NatWest Group

The Royal Bank of Scotland plc

2025 Annual Report and Accounts

Strategic report

Presentation of information

The Royal Bank of Scotland plc (RBS plc or 'we') is a wholly owned subsidiary of NatWest Holdings Limited (NWH Ltd or the parent company). The term 'NWH Group' refers to NWH Ltd and its subsidiary and associated undertakings. NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiaries.

RBS plc publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling (GBP), respectively, and references to 'pence' represent pence where amounts are denominated in pounds sterling. 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.

Description of business

RBS plc is a principal entity under NWH Ltd, together with National Westminster Bank Plc (NWB Plc, which wholly owns Coutts & Company). The term 'NWB Group' refers to NWB Plc and its subsidiary and associated undertakings.

Principal activities and operating segments

RBS plc serves customers across the UK with a range of retail and commercial banking products and services. A wide range of personal products are offered including current accounts, credit cards, personal loans, mortgages and wealth management services.

The reportable operating segments are as follows:

Retail Banking serves personal customers in the UK.

Private Banking & Wealth Management serves UK-connected, high net worth individuals and their business interests.

Commercial & Institutional consists of customer businesses reported under Business Banking, Commercial Mid-market and Corporate & Institutions, supporting our customers domestically across the full non-personal customer lifecycle.

Central items & other comprises corporate treasury activity on behalf of RBS plc and its fellow subsidiaries and RBS plc's corporate service and functions activities.

Performance overview

Strong financial performance

RBS plc reported an attributable profit for the year of £1,255 million and a Common Equity Tier 1 (CET1) ratio of 11.0%.

Total income increased by £233 million, or 10%, to £2,510 million due to deposit margin expansion and economic hedging gains. Operating expenses decreased by £61 million, or 7%, to £810 million reflecting continued operational simplification. The cost:income ratio has decreased to 32.3% compared to 38.3% in 2024.

Net impairment losses of £29 million, compared with a £17 million charge in 2024, primarily reflect lower good book releases, partially offset by lower Stage 3 charges.

Robust balance sheet with strong capital levels

Net loans to customers remained broadly stable at £33.5 billion. Customer deposits increased by £0.3 billion to £78.4 billion due to growth in Retail Banking savings products.

The loan:deposit ratio remained stable at 43%.

The CET1 ratio decreased by 10 basis points to 11.0%, due to a £0.2 billion reduction in risk-weighted assets (RWAs) which reflects RWA management actions offsetting the impact of lending growth and regulatory changes, and a reduction of £0.1 billion in CET1 capital.

Stakeholder engagement and s.172(1) statement

This statement describes how the directors have 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 Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually. For 2025, they remained investors, customers, colleagues, regulators, communities and suppliers.

Directors are mindful that it is not always possible to achieve an outcome which meets the expectations of all stakeholders who may be impacted, and that there may be impacted stakeholders outside the six key groups the Board has identified. Examples of how the Board has engaged with key stakeholders, including the impact on principal decisions, can be found in this statement and on pages 64 to 70. (Corporate governance statement).

Supporting effective Board discussions and decision-making

Board and Committee terms of reference reinforce the importance of considering the matters set out in section 172 (the s172 factors, as set out below). The Board and Committee paper template also supports consideration of stakeholders and enables good decision making.

Principal decisions

Principal decisions are those decisions taken by the Board that are material or of strategic importance to the company, or are significant to the company's key stakeholders.

This statement includes a case study of a principal decision taken by the Board during 2025. Further information on the Board's principal activities can be found in the Corporate governance statement on pages 64 to 70.

The s172 factors

(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 – Dividend payments

Factors considered: (a), (e), (f)

What was the decision-making process?

During 2025, the Board approved interim dividend declarations to be made to the sole shareholder, NWH Ltd. It considered proposals in the context of the evolving regulatory capital requirements and available funds for distribution. In line with standard practice, the Board Risk Committee reviewed all proposals prior to submission to the Board, making appropriate recommendations. Both the Committee and the Board also reviewed the opinion of the second line of defence in relation to the proposals.

How did the directors fulfil their duties under section 172? How were stakeholders considered?

When evaluating proposed capital distributions, the Board was focused on promoting the long-term success and financial resilience of RBS plc for the benefit of all stakeholders. Directors considered the likely long-term consequences of each decision, the NatWest Group's ongoing capacity to invest in the business, and our ability to continue serving customers sustainably.

The Board recognised the need to balance adequate investment in the business with shareholder expectations that excess capital be paid to the parent entity. Consideration was given to RBS plc's growth ambitions and lending forecasts, agreed risk appetite and targets, and the dividend capacity. The Board was particularly focused on ensuring the proposed distributions would support the long-term success of the company to the benefit of all stakeholders, and that the payments would not impact RBS plc's ability to withstand an extreme stress scenario. Regulatory capital requirements formed an important part of the planning targets.

The Board also ensured its decisions in relation to capital distributions were aligned with NatWest Group's commitment to a c.50% payout ratio, as noted in the NatWest Group plc 2024 Annual Report and Accounts, and external guidance provided in February 2025 and then updated in July 2025. Directors additionally considered societal expectations regarding responsible capital management, the importance of maintaining a resilient balance sheet, and the need to continue investing in the NatWest Group's strategic priorities and technology transformation.

Actions and outcomes

Interim dividends of £660 million and £606 million were approved by the RBS plc Board in February and July 2025 respectively.

Board of directors and secretary

Approval of Strategic report

The Strategic report for the year ended 31 December 2025 set out on pages 1 to 63 was approved by the Board of directors on 12 February 2026.

By order of the Board
Gary Moore

Chief Governance Officer and Company Secretary

12 February 2026

Chair

Richard Haythornthwaite

Executive directors

John-Paul Thwaite (CEO)
Katie Murray (CFO)

Non-executive directors

Francesca Barnes
Karin Cook
Joshua Critchley
Roisin Donnelly
Patrick Flynn
Geeta Gopalan
Yasmin Jetha
Stuart Lewis
Mark Rennison
Gillian Whitehead OBE
Lena Wilson CBE

Board and committee membership

Nominations Committee

Rick Haythornthwaite (Chair)
Francesca Barnes
Patrick Flynn
Stuart Lewis
Lena Wilson CBE

Audit Committee

Patrick Flynn (Chair)
Karin Cook
Geeta Gopalan
Stuart Lewis
Mark Rennison

Board Risk Committee

Stuart Lewis (Chair)
Francesca Barnes
Patrick Flynn
Geeta Gopalan
Mark Rennison
Gill Whitehead OBE
Lena Wilson CBE

Performance and Remuneration Committee

Lena Wilson CBE (Chair)
Karin Cook
Josh Critchley
Roisin Donnelly
Patrick Flynn
Mark Rennison

Chief Governance Officer and Company Secretary

Gary Moore

Board changes in 2025

Gill Whitehead was appointed as a non-executive director on 8 January 2025.

Karin Cook was appointed as a non-executive director on 5 May 2025.

Mark Seligman retired as a non-executive director on 31 March 2025.

Ian Cormack stepped down as senior independent director on 28 February 2025, and retired from the Board on 4 May 2025.

Francesca Barnes assumed the role of senior independent director on 1 March 2025.

Josh Critchley was appointed as a non-executive director on 3 November 2025.

Auditor

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

Registered office

36 St Andrew Square
Edinburgh, EH2 2YB

The Royal Bank of Scotland plc
Registered in Scotland No. SC083026

Financial review

Financial summary

Summary income statement for the year ended 31 December 2025

	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	2025 £m	2024 £m	Variance £m	Variance %
Net interest income	**977**	**-**	**939**	**155**	**2,071**	1,948	123	6
Non-interest income	**97**	**5**	**247**	**90**	**439**	329	110	33
Total income	**1,074**	**5**	**1,186**	**245**	**2,510**	2,277	233	10
Operating expenses	**(431)**	**-**	**(379)**	**-**	**(810)**	(871)	61	(7)
Profit before impairment losses/releases	**643**	**5**	**807**	**245**	**1,700**	1,406	294	21
Impairment (losses)/releases	**(35)**	**-**	**4**	**2**	**(29)**	(17)	(12)	71
Operating profit before tax	**608**	**5**	**811**	**247**	**1,671**	1,389	282	20
Tax charge					**(416)**	(209)	(207)	99
Profit for the year					**1,255**	1,180	75	6

Key metrics and ratios	2025	2024
Cost:income ratio (1)	**32.3%**	38.3%
Loan impairment rate (2)	**9bps**	5bps
CET1 ratio (3)	**11.0%**	11.1%
Leverage ratio (4)	**5.7%**	5.8%
Risk-weighted assets	**£17.4bn**	£17.6bn
Loan:deposit ratio (5)	**43%**	43%

(1) Cost:income ratio is total operating expenses divided by total income.
(2) Loan impairment rate is the loan impairment charge divided by gross customer loans.
(3) CET1 ratio is CET1 capital divided by RWAs.
(4) Leverage ratio is Tier 1 capital divided by total exposure.
(5) Loan:deposit ratio is total loans divided by total deposits.

Total income increased by £233 million, or 10%, to £2,510 million compared with £2,277 million in 2024.

Net interest income increased by £123 million, or 6%, to £2,071 million driven by deposit margin expansion, partially offset by lower retail mortgage volumes.

Non-interest income increased by £110 million, or 33%, to £439 million due to higher income on economic swaps and foreign exchange swaps. This was partially offset by fair value adjustments and lower transaction banking fees.

Operating expenses decreased by £61 million, or 7%, to £810 million, due to lower conduct costs. Additionally, costs charged from other NatWest Group entities reduced reflecting continued operational simplification.

Net impairment losses of £29 million, compared with a £17 million charge in 2024, primarily reflect lower good book releases, partially offset by lower Stage 3 charges. The loan impairment rate increased 4 basis points to 9 basis points. Total impairment provisions reduced by £42 million to £540 million in the year.

