Asset type	2025 £m	2024 £m
Loans and other debt instruments - covered debt programme (1)	<b>2,379</b>	1,688
Loans and other debt instruments - own issued retained lent securities (2)	<b>3,817</b>	3,127

(1) The associated liabilities for covered debt programme were £2,186 million (2024 - £1,556 million).

(2) The associated own issued securities that were retained and lent under securities lending arrangements were £3,330 million (2024 - £2,965 million).

### Collateral received

The fair value of securities accepted as collateral relating primarily to standard securities lending, reverse repurchase agreements, swaps of securities and margining related to derivatives and other trading assets that NWM Group is permitted to sell or repledge in the absence of default was £64,237 million (2024 - £65,063 million). The fair value of any such collateral sold or repledged was £52,077 million (2024 - £52,364 million).

NWM Group is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard securities lending, reverse repurchase agreements, swaps of securities and derivative margining.

## 24 Capital resources

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

	2025 £m	2024 £m
<b>Shareholders' equity</b>		
Shareholders' equity	6,880	6,819
Other equity instruments	(1,192)	(1,496)
	<b>5,688</b>	5,323
<b>Regulatory adjustments and deductions</b>		
Own credit	36	37
Defined benefit pension fund adjustment	(119)	(109)
Cash flow hedging reserve	97	203
Prudential valuation adjustments	(114)	(148)
Expected losses less impairments	(11)	(6)
Instruments of financial sector entities where the institution has a significant investment	(1,625)	(1,521)
	<b>(1,736)</b>	(1,544)
<b>CET1 capital</b>	<b>3,952</b>	3,779
<b>Additional Tier 1 (AT1) capital</b>		
Qualifying instruments and related share premium	1,192	1,496
<b>Tier 1 deductions</b>		
Instruments of financial sector entities where the institution has a significant investment	(218)	(208)
<b>Tier 1 capital</b>	<b>4,926</b>	5,067
<b>Qualifying Tier 2 capital</b>		
Qualifying instruments and related share premium	1,048	1,124
<b>Tier 2 deductions</b>		
Instruments of financial sector entities where the institution has a significant investment	(407)	(419)
Other regulatory adjustments	9	7
	<b>(398)</b>	(412)
<b>Tier 2 capital</b>	<b>650</b>	712
<b>Total regulatory capital</b>	<b>5,576</b>	5,779

In the management of capital resources, NWM Plc is governed by NatWest Group's policy to maintain a strong capital base and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, NatWest Group has regard to the supervisory requirements of the PRA. The PRA uses capital ratios as a measure of capital adequacy in the UK banking sector, comparing a bank's capital resources with its risk-weighted assets (the assets and off-balance sheet exposures are weighted to reflect the inherent credit and other risks); by international agreement, the Pillar 1 capital ratios, excluding capital buffers, should be not less than 8% with a Common Equity Tier 1 component of not less than 4.5%. NWM Plc has complied with the PRA's capital requirements throughout the year. NWM Plc is also subject to a Pillar 2 requirement.

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

## 25 Memorandum items

### Contingent liabilities and commitments

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2025. Although the NWM Group is exposed to credit risk in the event of a customer's failure to meet its obligations, the amounts shown do not, and are not intended to, provide any indication of NWM Group's expectation of future losses.

	NWM Group		NWM Plc	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Contingent liabilities and commitments</b>				
Guarantees	591	696	131	272
Other contingent liabilities	16	17	16	17
Standby facilities, credit lines and other commitments	15,176	14,097	8,524	8,319
<b>Total</b>	<b>15,783</b>	<b>14,810</b>	<b>8,671</b>	<b>8,608</b>

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

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

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

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

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

### Risk-sharing arrangements

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

- The provision of a funded guarantee of up to £0.7 billion by NWM Plc to NWM N.V. that limits NWM N.V.'s exposure to large individual customer credits. Funding is provided by NWM Plc deposits placed with NWM N.V. of not less than the guaranteed amount. At 31 December 2025, the deposits amounted to £0.1 billion and the guaranteed fees in the year were £1.0 million.
- The provision of unfunded guarantees by NWM Plc in respect of NWM N.V.'s Legacy portfolio. At 31 December 2025 the exposure at default covered by the guarantees was approximately £7 million (of which none was cash collateralised). Fees of £0.2 million in relation to the guarantees were recognised in the year.

### Indemnity deed

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

## 25 Memorandum items continued

### Litigation and regulatory matters

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

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

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

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

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

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

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

For a discussion of certain risks associated with NWM Group's litigation and regulatory matters (including the Matters), refer to the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on pages 163 to 165.

### Litigation

#### London Interbank Offered Rate (LIBOR) and other rates litigation

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

The co-ordinated proceeding in the SDNY relating to USD LIBOR now includes one remaining class action, which is on behalf of persons who purchased LIBOR-linked instruments from defendants and bonds issued by defendants, as well as two non-class actions.

On 25 September 2025, the SDNY granted summary judgment to the defendants on the issue of liability and dismissal of all claims in both the class action and the non-class actions. The decision is being appealed in the United States Court of Appeals for the Second Circuit (US Court of Appeals).

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

Two other IBOR-related class actions involving NWM Plc, concerning alleged manipulation of Euribor and Pound Sterling LIBOR, were previously dismissed by the SDNY for various reasons.

On 22 August 2025, the US Court of Appeals reversed the SDNY's decision in the Euribor case, reinstating claims against NWM plc. That case has therefore returned to the SDNY for further proceedings.

On 15 September 2025, the US Court of Appeals affirmed the SDNY's dismissal of the Pound Sterling LIBOR case.

## 25 Memorandum items continued

### Foreign exchange litigation

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

In May 2019, a cartel class action was filed in the Federal Court of Australia against NWM Plc and four other banks on behalf of persons who bought or sold currency through FX spots or forwards between 1 January 2008 and 15 October 2013 with a total transaction value exceeding AUD 0.5 million. The claimant has alleged that the banks, including NWM Plc, contravened Australian competition law by sharing information, coordinating conduct, widening spreads and manipulating FX rates for certain currency pairs during this period. NatWest Group plc and NWM SI have been named in the action as 'other cartel participants' but are not respondents.

In May 2025, NWM Plc executed an agreement to settle the claim in the Federal Court of Australia, which the court approved in August 2025. The settlement amount is covered in full by an existing provision.

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

In March 2022, the CAT declined to certify either application as collective proceedings on an opt-out basis. This decision was appealed by the applicants and was the subject of an application for judicial review. The CAT, in its judgment, allowed the applicants three months in which to reformulate their claims as opt-in claims.

In its amended judgment in November 2023, the Court of Appeal allowed the appeal and decided that the claims should proceed on an opt-out basis. Separately, the court determined which of the two competing applicants can proceed as class representative and dismissed the application for judicial review of the CAT's decision. The other applicant has discontinued its claim and withdrawn from the proceedings. The banks sought permission to appeal the Court of Appeal decision directly to the UK Supreme Court, which was granted in April 2024. The appeal was heard in April 2025.

In December 2025, the UK Supreme Court reinstated the CAT's decision to refuse the application for a collective proceedings order on an opt-out basis.

Two motions to certify FX-related class actions were filed in the Tel Aviv District Court in Israel in September and October 2018 and were subsequently consolidated into one motion. The consolidated motion to certify, which names The Royal Bank of Scotland plc (now NWM Plc) and several other banks as defendants, was served on NWM Plc in May 2020.

The applicants sought the court's permission to amend their motions to certify the class actions. NWM Plc filed a motion challenging the permission granted by the court for the applicants to serve the consolidated motion outside the Israeli jurisdiction. That NWM Plc motion remains pending. In February 2024, NWM Plc executed an agreement to settle the claim, subject to court approval. The settlement amount is covered in full by an existing provision.

In December 2021, a summons was served in the Netherlands against NatWest Group plc, NWM Plc and NWM N.V. by Stichting FX Claims on behalf of a number of parties, seeking declarations from the court concerning liability for anti-competitive FX market conduct described in decisions of the European Commission (EC) of 16 May 2019, along with unspecified damages. The claimant amended its claim to also refer to a 2 December 2021 decision by the EC, which described anti-competitive FX market conduct. NatWest Group plc, NWM Plc and other defendants contested the jurisdiction of the Dutch court.

In March 2023, the district court in Amsterdam accepted that it has jurisdiction to hear claims against NWM N.V. but refused jurisdiction to hear any claims against the other defendant banks (including NatWest Group plc and NWM Plc) brought on behalf of the parties represented by the claimant that are domiciled outside of the Netherlands. The claimant is appealing that decision.

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

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

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

NatWest Group plc, NWM Plc and other defendants are contesting the Dutch court's jurisdiction. The district court has stayed the proceedings pending judgment in the above-mentioned appeals.

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



## 25 Memorandum items continued

### Swaps antitrust litigation

NWM Plc, NWMSI and NatWest Group plc, as well as a number of other interest rate swap dealers, are defendants in several cases pending in the SDNY alleging violations of the US antitrust laws in the market for interest rate swaps. Three swap execution facilities (TeraExchange, Javelin, and trueEx) allege that they would have successfully established exchange-like trading of interest rate swaps if the defendants had not unlawfully conspired to prevent that from happening through boycotts and other means. Discovery is complete though expert discovery is ongoing.

In June 2021, a class action antitrust complaint was filed against a number of credit default swap dealers in New Mexico federal court on behalf of persons who, from 2005 onwards, settled credit default swaps in the United States by reference to the ISDA credit default swap auction protocol. The complaint alleges that the defendants conspired to manipulate that benchmark through various means in violation of the antitrust laws and the Commodity Exchange Act.

In May 2025, the US Court of Appeals affirmed a January 2024 decision by the SDNY which barred the plaintiffs in the New Mexico case from pursuing claims based on conduct occurring before 30 June 2014 on the ground that such claims were extinguished by a 2015 settlement agreement that resolved a prior class action relating to credit default swaps.

The case in New Mexico (which had been stayed pending the appeal of the SDNY's decision) has now resumed. The defendants have filed a motion to dismiss, which is pending.

### Odd lot corporate bond trading antitrust litigation

On 2 September 2025, the SDNY dismissed the class action antitrust complaint alleging that from August 2006 onwards various securities dealers, including NWMSI, conspired artificially to widen spreads for odd lots of corporate bonds bought or sold in the United States secondary market and to boycott electronic trading platforms that would have allegedly promoted pricing competition in the market for such bonds. The plaintiffs did not appeal the decision and the case is now closed.

### Spoofing litigation

In December 2021, three substantially similar class actions complaints were filed in federal court in the United States against NWM Plc and NWMSI alleging Commodity Exchange Act and common law unjust enrichment claims arising from manipulative trading known as spoofing. The complaints refer to NWM Plc's December 2021 spoofing-related guilty plea (described below under "US investigations relating to fixed-income securities") and purport to assert claims on behalf of those who transacted in US Treasury securities and futures and options on US Treasury securities between 2008 and 2018.

In July 2022, the defendants filed a motion to dismiss these claims, which have been consolidated into one matter in the United States District Court for the Northern District of Illinois. The motion to dismiss remains pending.

### Madoff

NWM N.V. was named as a defendant in two actions filed by the trustee for the bankrupt estates of Bernard L. Madoff and Bernard L. Madoff Investment Securities LLC, in bankruptcy court in New York, which together seek to clawback more than US\$300 million (plus pre-judgment interest) that NWM N.V. allegedly received from certain Madoff feeder funds and certain swap counterparties.

The claims were previously dismissed, but as a result of an August 2021 decision by the US Court of Appeals, they are now

proceeding in the discovery phase in the bankruptcy court, where they have been consolidated into one action.

### US Anti-Terrorism Act litigation

NWM N.V. and certain other financial institutions are defendants in several actions filed by a number of US nationals (or their estates, survivors, or heirs), most of whom are or were US military personnel, who were killed or injured in attacks in Iraq between 2003 and 2011.

NWM Plc is also a defendant in some of these cases.

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

The first of these actions, alleging conspiracy claims but not aiding and abetting claims, was filed in the United States District Court for the Eastern District of New York in November 2014. In September 2019, the district court dismissed the case, finding that the claims were deficient for several reasons, including lack of sufficient allegations as to the alleged conspiracy and causation. In January 2023, the US Court of Appeals affirmed the district court's dismissal of this case.

On 30 September 2025, the district court denied a motion by the plaintiffs to re-open the case to assert aiding and abetting claims that they previously did not assert. Another action, filed in the SDNY in 2017, which asserted both conspiracy and aiding and abetting claims, was dismissed by the SDNY in March 2019 on similar grounds as the first case, but remains subject to appeal to the US Court of Appeals.

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

### 1MDB litigation

A Malaysian court claim was served in Switzerland in November 2022 by 1MDB, a sovereign wealth fund, in which Coutts & Co Ltd was named, along with six others, as a defendant in respect of losses allegedly incurred by 1MDB. It is claimed that Coutts & Co Ltd is liable as a constructive trustee for having dishonestly assisted the directors of 1MDB in the breach of their fiduciary duties by failing (amongst other alleged claims) to undertake due diligence in relation to a customer of Coutts & Co Ltd, through which funds totalling c.US\$1 billion were received and paid out between 2009 and 2011. 1MDB sought the return of that amount plus interest.

Coutts & Co Ltd filed an application in January 2023 challenging the validity of service and the Malaysian court's jurisdiction to hear the claim, and a hearing took place in February 2024.

In March 2024, the court granted that application. 1MDB appealed that decision and a prior decision by the court not to allow them to discontinue their claim. Both appeals were scheduled to be heard in November 2025 but did not progress as 1MDB withdrew their appeal and discontinued the claim.

## 25 Memorandum items continued

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

### Oracle Securities Litigation

On 14 January 2026, a class action complaint was filed in New York state court against Oracle Corporation and the underwriters of a September 2025 bond offering by Oracle, including NWMSI. The complaint alleges that the offering documents for the bonds were materially misleading because they failed to disclose that, at the time of the bond offering, Oracle was already planning to further increase its debt to fund its Artificial Intelligence infrastructure expansion.

The complaint seeks damages under the U.S. Securities Act of 1933 (the 'Securities Act'), as amended, on behalf of those who purchased Oracle's bonds. In connection with the bond offering, Oracle agreed to indemnify the underwriters against certain potential liabilities, including disclosure-based liability under the Securities Act.

### Tandonor Litigation in Argentina

In October 2012, a claim was filed in the District Court of Buenos Aires by 'Argentina Talleres Navales Dársena Norte Sociedad Anónima Comercial, Industrial y Naviera' ("Tandonor") (a naval repair business) against what is now the Representative Office of The Royal Bank of Scotland NV, Argentine Branch (in liquidation) (the "Representative Office") and eleven private individuals. (The Representative Office inherited the claim from Banco Holandés Unido, Argentine Branch.) The claim, which was unquantified, sought damages for alleged fraudulent conduct during Tandonor's privatisation, which concluded in 1993. The Representative Office's participation in the privatisation was 2.9%. The Argentine Ministry of Defence joined Tandonor as a plaintiff in 2014.

The claim was dismissed on limitation grounds in 2018, and the plaintiffs were unsuccessful in subsequent appeals. In November 2024, however, the Argentine Supreme Court set the appealed judgments aside and, in June 2025, the Argentine Federal Court of Appeal returned the case to the Argentine Federal District Court for further consideration. In December 2025, the plaintiffs filed an update quantifying damages at USD1.1bn. The Representative Office continues to defend the claim and has requested a hearing.

### Regulatory matters

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

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

### US investigations relating to fixed-income securities

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

The DOJ and USAO CT paused the monitorship in May 2025 and, following a review, determined that a monitorship was no longer necessary as a result of NWM's notable progress in strengthening its compliance programme, certain of NWM's remedial improvements, internal controls, and the status of implementation of Monitor recommendations, and that reporting by NWM to the DOJ and USAO CT on its continued compliance programme progress provided an appropriate degree of oversight. The court approved the agreement and extended NWM's obligations under the plea agreement and probation until December 2026.

In the event that NWM Plc does not meet its obligations to the DOJ, this may lead to adverse consequences such as increased costs, findings that NWM Plc violated its probation term, and possible re-sentencing, amongst other consequences. Other material adverse collateral consequences may occur as a result of this matter, as further described in the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on pages 417 to 419 of the NatWest Group plc Annual Report and Accounts 2025.



## 26 Non-cash and other items

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

	NWM Group		NWM Plc	
	2025 £m	2024 £m	2025 £m	2024 £m
Impairment losses/(releases)	3	(8)	(2)	(7)
Depreciation and amortisation	12	10	6	3
Net impairment of investments in Group undertakings	-	-	(111)	30
Change in fair value taken to profit or loss on other financial assets	(1)	-	-	-
Change in fair value taken to profit or loss on other financial liabilities and subordinated liabilities	27	(12)	38	(17)
Elimination of foreign exchange differences	(589)	560	(380)	325
Foreign exchange recycling losses	31	70	76	36
Other non-cash items	218	270	235	256
Income receivable on other financial assets	(972)	(1,029)	(922)	(927)
Loss/(profit) on sale of other financial assets	2	(1)	2	-
Dividends receivable from subsidiaries	-	-	(98)	(94)
Interest payable on MREs and subordinated liabilities	309	291	308	283
Charges and releases of provisions	(32)	11	(38)	27
Defined benefit pension schemes	(9)	(19)	(9)	(19)
<b>Non-cash and other items</b>	<b>(1,001)</b>	<b>143</b>	<b>(895)</b>	<b>(104)</b>
<b>Change in operating assets and liabilities</b>				
Change in trading assets	509	(5,397)	3,125	1,380
Change in derivatives assets	17,137	929	17,101	562
Change in settlement balances assets	1,400	5,184	59	1,618
Change in net loans to banks	(391)	(19)	(37)	(19)
Change in net loans to customers	(5,535)	(4,932)	(5,064)	(4,983)
Change in amounts due from holding company and fellow subsidiaries	(76)	655	(400)	969
Change in other financial assets	(47)	17	(50)	17
Change in other assets	(15)	33	(15)	33
Change in bank deposits	3,936	2,298	3,581	2,160
Change in customer deposits	2,321	(2,158)	474	(710)
Change in amounts due to holding company and fellow subsidiaries	(617)	(414)	(2,394)	(5,009)
Change in settlement balances liabilities	(797)	(4,912)	56	44
Change in trading liabilities	(5,664)	888	(4,214)	(3,948)
Change in derivatives liabilities	(18,059)	55	(17,850)	612
Change in other financial liabilities	4,183	7,674	3,773	7,305
Change in other liabilities	(16)	(127)	(9)	(82)
<b>Change in operating assets and liabilities</b>	<b>(1,731)</b>	<b>(226)</b>	<b>(1,864)</b>	<b>(51)</b>

## 27 Analysis of changes in financing during the year

NWM Group					
	Share capital, share premium and paid-in equity		Subordinated liabilities (1)		MREL instruments (2)
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m
At 1 January	3,842	3,250	1,384	1,296	4,358
Issued	600	592	-	918	978
Redeemed	(904)	-	-	(814)	(874)
Interest paid			(69)	(91)	(239)
Net cash flows from financing activities	(304)	592	(69)	13	(135)
Effects of foreign exchange			(66)	(12)	(153)
Changes in fair value			17	10	12
Interest payable			68	74	241
Other	-	-	3	3	-
At 31 December	3,538	3,842	1,337	1,384	4,323

NWM Plc					
	Share capital, share premium and paid-in equity		Subordinated liabilities (1)		MREL instruments (2)
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m
At 1 January	3,842	3,250	1,133	1,041	4,358
Issued	600	592	-	918	978
Redeemed	(904)	-	-	(814)	(874)
Interest paid			(67)	(82)	(239)
Net cash flows from financing activities	(304)	592	(67)	22	(135)
Effects of foreign exchange			(77)	(1)	(153)
Changes in fair value			28	5	12
Interest payable			67	66	241
At 31 December	3,538	3,842	1,084	1,133	4,323

(1) Subordinated liabilities include intercompany subordinated liabilities.

(2) MREL balances are included in amounts due to holding company and fellow subsidiaries.

## 28 Analysis of cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash, loans to banks and treasury bills with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

	NWM Group		NWM Plc	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash and balances at central banks	16,023	16,229	9,357	11,069
Trading assets (1)	4,685	6,885	2,246	3,220
Loans to banks including intragroup balances	949	1,422	1,519	1,981
Cash and cash equivalents	21,657	24,536	13,122	16,270

(1) NWM Group includes cash collateral posted with bank counterparties in respect of derivative liabilities of £2,629 million (2024 - £3,658 million), and NWM Plc includes cash collateral posted with bank counterparties in respect of derivative liabilities of £2,141 million (2024 - £2,825 million).

Certain members of NatWest Group are required by law or regulation to maintain balances with the central banks in the jurisdictions in which they operate. NatWest Markets N.V. had mandatory reserve deposits with De Nederlandsche Bank N.V. of €100 million (2024 - €95 million).

## 29 Directors' and key management remuneration

	2025 £000	2024 £000
<b>Directors' remuneration</b>		
Non-executive directors emoluments	367	391
Chairman and executive directors emoluments	2,669	2,774
	<b>3,036</b>	3,165
Amounts receivable under LTIPs, share option and other plans	922	792
<b>Total</b>	<b>3,958</b>	3,957

The total emoluments and amounts receivable under long-term incentive plans and share option plans of the highest paid director were £2,567,000 (2024 - £2,247,000).

The executive directors may participate in NatWest Group's long-term incentive plans, executive share option and share save schemes. Where directors of the Bank are also directors of NatWest Group, details of their share interests can be found in the 2025 Annual Report and Accounts of the NatWest Group, in line with regulations applying to NatWest Group as a premium listed company.

### Compensation of key management

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

	2025 £000	2024 £000
Short term benefits	12,599	14,496
Post employment benefits	486	554
Share-based payments	5,615	4,943
	<b>18,700</b>	19,993

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

## 30 Transactions with directors and key management

At 31 December 2025, amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in NatWest Group, as defined in UK legislation, were £nil in respect of loans to any director of the company at any time during the financial period (2024 - £91,766).

For the purposes of IAS 24 Related party disclosures, key management comprises directors of the company and members of the Executive Committee. Amounts in the table below are attributed to each person at their highest level of NatWest Group key management.

	2025 £000	2024 £000
Loans to customers - amortised cost	-	92
Customer deposits	-	817

Key management has banking relationships with NatWest Group entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features. Key management had no reportable transactions or balances with the holding company.

## 31 Related parties

### UK Government

In May 2025, the UK Government through His Majesty's Treasury (HMT) sold its remaining shareholding in NatWest Group plc. Under UK listing rules the UK Government and UK Government-controlled bodies remained related parties until 12 July 2025, 12 months after the UK Government shareholding in NatWest Group plc fell below 20%.

NWM Group enters into transactions with many of these bodies. NWM Group's other transactions with the UK Government include the payment of taxes, principally UK corporation tax and value added tax; national insurance contributions; local authority rates; and regulatory fees and levies (including the bank levy and FSCS levies).

### Bank of England facilities

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

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

### Other related parties

- (a) In their roles as providers of finance, NWM Group companies provide development and other types of capital support to businesses.
- (b) To further strategic partnerships, NWM Group may seek to invest in third parties or allow third parties to hold a minority interest in a subsidiary of NWM Group. We disclose as related parties for associates and joint ventures and where equity interest are over 10%. Ongoing business transactions with these entities are on normal commercial terms. At 31 December 2025 NWM Group held investment in associates and joint ventures amounting to £3 million (2024 - £3 million).
- (c) In accordance with IAS 24, transactions, or balances between NWM Group entities that have been eliminated on consolidation are not reported.
- (d) NWM Group is recharged from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.
- (e) The primary financial statements include transactions and balances with its subsidiaries which have been further disclosed in the relevant parent company notes.

### Holding company and fellow subsidiaries

Transactions NWM Group enters with its holding company and fellow subsidiaries also meet the definition of related party transactions. The table below discloses transactions between NWM Group and fellow subsidiaries of NatWest Group.

	2025			2024		
	Holding company	Fellow subsidiaries	Total	Holding company	Fellow subsidiaries	Total
	£m	£m	£m	£m	£m	£m
Interest receivable	1	3	4	1	7	8
Interest payable	(310)	(41)	(351)	(231)	(137)	(368)
Fees and commissions receivable	3	82	85	6	74	80
Fees and commissions payable	-	(55)	(55)	-	(49)	(49)
Other operating income (1)	-	189	189	-	146	146
Other administration expenses (2)	-	(641)	(641)	-	(541)	(541)
	(306)	(463)	(769)	(224)	(500)	(724)

(1) Other operating income relates to a profit share arrangement with fellow NatWest Group subsidiaries that rewards NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment.

(2) Includes internal service recharges of £641 million (2024 - £541 million).

## 31 Related parties continued

Amounts due from/to holding company and fellow subsidiaries are as below:

	NWM Group					
	2025			2024		
	Holding company £m	Fellow subsidiaries £m	Total £m	Holding company £m	Fellow subsidiaries £m	Total £m
<b>Assets</b>						
Trading assets	-	3	3	-	29	29
Loans to banks - amortised cost	-	200	200	-	242	242
Loans to customers - amortised cost	16	-	16	18	-	18
Other assets	-	68	68	-	54	54
Amounts due from holding company and fellow subsidiaries	16	271	287	18	325	343
Derivatives (1)	219	203	422	616	322	938
<b>Liabilities</b>						
Bank deposits - amortised cost	-	267	267	-	548	548
Customer deposits - amortised cost	-	42	42	-	43	43
Trading liabilities	192	88	280	561	52	613
Other financial liabilities - subordinated liabilities	1,066	-	1,066	1,115	-	1,115
MREL instruments issued to NatWest Group plc	4,323	-	4,323	4,358	-	4,358
Other liabilities	-	90	90	-	94	94
Amounts due to holding company and fellow subsidiaries	5,581	487	6,068	6,034	737	6,771
Derivatives (1)	28	116	144	62	280	342

	NWM Plc							
	2025				2024			
	Holding company £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m	Holding company £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m
<b>Assets</b>								
Trading assets	-	3	1,513	1,516	-	29	1,051	1,080
Loans to banks - amortised cost	-	119	600	719	-	168	840	1,008
Loans to customers - amortised cost	-	-	1,013	1,013	-	-	830	830
Settlement balances	-	-	65	65	-	-	128	128
Other financial assets	-	-	206	206	-	-	210	210
Other assets	-	68	24	92	-	54	31	85
Amounts due from holding company and fellow subsidiaries	-	190	3,421	3,611	-	251	3,090	3,341
Derivatives (1)	219	203	1,991	2,413	616	322	3,355	4,293
<b>Liabilities</b>								
Bank deposits - amortised cost	-	267	367	634	-	549	166	715
Customer deposits - amortised cost	-	39	326	365	-	41	508	549
Trading liabilities	192	88	1,362	1,642	561	52	3,286	3,899
Settlement balances	-	-	146	146	-	-	14	14
Other financial liabilities - subordinated liabilities	1,050	15	-	1,065	1,115	-	-	1,115
MREL instruments issued to NatWest Group plc	4,323	-	-	4,323	4,358	-	-	4,358
Other liabilities	-	60	43	103	-	68	39	107
Amounts due to holding company and fellow subsidiaries	5,565	469	2,244	8,278	6,034	710	4,013	10,757
Derivatives (1)	28	115	2,654	2,797	62	280	3,381	3,723

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

There was £323 million (2024 - £45 million) of NWM Group commitments and guarantees related to transactions with fellow group companies.

## 32 Ultimate holding company

NWM Group's ultimate holding company is NatWest Group plc which is incorporated in the United Kingdom and registered in Scotland.

As at 31 December 2025, NatWest Group plc heads the largest group in which NWM Group is consolidated. Copies of the consolidated accounts may be obtained from Legal, Governance & Regulatory Affairs, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, the Registrar of Companies or at [natwestgroup.com](https://natwestgroup.com).

## 33 Post balance sheet events

On 13 January 2026, NWM Plc issued a total of €1.0 billion of notes under the EMTN programme in benchmark transactions. There has been no adjustment to the 31 December 2025 statutory financial statements.

Other than as disclosed in the accounts, there have been no other significant events between 31 December 2025 and the date of approval of these accounts which would require a change to or additional disclosure.

## 34 Related undertakings

### Legal entities and activities at 31 December 2025

In accordance with the Companies Act 2006, NWM Plc's related undertakings and the accounting treatment for each are listed below. All undertakings are wholly owned by NWM Plc or subsidiaries of NWM Plc and are consolidated by reason of contractual control (Section 1162(2) CA 2006), unless otherwise indicated. NWM Group interest refers to ordinary shares of equal values and voting rights unless further analysis is provided in the notes. Activities are classified in accordance with Annex I to the Capital Requirements Directive ("CRD V") and the definitions in Article 4 of the UK Capital Requirements Regulation.

The following table details active related undertakings incorporated in the UK which are 100% owned by NWM Group and fully consolidated for accounting purposes

Entity name	Activity	Regulatory treatment	Notes	Entity name	Activity	Regulatory treatment	Notes
Care Homes 3 Ltd	BF	FC	2	Royal Bank Ventures Investments Ltd	BF	FC	21
Care Homes Holdings Ltd	BF	FC	2	West Register (Property Investments) Ltd	BF	DE	21
Lombard Corporate Finance (11) Ltd	BF	FC	2	West Register (Realisations) Ltd	INV	DE	21
NatWest Markets Secretarial Services Ltd	SC	FC	2				
NatWest Markets Secured Funding LLP	BF	FC	1				
Price Productions Ltd	BF	FC	2				
R.B. Equipment Leasing Ltd	BF	FC	2				
R.B. Leasing Company Ltd	BF	FC	21				
RBOS (UK) Ltd	BF	FC	2				
Royal Bank Investments Ltd	BF	FC	21				

The following table details active related undertakings incorporated outside the UK which are 100% owned by NWM Group and fully consolidated for accounting purposes

Entity name	Activity	Regulatory treatment	Notes	Entity name	Activity	Regulatory treatment	Notes
Alcover A.G.	BF	DE	24	RBS Commercial Funding Inc.	BF	FC	3
Atlas Nominees Ltd	OTH	FC	23	RBS Employment (Guernsey) Ltd	SC	FC	19
Candlelight Acquisition LLC	BF	FC	3	RBS Financial Products Inc.	BF	FC	3
Coutts & Co Ltd	CI	FC	26	RBS Group (Australia) Pty Ltd	BF	FC	12
Coutts General Partner (Cayman) V Ltd	BF	FC	20	RBS Holdings III (Australia) Pty Ltd	BF	FC	12
Financial Asset Securities Corp.	BF	FC	3	RBS Holdings N.V.	BF	FC	10
KEB Investors, L.P.	BF	FC	15	RBS Holdings USA Inc.	BF	FC	3
NatWest Markets Group Holdings Corporation	BF	FC	3	RBS International Depository Services S.A.	CI	FC	5
NatWest Markets N.V.	CI	FC	10	RBS Investments (Ireland) Ltd	BF	FC	16
NatWest Markets Securities Inc.	INV	FC	3	RBS Netherlands Holdings B.V.	BF	FC	10
NatWest Markets Securities Japan Ltd	INV	FC	22	RBS Nominees (Hong Kong) Ltd	BF	FC	23
NatWest Services Inc.	SC	FC	3	RBS Nominees (Ireland) Ltd	BF	FC	16
Random Properties Acquisition Corp. III	INV	FC	3				
RBS Acceptance Inc.	BF	FC	3				

The following table details active related undertakings incorporated in the UK where NWM Group ownership is less than 100%

Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes
Natwest Markets Secured Funding (LM) Ltd	BF	FC	PC	20	8
RBS Sempra Commodities LLP	BF	FC	FC	51	21

The following table details active related undertakings incorporated outside the UK where NWM Group ownership is less than 100%

Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes	Entity name	Activity	Accounting treatment	Regulatory treatment	Group %	Notes
Eris Finance S.R.L.	BF	IA	PC	50	11	Lunar Luxembourg Series 2023-02	BF	FC	DE	0	7
Lunar Funding VIII Ltd	BF	FC	DE	0	17	Lunar Luxembourg Series 2023-03	BF	FC	DE	0	7
Lunar Luxembourg SA	BF	FC	DE	0	7	Lunar Luxembourg Series 2024-01	BF	FC	DE	0	7
Lunar Luxembourg Series 2019- 01	BF	FC	DE	0	7	Lunar Luxembourg Series 2024-02	BF	FC	DE	0	7
Lunar Luxembourg Series 2019- 04	BF	FC	DE	0	7	Lunar Luxembourg Series 2024-03	BF	FC	DE	0	7
Lunar Luxembourg Series 2019- 05	BF	FC	DE	0	7	Lunar Luxembourg Series 2025-01	BF	FC	DE	0	7
Lunar Luxembourg Series 2019- 06	BF	FC	DE	0	7	Moja Finance S.R.L.	BF	FC	FC	0	25
Lunar Luxembourg Series 2020- 01	BF	FC	DE	0	7	Natwest Markets Secured Funding DAC	BF	FC	FC	0	13
Lunar Luxembourg Series 2020- 02	BF	FC	DE	0	7	Solar Funding II Ltd	BF	FC	FC	0	18
Lunar Luxembourg Series 2022- 01	BF	FC	DE	0	7	Sparrow Capital Call 2024-1 Ltd	BF	FC	DE	0	6
Lunar Luxembourg Series 2023- 01	BF	FC	DE	0	7						