Operating profit before tax of £1,671 million includes:

- An increase in Retail Banking of £119 million to £608 million primarily due to deposit margin expansion and lower operating expenses, partially offset by lower lending income as a result of the continued run-off of mortgage portfolios, with new intermediary lending being originated in NWB Plc.
- A reduction in Private Banking & Wealth Management of £4 million to £5 million.
- An increase in Commercial & Institutional of £174 million to £811 million due to deposit margin expansion, partially offset by lower economic hedging gains and operating lease fair value adjustments. Additionally costs from other NatWest Group entities reduced reflecting continued operational simplification.
- A decrease in Central items & other of £7 million to £247 million, primarily driven by lower net interest income from treasury activities.

Financial summary

Summary balance sheet as at 31 December 2025

	2025	2024	Variance	
	£m	£m	£m	%
Assets				
Cash and balances at central banks	**25,590**	26,630	(1,040)	(4)
Derivatives	**535**	465	70	15
Loans to banks - amortised cost	**420**	484	(64)	(13)
Loans to customers - amortised cost	**33,531**	33,524	7	nm
Amounts due from holding companies and fellow subsidiaries	**34,340**	28,060	6,280	22
Other assets	**946**	1,313	(367)	(28)
Total assets	**95,362**	90,476	4,886	5
Liabilities				
Bank deposits	**861**	921	(60)	(7)
Customer deposits	**78,399**	78,069	330	nm
Amounts due to holding companies and fellow subsidiaries	**8,760**	3,755	5,005	133
Derivatives	**599**	1,411	(812)	(58)
Notes in circulation	**2,115**	2,381	(266)	(11)
Other liabilities	**970**	690	280	41
Total liabilities	**91,704**	87,227	4,477	5
Total equity	**3,658**	3,249	409	13
Total liabilities and equity	**95,362**	90,476	4,886	5

nm = not meaningful.

Total assets increased by £4.9 billion, or 5%, to £95.4 billion at 31 December 2025.

Cash and balances at central banks decreased by £1.0 billion to £25.6 billion primarily driven by dividend distributions, partially offset by inflows from liquidity risk management.

Loans to customers – amortised cost remained flat at £33.5 billion. An increase in commercial term loan facilities was partially offset by the continued run-off of Retail Banking mortgage portfolios, with intermediary lending being originated in NWB Plc.

Amounts due from holding companies and fellow subsidiaries increased by £6.3 billion to £34.3 billion primarily due to movements on balances with NWB Plc.

Total liabilities increased by £4.5 billion, or 5%, to £91.7 billion as at 31 December 2025.

Customer deposits increased by £0.3 billion to £78.4 billion, driven by growth in savings accounts, primarily in retail fixed rate products. This was partially offset by a decrease in Commercial & Institutional banking, largely due to lower balances within Corporate & Institutions offset with an increase in Commercial Mid-market.

Amounts due to holding companies and fellow subsidiaries increased by £5.0 billion to £8.8 billion primarily due to movements on balances with NWB Plc.

Derivative liabilities decreased by £0.8 billion to £0.6 billion, driven by movements in interest rate swaps.

Notes in circulation of £2.1 billion represent RBS plc bank notes currently in use.

Total equity increased by £0.4 billion to £3.7 billion. The increase reflects profit for the year of £1.3 billion and a £0.5 billion increase in cash flow hedging reserves, partly offset by ordinary dividend payments to NWH Ltd of £1.3 billion.

Risk and capital management

Presentation of information

Where marked as audited in the section header, certain information in the Risk and capital management section (pages 6 to 63) 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 RBS plc.

Risk management framework

Introduction

RBS plc 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 RBS plc'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 RBS plc. It aligns risk management with RBS plc'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 NatWest Group Board. The framework incorporates risk governance, NatWest Group's 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 RBS plc 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 RBS plc'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 RBS plc'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 RBS plc to support better customer outcomes, develop a stronger and more sustainable business and deliver an improved cost base.

RBS plc 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 RBS plc'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 RBS plc, 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 selection.

Training

Enabling employees to have the capabilities and confidence to manage risk is core to NatWest Group's learning strategy. NatWest Group offers a wide range of learning, both technical and behavioural, across the risk disciplines. This training may be mandatory, role-specific or for personal development. Mandatory learning for all staff is focused on keeping employees, customers and NatWest Group safe. This is easily accessed online and is assigned to each person according to their role and business area. The system allows monitoring at all levels to ensure completion.

Our Code

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

These principles cover conduct-related issues as well as wider business activities. They focus on desired outcomes, with practical guidelines to align the values with commercial strategy and actions. The embedding of these principles facilitates sound decision-making and a clear focus on good customer outcomes.

Any employee falling short of the expected standards will be subject to internal disciplinary policies and procedures and where appropriate, the relevant authorities will be notified. Variable pay for eligible colleagues will reflect overall performance, including the impact of any conduct issues. Adjustments may be made through the performance management process, or where necessary, via the accountability review process for the individuals concerned. 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 RBS plc's governance structure in 2025 and the main purposes of each committee.

RBS plc Board
Reviews and approves the risk management framework and risk appetite. Monitors performance against risk appetite.

Board Risk Committee
Provides oversight and advice to the Board on current and future risk exposures, and future risk profile, including risk appetite; the approval and effectiveness of the risk management framework. Reviews RBS plc's performance relative to risk appetite; the effectiveness of internal controls required to manage risk; all material risk exposures and management's recommendations to monitor, control and mitigate them, including principal risks. Approves the key risk policies.

Audit Committee
Assists the Board in carrying out its responsibilities relating to accounting policies, internal control and financial reporting function, including consideration of non-financial disclosures. Review NWH Group's internal controls systems and the procedures for monitoring effectiveness of these controls.

Executive Risk Committee
Supports the CRO and other accountable executives in discharging their risk management accountabilities. Reviews, challenges and debates all material risk and control matters across RBS plc and the performance of RBS plc relative to risk appetite. Reviews the risk management framework and supports the recommendation of it to BRC and oversees its implementation.

Asset & Liability Management Committee
Supports the CFO in overseeing the effective balance sheet management of RBS Plc, in line with chosen business strategy and risk appetite, under normal and stress conditions.

Executive Disclosure Committee
Supports the CFO in discharging their individual accountabilities, including the review of all material financial and non-financial disclosures made by RBS plc to ensure they are accurate, complete and fairly represent the business and financial condition of RBS plc with no material misstatements or omissions.

Business and function risk committees
Risk committees review and monitor all risks, providing guidance, recommendations and decisions on risks affecting the businesses and functions.

(1) The NatWest Group Chief Executive Officer also performs the role of RBS plc Chief Executive Officer.
(2) The NatWest Group Chief Risk Officer also performs the role of RBS plc Chief Risk Officer.
(3) The NatWest Group Chief Financial Officer also performs the role of RBS plc Chief Financial Officer.

Risk management framework continued

Risk management structure

The diagram shows RBS plc's risk management structure in 2025 and key risk management responsibilities.

NatWest Group Chief Executive Officer

RBS plc Chief Executive Officer

NatWest Group Chief Risk Officer

RBS plc Chief Risk Officer

Director of Risk, Retail Banking

Design and delivery of Retail Banking risk strategy and service proposition. Oversight of risk management across Retail Banking. Supports the DINEDs(1) through the identification, documentation, management and escalation of any potential ring-fencing conflicts of interest.

Group Chief Credit Officer and Director of Risk, Commercial & Institutional Ring Fenced Bank.

Design and delivery of Commercial & Institutional Rink Fenced Bank risk strategy and service proposition. Oversight of risk management across Commercial & Institutional Ring Fenced Bank. Provides oversight and challenge in approach to credit risk management across the Group.

Chief Operating Officer, Risk and EWRMF Director

Centralised support for the risk management function. Provides model risk oversight as well as framework design and development. Provides specialist advice on risk culture and risk appetite matters to the Directors of Risk responsible for business oversight.

Director of Risk, Finance & Treasury

Lead risk specialist for market risk, prudential risk, pension risk and stress testing, and Director of Risk for Finance providing expert advice, insight, reporting and effective risk oversight and challenge.

Director of Non-Financial Risk

Centralised oversight of non-financial risk across RBS. Design and delivery of compliance and conduct strategy and service proposition. Design and delivery of financial crime strategy and service proposition, oversight of financial crime risk management. Provides specialist technical advice to the Directors of Risk responsible for business oversight.

Director of Risk, Digital X & Functions (excl. Finance)

Risk partner for NatWest Digital X & Functions (excl. Finance) providing expert advice, insight, reporting and effective risk oversight and challenge.

(1) Double Independent Non-Executive Directors.
(2) The NatWest Group Chief Executive Officer also performs the role of RBS plc Chief Executive Officer.
(3) The NatWest Group Chief Risk Officer also performs the role of RBS plc Chief Risk Officer.
(4) The RBS plc Chief Risk Officer reports directly to the RBS plc Chief Executive Officer. There is a further secondary reporting line to the chair of the Board Risk Committee and a right of access to the committee.
(5) The Risk function is independent of the customer-facing business segments and support functions. Its structure is divided into three parts (Directors of Risk, Specialist Risk Directors and Chief Operating Officer) to facilitate effective management of the risks facing RBS plc. Risk committees in the customer businesses and key functional risk committees oversee risk exposures arising from management and business activities and focus on ensuring that these are adequately monitored and controlled. The Directors of Risk (Retail Banking; Commercial & Institutional Banking; Financial & Strategic Risk; Non-Financial Risk and Compliance and Conduct) as well as the Director, Financial Crime Risk NatWest Holdings and the Chief Operating Officer report to the RBS plc Chief Risk Officer.

Risk management framework continued

Three lines of defence

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

First line of defence

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

The first line of defence is empowered to take risks within the constraints of the risk management framework, policies, risk appetite statements set by NatWest Group and measures set by the RBS plc 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 RBS plc 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 RBS plc 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 NatWest Group Board, its subsidiary legal entity boards and executive management on the overall design and operating effectiveness of the risk management framework and its components. This includes the adequacy and effectiveness of key internal controls, governance and the risk management in place to monitor, manage and mitigate the principal risks to NatWest Group and its subsidiary companies.

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

Risk appetite

Risk appetite defines the type and aggregate level of risk RBS plc 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 RBS plc 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 RBS plc'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 annual review of the framework is carried out. 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 RBS plc 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 RBS plc faces are detailed in the NatWest Group risk directory. This provides a common risk language to ensure consistent terminology is used across RBS plc. The NatWest Group risk directory is subject to annual review to ensure it continues to fully reflect the risks that RBS plc 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 to help ensure RBS plc is well placed to meet its priorities and long-term targets, even in challenging economic environments. This supports RBS plc 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.

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

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

Risk management framework continued

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 RBS plc.

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. Emerging risks that could affect future results and performance are also closely monitored. 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 RBS plc's regulators – that risk policies and procedures are being correctly implemented and that they are operating adequately and effectively. Thematic reviews and targeted reviews are also carried out where relevant to ensure appropriate customer outcomes. The Risk Testing & Monitoring Forum assesses and validates the annual plan as well as the ongoing programme of reviews.

Stress testing

Stress testing – capital management

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

Stress testing includes:

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

The process for stress testing consists of four broad stages:

Define scenarios	• Identify macro and NatWest Group-specific vulnerabilities and risks. • Define and calibrate scenarios to examine risks and vulnerabilities. • Formal governance process to agree scenarios.
Assess impact	• Translate scenarios into risk drivers. • Assess impact to current and projected profit and loss and balance sheet across NatWest Group.
Calculate results and assess implications	• Aggregate impacts into overall results. • Results form part of the risk management process. • Scenario results are used to inform NatWest Group's business and capital plans.
Develop and agree management actions	• Scenario results are analysed by subject matter experts. Appropriate management actions are then developed. • Scenario results and management actions are reviewed by the relevant Executive Risk Committees and Board Risk Committees. Approval of scenarios is delegated to the NatWest Group Board Risk Committee by the NatWest Group Board.

Risk management framework continued

Stress testing is used widely across NatWest Group. 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 NatWest Group's financial strength and capital position.
- **Risk mitigation** – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment. Principal risk mitigating actions are documented in NatWest Group's recovery plan.

Capital sufficiency – going concern forward-looking view

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

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

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

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

Internal assessment of capital adequacy

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

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

Capital allocation

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

Governance

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

Stress testing – liquidity

Liquidity risk monitoring and contingency planning

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

Risk management framework continued

Internal assessment of liquidity

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

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

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

Stress testing – recovery and resolution planning

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

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

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

The plan is intended to enable NatWest Group to maintain critical services and products it provides to its customers, maintain its core business lines and operate within risk appetite while restoring NatWest Group's financial condition. It is assessed for appropriateness on an ongoing basis and reviewed and approved by the Board prior to submission to the PRA on a biennial basis. Individual recovery plans are also prepared for NatWest Holdings Limited, NatWest Markets Plc, RBS International Limited and RBSH N.V. These plans detail the recovery options, recovery indicators and escalation routes for each entity.

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

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

Resolution would be implemented if NatWest Group 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.

Risk management framework continued

Stress testing – climate risk

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

Specific internal-run exercises in 2025 included:

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

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

Regulatory stress testing

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

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

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

Further details can be found at:
https://www.bankofengland.co.uk/stress-testing/2025/key-elements-bank-capital

Credit risk

Definition (audited)

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

Sources of risk (audited)

The principal sources of credit risk are lending and related financial guarantees and undrawn commitments. Through its payments activities RBS plc is also exposed to settlement risk.

Governance (audited)

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

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

- Establishing credit risk policy, standards and toolkits which set out the mandatory limits and parameters required to ensure that credit risk is managed within risk appetite and which provide the minimum standards for the identification, assessment, management, monitoring and reporting of credit risk.
- Oversight of the first line of defence to ensure that credit risk remains within the appetite set by the Board and that it is being managed adequately and effectively.
- Assessing the adequacy of ECL provisions including approving key IFRS 9 inputs (such as significant increase in credit risk (SICR) thresholds) and any necessary in-model and post model adjustments through NatWest Group and business unit provisions and model committees.

Risk appetite (audited)

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

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

Personal

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

Non-Personal

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

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

Identification and measurement

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

Assessment and monitoring

Personal

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

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

Underwriting standards and portfolio performance are monitored on an ongoing basis to ensure they remain appropriate for the current market environment. Management information and higher-risk segment monitoring are produced for portfolio monitoring. Portfolio performance is measured against operational limits related to various credit risk measures including projected default rates and mortgage loan-to-value (LTV) ratios. If operational limits identify areas of concern, management may adjust credit or business strategy accordingly.

Non-Personal

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

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

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

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

Mitigation

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

Credit risk continued

Residential mortgages

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

Commercial real estate

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

Problem debt management

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

Personal

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

Financial Health and Support

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

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

Non-Personal

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

Wholesale Problem Debt Management framework

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

There are two classifications in the framework that apply to non-defaulted customers that are in financial stress – Heightened Monitoring and Risk of Credit Loss. For the purposes of provisioning, all exposures categorised as Heightened Monitoring or Risk of Credit Loss are categorised as Stage 2 and subject to a lifetime loss assessment.

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

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

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

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

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

Customer Lending Support

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

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

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

Forbearance (audited)

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

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

Personal

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

Credit risk continued

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

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

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

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

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

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

- Unbiased – provide a best estimate.
- Point-in-time – reflecting current economic conditions as opposed to through-the-cycle.
- Economic forecasts – IFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflecting economic forecasts.
- Lifetime measurement – parameters are provided as multi-period term structures up to behavioural lifetimes.

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

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

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

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

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

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

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

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

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

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

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

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

Credit risk continued

Economic drivers continued

High-level narrative – potential developments, vulnerabilities and risks

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

Credit risk continued

Economic drivers continued

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

(1) The five-year summary runs from 2025-2029 for 31 December 2025 and from 2024-2028 for 31 December 2024.
(2) The table shows compound annual growth rate (CAGR) for GDP, average levels for the unemployment rate and Bank of England base rate and Q4 to Q4 CAGR for other parameters.

Climate transition

Since 2023, NatWest Group has assessed the implicit contribution to its base case macroeconomic scenario from changes in UK transition policy, expressed as an additional implicit sectoral carbon price[1].

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

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

(1) An implicit carbon price is an additional cost related to greenhouse gas emissions as a result of climate transition policy.

Probability weightings of scenarios

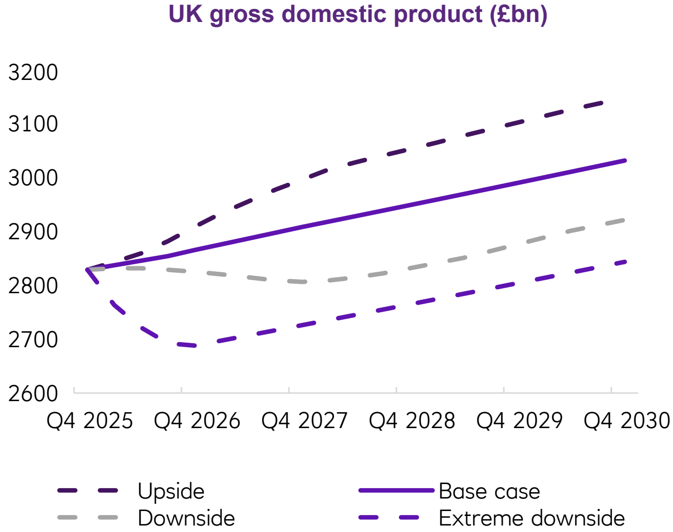
NatWest Group applies a quantitative approach for IFRS 9 multiple economic scenarios by selecting specific discrete scenarios that represent the range of risks in the economic outlook and assigning appropriate probability weights.

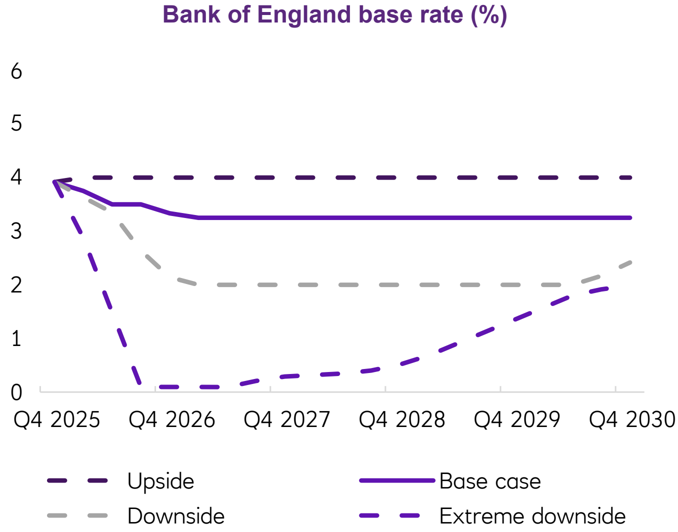
The approach involves comparing GDP paths for NatWest Group's scenarios against a set of 1,000 model simulations to determine the percentile in the distribution that aligns most closely with each scenario. The probability weight for the base case is determined first using judgement, while probability weights for the alternative scenarios are then assigned based on these percentiles scores.