## 34 Related undertakings continued

The following table details related undertakings that are not active (actively being dissolved)

Entity name	Accounting treatment	Regulatory treatment	Group %	Notes	Entity name	Accounting treatment	Regulatory treatment	Group %	Notes
280 Bishopsgate Finance Ltd	FC	FC	100	2	Priority Sites Ltd	FC	DE	100	14
Alternative Investment Fund B.V.	FC	FC	100	10	RBS Property Developments Ltd	FC	FC	100	4
Care Homes 2 Ltd	FC	FC	100	14	West Register (Hotels Number 3) Ltd	FC	DE	100	9

The following table details related undertakings that are dormant

Entity name	Accounting treatment	Regulatory treatment	Group %	Notes	Entity name	Accounting treatment	Regulatory treatment	Group %	Notes
N.C. Head Office Nominees Ltd	FC	FC	100	21	Sixty Seven Nominees Ltd	FC	FC	100	2
Project & Export Finance (Nominees) Ltd	FC	FC	100	2	The Royal Bank Of Scotland (1727) Ltd	FC	FC	100	21
RBOS Nominees Ltd	FC	FC	100	2					

The following table details the overseas branches of NWM Group

Subsidiary	Geographic location	Subsidiary	Geographic location
NatWest Markets N.V.	France, Germany, Italy, Sweden	NatWest Markets Plc	Germany, India, Japan, Singapore, United Arab Emirates

### Key:

BF	Banking and financial institution
CI	Credit institution
INV	Investment (shares or property) holding company
SC	Service company
TR	Trustee
OTH	Other
DE	Deconsolidated
FC	Full consolidation
PC	Pro-rata consolidation
AHC	Associate held at cost
EAJV	Equity accounting – joint venture
IA	Investment accounting
NC	Not consolidated

Notes	Registered addresses	Country of incorporation
(1)	10th Floor, 5 Churchill Place, London, E14 5HU	UK
(2)	250 Bishopsgate, London, EC2M 4AA, England	UK
(3)	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA
(4)	36 St Andrew Square, Edinburgh, EH2 2YB, Scotland	UK
(5)	40, Avenue J.F Kennedy, Kirchberg, Luxembourg, L 1855	Luxembourg
(6)	44 Esplanade, St Helier, JE4 9WG	Jersey
(7)	46A, Avenue J.F Kennedy, L 1855	Luxembourg
(8)	5 Churchill Place, 10 Floor, London, E14 5HU, United Kingdom	UK
(9)	7 Castle Street, Edinburgh, EH2 3AH	UK
(10)	94, Claude Debussylaan, Amsterdam, 1082 MD, Netherlands	Netherlands
(11)	Alfieri V. 1, Conegliano, Italy	Italy
(12)	Ashurst Australia, Level 16, 80 Collins Street, South Tower, Melbourne, VIC, 3000, Australia	Australia
(13)	Block A Georges Quay Plaza, Georges Quay, Dublin 2, Dublin, Ireland	ROI
(14)	C/O Grant Thornton UK Advisory & Tax LLP, 11th Floor, Landmark, St Peter's Square, 1 Oxford Street, Manchester, M1 4PB	UK
(15)	Clarendon House, Two Church Street, Suite 104, Reid Street, Hamilton, HM 11, Bermuda	Bermuda
(16)	First Floor, Riverside Two, 43 - 49 Sir John Rogerson's Quay, Dublin 2, D02 KV60, Ireland	ROI
(17)	Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 31119, Cayman Islands	Cayman Islands
(18)	IFC5, St.Helier, Jersey, Channel Island JE1 1ST	Jersey
(19)	Les Echelons Court, Les Echelons, St Peter Port, GY1 1AR, Guernsey	Guernsey
(20)	Maples Corporate Services Limited, P.O. Box 309, 121 South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands	Cayman Islands
(21)	RBS Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ, Scotland	UK
(22)	Room 1910, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Hong Kong
(23)	Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Hong Kong
(24)	Tirolerweg 8, Zug, Switzerland, CH- 6300	Switzerland
(25)	Via Vittorio Alfieri 1, Conegliano TV, IT-TN 31015	Italy
(26)	Zaehringenstrasse 26, Zurich, CH-8021, Switzerland	Switzerland

## Non-IFRS measures

NWM Group prepares its financial statements in accordance with UK-adopted IAS, and IFRS, as issued by the IASB. This document contains a number of non-IFRS measures, or alternative performance measures, defined under the European Securities and Markets Authority (ESMA) guidance, or non-Generally Accepted Accounting Principles (GAAP) financial measures in accordance with the Securities and Exchange Commission (SEC) regulations. These measures are adjusted for certain items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison.

The non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. The non-IFRS measures also include a calculation of metrics that are used throughout the banking industry.

These non-IFRS measures are not a substitute for IFRS measures and a reconciliation to the closest IFRS measures is presented where appropriate. These measures include:

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

## Operating expenses – management view

	Year ended					
	31 December 2025			31 December 2024		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m	£m	£m	£m
Staff expenses	40	466	506	27	425	452
Premises and equipment	6	73	79	-	75	75
Other administrative expenses	17	694	711	75	596	671
Depreciation and amortisation	-	12	12	-	10	10
Total	63	1,245	1,308	102	1,106	1,208

# Risk Factors

## Principal Risks and Uncertainties

Set out below are certain risk factors that could have a material adverse effect on NWM Group's future results, its financial condition, and/or prospects, and cause them to be materially different from what is forecast or expected, and directly or indirectly impact the value of its securities. These risk factors are broadly categorised and should be read in conjunction with other risk factors in this section and other parts of this annual report, including the forward-looking statements section, the strategic report and the risk and capital management section. They should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing NWM Group.

### Economic and political risk

**NWM Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, protectionist policies, and geopolitical developments.**

NWM Group is affected by global economic and market conditions and is particularly exposed to those conditions in the UK. Uncertain and volatile economic conditions in the UK or globally can create a challenging operating environment for financial services companies such as NWM Group. The outlook for the UK and the global economy is affected by many dynamic factors including: GDP, unemployment, inflation and interest rates, asset prices (including residential and commercial property), energy prices, monetary and fiscal policy (such as increases in bank taxes), supply chain disruption, protectionist policies or trade barriers (including tariffs).

Economic and market conditions could be exacerbated by a number of factors including: instability in the UK and/or global financial systems, market volatility and change, fluctuations in the value of the pound sterling, new or extended economic sanctions, volatility in commodity prices, political uncertainty or instability, concerns regarding sovereign debt (including sovereign credit ratings), any lack or perceived lack of creditworthiness of a counterparty or borrower that may trigger market-wide liquidity problems, changing demographics in the markets that NWM Group and its customers serve, rapid changes to the economic environment due to the adoption of technology, digitisation, automation, artificial intelligence, or due to the consequences of climate change, biodiversity loss, environmental degradation, and widening social and economic inequalities.

NWM Group is also exposed to risks arising out of geopolitical events or political developments that may hinder economic or financial activity levels and may, directly or indirectly, impact UK, regional or global trade and/or NWM Group's customers and counterparties. NWM Group's business and performance could be negatively affected by political, military or diplomatic events, geopolitical tensions, armed conflict (for example, the Russia-Ukraine conflict and Middle East conflicts), terrorist acts or threats (including to critical infrastructures), more severe and frequent extreme weather events, widespread public health crises, and the responses to any of the above scenarios by various governments and markets.

NWM Group may face political uncertainty in Scotland if there is another Scottish independence referendum. Scottish independence may adversely affect NWM Group plc both in relation to its entities incorporated in Scotland and in other jurisdictions.

Any changes to Scotland's relationship with the UK or the EU may adversely affect the environment in which NatWest Group plc and its subsidiaries operate and may require further changes to NatWest Group (including NWM Group's structure), independently or in conjunction with other mandatory or strategic structural and organisational changes, any of which could adversely affect NWM Group.

The value of NWM Group's own and other securities may be materially affected by market risk (including as a result of market fluctuations). Market volatility, illiquid market conditions and disruptions in the financial markets may make it very difficult to value certain of NWM Group's own and other securities, particularly during periods of market displacement. This could cause a decline in the value of NWM Group's own and other securities, or inaccurate carrying values for certain financial instruments. Similarly, NWM Group trades a considerable amount of financial instruments (including derivatives) and volatile market conditions could result in a significant decline in NWM Group's net trading income or result in a trading loss.

In addition, financial markets are susceptible to severe events evidenced by, or resulting in, rapid depreciation in asset values, which may be accompanied by a reduction in asset liquidity. Under these conditions, hedging and other risk management strategies may not be as effective at mitigating losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously (and often automatically) and on a large scale, increasing NWM Group's counterparty risk. NWM Group's risk management and monitoring processes seek to quantify and mitigate NWM Group's exposure to extreme market moves. However, market events have historically been difficult to predict, and NWM Group, its customers and its counterparties could realise significant losses if severe market events were to occur.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### Fluctuations in currency exchange rates may adversely affect NWM Group's results and financial condition.

Decisions of central banks (including the Bank of England ('BoE'), the European Central Bank ('ECB'), and the US Federal Reserve) and political or market events which are outside NWM Group's control, may lead to unexpected fluctuations in currency exchange rates. Although NWM Group is principally a UK-focused banking group, it is subject to structural foreign exchange risk from capital deployed in NWM Group and its foreign subsidiaries and branches. NWM Group also issues instruments in non-sterling currencies, such as USD, that assist in meeting NWM Group's regulatory requirements. In addition, NWM Group conducts banking activity in non-sterling currencies (for example, loans, deposits and dealing activity) which affect its revenue. NWM Group also uses service providers based outside the UK for certain services and as a result certain operating expenses are subject to fluctuations in currency exchange rate. NWM Group maintains policies and procedures designed to manage the impact of its exposure to fluctuations in currency exchange rates. Nevertheless, changes in currency exchange rates, particularly in the sterling-US dollar and sterling-euro rates, may adversely affect various accounting and financial metrics including the value of assets, liabilities (including the total amount of instruments eligible to contribute towards the minimum requirement for own funds and eligible liabilities ('MREL')), income and expenses, RWAs and hence the reported earnings and financial condition of NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### **Changes in interest rates will continue to affect NWM Group's business and results.**

NWM Group's performance is affected by changes in interest rates. Benchmark overnight interest rates, such as the UK base rate, decreased in 2025. Forward rates imply UK short term interest rates, including the UK base rate, will continue to decline in 2026, while they anticipate longer term swap rates, such as the GBP 5 and 10-year swap rates, will rise slightly across 2026. Stable interest rates support more predictable income flow and less volatility in asset and liability valuations, although persistently low and negative interest rates may adversely affect NWM Group. Further, volatility in interest rates may result in unexpected outcomes both for interest income and asset and liability valuations which may adversely affect NWM Group. For example, decreases in key benchmark rates such as the UK base rate may adversely affect NWM Group's net interest margin, and unexpected movements in spreads between key benchmark rates such as sovereign and swap rates may, in turn, affect liquidity portfolio valuations. In addition, unexpected sharp rises in rates may also have negative impacts on some asset and derivative valuations.

Moreover, customer and investor responses to rapid changes in interest rates can have an adverse effect on NWM Group. For example, customers may make deposit choices that provide them with higher returns than those being offered by NWM Group. Alternatively, NWM Group may not respond with competitive products as rapidly, for example following an interest rate change which may in turn decrease NWM Group's net interest income.

Movements in interest rates also influence and reflect the macroeconomic situation more broadly, affecting factors such as business and consumer confidence, property prices, default rates on loans, customer behaviour (which may adversely impact the effectiveness of NWM Group's hedging strategy), and other indicators that may indirectly affect NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### **Business change and execution risk**

#### **NWM Group has been in a period of, and may continue to be subject to, significant structural and other change.**

As part of NatWest Group's strategy (including the strategic priorities of disciplined growth, leveraging simplification and active balance sheet and risk management), NWM Group's own strategy has evolved to mostly focus on serving NatWest Group's corporate and institutional customer base via the creation of NatWest Group's C&I business segment. NatWest Group plc reports NWM Group's results under the C&I operating segment structure, although NWM Plc continues to also report on a standalone legal entity basis.

The C&I business segment was created to promote closer operational and strategic alignment to support NatWest Group growth, with more integrated services to customers across NatWest Group entities, within and outside the ring-fenced banks with the potential increased risk of breach of the UK ring-fencing regime requiring effective conflicts of interest policies. As a result of further focusing on NatWest Group's core C&I customers, NWM Group's prospects have become further dependent on the success and strategy of NatWest Group and its C&I business segment in particular.

NWM Group's ability to serve its customers may be adversely affected by the execution of NatWest Group's strategy in respect of its C&I business segment and customer reactions to the changing nature of NWM Group's business model may be more adverse than expected. Previously anticipated revenue and profitability levels may not be achieved (including in relation to: the ability to support customer transactions whilst meeting NWM Group capital targets, and changes to the availability of risk capital), in the timescales envisaged or at all. An adverse macroeconomic environment, political and regulatory uncertainty, market volatility and change, strong market competition, the emergence of digital assets and digital currencies operating alongside the traditional monetary system, and/or the complexity of deployment and integration of artificial intelligence in NWM Group's processes, controls, and products may require NWM Group to make adjustments to its strategy or planned implementation timeline.

NWM Group's strategy requires it to focus on bank-wide simplification, a significant proportion of which is dependent on simplification of its IT systems and therefore may not be realised if IT capabilities are not delivered in line with assumptions. The scale of changes that have been concurrently implemented require the implementation and application of robust governance and controls frameworks and robust IT systems. There is a risk that NWM Group may not be successful in maintaining such governance and control frameworks and IT systems.

The financial, operational and capital targets and expectations envisaged by NWM's strategy may not be met or maintained in the timeframes expected or at all. In addition, targets and expectations for NWM Group are based on management plans, projections and models, and are subject to a number of key assumptions and judgements, any of which may prove to be inaccurate. NWM Group has implemented a shared services model and transfer pricing arrangements with some entities within NatWest Group's ring-fenced sub-group (including NatWest Bank Plc and The Royal Bank of Scotland Plc). NWM Group therefore relies directly or indirectly on NatWest Group entities to provide services to itself and its customers. This reliance has increased as a result of NWM Group joining NatWest Group's C&I business segment.

A failure of NWM Group to receive these services may result in operational risk. See 'Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM Group's businesses.' In addition, any change to the cost and/or scope of services provided by NatWest Group may impact NWM Group's competitive position and its ability to meet its other targets.

NWM's strategy entails legal, execution, operational and regulatory (including compliance with the UK ring-fencing regime), conflicts, IT system, cybersecurity, culture, people, conduct, business and financial risks to NWM Group. As a result, NWM Group may not be able to successfully implement some or all aspects of its strategy or may not meet any or all of the related strategic targets or expectations.

Additionally, certain aspects of the services provided by NWM Group require local licences or individual equivalence decisions (temporary or otherwise) by relevant regulators. In April 2024, the European Parliament approved the Banking Package (CRR III/CRD VI). From 11 January 2027, non-EU firms providing 'banking services' will be required to apply for and obtain authorisation to operate as third country branches in each relevant EU member state where they provide these services, unless an exemption applies.

NatWest Group continues to evaluate its EU operating model, making adaptations as necessary. For instance, in December 2024, NWM N.V., a subsidiary of NWM Group, became the primary corporate and institutional customer-facing entity of the NatWest Group in Europe.

Changes to, or uncertainty regarding NWM Group's EU operating model have been, and may continue to be, costly and may: (i) adversely affect customers and counterparties who are dependent on trading with the EU or personnel from the EU; and/or (ii) result in regulatory sanction and/or further costs due to a failure to receive the required regulatory permissions and/or further changes to NWM Group's business operations, product offering, customer engagement, and regulatory requirements (including as a result of CRD VI). These changes will also impact NWM Plc's direct access to euro ECB liquidity facilities and euro central bank reserves.

Furthermore, transferring business to an EEA based subsidiary, including in connection with NatWest Group's EU corporate portfolio, is a complex exercise and involves legal, regulatory and execution risks, and could result in a loss of business and/or customers or higher than anticipated costs (refer to 'The transfer of NatWest Group's EU corporate portfolio involves certain risks.'). Any of the above could, in turn, adversely affect NWM Group.

As a result of RBS Holdings N.V. and its subsidiary NWM N.V. (both subsidiaries of NWM Group) being classified as a "significant supervised group", ECB direct supervision of both subsidiaries began on 1 January 2024, which could have an adverse effect on NWM Group's business strategy, operating model and prudential requirements in the short and medium term.

Each of these risks, and others identified in this section entitled 'Principal Risks and Uncertainties', could jeopardise the implementation and delivery of NWM Group's strategy individually or collectively, and adversely affect NWM Group's products and services offering or office locations, competitive position, ability to meet targets and commitments, reputation with customers or business model and may result in higher-than-expected costs. There is a risk that the intended benefits of NatWest Group's and NWM Group's strategies may not be realised in the timelines or in the manner contemplated, or at all. Various aspects of NWM Group's strategy may not be successful, may not be completed as planned, or at all, or could be phased or could progress in a manner other than as expected. This could lead to additional management actions by NatWest Group (or NWM Group), regulatory action or reduced liquidity and/or funding opportunities.

Any of the above may lead to NWM Group not being viable, competitive, or profitable, and may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NWM Group operates in markets that are highly competitive, with competitive pressures and technology disruption.**

NatWest Group (including NWM Group) faces increasing competitive pressures and technology disruption from incumbent traditional UK banks, challenger banks and building societies (including those formed through mergers), fintech companies (including companies offering buy-now-pay-later and payment platforms), large technology conglomerates and new market entrants leveraging technology and/or other advantages to compete for customer engagement.

"BigTech" companies pose a threat to incumbent banking providers because of their customer innovation and global reach. In addition, digital-first banks (often referred to as "neobanks") and fintechs are aiming to compete to serve customers that increasingly use a constellation of providers to support their complex and evolving needs (e.g., personal financial management, buy now and pay later, and paying for goods and services in foreign currency).

Competition is expected to continue and intensify due to: evolving customer behaviour, technological changes (including digital currencies, stablecoins and the growth of digital banking), competitor behaviour, new market entrants, competitive foreign exchange offerings, industry trends resulting in increased disaggregation or unbundling of financial services or, conversely, the re-intermediation of traditional banking services, and the impact of regulatory actions, among others. In particular, NWM Group may be unable to grow or retain market share due to new (or more competitive) banking, lending and payment offerings by rapidly evolving incumbents and challengers (including private credit, shadow banks, alternative or direct lenders and new entrants). These competitive pressures may result in a shift in customer behaviour and impact NWM Group's revenues and profitability. Moreover, innovations in biometrics, artificial intelligence, automation, cloud services, blockchain, cryptocurrencies and quantum computing may rapidly facilitate industry transformation.

Increasingly, many of NWM Group's products and services are, and will become, more technology intensive, including through digitalisation, automation and the use of artificial intelligence while needing to continue complying with applicable and evolving regulations. NWM Group's ability to develop or acquire digital solutions and their integration into NWM Group's structures, systems and controls has become increasingly important for retaining and growing NWM Group's market share and customer-facing businesses.

NWM Group's innovation strategy (which includes investments in its IT capability intended to improve its core infrastructure and customer interface capabilities as well as investments and strategic partnerships with third party technology providers) may not be successful or may not result in NWM Group offering innovative products and services in the future. Furthermore, competitors may outperform NWM Group in deploying technologies to deliver products or services to customers, which may adversely affect NWM Group's competitive position. In addition, continued industry consolidation and/or technological developments could result in the emergence of new competitors or strengthening NWM Group's current competitors, including in their ability to offer a broader and more attractive or better value range of products and services and geographic diversity. For example, new market entrants, including non-traditional financial services providers, such as technology conglomerates, may benefit from scale, technology and customer engagement advantages and may be able to deliver financial services at a lower cost base.

Failure to offer competitive, attractive, innovative, and profitable products that are also released in a timely manner, may result in lost market share, losses on some or all of NWM Group's initiatives and missed growth opportunities. For example, NWM Group is investing in the automation of certain solutions and interactions within its customer-facing businesses, including through artificial intelligence. There can be no certainty that such initiatives will allow NWM Group to compete effectively or will deliver the expected cost savings for NWM Group.



In addition, the implementation of NatWest Group's strategy, delivery on its climate ambition and cost-controlling measures, may also have an adverse effect on competitiveness and returns. Moreover, activist investor engagement and increased intervention may challenge NatWest Group's (and NWM Group's) strategic initiatives.

NWM Group may also fail to identify opportunities or derive benefits from technological innovation, shifting customer behaviour or regulatory changes. Competitors may better attract and retain customers and key employees, operate more effective IT systems, and have access to lower cost funding and/or be able to attract deposits or provide investment-banking services on more favourable terms than NWM Group. Although NWM Group invests in new technologies and participates in industry and research-led technology development initiatives, such investments may be insufficient or ineffective, especially given NWM Group's focus on business simplification and cost efficiencies. This could affect NWM Group's ability to offer innovative products or technologies to customers.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **The transfer of NatWest Group's EU corporate portfolio involves certain risks.**

To improve efficiencies and best serve customers, certain assets, liabilities, transactions and activities of NatWest Group (including its Western European corporate portfolio principally consisting of term funding and revolving credit facilities) (the 'Transfer Business'), have been or may be: (i) transferred from the ring-fenced subgroup of NatWest Group to NWM Group, and/or (ii) transferred to the ring-fenced subgroup of NatWest Group from NWM Group, subject to customer and regulatory requirements, such as CRD VI. The timing, success and quantum of any of these transfers remain uncertain as is the impact of these transactions on its results of operations.

As a result, this may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **Financial resilience risk**

##### **NWM Group may not achieve its ambitions or targets, meet its guidance, generate returns, or implement its strategy effectively.**

NWM Group has set a number of financial, capital and operational targets and provided guidance including in respect of: CET1, MREL and leverage ratio targets, targets in relation to local regulation, funding plans and requirements, employee engagement, diversity and inclusion as well as it contributes to NatWest Group's climate and sustainability-related ambitions, targets and commitment and the implementation of NatWest Group's climate transition plan.

NWM Group's ability to meet its ambitions, targets, guidance, and make discretionary capital distributions is subject to various internal and external factors, risks and uncertainties. These include but are not limited to: UK and global macroeconomic, political, market and regulatory uncertainties, customer behaviour, operational risks and risks relating to NWM Group's business model and strategy (including risks associated with climate and other sustainability-related issues). Refer to 'NWM Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, protectionist policies, and geopolitical developments.'

A number of factors may impact NWM Plc and NWM N.V.'s abilities to meet and maintain their respective CET1 ratio targets, including the macroeconomic environment, impairments, the extent of organic capital generation and the receipt and payment of dividends. Refer to 'NWM Plc and/or its regulated subsidiaries may not meet the prudential regulatory requirements for regulatory capital.' Furthermore, the focus on maintaining a disciplined cost base may result in limited investment in other areas which could affect NWM Group's long-term product offering or competitive position and its ability to meet its other targets, including those related to customer satisfaction. In addition, challenging trading conditions may adversely affect NWM Group's business and its ability to achieve its targets, meet its guidance, and execute its strategy. Furthermore, NWM Group's strategy may not be successfully executed or it may not meet its ambitions, targets, guidance and expectations.

Any of the above may lead to NWM Group not being a viable, competitive or profitable banking business and may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

##### **NWM Plc and/or its regulated subsidiaries may not meet the prudential regulatory requirements for regulatory capital.**

NWM Group is required by regulators in the UK, the EU and other jurisdictions in which it undertakes regulated activities to maintain adequate financial resources. Adequate capital provides NWM Group with financial flexibility in the face of turbulence and uncertainty in the global economy and specifically in its core UK operations.

NWM Plc's and NWM N.V.'s target CET1 ratios are based on regulatory requirements and management actions (see the targets set forth in each respective entity's Outlook section) that rely on internal modelling and risk appetite (including under stress). As at 31 December 2025, NWM Plc's solo CET1 ratio was 18.4 % and its CET1 target ratio for the medium term is around 14%. NWM Plc's current capital strategy is based on the management of RWAs and other capital management initiatives (including the optimisation of RWAs and the periodic payment of dividends to NatWest Group plc, NWM Plc's parent company).

A number of factors may impact NWM Plc and NWM N.V.'s ability to maintain their CET1 ratio target and achieve their capital strategy. These include:

- a depletion of NWM Plc or NWM N.V.'s capital resources through reduced profits (which would in turn impact retained earnings) and may result from revenue attrition or increased liabilities, sustained periods of low interest rates, reduced asset values resulting in write-downs or reserve adjustments, impairments, changes in accounting policy, accounting charges or foreign exchange movements;
- an increase in the quantum of NWM Plc's or NWM N.V.'s RWAs, stemming from exceeding target RWA levels, regulatory changes (including their interpretation or application), foreign exchange movements or a failure in internal controls or procedures to accurately measure and report RWAs/leverage exposure;
- changes in prudential regulatory requirements including the Total Capital Requirement for NWM Plc (as regulated by the PRA) or NWM N.V. (as regulated by the ECB), including Pillar 2 requirements and regulatory buffers as well as any applicable scalars;

- further losses (including as a result of extreme one-off incidents such as cyberattack, fraud or conduct issues) would deplete capital resources and place downward pressure on the CET1 ratio; or
- the timing of planned liquidation, disposal and/or capital releases of capital including on activity or legacy entities owned by NWM Plc and NWM N.V. Refer to 'NWM Group has been in a period of, and may continue to be subject to, significant structural and other change.'

Management actions taken under a stress scenario may affect, among other things, NWM Group's product offering, its credit ratings, its ability to operate its businesses and pursue its strategy, any of which may negatively impact investor confidence, and the value of NWM Group's securities. Refer to 'NWM Plc and/or its regulated subsidiaries may not manage their capital, liquidity or funding effectively which could trigger the execution of certain management actions or recovery options,' 'NatWest Group (including NWM Group) may become subject to the application of UK statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of NWM Group entities' Eligible Liabilities', and 'NWM Group could be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests, or if NatWest Group's resolution preparations are deemed inadequate.'

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group is reliant on access to the capital markets to meet its funding requirements, both directly through wholesale markets, and indirectly through its parent (NatWest Group plc) for the subscription to its internal capital and MREL. The inability to do so may adversely affect NWM Group.**

NWM Plc's funding plan are based on its current and anticipated business activities. NWM Group (which includes NWM N.V.) therefore has significant anticipated funding requirements, which may increase in the future (including as a result of changes to NatWest Group's and NWM Group's EU operating model), and is reliant on frequent access to the capital markets for funding, at a cost that can be passed through to its customers. This access entails execution risk, regulatory risk, risk of reduced commercial activity, risk of loss of market confidence in NWM Group if it cannot finance its activities and risk of a ratings downgrade, which could be influenced by a number of internal or external factors, including, those summarised in these risk factors.

In addition, NWM Plc receives capital and funding from NatWest Group plc. NWM Plc has set target levels for different tiers of capital and for the internal MREL, as percentages of its RWAs. The level of capital and funding required for NWM Plc to meet its internal targets is therefore a function of the level of RWAs and its leverage exposure in NWM Plc and this may vary over time. NWM Plc's internal MREL comprises the regulatory value of capital instruments and loss-absorbing senior funding issued by NWM Plc to its parent, NatWest Group plc, in all cases with a residual maturity of at least one year.

The BoE has identified that the preferred resolution strategy for NatWest Group is as a single point-of-entry. As a result, NatWest Group plc is the only entity able to issue Group MREL eligible liabilities to third-party investors, using the proceeds to fund the internal capital and MREL targets and/or requirements of its operating entities, including NWM Plc.

NWM Plc is therefore dependent not only on NatWest Group plc to fund its internal capital targets, but also on NatWest Group plc's ability to source appropriate funding. NWM Plc is also dependent on NatWest Group plc to continue to fund NWM Plc's internal MREL targets over time and its ability to issue and maintain sufficient amounts of external MREL liabilities to support this. In turn, NWM Plc is required to fund the internal capital requirements and MREL of its subsidiaries. If NatWest Group plc is unable to issue securities externally as planned, this may have a negative impact on NWM Plc's current and forecasted MREL position, particularly if NatWest Group plc is unable to downstream capital and/or funding to NWM Plc. This could exacerbate funding and liquidity risk, which may adversely affect NWM Group.

Any inability of NWM Group to adequately access the capital markets, to manage its balance sheet in line with assumptions in its funding plans, or to issue internal capital and MREL may adversely affect NWM Group, such that NWM Group may not constitute a viable banking business and/or NWM Plc or NWM N.V. may fail to meet their respective regulatory capital and/or MREL targets, as applicable.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options.**

Liquidity and the ability to raise funds continues to be a key area of focus for NWM Group and the industry as a whole. NatWest Group and NWM Plc (on a standalone basis) are required by regulators in the UK, the EU and other jurisdictions in which they undertake regulated activities to maintain adequate liquidity and funding resources. To satisfy its liquidity and funding requirements, NWM Group may therefore access sources of liquidity and funding through deposits and wholesale funding, including debt capital markets and trading liabilities such as repurchase agreements. As at 31 December 2025, NWM Group held £15.7 billion in deposits from banks and customers.

The level of deposits and wholesale funding may fluctuate due to factors outside NWM Group's control. These factors include: loss of customers, changes in customer behaviour, loss of customer and/or investor confidence (including in individual NWM Group entities or the UK banking sector or the banking sector as a whole), macroeconomic developments, political uncertainty, changes in interest rates, market volatility, increasing competitive pressures for bank funding (including from new entrants, fintech companies, or new deposit offerings (such as digital assets), or the reduction or cessation of deposits and other funding by counterparties, any of which could lead to result in a significant outflow of deposits or reduction in wholesale funding in sterling or in foreign currencies within a short period of time, higher funding costs and failure to comply with regulatory capital, funding and leverage requirements. As a result, NWM Plc and its subsidiaries could be required to change their funding plans and/or their funding operations. For example, impairments or other losses as well as increases to capital deductions may result in a decrease to NWM Plc's capital base, and/or that of its subsidiaries.



Refer to 'NWM Group has significant exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on NWM Group'. An inability to grow, roll-over, or any material decrease in, NWM Group's deposits, short-term wholesale funding and short-term liability financing could, particularly if accompanied by one of the other factors described above, adversely affect NWM Group.

NWM Group engages from time to time in 'fee based borrow' transactions whereby collateral (such as government bonds) is borrowed from counterparties on an unsecured basis in return for a fee. This borrowed collateral may be used by NWM Group to finance parts of its balance sheet, either in its repo financing business, derivatives portfolio or more generally across its balance sheet. If such 'fee based borrow' transactions are unwound whilst used to support the financing of parts of NWM Group's balance sheet, then unsecured funding from other sources would be required to replace such financing. There is a risk that NWM Group would be unable to replace such financing on acceptable terms or at all, which could adversely affect its liquidity position and have an adverse effect on NWM Group. In addition, because 'fee based borrow' transactions are conducted off-balance sheet (due to the collateral being borrowed) investors may find it more difficult to gauge NWM Group's creditworthiness, which may be affected if these transactions were to be unwound in a stress scenario. Any lack of or perceived lack of creditworthiness may adversely affect NWM Group.

As at 31 December 2025, NWM Plc reported an average liquidity coverage ratio of 198% for the preceding 12 months. If its liquidity position and/or funding were to come under stress and if NWM Group is unable to raise funds through deposits, wholesale funding sources or other reliable funding sources, on acceptable terms, or at all, its liquidity position would likely be adversely affected. This would mean that NWM Group might be unable to: meet deposit withdrawals on demand or at their contractual maturity, repay borrowings as they mature, meet its obligations under committed financing facilities, comply with regulatory funding requirements, undertake certain capital and/or debt management activities, or fund new loans, investments and businesses.

If, under a stress scenario, the level of liquidity falls outside of NWM Group's risk appetite, there are a range of recovery management actions that NWM Group could take to manage its liquidity levels, but any such actions may not be sufficient to restore adequate liquidity levels, and the related implementation may have adverse consequences for NWM Group. Under the PRA Rulebook, NatWest Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM Group's applicable liquidity requirements would trigger consideration of NWM Plc's recovery actions, and in turn may prompt consideration and execution of NatWest Group's recovery plan, to attempt to remediate a deficient liquidity position.

NWM Group may need to liquidate assets to meet its liabilities, including disposals of assets not previously identified for disposal to reduce its funding or payment commitments or trigger the execution of certain management actions or recovery options. This could also lead to higher funding costs and/or changes to NWM Group's funding plans or its operations. In a time of reduced market liquidity or market stress, NWM Group may be unable to sell some of its assets or may need to sell assets at depressed prices, which in either case may adversely affect NWM Group.

NWM Group entities independently manage liquidity risk on a stand-alone basis, including through holding their own liquidity portfolios. They have restricted access to liquidity or funding from other NatWest Group entities.