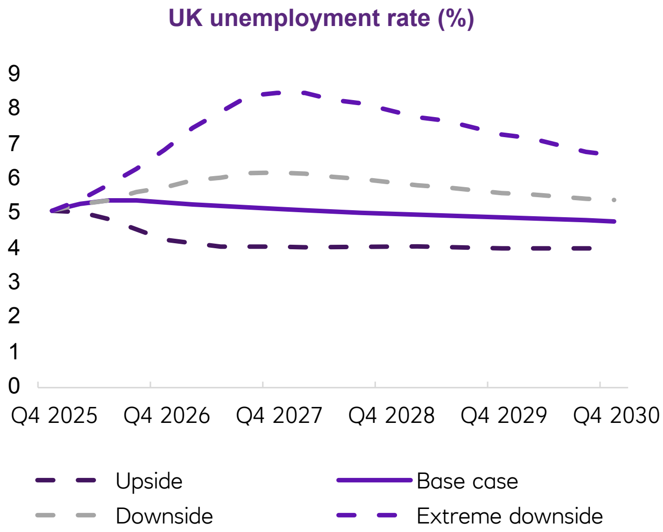
The weights were broadly comparable to those used at 31 December 2024 but with slightly more downside skew. The assigned probability weights were judged to be aligned with the subjective assessment of balance of the risks in the economy. Given the balance of risks that the economies in which NatWest Group operates are exposed to, NatWest Group judges it appropriate that downside-biased scenarios have higher combined probability weights than the upside-biased scenario. It presents good coverage to the range of outcomes assumed in the scenarios, including the potential for a robust recovery on the upside and exceptionally challenging outcomes on the downside. A 22.4% weighting was applied to the upside scenario, a 45.0% weighting applied to the base case scenario, a 19.5% weighting applied to the downside scenario and a 13.1% weighting applied to the extreme downside scenario.

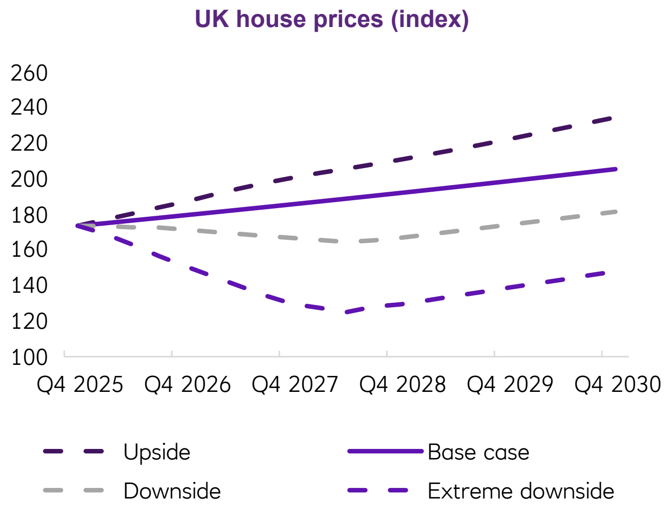
Credit risk continued

Economic drivers continued









Credit risk continued

Economic drivers continued

Annual figures (audited)

GDP - annual growth

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

Consumer price index - four quarter change

	Upside	Base case	Downside	Extreme downside	Weighted average
	%	%	%	%	%
2025	**3.6**	**3.6**	**3.6**	**3.6**	**3.6**
2026	**2.7**	**2.3**	**2.7**	**0.6**	**2.3**
2027	**2.4**	**2.0**	**1.8**	**1.1**	**1.9**
2028	**2.1**	**2.0**	**1.7**	**1.8**	**1.9**
2029	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**
2030	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**

Unemployment rate - annual average

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

Bank of England base rate - annual average

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

House price index - four quarter change

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

Stock price index - four quarter change

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

Commercial real estate price - four quarter change

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

Worst points

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

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

Credit risk continued

Impairment, provisioning and write-offs (audited)

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

SICR

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

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

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

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

Lifetime

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

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

Governance

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

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

Measurement uncertainty and ECL sensitivity analysis (audited)

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

Simulations were conducted to assess the impact of various economic scenarios, including base case, upside, downside and extreme downside scenarios. The potential ECL impacts reflected the simulated impact as at 31 December 2025.

In the simulations, RBS plc 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. RBS plc's core criterion for identifying a SICR is based on PD deterioration. Under the simulations, changes in PDs resulted in exposures moving between Stage 1 and Stage 2, contributing to the ECL impact.

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited)

2025	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Stage 1 modelled loans (£m)					
Retail Banking - mortgages	7,642	7,677	7,763	7,591	7,299
Retail Banking - unsecured	1,774	1,786	1,835	1,753	1,626
Non-Personal - property	8,595	8,601	8,604	8,592	7,035
Non-Personal - non-property	10,631	10,673	10,729	10,619	6,405
	28,642	28,737	28,931	28,555	22,365
Stage 1 modelled ECL (£m)					
Retail Banking - mortgages	1	2	1	2	1
Retail Banking - unsecured	31	32	31	31	30
Non-Personal - property	12	9	8	12	28
Non-Personal - non-property	15	12	11	15	26
	59	55	51	60	85
Stage 1 coverage (%)					
Retail Banking - mortgages	0.01%	0.03%	0.01%	0.03%	0.01%
Retail Banking - unsecured	1.75%	1.79%	1.69%	1.77%	1.85%
Non-Personal - property	0.14%	0.10%	0.09%	0.14%	0.40%
Non-Personal - non-property	0.14%	0.11%	0.10%	0.14%	0.41%
	0.21%	0.19%	0.18%	0.21%	0.38%
Stage 2 modelled loans (£m)					
Retail Banking - mortgages	1,344	1,309	1,223	1,395	1,687
Retail Banking - unsecured	517	505	456	538	665
Non-Personal - property	1,164	1,158	1,155	1,167	2,724
Non-Personal - non-property	1,584	1,542	1,486	1,596	5,810
	4,609	4,514	4,320	4,696	10,886
Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	3	2	3	2	4
Retail Banking - unsecured	51	50	43	53	66
Non-Personal - property	16	14	13	17	61
Non-Personal - non-property	33	28	26	35	96
	103	94	85	107	227
Stage 2 coverage (%)					
Retail Banking - mortgages	0.22%	0.15%	0.25%	0.14%	0.24%
Retail Banking - unsecured	9.86%	9.90%	9.43%	9.85%	9.92%
Non-personal - property	1.37%	1.21%	1.13%	1.46%	2.24%
Non-personal - non-property	2.08%	1.82%	1.75%	2.19%	1.65%
	2.23%	2.08%	1.97%	2.28%	2.09%
Stage 1 and Stage 2 modelled loans (£m)					
Retail Banking - mortgages	8,986	8,986	8,986	8,986	8,986
Retail Banking - unsecured	2,291	2,291	2,291	2,291	2,291
Non-Personal - property	9,759	9,759	9,759	9,759	9,759
Non-Personal - non-property	12,215	12,215	12,215	12,215	12,215
	33,251	33,251	33,251	33,251	33,251
Stage 1 and Stage 2 modelled ECL (£m)					
Retail Banking - mortgages	4	4	4	4	5
Retail Banking - unsecured	82	82	74	84	96
Non-Personal - property	28	23	21	29	89
Non-Personal - non-property	48	40	37	50	122
	162	149	136	167	312
Stage 1 and Stage 2 coverage (%)					
Retail Banking - mortgages	0.04%	0.04%	0.04%	0.04%	0.06%
Retail Banking - unsecured	3.58%	3.58%	3.23%	3.67%	4.19%
Non-Personal - property	0.29%	0.24%	0.22%	0.30%	0.91%
Non-Personal - non-property	0.39%	0.33%	0.30%	0.41%	1.00%
	0.49%	0.45%	0.41%	0.50%	0.94%

Credit risk continued

Measurement uncertainty and ECL sensitivity analysis (audited)

	Actual	Base scenario	Moderate upside scenario	Moderate downside scenario	Extreme downside scenario
Reconciliation to Stage 1 and Stage 2 ECL (£m)					
ECL on modelled exposures	**162**	**149**	**136**	**167**	**312**
ECL on non-modelled exposures	**2**	**2**	**1**	**3**	**3**
Total Stage 1 and Stage 2 ECL (£m)	**164**	**151**	**137**	**170**	**315**
Variance – (lower)/higher to actual total Stage 1 and Stage 2 ECL (£m)	**-**	**(13)**	**(27)**	**6**	**151**
Reconciliation to Stage 1 and Stage 2 flow exposures (£m)					
Modelled loans	**33,251**	**33,251**	**33,251**	**33,251**	**33,251**
Non-modelled loans	**156**	**156**	**156**	**156**	**156**
Other asset classes	**24,837**	**24,837**	**24,837**	**24,837**	**24,837**

(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 RBS plc 2024 Annual Report and Accounts for 2024 comparatives.

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

Credit risk continued

ECL post model adjustments (audited)

The table below shows ECL post model adjustments.

	Retail Banking		Commercial	
	Mortgages	Other	& Institutional	Total
2025	**£m**	**£m**	**£m**	**£m**
Deferred model calibrations	**-**	**-**	**2**	**2**
Economic uncertainty	**2**	**6**	**18**	**26**
Other adjustments	**-**	**-**	**2**	**2**
Total	**2**	**6**	**22**	**30**
Of which:				
- Stage 1	***1***	***2***	***8***	***11***
- Stage 2	***1***	***4***	***14***	***19***
2024				
Deferred model calibrations	-	-	3	3
Economic uncertainty	6	4	26	36
Other adjustments	-	-	2	2
Total	6	4	31	41
Of which:				
- Stage 1	*3*	*2*	*12*	*17*
- Stage 2	*2*	*2*	*19*	*23*
- Stage 3	*1*	*-*	*-*	*1*

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

- Retail Banking – As at 31 December 2025, the post model adjustment for economic uncertainty decreased to £8 million (2024 – £10 million). This reduction was driven by a revision to the cost of living post model adjustment, standing at £8 million (2024 – £8 million), and was the sole remaining economic uncertainty post model adjustment. This change was based on a review of back-testing. Despite ongoing economic and geopolitical uncertainty, the Retail Banking portfolios demonstrated resilience, supported by a robust risk appetite. The cost of living post model adjustment continued to address the risk in segments of the Retail Banking portfolio that were more susceptible to affordability challenges. It focused on key affordability factors, including over-indebted borrowers, poor credit card affordability status and lower income customers in fuel poverty.
- Commercial & Institutional – As at 31 December 2025, the post model adjustment for economic uncertainty decreased to £18 million (2024 – £26 million). The reduction was driven by the retirement of COVID-19 post model adjustments which were associated with government scheme lending (2024 – £7 million). The continued economic uncertainty post model adjustments reflected downgrades to risk profile that were applied to the sectors that were considered most at risk from the current economic and geopolitical headwinds.