NWM Group entities' management of their own liquidity portfolios and the structure of capital support are subject to operational and execution risk. Continuing market volatility may impact capital and RWAs and NWM Group and its subsidiaries may be required to adapt their funding plans or change their operations in order to satisfy their respective capital and funding requirements, which may have a negative impact on NWM Group. Market volatility may also result in increases to leverage exposure.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Plc and/or its regulated subsidiaries may not manage their capital, liquidity or funding effectively which could trigger the execution of certain management actions or recovery options.**

Under the PRA Rulebook, NatWest Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM Plc's applicable capital or leverage, liquidity or funding requirements would trigger consideration of NWM Plc's recovery actions, and in turn may prompt consideration and execution of NatWest Group's recovery actions. If, under stressed conditions, the liquidity, capital or leverage ratio were to decline, there are a range of recovery management actions (focused on risk reduction and mitigation) that NWM Plc could undertake that may or may not be sufficient to restore adequate liquidity, capital and leverage ratios. Additional management options relating to existing capital issuances, asset or business disposals, capital payments and dividends from NWM Plc to its parent, could also be undertaken to support NWM Plc's capital and leverage requirements. NatWest Group may also address a shortage of capital in NWM Plc by providing parental support to NWM Plc. NatWest Group's (and NWM Plc's) regulator may also request that NWM Group carry out additional capital management actions. The BoE has identified single point-of-entry at NatWest Group plc, as the preferred resolution strategy for NatWest Group. However, under certain conditions set forth in the BRRD, as implemented in the UK through the Banking Act 2009, the BoE in its capacity as the UK resolution authority also has the power to execute the 'bail-in' of certain securities of NWM Group without further action at NatWest Group level.

Any capital management actions taken under a stress scenario may, in turn, affect: NWM Group's product offering, credit ratings, ability to operate its businesses and pursue its strategy as well as negatively impacting investor confidence and the value of NWM Group's securities. Refer to 'NatWest Group (including NWM Group) may become subject to the application of UK statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of NWM Group entities' Eligible Liabilities.' In addition, if NWM Plc or NWM N.V.'s liquidity position were to be adversely affected, this may require assets to be liquidated or may result in higher funding costs, which may adversely affect NWM Group's operating performance.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**Any reduction in the credit rating and/or outlooks assigned to NatWest Group plc, any of its subsidiaries (including NWM Plc or NWM Group subsidiaries) or any of their respective debt securities could adversely affect the availability of funding for NWM Group, reduce NWM Group's liquidity and funding position and increase the cost of funding.**

Rating agencies regularly review NatWest Group plc, NWM Plc and other NatWest Group entities' credit ratings and outlooks. NWM Group entities' credit ratings and outlooks, could be negatively affected (directly and indirectly) by a number of factors that can change over time, including, without limitation: credit rating agencies' assessment of NWM Group's strategy and management's capability; its financial condition including in respect of profitability, asset quality, capital, funding and liquidity, and risk management practices; the level of political support for the sectors and regions in which NWM Group operates; the legal and regulatory frameworks applicable to NWM Group's legal structure; business activities and the rights of its creditors; changes in rating methodologies; changes in the relative size of the loss-absorbing buffers protecting bondholders and depositors; the competitive environment; political, geopolitical and economic conditions in NWM Group's key markets (including inflation and interest rates, supply chain disruption, protectionist policies and geopolitical developments); any reduction of the UK's sovereign credit rating and market uncertainty. In addition, credit rating agencies take into consideration sustainability-related factors, including climate, environmental, social and governance-related risk, as part of the credit rating analysis (as do investors in their investment decisions).

Any reductions in the credit rating of NatWest Group plc, NWM Plc or of certain other NatWest Group entities could have adverse consequences including, without limitation, (i) reduced access to capital markets; (ii) a reduction in NWM Group's deposit base; and (iii) triggering additional collateral or other requirements in NWM Group's funding arrangements or the need to amend such arrangements. Any of these consequences could adversely affect NWM Group's liquidity and funding position, cost of funding, and could limit the range of counterparties willing to enter into transactions with NWM Group on favourable terms, or at all. This may in turn adversely affect NWM Group's competitive position and threaten its prospects.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group has significant exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on NWM Group.**

Credit risk may arise from a variety of business activities, including, but not limited to: extending credit to customers through various lending commitments; entering into swap or other derivative contracts under which counterparties have obligations to make payments to NWM Group (including uncollateralised derivatives); providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools, whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans. Any negative developments in the activities listed above may negatively impact NWM Group's customers and credit exposures, which may, in turn, adversely affect NWM Group's profitability. Refer to 'Risk and capital management — Credit Risk'.

NWM N.V., a subsidiary of NWM Plc, has a portfolio of loans and loan commitments to EU corporate customers. As a result, through the NWM N.V. business and NWM Group's other activities, NWM Group has exposure to many different sectors, customers and counterparties, and risks arising from actual or perceived changes in credit quality and the recoverability of monies due from borrowers and other counterparties are inherent in a wide range of NWM Group's businesses. These risks may be concentrated for those businesses for which customer income is heavily weighted towards a specific geographic region, industry or customer base. Furthermore, these risks are likely to increase due to a potential transfer of NatWest Group's Transfer Business (see 'The transfer of NatWest Group's EU corporate portfolio involves certain risks').

The credit quality of NWM Group's borrowers and other counterparties may be affected by UK and global macroeconomic and political uncertainties, as well as prevailing economic and market conditions. Refer to 'NWM Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain disruption, protectionist policies, and geopolitical developments'. Any further deterioration in these conditions or changes to legal or regulatory landscapes could worsen borrower and counterparty credit quality or impact the enforcement of contractual rights, increasing credit risk.

NWM Group is exposed to the financial sector, including sovereign debt securities, financial institutions, financial intermediation providers (including providing facilities to financial sponsors and funds, backed by assets or investor commitments) and securitised products (typically senior lending to special purpose vehicles backed by pools of segregated financial assets). Concerns about, or a default by, a financial institution or intermediary could lead to significant liquidity problems and losses or defaults by other financial institutions or intermediaries, since the commercial and financial soundness of many financial institutions and intermediaries is closely related and interdependent as a result of credit, trading, clearing and other relationships. These risks may increase where a significant proportion of NWM Group's business activities relate to a single counterparty, a related and/or connected group of counterparties or a similar type of customer, product, sector or geography. Any perceived lack of creditworthiness of a counterparty or borrower may lead to market-wide liquidity problems and losses for NWM Group. In addition, the value of collateral may be correlated with the probability of default by the relevant counterparty ('wrong way risk'), which would increase NWM Group's potential loss. Any of the above risks may also adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which NWM Group interacts on a regular basis. Refer to 'NWM Group is reliant on access to the capital markets to meet its funding requirements, both directly through wholesale markets, and indirectly through its parent (NatWest Group plc) for the subscription to its internal capital and MREL. The inability to do so may adversely affect NWM Group.' and 'NWM Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options.' As a result, adverse changes in borrower and counterparty credit risk may cause additional impairment charges under IFRS 9, increased repurchase demands, higher costs, additional write-downs and losses for NWM Group and an inability to engage in routine funding transactions.

The value or effectiveness of any credit protection that NWM Group has acquired through significant risk transfer (SRT) transactions depends on the value of the underlying assets and the financial condition of the counterparties and protection providers, and prevailing market spreads. Although extensive assessments are undertaken prior to execution, there can be no assurance that such protection will remain effective or enforceable. SRT transactions anticipated capital relief is subject to ongoing regulatory recognition and the performance of the securitised portfolio. Any deterioration in asset quality, structural breaches, operational errors or changes in regulatory interpretation could reduce or eliminate the expected benefit. These transactions also introduce counterparty and model risk. As with other forms of credit protection, fluctuations in fair value or deterioration in the financial condition or perceived creditworthiness of counterparties may lead to additional valuation adjustments or impairments. Any such developments or fair value changes may have an adverse effect on NWM Group.

NWM Group has applied an internal analysis of multiple economic scenarios (MES) together with the determination of specific overlay adjustments to inform its IFRS 9 ECL (Expected Credit Loss). The recognition and measurement of ECL is complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic scenarios into ECL to meet the measurement objective of IFRS 9. The ECL provision is sensitive to the model inputs and economic assumptions underlying the estimate. Refer to 'Risk and capital management – Credit risk'. A credit deterioration would also lead to RWA increases. Furthermore, the assumptions and judgements used in the MES and ECL assessment at 31 December 2025 may not prove to be adequate, resulting in incremental ECL provisions for NWM Group.

NWM Group has exposure to shadow banking entities (i.e. entities which carry out activities of a similar nature to banks but without the same regulatory oversight), and is, as result, required to identify and monitor its exposure to these entities, implement and maintain an internal framework for the identification, management, control and mitigation of the risks associated with exposure to shadow banking entities, and ensure effective reporting and governance in respect of such exposure. If NWM Group is unable to properly identify and monitor its shadow banking exposure, maintain an adequate framework, and/or ensure effective reporting and governance in respect of shadow banking exposure, this may adversely affect NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NWM Group could incur losses or be required to maintain higher levels of capital as a result of limitations or failure of various models.**

Given the complexity of NWM Group's business, strategy and capital requirements, NWM Group relies on models for a wide range of purposes, including to manage its business, assess the value of its assets and its risk exposure, as well as to anticipate capital and funding requirements (including to facilitate NatWest Group's mandated stress testing). In addition, NWM Group utilises models for valuations, credit approvals, calculation of loan impairment charges on an IFRS 9 basis, financial reporting and to help address criminal activities in the form of money laundering, terrorist financing, bribery and corruption, tax evasion and sanctions as well as external or internal fraud (collectively, 'financial crime'). NWM Group's models, and the parameters and assumptions on which they are based, are periodically reviewed.

Model outputs are inherently uncertain, because they are imperfect representations of real-world phenomena, are simplifications of complex real-world systems and processes, and are based on a limited set of observations. NatWest Group (which includes NWM Group) also continues to invest in building new capabilities that employ new artificial intelligence technologies, such as generative artificial intelligence, and it expects its use of these technologies to increase over time. However, there are significant risks involved in utilising more sophisticated modelling approaches, including artificial intelligence, and no assurance can be provided that NWM Group's use of artificial intelligence in its models will enhance its business or produce only intended or beneficial results. NWM Group may face adverse consequences as a result of actions or decisions based on models that are poorly developed, incorrectly implemented, outdated, non-compliant, or used inappropriately. This includes models that are based on inaccurate or non-representative data (for example, where there have been changes in the micro or macroeconomic environment in which NWM Group operates) or as a result of the modelled outcome being misunderstood, or used for purposes for which it was not designed. This could result in findings of deficiencies by NatWest Group's (and in particular, NWM Group's) regulators (including as part of NatWest Group's mandated stress testing), increased capital requirements, rendering some business lines uneconomical, requiring management action or subjecting NWM Group to regulatory sanction, any of which in turn may also have an adverse effect on NWM Group and its customers.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

#### **NWM Group's financial statements are sensitive to underlying accounting policies, judgements, estimates and assumptions.**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, exposures and RWAs. While estimates, judgements and assumptions take into account historical experience and other factors (including market practice and expectations of future events that are believed to be reasonable under the circumstances), actual results may differ due to the inherent uncertainty in making estimates, judgements and assumptions (particularly those involving the use of complex models).

Further, accounting policy and financial statement reporting requirements increasingly require management to adjust existing judgements, estimates and assumptions for the effects of climate-related, sustainability and other matters that are inherently uncertain and for which there is little historical experience which may affect the comparability of NWM Group's future financial results with its historical results. Actual results may differ due to the inherent uncertainty in making climate-related and sustainability estimates, judgements and assumptions. Refer to 'There are significant limitations related to accessing accurate, reliable, verifiable, auditable, consistent and comparable climate and sustainability-related data that contributes to substantial uncertainties in accurately assessing, managing and reporting on climate and sustainability-related information and risks, as well as making informed decisions.'

Accounting policies deemed critical to NWM Group's results and financial position, based upon materiality and significant judgements and estimates, involve a high degree of uncertainty and may have a material impact on its results. For 2025, these include fair value, deferred tax and provisions for liabilities and charges. These are set out in the section 'Critical accounting policies'.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**Changes in accounting standards may materially impact NWM Group's financial results.**

NWM Group prepares its consolidated financial statements in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted IAS, and IFRS, as issued by the IASB. Changes in accounting standards or guidance by accounting bodies and/or changes in accounting standards requirements by regulatory bodies or in the timing of their implementation, whether immediate or foreseeable, could result in NWM Group having to recognise additional liabilities on its balance sheet, or in further write-downs or impairments to its assets and could also have a material adverse effect on NWM Group. Additionally, auditors may have different interpretations of these accounting standards, and any change of auditor may lead to unfavourable changes in NWM Group's accounting policies.

NWM Group's trading assets amounted to £46.2 billion as at 31 December 2025. The valuation of financial instruments, including derivatives, measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Generally, to establish the fair value of these instruments, NWM Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently credible, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to prevailing market conditions. In these circumstances, NWM Group's internal valuation models require NWM Group to make assumptions, judgements and estimates to establish fair value, which are complex and often relate to matters that are inherently uncertain. Any of these factors could require NWM Group to recognise fair value losses which may have an adverse effect on NWM Group's income generation and financial position.

From time to time, the International Accounting Standards Board may also issue new accounting standards or interpretations that could materially impact how NWM Group calculates, reports and discloses its financial results and financial condition, and which may affect NWM Group's capital ratios, including the CET1 ratio and the required levels of regulatory capital. New accounting standards and interpretations that have been issued by the International Accounting Standards Board but which have not yet been adopted by NWM Group are discussed in 'Future accounting developments'.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects and/or reputation.

**NWM Group could be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests, or if NatWest Group's resolution preparations are deemed inadequate.**

NatWest Group (which includes NWM Group) is subject to annual and other stress tests by its regulator in the UK. Stress tests are

designed to assess the resilience of banks to potential adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. If the stress tests reveal that a bank's existing regulatory capital buffers are not sufficient to absorb the impact of the stress, then it is possible that NWM Group may need to take action to strengthen its capital position.

Failure by NatWest Group to meet its quantitative and qualitative requirements of the stress tests set forth by its UK regulator may result in: NatWest Group's regulators requiring NatWest Group to generate additional capital, reputational damage, increased supervision and/or regulatory sanctions and/or loss of investor confidence, which may adversely affect NWM Group.

NatWest Group is subject to regulatory oversight by the BoE and the PRA and is required under the PRA Rulebook to carry out an assessment of its preparations for resolution, submit a report of the assessment to the PRA, and disclose a summary of this report. In August 2024, the BoE communicated its assessment of NatWest Group's preparations for a potential resolution scenario and did not identify any areas for further enhancement, shortcomings, deficiencies or substantive impediments.

NatWest Group (and NWM Group) could be adversely affected should future BoE assessments deem NatWest Group's preparations to be inadequate. If future BoE assessments identify any areas for further enhancement, shortcomings, deficiencies or substantive impediments in NatWest Group's ability to achieve the resolvability outcomes or reveal that NatWest Group is not adequately prepared to be resolved, or does not have adequate plans in place to meet resolvability requirements, NatWest Group may be required to take action to enhance its preparations to be resolvable, resulting in additional costs and the dedication of additional resources. Such a scenario may have an impact on NatWest Group (and NWM Group) as, depending on the BoE's assessment, potential action may include, but is not limited to, restrictions on NatWest Group's maximum individual and aggregate exposures, a requirement to dispose of specified assets, a requirement to change its legal or operational structure, a requirement to cease carrying out certain activities and/or to maintain a specified amount of MREL.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NatWest Group (including NWM Group) may become subject to the application of UK statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of NWM Group entities' Eligible Liabilities.**

The BoE, the PRA, the FCA, and HM Treasury (together, the 'Authorities') are granted substantial powers to resolve and stabilise UK-incorporated financial institutions. Five stabilisation options exist: (i) transfer of all of the business of a relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a 'bridge bank' wholly or partially-owned by the BoE; (iii) transfer of part of the assets, rights or liabilities of the relevant entity to one or more asset management vehicles for management of the transferor's assets, rights or liabilities; (iv) the write-down, conversion, transfer, modification, or suspension of the relevant entity's equity, capital instruments and liabilities; and (v) temporary public ownership of the relevant entity.



These options may be applied to NatWest Group plc as the parent company or to NWM Group, as a subsidiary, where certain conditions are met (such as, whether the firm is failing or likely to fail, or whether it is reasonably likely that action will be taken (outside of resolution) that will result in the firm no longer failing or being likely to fail). Moreover, there are modified insolvency and administration procedures for relevant entities within NatWest Group, and the Authorities have the power to modify or override certain contractual arrangements in certain circumstances and amend the law for the purpose of enabling their powers to be used effectively and may promulgate provisions with retrospective applicability. Similar powers may also be exercised with respect to NWM N.V., in the Netherlands by the relevant Dutch and European regulatory authorities.

Uncertainty exists as to how the Authorities may exercise their powers including the determination of actions to be undertaken in relation to the ordinary shares and other securities issued by NatWest Group (including NWM Group), which may depend on factors outside of NWM Group's control. Moreover, the UK Banking Act 2009 provisions remain largely untested in practice, particularly in respect of resolutions of large financial institutions and groups.