Credit risk – Banking activities

Introduction

This section details the credit risk profile of RBS plc's banking activities.

Refer to Accounting policy 2.2 and Note 12 to the 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 8 to the financial statements for balance sheet analysis of financial assets that are classified as amortised cost or fair value through other comprehensive income (FVOCI), the starting point for IFRS 9 ECL framework assessment.

	31 December 2025			31 December 2024		
	Gross £bn	ECL £bn	Net £bn	Gross £bn	ECL £bn	Net £bn
Balance sheet total gross amortised cost and FVOCI	60.1			61.2		
In scope of IFRS 9 ECL framework	59.9			60.8		
% in scope	100%			99%		
Loans to customers - in scope - amortised cost	34.2	0.5	33.7	34.3	0.6	33.7
Loans to customers - in scope - FVOCI	-	-	-	-	-	-
Loans to banks - in scope - amortised cost	0.4	-	0.4	0.5	-	0.5
Total loans - in scope	34.6	0.5	34.1	34.8	0.6	34.2
Stage 1	28.9	-	28.9	29.6	0.1	29.5
Stage 2	4.8	0.1	4.7	4.3	0.1	4.2
Stage 3	0.9	0.4	0.5	0.9	0.4	0.5
Other financial assets - in scope - amortised cost	25.3	-	25.3	26.0	-	26.0
Other financial assets - in scope - FVOCI	-	-	-	-	-	-
Total other financial assets - in scope	25.3	-	25.3	26.0	-	26.0
Stage 1	25.3	-	25.3	26.0	-	26.0
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Out of scope of IFRS 9 ECL framework	0.2	na	0.2	0.4	na	0.4
Loans to customers - out of scope - amortised cost	(0.2)	na	(0.2)	(0.2)	na	(0.2)
Loans to banks - out of scope - amortised cost	-	na	-	-	na	-
Other financial assets - out of scope - amortised cost	0.4	na	0.4	0.6	na	0.6
Other financial assets - out of scope - FVOCI	-	na	-	-	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 £0.4 billion (2024 – £0.6 billion). These were assessed as having no ECL unless there was evidence that they were defaulted.
- Fair value adjustments on loans hedged by interest rate swaps, where the underlying loan was within the IFRS 9 ECL scope of £(0.2) billion (2024 – £(0.2) billion).

In scope assets also include an additional £34.3 billion (2024 – £28.1 billion) of inter-group assets not shown in table above.

Contingent liabilities and commitments

Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope of £15.9 billion (2024 – £17.3 billion) comprised Stage 1 £14.5 billion (2024 – £16.0 billion); Stage 2 £1.3 billion (2024 – £1.2 billion); and Stage 3 £0.1 billion (2024 – £0.1 billion).

Credit risk – Banking activities continued

Segment analysis – portfolio summary (audited)

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

2025	Retail Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Loans - amortised cost and FVOCI				
Stage 1	9,341	19,235	352	28,928
Stage 2	1,819	2,994	-	4,813
Stage 3	504	343	-	847
Inter-group			34,331	34,331
	11,664	22,572	34,683	68,919
ECL provisions (1)				
Stage 1	32	29	-	61
Stage 2	53	50	-	103
Stage 3	210	145	-	355
Inter-group			21	21
	295	224	21	540
ECL provisions coverage (2)				
Stage 1 (%)	0.34	0.15	-	0.21
Stage 2 (%)	2.91	1.67	-	2.14
Stage 3 (%)	41.67	42.27	-	41.91
Inter-group (%)			0.06	0.06
	2.53	0.99	-	1.50
Impairment (releases)/losses				
ECL (release)/charge (3)				
Stage 1	(16)	(18)	(4)	(38)
Stage 2	32	15	-	47
Stage 3	18	-	-	18
Inter-group			2	2
Total	34	(3)	(2)	29
Amounts written-off	55	27	-	82

Credit risk – Banking activities continued

Segment analysis – portfolio summary (audited)

2024	Retail Banking £m	Commercial & Institutional £m	Central items & other £m	Total £m
Loans - amortised cost and FVOCI				
Stage 1	10,157	18,916	460	29,533
Stage 2	2,340	1,939	-	4,279
Stage 3	609	329	-	938
Inter-group			28,052	28,052
	13,106	21,184	28,512	62,802
ECL provisions (1)				
Stage 1	33	36	4	73
Stage 2	59	49	-	108
Stage 3	219	163	-	382
Inter-group			19	19
	311	248	23	582
ECL provisions coverage (2)				
Stage 1 (%)	0.32	0.19	0.87	0.25
Stage 2 (%)	2.52	2.53	-	2.52
Stage 3 (%)	35.96	49.54	-	40.72
Inter-group (%)			0.07	0.07
	2.37	1.17	0.87	1.62
Impairment (releases)/losses				
ECL (release)/charge (3)				
Stage 1	(35)	(36)	-	(71)
Stage 2	33	(2)	-	31
Stage 3	33	31	-	64
Inter-group			(7)	(7)
	31	(7)	(7)	17
Amounts written-off	74	26	-	100

(1) ECL provisions coverage is calculated as ECL provisions, including ECL for other non-loan assets and unutilised exposure, divided by loans – amortised cost and FVOCI. Some segments with a high proportion of debt securities or unutilised exposure may result in a not meaningful (nm) coverage ratio.
(2) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to the Financial instruments within the scope of the IFRS 9 ECL framework section for further details. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £25.3 billion (2024 – £26.1 billion).
(3) The stage allocation of the ECL charge was aligned to the stage transition approach that underpins the analysis in the Flow statement section.

Credit risk – Banking activities continued

Segmental loans and impairment metrics (audited)

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

	Gross loans				ECL provisions				ECL	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total (release)/charge	Amounts written-off
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Retail Banking	**9,341**	**1,819**	**504**	**11,664**	**32**	**53**	**210**	**295**	**34**	**55**
Commercial & Institutional	**19,235**	**2,994**	**343**	**22,572**	**29**	**50**	**145**	**224**	**(3)**	**27**
Central items & other	**352**	**-**	**-**	**352**	**-**	**-**	**-**	**-**	**(4)**	**-**
Total loans	**28,928**	**4,813**	**847**	**34,588**	**61**	**103**	**355**	**519**	**27**	**82**
Of which:										
Personal	***9,341***	***1,819***	***504***	***11,664***	***32***	***53***	***210***	***295***	***34***	***55***
Non-Personal	***19,587***	***2,994***	***343***	***22,924***	***29***	***50***	***145***	***224***	***(7)***	***27***
2024										
Retail Banking	10,157	2,340	609	13,106	33	59	219	311	31	74
Commercial & Institutional	18,916	1,939	329	21,184	36	49	163	248	(7)	26
Central items & other	460	-	-	460	4	-	-	4	-	-
Total loans	29,533	4,279	938	34,750	73	108	382	563	24	100
Of which:										
Personal	*10,157*	*2,340*	*609*	*13,106*	*33*	*59*	*219*	*311*	*31*	*74*
Non-Personal	*19,376*	*1,939*	*329*	*21,644*	*40*	*49*	*163*	*252*	*(7)*	*26*

- Retail Banking – Loan balances reduced, driven by the mortgage portfolio as repayments and redemptions exceeded new business, with intermediary lending being originated through the NWB Plc business.
- Commercial & Institutional – Balance sheet growth in the year was primarily in corporates and was reflected in Stage 1. Despite the increase in performing book exposures, performing book provisions decreased, driven by reductions in post model adjustments for economic uncertainty. Total provision balance reduction reflected the impact of write-offs in Stage 3 more than offsetting the impacts of new provisions in default. The reduction in provision balance was also the primary contributor to the lower levels of both Stage 3 and total coverage ratio. The full year 2025 total charge was higher compared to 2024, primarily as the good book release in 2025 was notably lower than the release in 2024. The lower release in 2025 reflected lower reductions in post model adjustments compared to 2024.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