If NatWest Group is at or is approaching the point such that regulatory intervention is required, there may correspondingly be a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### Operational and IT resilience risk

**Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM Group's businesses.**

Operational risk is the risk of loss or disruption resulting from inadequate or failed internal processes, procedures, people or systems, or from external events. NWM Group operates in several countries, offering a diverse range of products and services supported directly or indirectly by third party suppliers. As a result, operational risks or losses can arise from a number of internal or external factors (including for example, payment errors or financial crime and fraud), for which there is continued scrutiny by third parties on NWM Group's compliance with financial crime requirements; see 'NWM Group is exposed to the risks of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM Group.' These risks are also present when NWM Group relies on critical service providers (suppliers) or vendors to provide services to it or its customers, as is increasingly the case as NWM Group outsources certain activities, including with respect to the implementation of technologies, innovation (such as cloud services and artificial intelligence) and responding to regulatory and market changes.

Operational risks also exist due to the implementation of NatWest Group's strategy, and the organisational and operational changes involved, including: NatWest Group's cost-controlling and simplification measures; continued digitalisation and the integration of artificial intelligence in the business; acquisition, divestments and other transactions; the implementation of recommendations from internal and external reviews with respect to certain governance processes, policies, systems and controls of NatWest Group entities; and conditions affecting the financial services industry generally (including macroeconomic and other geopolitical developments) as well as the legal and regulatory uncertainty resulting from these conditions. Any of the above may place significant pressure on NWM Group's ability to maintain effective internal controls and governance frameworks. In recent

years, NWM Group has materially increased its dependence on NatWest Bank Plc and other NatWest Group entities for numerous critical services and operations, including, without limitation, property, technology, finance, accounting, treasury, legal, risk, regulatory compliance and reporting, financial crime, human resources, and certain other support and administrative functions. A failure by NatWest Bank Plc or other NatWest Group entities to adequately supply these services may expose NWM Group to critical business failure risk, increased costs, regulatory sanctions, and other liabilities. These and any increases in the cost of these services may adversely affect NWM Group.

Financial crime continues to evolve, whether through fraud, scams, cyberattacks or other criminal activity. These risks are exacerbated as NWM Group continues to innovate its product offering and increasingly offers digital solutions to its customers. NatWest Group (including NWM Group) has made and continues to make significant, multi-year investments to strengthen and improve its overall financial crime control framework with prevention systems and capabilities, including investment in new technologies and capabilities to further enhance customer due diligence, transaction monitoring, sanctions and anti-bribery and corruption systems. A number of NWM Group's financial crime controls are operated by NatWest Group on behalf of NWM Group. Financial crime assessment, systems and controls, internal stress tests and models are critical to financial crime risk management. Ineffective risk management may arise from a wide variety of factors, including lack of transparency or incomplete risk reporting, manual processes and controls, inaccurate data, inadequate IT systems, unidentified conflicts or misaligned incentives, lack of accountability control and governance, incomplete risk monitoring (including trade surveillance) and failures of systems to properly process all relevant data, risks related to unanticipated behaviour or performance and management, insufficient challenges or assurance processes, or a failure to commence or timely complete risk remediation projects. Weak or ineffective financial crime processes and controls may risk NWM Group inadvertently facilitating financial crime which may result in regulatory investigation, sanction, litigation, fines and/or reputational damage. Further, failure to manage these risks effectively, or within regulatory expectations, could adversely affect NWM Group's reputation or its relationship with its regulators, customers, shareholders or other stakeholders.

NWM Group also faces operational risks as it continues to invest in the automation of certain solutions and customer interactions, including through artificial intelligence. Such initiatives may result in operational, reputational and conduct risks if the technology is not used appropriately, is defective or inadequate, or is not fully integrated into NWM Group's current solutions, systems and controls. The effective management of operational risks is critical to meeting customer service expectations and retaining and attracting customer business. Although NWM Group has implemented risk controls and mitigation actions, with resources and planning devoted to mitigate operational risk, such measures may not be effective in controlling each of the operational risks faced by NWM Group.

Ineffective management of such risks may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group is subject to sophisticated and frequent cyberattacks, and compliance with cybersecurity and data protection regulations is becoming increasingly complex.**

NWM Group experiences a constant threat from cyberattacks across the entire NatWest Group (including NWM Group) and against NatWest Group and NWM Group's supply chain networks, reinforcing the importance of due diligence of, ongoing risk management of, and a close working relationship with, the third parties on which NWM Group relies. NWM Group is reliant on technology, against which there is a constantly evolving series of attacks, that are increasing in terms of frequency, sophistication, impact and severity. The increased availability of malicious tools and the rapid advancement of artificial intelligence capabilities reduce entry barriers for malicious actors and accelerate the exploitation of vulnerabilities leading to cyberattacks evolving and becoming more sophisticated. As a result, NWM Group is required to continue to invest significant resources in additional capability designed to defend against a variety of existing and emerging threats.

Third parties continue to make hostile attempts to gain access to, introduce malware (including ransomware) into, and exploit potential vulnerabilities of, financial services institutions' IT systems, including those of NWM Group. For example, in 2025, NatWest Group and its supply chain were subjected to a small number of attempted Distributed Denial of Service and ransomware attacks. These hostile attempts were addressed without material impact on NWM Group or its customers by deploying cybersecurity capabilities and controls that seek to manage the impact of any such attacks, and sustain availability of services for NWM Group's customers. Consequently, NWM Group continues to invest significant resources in developing and evolving cybersecurity capabilities and controls that are designed to mitigate the potential effect of such attacks. However, given the nature of the threat, there can be no assurance that these capabilities and controls will prevent the potential adverse effect of an attack from occurring. Refer to 'NWM Group's operations are highly dependent on its complex IT systems and any IT failure could adversely affect NWM Group.'

Any failure in NWM Group's information and cybersecurity policies, procedures or controls, may result in significant financial losses, major business disruption, inability to deliver customer services, or loss of, or ability to access, data or systems or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these factors could increase costs (including, but not limited to costs, relating to notification of, or compensation for customers and credit monitoring), result in regulatory investigations or sanctions being imposed or may affect NWM Group's ability to retain and attract customers. Regulators in the UK, US, Europe and Asia recognise cybersecurity as an important systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyberattacks, and to provide timely reporting or notification of them, as appropriate (including for example, the SEC cybersecurity requirements and the EU Digital Operational Resilience Act ('DORA')). Furthermore, cyberattacks on NWM Group's counterparties and suppliers may also have an adverse effect on NWM Group's operations. Additionally, malicious third parties may induce employees, customers, third party providers or other users with access to NWM Group's systems to wrongfully disclose sensitive information to gain access to NWM Group's data or systems or that of NWM Group's customers or employees. Cybersecurity and information security events can derive from factors such as: internal or external threat actors, human error, fraud or malice on the part of NWM Group's employees,

customers or third parties, including third-party providers, or may result from technological failure (including defective, inadequate or inappropriately used artificial intelligence based solutions).

NWM Group expects greater regulatory engagement, supervision and enforcement to continue in relation to its overall resilience to withstand IT and IT-related disruption, either through a cyberattack or some other disruptive event. Such increased regulatory engagement, supervision and enforcement is uncertain in relation to the scope, cost, consequence and the pace of change, which may have an adverse effect on NWM Group. Due to NWM Group's reliance on technology, the adoption of innovative solutions, the integration of automated processes and artificial intelligence in its business, and the increasing sophistication, frequency and impact of cyberattacks, such attacks may have an adverse effect on NWM Group.

In accordance with applicable UK and EU data protection, and cybersecurity laws and regulations, NWM Group is required to ensure it implements timely appropriate and effective organisational and technological safeguards against unauthorised or unlawful access to the data of NWM Group, its customers and its employees. In order to meet this requirement, NWM Group relies on the effectiveness of its internal policies, controls and procedures to protect the confidentiality, integrity and availability of information held on its IT systems, networks and devices as well as with third parties with whom NWM Group interacts. As NatWest Group develops new artificial intelligence-based products, proprietary, sensitive, or confidential NWM Group's customer information may be inputted into third-party generative or other artificial intelligence or machine learning platforms, and could potentially be accessed by others, including if such information is used to train third-party artificial intelligence models. This may increase the risk of data leakage, data poisoning, potential bias, discrimination, errors, and misuse. A failure to monitor and manage data in accordance with applicable requirements may result in financial losses, regulatory fines, investigations and litigation, and associated reputational damage.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group's operations and strategy are highly dependent on the accuracy and effective use of data.**

NWM Group relies on the availability, sourcing, and effective use of accurate and high quality data to support, monitor, evaluate, manage and enhance its operations, innovate its products offering, meet its regulatory obligations, and deliver its strategy. Investment is being made in data tools and analytics, including raising awareness around ethical data usage (for example, in relation to the use of artificial intelligence) and privacy across NWM Group. The availability and accessibility of current, complete, detailed, accurate and, wherever possible, machine-readable customer segment and sub-sector data, together with appropriate governance and accountability for data, is fast becoming a critical strategic asset, which is subject to increased regulatory focus.

Failure to have or to be able to access that data or the ineffective use or governance of that data could result in a failure to manage and report important risks and opportunities or satisfy customers' expectations including the inability to deliver products and services. This could also place NWM Group at a competitive disadvantage by increasing its costs, inhibiting its efforts to reduce costs or its ability to improve its systems, controls and processes. Any of the above could result in a failure to deliver NWM Group's strategy.

These data weaknesses and limitations, or the unethical or inappropriate use of data, and/or non-compliance with data protection laws could give rise to conduct and litigation risks and may increase the risk of operational challenges, losses, reputational damage or other adverse consequences due to inappropriate models, systems, processes, decisions or other actions.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group relies on attracting, retaining, developing and remunerating diverse senior management and skilled personnel, and is required to maintain good employee relations.**

NWM Group's success depends on its ability to attract, retain, and develop highly skilled and qualified diverse workforce, including senior management, and other employees in critical roles (such as in technology, artificial intelligence and data), in a highly competitive market.

The inability to compensate employees competitively and/or any reduction of compensation, the perception that NWM Group may not be a competitive business, heightened regulatory oversight of banks compared to firms outside of banking and ongoing restrictions placed on employee compensation arrangements, particularly in the EU, or other factors, may have an adverse effect on NWM Group's ability to hire, retain and engage well qualified employees, especially at a senior level, which could adversely affect NWM Group.

In addition, certain economic, market and regulatory conditions may reduce the pool of candidates for key management and non-executive roles, including non-executive directors with the right skills, knowledge and experience, or may increase the number of departures of existing employees. Moreover, a failure to foster a diverse workforce and an inclusive work environment may adversely affect NWM Group's employee engagement and the execution of its strategy, and could also have an adverse effect on its reputation with customers, investors and regulators.

NWM Group's businesses are also exposed to risks from employee, contractor, or service providers misconduct including non-compliance with policies and regulations, negligence or fraud (including financial crimes and fraud), any of which could result in regulatory fines or sanctions and serious reputational or financial harm to NWM Group. Hybrid working arrangements are also subject to regulatory scrutiny to ensure adequate recording, surveillance and supervision of regulated activities and compliance with regulatory requirements and expectations, including requirements to: meet threshold conditions for regulated activities; ensure the ability to oversee functions (including any outsourced functions); ensure no detriment is caused to customers; and ensure no increased risk of financial crime.

Some of NWM Group's employees are represented by employee representative bodies, including trade unions and works councils. Engagement with its employees and such bodies is important to NWM Group in maintaining good employee relations. Any breakdown of these relationships may adversely affect NWM Group.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group's operations are highly dependent on its complex IT systems and any IT failure could adversely affect NWM Group.**

NWM Group's operations are highly dependent on the ability to process a very large number of transactions efficiently and accurately while complying with applicable laws and regulations. The proper functioning of NatWest Group's (including NWM Group's) transactional and payment systems, financial crime and fraud detection systems and controls, risk management, credit analysis and reporting, accounting, customer service and other IT systems, including cloud services providers (some of which are owned and operated by other entities in NatWest Group or third parties), is critical to NWM Group's operations. NWM Group's reliance on a limited number of cloud services providers increases its exposure to disruption events affecting these cloud services providers.

Individually or collectively, whether operated by NWM Group or by a third party supplier, any system failure (including defective or inadequate automated processes or artificial intelligence based solutions), loss of service availability, or breach of data security could potentially cause significant damage to: (i) important business services across NWM Group; and (ii) NWM Group's ability to provide services to its customers, which could result in reputational damage, significant compensation costs and regulatory sanctions (including fines resulting from regulatory investigations) or a breach of applicable regulations and could affect NWM Group's regulatory approvals, competitive position, business and brands, which could undermine its ability to attract and retain customers and talent.

NWM Group outsources certain functions as it innovates and offers new digital solutions to its customers. Outsourcing, alongside hybrid working, heighten the above risks. NWM Group uses IT systems that enable remote working interface with third-party systems, and NWM Group could experience service denials or disruptions if such systems exceed capacity or if NWM Group or a third-party system fails or experiences any interruptions, all of which could result in business and customer interruption and related reputational damage, significant compensation costs, regulatory sanctions and/or a breach of applicable regulations. Hybrid working arrangements for NWM Group employees place heavy reliance on the IT systems that enable remote working and may place additional pressure on NWM Group's ability to maintain effective internal controls and governance frameworks and increase operational risk.

In 2025, NWM Group continued to make considerable investments to further simplify, upgrade and improve its IT and technology capabilities (including migration of certain services to cloud platforms and risk-based removal of technology obsolescence). NWM Group continues to develop and enhance digital services for its customers and seeks to improve its competitive position through integrating automated processes and artificial intelligence-based solutions in its business and by enhancing controls and procedures and strengthening the resilience of services including cybersecurity. Any failure of these investment and rationalisation initiatives to achieve the expected results, due to poor design or implementation, defects, or otherwise, may adversely affect NWM Group's operations, its reputation and ability to retain or grow its customer business or adversely affect its competitive position. Refer to 'NWM Group has been in a period of, and may continue to be subject to, significant structural and other change'.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.



**A failure in NWM Group's risk management framework could adversely affect NWM Group, including its ability to achieve its strategic objectives.**

Risk management is a fundamental component of NatWest Group's operations and is critical to the effective delivery of its long-term strategic objectives. NWM Group operates within NatWest Group's Enterprise-Wide Risk Management Framework ('EWRMF'), which sets the approach for risk management and outlines key principles for sound risk governance and setting of risk appetite with respect to: financial risk (capital risk, liquidity and funding risk, credit risk, traded market risk, non-traded, market risk, pension risk, earning stability risk) and non-financial risk (model risk, reputational risk, financial crime, operational risk, compliance and conduct risk). Non-compliance with this framework, including deviations from risk appetite, or any significant shortcomings in related controls and procedures, may have a detrimental effect on NWM Group's financial condition, strategic delivery, or result in inaccurate reporting of risk exposures.

NWM Group promotes a risk-aware culture and invests in policies and resources to manage risks. However, these measures may not entirely prevent a failure in NWM Group's risk management framework. For example, instances of misconduct may arise from: business decisions, actions or reward mechanisms that fail to comply with NWM Group's regulatory obligations, do not adequately address customers' needs, or are misaligned with NWM Group's strategic objectives; ineffective product management; unethical or inappropriate use of data, information asymmetry, implementation and utilisation of new technologies, outsourcing of customer service and product delivery; inappropriate behaviour towards customers, customer outcomes, the possibility of mis-selling of financial products; and mishandling of customer complaints. Furthermore, any failure in the EWRMF may also result in the inability for NWM Group to achieve its strategic objectives for its customers, employees and wider stakeholders.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group's operations are subject to inherent reputational risk.**

Reputational risk relates to stakeholder and public perceptions of NWM Group arising from an actual or perceived failure to meet stakeholder or the public's expectations, including with respect to NatWest Group's strategy and related targets, NWM Group's strategy, or due to any events, behaviour, action or inaction by NWM Group, its employees or those with whom NWM Group is associated. Refer to 'NWM Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM Group.' This includes harm to its brand, which may be detrimental to NWM Group's business, including its ability to build or sustain business relationships with customers, stakeholders and regulators, and may cause low employee morale, regulatory censure or reduced access to, or an increase in the cost of, funding. Reputational risk may arise whenever there is, or there is perceived to be, a material lapse in standards of integrity, controls, compliance, customer or operating efficiency, or regulatory or press scrutiny, and may adversely affect NWM Group's ability to attract and retain customers.

In particular, NWM Group's ability to attract and retain customers, and talent, and engage with counterparties may be adversely affected by factors including: negative public opinion resulting from the actual or perceived manner in which NWM Group or any

other member of NatWest Group conducts or modifies its business activities and operations, media coverage (whether accurate or otherwise), employee misconduct, NWM Group's financial performance, IT systems failures or cyberattacks, data breaches, financial crime and fraud, the actual or perceived practices in the banking and financial industry in general, or a wide variety of other factors.

Technologies, in particular online social networks and other broadcast tools that facilitate communication with large audiences in short timeframes and with minimal costs, may also significantly increase and accelerate the impact of damaging information and allegations.

Although NWM Group has a Reputational Risk Policy and framework to identify, measure and manage material reputational risk exposures, there is a risk that it may not be successful in avoiding or mitigating damage to its business or its various brands from reputational risk.

Any of the above aspects of reputational risk may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**Legal and regulatory risk**

**NWM Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM Group.**

NWM Group is subject to extensive laws, regulations, guidelines, corporate governance practice and disclosure requirements, administrative actions and policies in each jurisdiction in which it operates, which presents ongoing compliance and conduct risks. Many of these are constantly evolving and are subject to further material changes, which may increase compliance and conduct risks, particularly as the laws of different jurisdictions (including those of the EU/EEA and UK) diverge. NWM Group expects government and regulatory intervention in the financial services industry to remain high for the foreseeable future.

Regulators and governments continue to focus on reforming the prudential regulation of the financial services industry and the way financial services are conducted. Measures have included: enhanced capital, liquidity and funding requirements, through initiatives such as the Basel 3.1 standards implementation (and any resulting effect on RWAs and models), the UK ring-fencing regime, the strengthening of the recovery and resolution framework applicable to financial institutions in the UK, the EU and the US, financial industry reforms (such as the FSMA 2023), corporate governance requirements, rules relating to the compensation of senior management and other employees, enhanced data protection and IT resilience requirements, financial market infrastructure reforms, enhanced regulations in respect of the provision of 'investment services and activities'.

There is also continued regulatory focus in certain areas, including conduct, model risk governance, consumer protection in retail or other financial markets, competition and disputes regimes, anti-money laundering, anti-corruption, anti-bribery, anti-tax evasion, payment systems and digital assets, sanctions and anti-terrorism laws and regulations.

In addition, there is significant oversight by competition authorities. The competitive landscape for banks and other financial institutions in the UK, EU/EEA, Asia and the US is rapidly changing. Recent regulatory and legal changes have resulted and may continue to result in new market participants and changed competitive dynamics in certain key areas.

Regulatory and competition authorities, including the CMA, are also reviewing and focusing more on how they can support competition and innovation in digital and other markets. Recent regulatory changes and heightened levels of public and regulatory scrutiny in the UK, EU and US have resulted in increased capital, funding and liquidity requirements, changes in the competitive landscape, changes in other regulatory requirements and increased operating costs, and have impacted, and will continue to impact, product offerings and business models.

Moreover, uncertainties remain as to the extent to which EU/EEA laws will diverge from UK law. For example, bank regulation in the UK may diverge from European bank regulation following the enactment of the Financial Services and Markets Act 2023 ('FSMA 2023') and the Retained EU Law (Revocation and Reform) Act 2023. In particular, FSMA 2023 provides for the revocation of retained EU laws relating to financial services regulation, but sets out that this process will likely take a number of years and that the intention is that specific retained EU laws will not be revoked until such time as replacement regulatory rules are in place. The actions taken by regulators in response to any new or revised bank regulation and other rules affecting financial services, may adversely affect NWM Group, including its business, non-UK operations, group structure, compliance costs, intragroup arrangements and capital requirements.

Other areas in which, and examples of where, governmental policies, regulatory and accounting changes and increased public and regulatory scrutiny may have an adverse effect (some of which could be material) on NWM Group include, but are not limited to, the following:

- general changes in government, regulatory, competition or central bank policy (including as a result of the Bank Resolution (Recapitalisation) Act 2025), or changes in regulatory regimes that may influence investor decisions in the jurisdictions in which NWM Group operates;
- rules relating to foreign ownership, expropriation, nationalisation and confiscation or appropriation of assets;
- increased risk of legal action against NWM Group in relation to the remediation of defects in certain historical property developments;
- new or increased regulations relating to data protection as well as IT controls and resilience;
- the introduction of, and changes to, taxes, levies or fees applicable to NWM Group's operations, such as changes in tax rates, changes in the scope and administration of the Bank Levy, increases in the bank corporation tax surcharge in the UK, restrictions on the tax deductibility of interest payments or further restrictions imposed on the treatment of carry-forward tax losses that reduce the value of deferred tax assets and require increased payments of tax;
- increased innovation in private digital asset propositions, such as stablecoin or tokenised deposits, which may challenge traditional payment methods and have other potential adverse effects on UK banks (such as higher funding costs or a reduced deposit base);
- regulatory enforcement in the form of PRA imposed financial penalties for failings in banks' regulatory reporting governance and controls, and ongoing regulatory scrutiny; and the PRA's thematic reviews of the governance, controls and processes for preparing regulatory returns of selected UK banks, including NatWest Group (of which NWM Group is a part of);
- changes in policy and practice regarding enforcement, investigations and sanctions, supervisory activities and reviews;
- 'Dear CEO' and similar letters issued by supervisors and regulators from time to time;
- changes in policy intended to expand consumer access to retail investment products and services, including through the introduction of targeted support;
- reform to the Consumer Credit Act 1974;
- new or increased regulations relating to financial crime; and
- any regulatory requirements relating to the use of artificial intelligence and large language models across the financial services industry (such as the European Union Artificial Intelligence Act).

Any of these developments (including any failure to comply with or correctly interpret new rules and regulations) could also have an adverse effect on NWM Group's authorisations and licences, the products and services that NWM Group may offer, its reputation and the value of its assets, NWM Group's operations or legal entity structure, and the manner in which NWM Group conducts its business.

Material consequences could arise should NWM Group be found non-compliant with these regulatory requirements. Regulatory developments may also result in an increased number of regulatory investigations and proceedings and have increased the risks relating to NWM Group's ability to comply with the applicable body of rules and regulations in the manner and within the timeframes required.

Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, including contradictory or conflicting laws, rules or regulations by key regulators or policymakers in different jurisdictions (such as divergence of regulations of digital assets and cryptocurrency), or failure by NWM Group to comply with such laws, rules and regulations, may adversely affect NWM Group's business, results of operations and outlook. In addition, uncertainty and insufficient international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect NWM Group's reputation, ability to engage in effective business, capital and risk management planning.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

**NWM Group is exposed to the risks of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM Group.**

NWM Group's operations are diverse and complex and it operates in legal and regulatory environments that expose it to potentially significant civil actions (including those following on from regulatory sanction), as well as criminal, regulatory and governmental proceedings. NWM Group has resolved a number of legal and regulatory actions over the past several years but continues to be, and may in the future be, involved in such actions in the US, the UK, Asia, Europe and other jurisdictions.

NWM Group is, has been or will likely be involved in a number of significant legal and regulatory actions, including investigations, proceedings and ongoing reviews (both formal and informal) by governmental law enforcement and other agencies and litigation proceedings, including in relation to the offering of securities, conduct in the foreign exchange market, the setting of benchmark rates such as LIBOR and related derivatives trading, the issuance, underwriting, and sales and trading of fixed-income securities (including government securities), product mis-selling, customer mistreatment, anti-money laundering, antitrust, VAT recovery, record keeping, reporting, and various other issues.

There is also an increasing risk of new class action claims being brought against NWM Group in the Competition Appeal Tribunal for breaches of competition law, as well as a risk of activist actions, particularly relating to climate change and sustainability-related matters. Legal and regulatory actions are subject to many uncertainties, and their outcomes, including the timing, amount of fines, damages or settlements or the form of any settlements, which may be material and in excess of any related provisions, are often difficult to predict, particularly in the early stages of a case or investigation. NWM Group's expectation for resolution may change and substantial additional provisions and costs may be recognised in respect of any matter.

The resolution of significant investigations includes NWM Plc's December 2021 spoofing-related guilty plea in the United States that was agreed with the US Department of Justice ('DOJ'), and involves a multi-year period of probation and ongoing commitments to improve the compliance programme and reporting obligations. In the event that NWM Plc does not meet its obligations to the DOJ, this may lead to adverse consequences such as findings that NWM Plc violated its probation term and possible re-sentencing, and/or increased costs, amongst other consequences. For additional information relating to this and other legal and regulatory proceedings and matters to which NWM Group is currently exposed, see 'Litigation and regulatory matters' at Note 25 to the consolidated accounts.

Recently resolved matters or adverse outcomes or resolution of current or future legal or regulatory matters, could increase the risk of greater regulatory and third-party scrutiny and/or result in future legal or regulatory actions, and could have material financial, reputational, or collateral consequences for NWM Group's business and result in restrictions or limitations on NWM Group's operations.

These may include the effective or actual disqualification from carrying on certain regulated activities and consequences resulting from the need to reapply for various important licences or obtain waivers to conduct certain existing activities of NWM Group, particularly but not solely in the US, which may take a significant period of time and the results and implications of which are uncertain. Disqualification from carrying on any activities, whether automatically as a result of the resolution of a particular matter or as a result of the failure to obtain such licences or waivers could adversely affect NWM Group's business, in particular in the US. This in turn and/or any fines, settlement payments or penalties may have an adverse effect on NWM Group. Similar consequences could result from legal or regulatory actions relating to other parts of NatWest Group.

Failure to comply with undertakings made by NWM Group to its regulators, or the conditions of probation resulting from the spoofing-related guilty plea, may result in additional measures or penalties being taken against NWM Group. In addition, any failure to administer conduct redress processes adequately, or to handle individual complaints fairly or appropriately, could result in further claims as well as the imposition of additional measures or limitations on NWM Group's operations, additional supervision by NWM Group's regulators, and loss of investor confidence.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### Changes in tax legislation (or application thereof) or failure to generate future taxable profits may impact the recoverability of certain deferred tax assets recognised by NWM Group.

In accordance with the accounting policies set out in the section 'Critical accounting policies', NWM Group has recognised deferred tax assets on losses available to relieve future profits from tax only to the extent it is probable that they will be recovered. The deferred tax assets are quantified on the basis of current tax legislation and accounting standards and are subject to change in respect of the future rates of tax or the rules for computing taxable profits and offsetting allowable losses.

Failure to generate sufficient future taxable profits or further changes in tax legislation or the application thereof (including with respect to rates of tax) or changes in accounting standards may reduce the recoverable amount of the recognised tax loss deferred tax assets, amounting to £132 million as at 31 December 2025. Changes to the treatment of certain deferred tax assets may impact NWM Group's capital position. In addition, NWM Group's interpretation or application of relevant tax laws may differ from those of the relevant tax authorities and provisions are made for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. The amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters.

Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

### Climate and sustainability-related risks

#### NWM Group and its Value Chain face climate and sustainability-related risks that may adversely affect NWM Group.

NWM Group is subject to financial and non-financial risks associated with climate change, nature-related and social matters (together sustainability-related matters). These matters impact NWM Group directly through its own operations and employees and indirectly through its value chain, including its investors, customers, counterparties and suppliers, and business partners (collectively, our 'Value Chain'), and business activities.

Financial and non-financial risks from climate change can arise through physical and transition risks. In addition, NWM Group may also be exposed to legal, regulatory or financial consequences arising from NWM Group's actions or omissions related to climate and sustainability-related matters, giving rise to liability risk.

Climate-related physical risks are associated with increasing frequency and intensity of extreme weather events, including floods, wildfires and changes in climate conditions. Such events can impact employee health and safety, negatively impact local communities where NWM Group operates, damage assets, property and infrastructure, and disrupt operations and supply chains, resulting in changes in asset value, deterioration of the value of collateral or insurance shortfalls and increased costs and credit defaults. This can negatively impact the creditworthiness of customers and their ability and/or willingness to pay fees, afford new products or repay their debts, leading to increased default rates, delinquencies, write-offs and impairment charges in NWM Group's portfolios while simultaneously increasing NWM Group's own operational costs and exposing it to potential business continuity challenges. In addition, NWM Group's premises and operations, or those of its critical outsourced functions may experience damage or disruption leading to increased costs for NWM Group.

Climate-related transition risks arise from the UK's and global economies' shift to net zero. The pace and nature of transition, whether orderly or disorderly, depends significantly on timely and appropriate government policy and regulatory changes, immediate actions from national and regional governments, new technological innovation, changes to supply and demand systems within industries, customer behaviour and market sentiment. In addition, there is significant uncertainty about how climate change and the world's transition to a net-zero economy will unfold over time and how and when climate and other sustainability-related risks will manifest. This could adversely impact profitability, market stability and the resilience of financial institutions, including NWM Group. In addition, the transition may affect NWM Group's customers and businesses across sectors in different ways and at different levels of risk. These timeframes are considerably longer than NWM Group's historical and current strategic, financial, resilience and investment planning horizons. Transition risks may also trigger reputational and liability exposures, especially if NatWest Group (including NWM Group) is perceived as not meeting its climate ambitions, targets and commitments, or not making progress against NatWest Group's climate transition plan.

Moreover, beyond climate change, NWM Group and its Value Chain may face financial and non-financial risks arising from acute or chronic nature-related physical risks, (such as wildfires, pollution, water stress and loss of biodiversity), nature-related transition risks (such as risk arising directly or indirectly due to changes in policy, market and technology, changes in perception concerning an organisation's actual or perceived nature impacts and from legal claims) and social issues (such as data protection and privacy, impact of increased adoption of artificial intelligence technology, human rights abuse, conflict and security, land rights, labour rights and unjust working conditions, modern slavery and child labour, discrimination and lack of support for the vulnerable, negative impact on people's standard of living and health, inequality, accessible banking and financial inclusion, and financial crime).

There are heightened regulatory expectations, growing scrutiny from investors, civil society, and other external stakeholders, with businesses being increasingly expected to be transparent about their efforts to identify, assess, mitigate and manage nature-related and social risks. NWM Group may face reputational, regulatory non-compliance and litigation risks if it is directly or indirectly linked to adverse nature-related or social impacts and fails to adequately manage the risks associated with those impacts.

Climate and sustainability-related risks are inter-linked and may (i) adversely impact the broader economy, affecting interest rates, inflation and growth, which in turn may reduce profitability and financial stability; (ii) adversely impact asset pricing and valuations of NWM Group's and other securities, potentially triggering wider disruptions across the financial system; (iii) adversely impact the viability or resilience of business models over the medium to longer term, particularly those business models most vulnerable to climate and sustainability-related risks; (iv) result in losses from liability or reputational damage, such as negative media, activist pressure, or public criticism, if NWM Group or its Value Chain are linked to adverse climate or sustainability-related impacts; and (v) may intensify existing exposures across multiple risk categories, including credit, operational (e.g. business continuity), market and liquidity, model, reputational regulatory compliance, conduct and pension risks.

Failure by NWM Group to timely identify, assess, mitigate and manage climate and sustainability-related risks, as well as failure to respond to emerging opportunities, evolving regulatory requirements, and shifting market and external expectations, may have a material adverse effect on NWM Group's business, financial condition, future results, access to finance, cost of capital, reputation, and the value of its securities.

**NatWest Group's (including NWM Group) strategy relating to climate and sustainability is subject to execution and reputational risks. NatWest Group's (including NWM Group) climate and sustainability-related ambitions, targets and commitments may not be achieved, and NatWest Group's climate transition plan may not be implemented, without timely and appropriate government policy, technology developments, and suppliers, customers and society supporting the transition.**

NatWest Group has an ambition to be net zero across its financed emissions, assets under management and operational value chain by 2050. NatWest Group also has an ambition at least to halve the climate impact of its financing activity by 2030, against a 2019 baseline, supported by portfolio-level activity-based targets.

NatWest Group may also announce other climate and sustainability-related ambitions, targets and commitments and may withdraw, retire, amend, replace or supersede existing ones from time to time, whether or not they have been achieved, where it considers this to be appropriate having regard to its strategic objectives, or where required or appropriate to do so by applicable law, regulation or supervisory expectations.

NWM Group's ability to contribute to achieving NatWest Group's climate and sustainability-related ambitions, targets and commitments, and to contribute to implementing NatWest Group's climate transition plan, may require NWM Group to make changes to its business, operating model, existing exposures, and products and services. This may include reducing its estimated financed emissions and discontinuing certain activities over time. NatWest Group (including NWM Group), acknowledge that (i) emission reductions are unlikely to be linear; (ii) UK Parliament will set a new legal limit on greenhouse emissions as part of the Seventh Carbon Budget in June 2026 which may have an impact on the achievement of NatWest Group's (including NWM Group) climate and sustainability-related ambitions, targets and commitments, and the implementation of NatWest Group's climate transition plan; and (iii) increases in lending and financing activities may wholly or partially offset some or all these reductions, which may increase the extent of changes and reductions necessary

NWM Group's ability to contribute to achieving NatWest Group's strategy, including its climate and sustainability-related ambitions, targets and commitments, and to contribute to implementing NatWest Group's climate transition plan is dependent on many factors and uncertainties beyond NWM Group's control. These include (but are not limited to): (i) the extent and pace of climate change, including the timing and manifestation of physical and transition risks and nature loss; (ii) the macroeconomic environment; (iii) the effectiveness of actions of governments, legislators, regulators and businesses; (iv) the response of wider society.