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

	Personal				Non-Personal				Total
		Credit	Other		Corporate				
	Mortgages	cards	personal	Total	and other	FI	Sovereign	Total	
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans by geography	9,223	955	1,486	11,664	21,876	1,048	-	22,924	34,588
- UK	9,223	955	1,486	11,664	19,173	600	-	19,773	31,437
- Other Europe	-	-	-	-	602	42	-	644	644
- RoW	-	-	-	-	2,101	406	-	2,507	2,507
Loans by stage and asset quality (1)	9,223	955	1,486	11,664	21,876	1,048	-	22,924	34,588
Stage 1	7,578	638	1,125	9,341	18,547	1,040	-	19,587	28,928
- AQ1	57	-	-	57	643	98	-	741	798
- AQ2	27	-	-	27	1,352	238	-	1,590	1,617
- AQ3	92	1	-	93	5,180	32	-	5,212	5,305
- AQ4	5,557	9	21	5,587	4,545	568	-	5,113	10,700
- AQ5	1,633	204	339	2,176	4,522	78	-	4,600	6,776
- AQ6	134	177	500	811	1,496	16	-	1,512	2,323
- AQ7	63	221	206	490	785	8	-	793	1,283
- AQ8	13	25	53	91	21	2	-	23	114
- AQ9	2	1	6	9	3	-	-	3	12
Stage 2	1,322	286	211	1,819	2,989	5	-	2,994	4,813
- AQ1	7	-	-	7	-	-	-	-	7
- AQ2	3	-	-	3	-	-	-	-	3
- AQ3	15	-	-	15	8	-	-	8	23
- AQ4	602	-	15	617	797	-	-	797	1,414
- AQ5	351	11	41	403	736	1	-	737	1,140
- AQ6	62	28	35	125	498	1	-	499	624
- AQ7	94	157	55	306	697	3	-	700	1,006
- AQ8	104	75	49	228	210	-	-	210	438
- AQ9	84	15	16	115	43	-	-	43	158
Stage 3	323	31	150	504	340	3	-	343	847
- AQ10	323	31	150	504	340	3	-	343	847
Loans - past due analysis	9,223	955	1,486	11,664	21,876	1,048	-	22,924	34,588
- Not past due	8,824	919	1,333	11,076	21,366	1,044	-	22,410	33,486
- Past due 1-30 days	163	8	13	184	304	1	-	305	489
- Past due 31-90 days	72	9	17	98	71	-	-	71	169
- Past due 91-180 days	43	7	15	65	16	-	-	16	81
- Past due >180 days	121	12	108	241	119	3	-	122	363
Loans - Stage 2	1,322	286	211	1,819	2,989	5	-	2,994	4,813
- Not past due	1,176	275	194	1,645	2,868	4	-	2,872	4,517
- Past due 1-30 days	115	5	7	127	59	1	-	60	187
- Past due 31-90 days	31	6	10	47	62	-	-	62	109
Weighted average life (2)									
- ECL measurement (years)	8	3	6	5	8	4	nm	8	6
Weighted average 12 months PDs (2)									
- IFRS 9 (%)	0.90	3.42	4.60	1.54	0.84	0.24	-	0.82	1.06
- Basel (%)	0.76	3.64	2.82	1.25	0.74	0.27	-	0.71	0.89
ECL provisions by geography	72	59	164	295	222	2	-	224	519
- UK	72	59	164	295	216	2	-	218	513
- RoW	-	-	-	-	6	-	-	6	6
ECL provisions by stage	72	59	164	295	222	2	-	224	519
- Stage 1	2	9	21	32	29	-	-	29	61
- Stage 2	2	26	25	53	50	-	-	50	103
- Stage 3	68	24	118	210	143	2	-	145	355
ECL provisions coverage (%)	0.78	6.18	11.04	2.53	1.01	0.19	-	0.98	1.50
- Stage 1 (%)	0.03	1.41	1.87	0.34	0.16	-	-	0.15	0.21
- Stage 2 (%)	0.15	9.09	11.85	2.91	1.67	-	-	1.67	2.14
- Stage 3 (%)	21.05	77.42	78.67	41.67	42.06	66.67	-	42.27	41.91
ECL (release)/charge - Third party	(28)	22	40	34	(4)	1	(4)	(7)	27
Amounts written-off	7	19	29	55	27	-	-	27	82

For the notes to this table refer to page 33.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

	Personal				Non-Personal				Total
	Mortgages	Credit cards	Other personal	Total	Corporate and other	FI	Sovereign	Total	
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m
Other financial assets by asset quality (1)	-	-	-	-	-	-	25,259	25,259	25,259
- AQ1-AQ4	-	-	-	-	-	-	*25,259*	*25,259*	*25,259*
Off-balance sheet	1,604	2,999	995	5,598	9,614	664	-	10,278	15,876
- Loan commitments	*1,604*	*2,999*	*995*	*5,598*	*9,082*	*606*	-	*9,688*	*15,286*
- Financial guarantees	-	-	-	-	*532*	*58*	-	*590*	*590*
Off-balance sheet by asset quality (1)	1,604	2,999	995	5,598	9,614	664	-	10,278	15,876
- AQ1-AQ4	*1,397*	*48*	*897*	*2,342*	*6,657*	*471*	-	*7,128*	*9,470*
- AQ5-AQ8	*201*	*2,939*	*93*	*3,233*	*2,870*	*193*	-	*3,063*	*6,296*
- AQ9	-	*2*	-	*2*	*3*	-	-	*3*	*5*
- AQ10	*6*	*10*	*5*	*21*	*84*	-	-	*84*	*105*

For the notes to this table refer to page 33.

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

	Personal				Non-Personal				Total
	Mortgages	Credit cards	Other personal	Total	Corporate and other	FI	Sovereign	Total	
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans by geography	10,633	996	1,477	13,106	20,356	1,288	-	21,644	34,750
- UK	10,633	996	1,477	13,106	17,426	806	-	18,232	31,338
- Other Europe	-	-	-	-	570	29	-	599	599
- RoW	-	-	-	-	2,360	453	-	2,813	2,813
Loans by stage and asset quality (1)	10,633	996	1,477	13,106	20,356	1,288	-	21,644	34,750
Stage 1	8,389	666	1,102	10,157	18,103	1,273	-	19,376	29,533
- AQ1	70	-	-	70	710	1	-	711	781
- AQ2	33	-	-	33	1,113	466	-	1,579	1,612
- AQ3	110	1	-	111	4,510	37	-	4,547	4,658
- AQ4	6,091	10	23	6,124	4,866	665	-	5,531	11,655
- AQ5	1,845	210	355	2,410	4,668	53	-	4,721	7,131
- AQ6	146	179	473	798	1,444	15	-	1,459	2,257
- AQ7	74	236	199	509	763	35	-	798	1,307
- AQ8	13	29	47	89	25	1	-	26	115
- AQ9	7	1	5	13	4	-	-	4	17
Stage 2	1,808	301	231	2,340	1,927	12	-	1,939	4,279
- AQ1	9	-	-	9	-	-	-	-	9
- AQ2	6	-	-	6	-	-	-	-	6
- AQ3	25	-	-	25	2	-	-	2	27
- AQ4	845	-	16	861	326	-	-	326	1,187
- AQ5	515	13	47	575	244	-	-	244	819
- AQ6	104	30	44	178	395	1	-	396	574
- AQ7	98	168	60	326	607	7	-	614	940
- AQ8	108	77	48	233	307	1	-	308	541
- AQ9	98	13	16	127	46	3	-	49	176
Stage 3	436	29	144	609	326	3	-	329	938
- AQ10	436	29	144	609	326	3	-	329	938
Loans - past due analysis	10,633	996	1,477	13,106	20,356	1,288	-	21,644	34,750
- Not past due	10,174	962	1,332	12,468	19,878	1,283	-	21,161	33,629
- Past due 1-30 days	187	9	11	207	209	1	-	210	417
- Past due 31-90 days	80	8	15	103	111	1	-	112	215
- Past due 91-180 days	50	6	16	72	17	-	-	17	89
- Past due >180 days	142	11	103	256	141	3	-	144	400
Loans - Stage 2	1,808	301	231	2,340	1,927	12	-	1,939	4,279
- Not past due	1,668	291	215	2,174	1,748	10	-	1,758	3,932
- Past due 1-30 days	105	5	6	116	78	1	-	79	195
- Past due 31-90 days	35	5	10	50	101	1	-	102	152
Weighted average life (2)									
- ECL measurement (years)	8	4	6	5	7	4	nm	6	6
Weighted average 12 months PDs (2)									
- IFRS 9 (%)	0.91	3.24	4.38	1.45	0.88	0.29	-	0.84	1.07
- Basel (%)	0.76	3.57	2.74	1.19	0.79	0.32	-	0.76	0.92
ECL provisions by geography	94	57	160	311	246	2	4	252	563
- UK	94	57	160	311	237	2	4	243	554
- RoW	-	-	-	-	9	-	-	9	9
ECL provisions by stage	94	57	160	311	246	2	4	252	563
- Stage 1	3	10	20	33	35	1	4	40	73
- Stage 2	4	28	27	59	49	-	-	49	108
- Stage 3	87	19	113	219	162	1	-	163	382
ECL provisions coverage (%)	0.88	5.72	10.83	2.37	1.21	0.16	-	1.16	1.62
- Stage 1 (%)	0.04	1.50	1.81	0.32	0.19	0.08	-	0.21	0.25
- Stage 2 (%)	0.22	9.30	11.69	2.52	2.54	-	-	2.53	2.52
- Stage 3 (%)	19.95	65.52	78.47	35.96	49.69	33.33	-	49.54	40.72
ECL (release)/charge - Third party	(6)	10	27	31	(5)	(1)	(1)	(7)	24
Amounts written-off	4	18	52	74	26	-	-	26	100

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

Credit risk – Banking activities continued

Sector analysis – portfolio summary continued (audited)

	Personal				Non-Personal				Total
	Mortgages	Credit cards	Other personal	Total	Corporate and other	FI	Sovereign	Total	
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m
Other financial assets by asset quality (1)	-	-	-	-	-	-	26,045	26,045	26,045
- AQ1-AQ4	-	-	-	-	-	-	*26,045*	*26,045*	*26,045*
Off-balance sheet	1,895	3,481	1,043	6,419	10,106	766	-	10,872	17,291
- Loan commitments	*1,895*	*3,481*	*1,043*	*6,419*	*9,548*	*665*	-	*10,213*	*16,632*
- Financial guarantees	-	-	-	-	*558*	*101*	-	*659*	*659*
Off-balance sheet by asset quality (1)	1,895	3,481	1,043	6,419	10,106	766	-	10,872	17,291
- AQ1-AQ4	*1,665*	*55*	*940*	*2,660*	*6,760*	*675*	-	*7,435*	*10,095*
- AQ5-AQ8	*222*	*3,363*	*98*	*3,683*	*3,291*	*91*	-	*3,382*	*7,065*
- AQ9	-	*2*	-	*2*	*2*	-	-	*2*	*4*
- AQ10	*8*	*61*	*5*	*74*	*53*	-	-	*53*	*127*