NWM Group's Value Chain and other stakeholders to mitigate the impact of climate and sustainability-related risks; (v) changes in customer and societal behaviour and demand; (vi) availability of commercially viable opportunities in sustainable finance markets, competition dynamics, capital markets appetite, investor expectations, and external credit and concentration risk appetites which may constrain the scale or risk profile of opportunities accessible to NWM Group; (vii) developments in available technology; (viii) the rollout of low carbon infrastructure; and (ix) the availability of accurate, verifiable, reliable, auditable, consistent and comparable data.

These external factors and other uncertainties may make it complex for NWM Group to contribute to achieving NatWest Group's climate and sustainability-related ambitions, targets and commitments, and to contribute to implementing NatWest Group's climate transition plan, and there is a risk that some or all of NatWest Group's (including NWM Group) climate and sustainability-related ambitions, targets and commitments may not be achieved, or NatWest Group's climate transition plan may not be implemented within the intended timescales, or at all.

Moreover, the rising energy demand associated with artificial intelligence workloads, whether generated internally or through third-party providers, may increase NatWest Group's (including NWM Group's) own operational footprint. While NatWest Group (including NWM Group) has taken initial steps to assess the potential impacts of increased artificial intelligence usage, its full effects on NatWest Group's (including NWM Group's) own operational footprint remain uncertain but could have an adverse effect on achieving NatWest Group's (including NWM Group's) climate and sustainability-related ambitions, targets and commitments and the implementation of NatWest Group's climate transition plan.

Any delay or failure by NWM Group in putting into effect, making progress against, or contributing to achieving NatWest Group's climate and sustainability-related ambitions, targets and commitments, and to contributing to the implementation of NatWest Group's climate transition plan may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation and may increase the climate and sustainability-related risks NWM Group faces.

**There are significant limitations related to accessing accurate, reliable, verifiable, auditable, consistent and comparable climate and sustainability-related data that contribute to substantial uncertainties in accurately assessing, managing and reporting on climate and sustainability-related information and risks, as well as making informed decisions.**

NWM Group's ability to assess, manage, and report climate and sustainability-related impacts, risks, and opportunities, including the effective measurement, governance and reporting of progress against our climate and sustainability-related ambitions, targets and commitments, and the implementation of NatWest Group's climate transition plan heavily depends on the availability of accurate, reliable, verifiable, auditable, consistent and comparable internal and external data from customers, counterparties, suppliers, and third parties. Our internal data on customer groups, which is used to source financial exposure and emissions data, and the systems and controls supporting our non-financial reporting are considerably less sophisticated than those data, systems and controls used for financial reporting, and continue to involve manual processes. These factors may increase the risk of inaccuracies or gaps in our non-financial reporting, which could adversely affect our ability to meet regulatory, investor or stakeholder expectations. In the absence of accurate, reliable,

verifiable, auditable, consistent and comparable data, NWM Group may rely on estimates, proxies, or third-party methodologies, such as sectoral averages or aggregated emissions data, that may be outdated, prepared using varying assumptions, or not accurately reflect specific counterparties or customers. These limitations can affect the reliability of disclosures, including financed and facilitated emissions, and may hinder decision-making, risk management, regulatory compliance, and data consolidation. This may result in misjudging progress against climate ambitions, targets and commitments, misallocating capital, or underestimating financial and reputational risks, while also reducing comparability across institutions and increasing scrutiny from stakeholders and regulators.

NWM Group's assessment of climate and sustainability-related impacts, risks, and opportunities is expected to evolve as data quality and methodologies improve. Current data gaps, limitations, and reliance on estimates or third-party inputs may materially impact NWM Group's ability to make informed decisions on climate and sustainability-related matters, manage risks, comply with disclosure requirements, and monitor progress against NatWest Group's climate and sustainability-related ambitions, targets and commitments, and the implementation of NatWest Group's climate transition plan. As a result, climate and sustainability-related disclosures may be amended, updated, or restated from time to time as methodologies, data quality or regulatory expectations evolve. NWM Group does not undertake to restate prior disclosures except as required by applicable law or regulation, even where subsequently available data or methodologies differ from those used at the time of the original disclosure.

Climate risks are inherently forward-looking and complex to model. The lack of historical data, evolving scientific understanding, and immature measurement frameworks introduce significant uncertainty into scenario analysis and financial forecasting. The outputs of climate risk modelling, such as emissions pathways and reduction targets, are subject to long timeframes and assumptions that differ significantly from traditional financial planning cycles.

NWM Group's internal capabilities to assess, model, report on and manage climate and sustainability-related risks continue to evolve. However, even when such capabilities are suitably developed, the high level of uncertainty regarding any assumptions modelled, the highly subjective nature of risk measurement and mitigation techniques coupled with persistent data gaps may result in inadequate risk management information and frameworks, or ineffective business adaptation or mitigation strategies or regulatory non-compliance.

Any of the above may have a material adverse effect on NWM Group's business, future results, financial condition, prospects, reputation and the price of its securities.

NWM Group is subject to an increasingly complex and evolving landscape of climate and sustainability-related legal, regulatory, and supervisory expectations and there is an increasing risk of regulatory non-compliance, investigations, litigation, and enforcement actions.

NWM Group is subject to an increasingly complex and evolving landscape of climate and sustainability-related legal, regulatory, and supervisory expectations, which may vary significantly and remain fragmented across the UK, EU, US, and other jurisdictions in which NWM Group operates. This growing divergence creates legal and operational uncertainty, may expose NWM Group to conflicting legal and regulatory requirements, and may increase the risks of regulatory non-compliance, regulatory enforcement and reputational damage.

The growing politicisation and polarisation of climate and sustainability-related matters across jurisdictions may further exacerbate existing risks and result in reduced market access, adverse public perception, or stakeholder disengagement. Customers, investors, or stakeholders may choose not to engage with NWM Group if they perceive NatWest Group's (including NWM Group) strategy in relation to climate and sustainability as either lacking ambition or progress, or conversely, as overly focused on climate and sustainability, or if they object to specific climate or sustainability-related decisions or sectoral policies adopted by NatWest Group (including NWM Group), which may adversely affect customer relationships, investor sentiment or stakeholder engagement. For example, financing the transition of hard-to-abate sectors may be viewed by some as misaligned with climate goals, potentially resulting in reputational damage.

At the same time, regulatory and enforcement approaches to climate and sustainability-related matters are increasingly diverging and, in some cases, conflicting across jurisdictions. While some authorities are advancing stricter requirements, others are introducing sanctions targeting institutions that pursue climate and sustainability-related initiatives.

Furthermore, NWM Group may face litigation, complaints or other forms of challenge from shareholders, customers, campaign groups or other stakeholders arising from allegations of actual or perceived environmental or social harm, including climate-related impacts, nature-related degradation, human rights abuses, or deficiencies in governance and due diligence practices. At the same time, NWM Group may face contradictory legal or regulatory action asserting that it has placed undue or disproportionate focus on climate and sustainability-related considerations.

Failure by NWM Group to comply with evolving legal and regulatory requirements, or supervisory expectations, including divergent and fragmented frameworks across jurisdictions, where relevant, may increase the risk of regulatory non-compliance, may adversely impact NWM Group's ability to contribute to achieving NatWest Group's climate and sustainability-related ambitions, targets and commitments, and to contribute to implementing NatWest Group's climate transition plan, and may adversely impact its investor base and reputation. It may also result in regulatory non-compliance, investigations, litigation and enforcement actions, which in turn may have a material adverse effect on NWM Group's business, future results, financial condition, prospects, reputation, and the price of its securities.

# Forward-looking statements

## Cautionary statement regarding forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements with respect to NWM Group's financial condition, results of operations and business, including its strategic priorities, financial, investment and capital targets, and climate and sustainability-related targets, commitments and ambitions described herein. Statements that are not historical facts, including statements about NatWest Group's beliefs and expectations, are forward-looking statements. Words such as 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions are intended to identify forward-looking statements. In particular, this document includes forward-looking targets and guidance relating to financial performance measures, such as income growth, operating expense, cost reductions, impairment loss rates, capital generation pre-distributions, customer assets and liabilities growth rate, cost-income ratio, balance sheet reduction (including the reduction of RWAs), CET1 ratio (and key drivers of the CET1 ratio, including timing, impact and details), Pillar 2 and other regulatory buffer requirements and MREL and non-financial performance measures, such as climate and sustainability-related performance ambitions, targets and metrics, including in relation to initiatives to transition to a net zero economy, climate, sustainable and transition funding and financing, and financed and facilitated emissions.

## Limitations inherent to forward-looking statements

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

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

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements described in this document. These factors include, but are not limited to, those set forth in the risk factors and the other uncertainties described in NatWest Markets Plc's 2025 Annual Report and Accounts, and its other public filings. The principal risks and uncertainties that could adversely affect NWM Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, include, but are not limited to: economic and political risk (including in respect of: economic and political risks and uncertainties in the UK and global markets, including as a result of inflation and interest rates, supply chain

disruption, protectionist policies, and geopolitical developments; and changes in interest rates and foreign currency exchange rates; business change and execution risk (including in respect of: NatWest Group's strategy and NatWest Group's creation of its Commercial & Institutional business segment (of which NWM Group forms part); the competitive environment; and the transfer of NatWest Group's EU corporate portfolio); financial resilience risk (including in respect of: NWM Group's ability to meet targets, generate returns or implement its strategy effectively; prudential regulatory requirements for capital; NWM Group's reliance on access to capital markets directly or indirectly through its parent (NatWest Group plc) for the subscription to its internal capital and MREL; prudential regulatory requirements for funding and liquidity; capital, funding and liquidity risk; reductions in the credit ratings and/or outlooks assigned to NatWest Group plc, any of its subsidiaries (including NWM Group) or any of their respective debt securities; ; counterparty and borrower risk; model risk; sensitivity to accounting policies, judgments, estimates and assumptions (and the economic, climate, competitive and other forward-looking information affecting those judgments, estimates and assumptions); changes in applicable accounting standards; the requirements of regulatory stress tests and the adequacy of NatWest Group's resolution plans; and the application of UK statutory stabilisation or resolution powers to NatWest Group); operational and IT resilience risk (including in respect of: operational risks (including reliance on third party suppliers); cyberattacks; the accuracy and effective use of data; artificial intelligence; attracting, retaining and developing senior management and skilled personnel; complex IT systems; NWM Group's risk management framework; and NWM Group's reputational risk); legal and regulatory risk (including in respect of: the impact of substantial regulation and oversight; the outcome of legal, regulatory and governmental actions and investigations as well as remedial undertakings; and changes in tax legislation or failure to generate future taxable profits); and climate and sustainability-related risk (including in respect of: climate and sustainability-related risks; both the execution and reputational risk relating to NatWest Group's (including NWM Group) climate and sustainability-related strategy, ambitions, targets, commitments, and transition plan; climate and sustainability-related data and model risk; increasing levels of climate, environmental, human rights and other sustainability-related laws, regulation and oversight; climate, environmental, human rights and other sustainability-related litigation, enforcement actions, investigations and conduct risk).

## Cautionary statement regarding Non-IFRS financial measures and APMs

NWM Group prepares its financial statements in accordance with UK-adopted IAS, and IFRS, as issued by the IASB. This document may contain non-IFRS measures, or alternative performance measures, defined under the European Securities and Markets Authority (ESMA) guidance, or non-GAAP financial measures in accordance with the Securities and Exchange Commission (SEC) regulations (together, APMs). APMs are adjusted for certain items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. APMs provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. APMs included in this document, are not measures within the scope of IFRS or GAAP, are based on a number of assumptions that are subject to uncertainties and change, and are not a substitute for IFRS or GAAP measures and a reconciliation to the closest IFRS or GAAP measure is presented where appropriate.

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



## **Additional cautionary statement regarding climate and sustainability-related data, metrics and other matters.**

### **Data availability, accuracy, verifiability and data gaps**

Our climate and sustainability-related disclosures are limited by the availability of high-quality, verifiable, accurate, reliable, auditable, consistent and comparable data in some areas and our own ability to timely collect and process such data. These limitations affect the accuracy and completeness of climate and sustainability-related disclosures. Users are therefore advised to interpret the disclosures with appropriate caution, taking into account the assumptions, data sources and constraints.

### **Use of proxies or aggregated sector-level data**

Significant data gaps persist across sectors and sub-sectors. When adequate climate and sustainability-related data is not publicly available or cannot be obtained directly from individual counterparties, financial institutions often rely on proxies or aggregated sector-level data provided by third parties. However, this data may be based on varying methodologies, assumptions, or interpretations, which may not accurately reflect underlying climate and sustainability related characteristics and can lead to inconsistencies and reduce its accuracy. In addition, there is currently no single global data provider that offers comprehensive, consistent coverage of the data needed to assess emissions and climate and sustainability related risks across sectors and portfolios. Climate and sustainability-related reporting frameworks differ in how they define and measure data quality, and customers vary widely in how they collect and disclose climate and sustainability-related data.

### **Reliance on assumptions, scenarios and uncertainty in climate and sustainability-related metrics**

The climate and sustainability-related disclosures included in this report are inherently complex and rely on assumptions, scenarios, and forward-looking estimates, all of which involve material risks and uncertainty. Key judgements and estimates used in the preparation of the climate and sustainability-related parts of this report are likely to change over time, and, when coupled with the longer timeframes used in such disclosures, make any assessment of key topics inherently uncertain. The key areas involving significant judgement or complexity include the assessment of climate and sustainability related risk and the calculation of facilitated emissions. There is a high risk that these assumptions or estimates may prove inaccurate.

### **Lack of common standards for classification**

There is currently no globally recognised or accepted, consistent and comparable standard or definition (legal, regulatory or otherwise) of, nor widespread cross-market consensus as to what (i) constitutes 'green', 'sustainable', or similarly labelled activities, products, or assets; or (ii) precise attributes are required for a particular activity, product or asset to be defined as 'green', or 'sustainable' or such other equivalent label. Interpretations vary across markets and institutions, and while several initiatives are working toward harmonisation, a consistent, comparable, and widely accepted framework has yet to emerge. Therefore, users of this report must not assume that NWM Group's reporting or description of activities, products or assets will meet those users' past, present or future expectations or requirements for describing or classifying funding, financing and facilitation activities as 'green', or 'sustainable' or attributing similar labels (unless a definition or standard is specified in this report).

## **Variation of climate and sustainability-related reporting standards**

Climate and sustainability-related reporting standards continue to develop. While internationally recognised standards have been developed, there is no universal standard accepted for institutions like NWM Group to fully align with and those that exist remain subject to refinement and jurisdictional adoption.

### **Immature systems and controls**

Climate and sustainability-related reporting is less mature than traditional financial reporting. Non-financial reporting systems are less developed than financial reporting systems, often involving manual processes and less robust controls, which may affect data quality and consistency.

Please also refer to the 'Climate and sustainability-related risk factors' on pages 165 to 168 of this report and the cautionary statement in the section entitled 'Caution about climate-related metrics and data required for climate reporting' on pages 70 to 72 of the NatWest Group plc 2025 Climate Transition Plan Report published by NatWest Group plc for the consolidated group, including NatWest Markets Plc.

### **Caution on climate and sustainability-related metrics**

The processes we have adopted to define, collect and report data on our climate and sustainability-related performance, as well as the associated metrics and disclosures in this document, are not subject to the same formal processes adopted for financial reporting in accordance with established reporting standards. They involve a higher degree of judgement, assumptions and estimates, including in relation to the classification of climate and sustainability-related (including social, sustainability, sustainability-linked, green, climate and transition) funding, financing and facilitation activities, than is required for our reporting of historical financial information prepared in accordance with established reporting standards. As a result, climate and sustainability-related disclosures may be amended, updated or restated over time. However, NWM Group does not undertake to restate prior disclosures except where required by applicable law or regulation, even if subsequently available data or methodologies differ from those used at the time of the original disclosure.

### **Caution about sustainability-related funding, financing and facilitation**

Sustainability-related (including social, sustainability, sustainability-linked, green, climate, transition) funding, financing and facilitation currently represents only a relatively small proportion of NWM Group's overall funding, financing and facilitation activities. Accordingly, disclosures relating sustainability-related funding, financing and facilitation should be read in the context of NWM Group's broader balance sheet, risk profile and funding, financing and facilitation activities, and should not be interpreted as indicative of NWM Group's overall funding, financing or facilitation strategy.