(1) 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

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

Credit risk – Banking activities continued

Sector analysis – portfolio summary (audited)

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

	Loans - amortised cost and FVOCI				Off-balance sheet		ECL provisions			
	Stage 1	Stage 2	Stage 3	Total	Loan commitments	Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Personal	**9,341**	**1,819**	**504**	**11,664**	**5,598**	**-**	**32**	**53**	**210**	**295**
Mortgages	**7,578**	**1,322**	**323**	**9,223**	**1,604**	**-**	**2**	**2**	**68**	**72**
Credit cards	**638**	**286**	**31**	**955**	**2,999**	**-**	**9**	**26**	**24**	**59**
Other personal	**1,125**	**211**	**150**	**1,486**	**995**	**-**	**21**	**25**	**118**	**164**
Non-Personal	**19,587**	**2,994**	**343**	**22,924**	**9,688**	**590**	**29**	**50**	**145**	**224**
Financial institutions	**1,040**	**5**	**3**	**1,048**	**606**	**58**	**-**	**-**	**2**	**2**
Corporate and other	**18,547**	**2,989**	**340**	**21,876**	**9,082**	**532**	**29**	**50**	**143**	**222**
Of which:										
Housing associations	***5,531***	***662***	***-***	***6,193***	***2,111***	***3***	***2***	***6***	***-***	***8***
Consumer industries	***3,313***	***568***	***62***	***3,943***	***1,505***	***91***	***5***	***12***	***32***	***49***
Commercial real estate	***3,037***	***432***	***90***	***3,559***	***804***	***78***	***9***	***8***	***40***	***57***
Total	**28,928**	**4,813**	**847**	**34,588**	**15,286**	**590**	**61**	**103**	**355**	**519**
2024										
Personal	10,157	2,340	609	13,106	6,419	-	33	59	219	311
Mortgages	8,389	1,808	436	10,633	1,895	-	3	4	87	94
Credit cards	666	301	29	996	3,481	-	10	28	19	57
Other personal	1,102	231	144	1,477	1,043	-	20	27	113	160
Non-Personal	19,376	1,939	329	21,644	10,213	659	40	49	163	252
Financial institutions	1,273	12	3	1,288	665	101	1	-	1	2
Sovereign	-	-	-	-	-	-	4	-	-	4
Corporate and other	18,103	1,927	326	20,356	9,548	558	35	49	162	246
Of which:										
Housing associations	*4,734*	*161*	*13*	*4,908*	*2,524*	*4*	*2*	*2*	*1*	*5*
Consumer industries	*3,619*	*432*	*54*	*4,105*	*1,290*	*148*	*8*	*14*	*21*	*43*
Commercial real estate	*2,561*	*468*	*114*	*3,143*	*750*	*77*	*11*	*9*	*51*	*71*
Total	29,533	4,279	938	34,750	16,632	659	73	108	382	563

Credit risk – Banking activities continued

Non-Personal forbearance (audited)

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

2025	Corporate and other £m	Financial institutions £m	Total £m
Forbearance (flow)	**429**	**-**	**429**
Forbearance (stock)	**545**	**-**	**545**
Heightened Monitoring and Risk of Credit Loss	**526**	**1**	**527**
2024			
Forbearance (flow)	522	-	522
Forbearance (stock)	738	6	744
Heightened Monitoring and Risk of Credit Loss	666	9	675

Sector analysis – portfolio summary (audited)

- Loans by geography and sector – In line with RBS plc's strategic focus, exposures continued to be mainly in the UK.
- Loans by stage – Stage 3 balances reduced overall, driven by a default definition systems and process enhancement that moved loans back to the good book. Stage 2 balances increased in Non-Personal, largely driven by post model adjustment downgrades to sectors deemed most at risk of economic uncertainty, partially offset by reductions in Personal mortgages, linked to PD model enhancements and stable portfolio trends.
- Loans – Past due analysis – Within the Personal portfolio, arrears balances overall decreased during 2025, driven by reductions in mortgages arrears. In Non-Personal, arrears balances moved marginally, with an increase in early arrears partially offset by reductions in Stage 2 and Stage 3 arrears. The vast majority of Stage 2 balances remained up to date, as Stage 2 is normally captured through other forward-looking Stage 2 triggers.
- Weighted average 12 months PDs – Both IFRS 9 and Basel PDs remained broadly stable during the year overall. In Non-Personal, corporates comprised most of the lending and PDs were broadly stable in the year.
- ECL provisions by stage and ECL provisions coverage – Overall provisions reduced from 31 December 2024, following decreases in both good book and Stage 3 ECL. Personal portfolio reduction was primarily in Stage 3 mortgages, due to a default definition systems and process enhancement. In the Non-Personal portfolios, the good book ECL reduction was driven by lower post model adjustments and Stage 3 write-offs. Provisions coverage decreased in line with ECL reductions.
- ECL charge (excluding inter-group) – The 2025 impairment charge, primarily reflected charges in Personal unsecured portfolios partially offset by mortgage releases. Non-Personal releases primarily reflected the impact of reduced post model adjustments.
- Other financial assets by asset quality – These assets were cash balances of high credit quality as reflected in the AQ banding.
- Off-balance sheet exposures by asset quality – Consistent with the portfolio overall, off-balance sheet exposures decreased during the year. The asset quality of off-balance sheet exposures was aligned to the wider portfolio.
- Non-Personal problem debt – Exposures in the Wholesale Problem Debt Management framework marginally reduced during 2025. There was no change in the reasons for customers moving onto the framework from 2024, with trading issues and cash/liquidity remaining the key main drivers.
- Non-Personal forbearance – Exposures classified as forborne reduced marginally across multiple sectors, leading to lower stock values in corporates. A portion of forbearance flows related to cases in Customer Lending Support subject to repeated forbearance.

Credit risk – Banking activities continued

Credit risk enhancement and mitigation (audited)

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

	Gross		Maximum credit risk		CREM by type			CREM coverage		Exposure post CREM	
	exposure	ECL	Total	Stage 3	Financial (1)	Property	Other (2)	Total	Stage 3	Total	Stage 3
2025	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Financial assets											
Cash and balances at central banks	**25.3**	**-**	**25.3**	**-**	**-**	**-**	**-**	**-**	**-**	**25.3**	**-**
Loans - amortised cost (3)	**34.6**	**0.5**	**34.1**	**0.5**	**0.6**	**20.8**	**3.7**	**25.1**	**0.5**	**9.0**	**-**
Personal (4)	***11.7***	***0.3***	***11.4***	***0.3***	***-***	***9.1***	***-***	***9.1***	***0.3***	***2.3***	***-***
Non-Personal (5)	***22.9***	***0.2***	***22.7***	***0.2***	***0.6***	***11.7***	***3.7***	***16.0***	***0.2***	***6.7***	***-***
Total financial assets	**59.9**	**0.5**	**59.4**	**0.5**	**0.6**	**20.8**	**3.7**	**25.1**	**0.5**	**34.3**	**-**
Contingent liabilities and commitments											
Personal (6)	**5.6**	**-**	**5.6**	**-**	**-**	**1.5**	**-**	**1.5**	**-**	**4.1**	**-**
Non-Personal	**10.3**	**-**	**10.3**	**0.1**	**0.2**	**2.3**	**0.5**	**3.0**	**-**	**7.3**	**0.1**
Total off-balance sheet	**15.9**	**-**	**15.9**	**0.1**	**0.2**	**3.8**	**0.5**	**4.5**	**-**	**11.4**	**0.1**
Total exposure	**75.8**	**0.5**	**75.3**	**0.6**	**0.8**	**24.6**	**4.2**	**29.6**	**0.5**	**45.7**	**0.1**
2024											
Financial assets											
Cash and balances at central banks	26.1	-	26.1	-	-	-	-	-	-	26.1	-
Loans - amortised cost (3)	34.7	0.6	34.1	0.6	0.9	21.3	3.4	25.6	0.6	8.5	-
Personal (4)	*13.1*	*0.4*	*12.7*	*0.4*	*-*	*10.5*	*-*	*10.5*	*0.4*	*2.2*	*-*
Non-Personal (5)	*21.6*	*0.2*	*21.4*	*0.2*	*0.9*	*10.8*	*3.4*	*15.1*	*0.2*	*6.3*	*-*
Total financial assets	60.8	0.6	60.2	0.6	0.9	21.3	3.4	25.6	0.6	34.6	-
Contingent liabilities and commitments											
Personal (6)	6.4	-	6.4	-	-	1.8	-	1.8	(0.1)	4.6	0.1
Non-Personal	10.9	-	10.9	-	0.1	2.6	0.4	3.1	-	7.8	-
Total off-balance sheet	17.3	-	17.3	-	0.1	4.4	0.4	4.9	(0.1)	12.4	0.1
Total exposure	78.1	0.6	77.5	0.6	1.0	25.7	3.8	30.5	0.5	47.0	0.1

(1) Includes cash and securities collateral.
(2) Includes guarantees, charges over trade debtors, other asset finance related physical collateral as well as the amount by which credit risk exposure is reduced through netting arrangements, mainly cash management pooling, which give RBS plc a legal right to set off the financial asset against a financial liability due to the same counterparty.
(3) RBS plc holds collateral in respect of individual loans – amortised cost to banks and customers. This collateral includes mortgages over property (both personal and commercial); charges over business assets such as plant and equipment, inventories and trade debtors; and guarantees of lending from parties other than the borrower. Collateral values are capped at the value of the loan.
(4) Stage 3 mortgage exposures have relatively limited uncovered exposure reflecting the security held. On unsecured credit cards and other personal borrowing, the residual uncovered amount reflects historical experience of continued cash recovery post default through ongoing engagement with customers.
(5) Stage 3 exposures post credit risk enhancement and mitigation in Non-Personal mainly represent enterprise value and the impact of written down collateral values; an individual assessment to determine ECL will consider multiple scenarios and in some instances allocate a probability weighting to a collateral value in excess of the written down value.
(6) The Personal gross exposure value includes £0.1 billion (2024 – £0.1 billion) in respect of pipeline mortgages where a committed offer has been made to a customer but where the funds have not yet been drawn down. When drawn down, the exposure would be covered by a security over the borrower's property.

Credit risk – Banking activities continued

Personal portfolio (audited)

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

Personal lending	2025 £m	2024 £m
Mortgages	**9,223**	10,631
Of which:		
Owner occupied	**8,313**	9,579
Buy-to-let	**910**	1,052
Interest only	**2,038**	2,381
Mixed (1)	**623**	721
ECL provisions (2)	**73**	94
Other personal lending	**2,441**	2,472
ECL provisions (2)	**223**	216
Total personal lending	**11,664**	13,103
Mortgage LTV ratios		
- Owner occupied	**41%**	42%
- Stage 1	***41%***	*41%*
- Stage 2	***41%***	*44%*
- Stage 3	***43%***	*43%*
- Buy-to-let	**42%**	43%
- Stage 1	***42%***	*42%*
- Stage 2	***43%***	*45%*
- Stage 3	***49%***	*48%*
Gross new mortgage lending	**330**	345
Of which:		
Owner occupied	**326**	340
- LTV > 90%	**17**	25
Weighted average LTV	**60%**	61%
Buy-to-let	**4**	5
Weighted average LTV	**58%**	52%
Interest only	**24**	23
Mixed (1)	**20**	13
Mortgage forbearance		
Forbearance flow	**33**	51
Forbearance stock	**238**	278
Current	***149***	*180*
1-3 months in arrears	***22***	*21*
>3 months in arrears	***67***	*77*

(1) Includes accounts which have an interest only sub-account and a capital and interest sub-account to provide a more comprehensive view of interest only exposures.
(2) Retail Banking excludes a non-material amount of lending and provisions held on an relatively small legacy portfolios.

Credit risk – Banking activities continued

Personal portfolio (audited)

Mortgage LTV distribution by stage

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

	Mortgages				ECL provisions				ECL provisions coverage			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2025	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
≤50%	**5,262**	**933**	**212**	**6,407**	**1**	**2**	**42**	**45**	**0.0**	**0.2**	**19.8**	**0.7**
>50% and ≤70%	**1,725**	**335**	**91**	**2,151**	**1**	**1**	**18**	**20**	**0.1**	**0.3**	**19.8**	**0.9**
>70% and ≤80%	**380**	**42**	**14**	**436**	**-**	**-**	**5**	**5**	**-**	**-**	**35.7**	**1.1**
>80% and ≤90%	**168**	**12**	**4**	**184**	**-**	**-**	**1**	**1**	**-**	**-**	**25.0**	**0.5**
>90% and ≤100%	**19**	**-**	**1**	**20**	**-**	**-**	**1**	**1**	**-**	**-**	**100.0**	**5.0**
>100%	**1**	**-**	**1**	**2**	**-**	**-**	**1**	**1**	**-**	**-**	**100.0**	**50.0**
Total with LTVs	**7,555**	**1,322**	**323**	**9,200**	**2**	**3**	**68**	**73**	**0.0**	**0.2**	**21.1**	**0.8**
Other	**23**	**-**	**-**	**23**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**7,578**	**1,322**	**323**	**9,223**	**2**	**3**	**68**	**73**	**0.0**	**0.2**	**21.1**	**0.8**
2024												
≤50%	5,784	1,172	294	7,250	2	2	52	56	-	0.2	17.7	0.8
>50% and ≤70%	1,950	515	131	2,596	1	2	27	30	0.1	0.4	20.6	1.2
>70% and ≤80%	383	63	13	459	-	-	4	4	-	-	30.8	0.9
>80% and ≤90%	213	51	6	270	-	-	3	3	-	-	50.0	1.1
>90% and ≤100%	25	6	1	32	-	-	-	-	-	-	-	-
>100%	-	-	2	2	-	-	1	1	-	-	50.0	50.0
Total with LTVs	8,355	1,807	447	10,609	3	4	87	94	-	0.2	19.5	0.9
Other	22	-	-	22	-	-	-	-	-	-	-	-
Total	8,377	1,807	447	10,631	3	4	87	94	-	0.2	19.5	0.9

- The mortgage portfolio reduced during the year as repayments and redemptions exceeded new business.
- Consistent with ongoing mortgage portfolio repayment, the LTV profile of the portfolio improved in 2025.
- Portfolios and new business were closely monitored against agreed operating limits. These included loan-to-value ratios, buy-to-let concentrations, new-build concentrations and credit quality. Lending criteria, affordability calculations and assumptions for new lending were adjusted during the year, considering economic conditions, to maintain credit quality in line with appetite and to ensure customers were assessed fairly.
- Other personal lending balances remained stable during the year.

Credit risk – Banking activities continued

Commercial real estate (audited)

CRE LTV distribution by stage

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

	Gross loans				ECL provisions				ECL provisions coverage			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2025	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
≤50%	**1,356**	**42**	**11**	**1,409**	**4**	**2**	**2**	**8**	**0.3**	**4.8**	**18.2**	**0.6**
>50% and ≤60%	**575**	**19**	**3**	**597**	**2**	**1**	**1**	**4**	**0.4**	**5.3**	**33.3**	**0.7**
>60% and ≤70%	**186**	**11**	**10**	**207**	**1**	**-**	**5**	**6**	**0.5**	**-**	**50.0**	**2.9**
>70% and ≤100%	**20**	**79**	**4**	**103**	**-**	**1**	**3**	**4**	**-**	**1.3**	**75.0**	**3.9**
>100%	**69**	**-**	**41**	**110**	**1**	**-**	**23**	**24**	**1.5**	**-**	**56.1**	**21.8**
Total with LTVs	**2,206**	**151**	**69**	**2,426**	**8**	**4**	**34**	**46**	**0.4**	**2.7**	**49.3**	**1.9**
Total portfolio average LTV	**50%**	**68%**	**183%**	**55%**								
Other investment (1)	**576**	**77**	**10**	**663**	**1**	**2**	**3**	**6**	**0.2**	**2.6**	**30.0**	**0.9**
Investment	**2,782**	**228**	**79**	**3,089**	**9**	**6**	**37**	**52**	**0.3**	**2.6**	**46.8**	**1.7**
Development and other (2)	**255**	**204**	**11**	**470**	**-**	**2**	**3**	**5**	**-**	**1.0**	**27.3**	**1.1**
Total	**3,037**	**432**	**90**	**3,559**	**9**	**8**	**40**	**57**	**0.3**	**1.9**	**44.4**	**1.6**
2024												
≤50%	1,536	51	14	1,601	5	1	2	8	0.3	2.0	14.3	0.5
>50% and ≤60%	412	57	4	472	3	1	2	6	0.7	1.8	50.0	1.3
>60% and ≤70%	97	99	24	221	-	3	5	8	-	3.0	20.8	3.6
>70% and ≤100%	71	11	5	87	1	1	3	5	1.4	9.1	60.0	5.8
>100%	14	5	42	61	-	-	31	31	-	-	73.8	50.8
Total with LTVs	2,130	223	89	2,442	9	6	43	58	0.4	2.7	48.3	2.4
Total portfolio average LTV	45%	58%	154%	50%								
Other investment (1)	250	39	7	296	1	1	3	5	0.4	2.6	42.9	1.7
Investment	2,380	262	96	2,738	10	7	46	63	0.4	2.7	47.9	2.3
Development and other (2)	181	206	18	405	1	2	5	8	0.6	1.0	27.8	2.0
Total	2,561	468	114	3,143	11	9	51	71	0.4	1.9	44.7	2.3

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

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

Credit risk – Banking activities continued

Flow statements (audited)

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

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

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
RBS plc total	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	55,317	73	4,274	108	949	382	60,540	563
Currency translation and other adjustments	(167)	-	12	-	32	32	(123)	32
Transfers from Stage 1 to Stage 2	(4,364)	(23)	4,364	23	-	-	-	-
Transfers from Stage 2 to Stage 1	2,980	46	(2,980)	(46)	-	-	-	-
Transfers to Stage 3	(104)	(1)	(339)	(37)	443	38	-	-
Transfers from Stage 3	25	2	151	8	(176)	(10)	-	-
Net re-measurement of ECL on stage transfer		(35)		74	-	62		101
Changes in risk parameters		(16)		(1)	-	(24)		(41)
Other changes in net exposure	(114)	15	(811)	(26)	(255)	(17)	(1,180)	(28)
Other (P&L only items)		(2)		-	-	(3)		(5)
Income statement (releases)/charges		(38)		47		18		27
Amounts written-off	-	-	-	-	(82)	(82)	(82)	(82)
Unwinding of discount	-	-		-		(26)		(26)
At 31 December 2025	53,573	61	4,671	103	911	355	59,155	519
Net carrying amount	53,512		4,568		556		58,636	
At 1 January 2024	54,952	93	5,119	159	1,015	375	61,086	627
2024 movements	365	(20)	(845)	(51)	(66)	7	(546)	(64)
At 31 December 2024	55,317	73	4,274	108	949	382	60,540	563
Net carrying amount	55,244		4,166		567		59,977	

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Retail Banking - mortgages	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	**8,468**	**3**	**1,840**	**4**	**446**	**87**	**10,754**	**94**
Currency translation and other adjustments	**-**	**-**	**-**	**-**	**21**	**21**	**21**	**21**
Transfers from Stage 1 to Stage 2	**(950)**	**-**	**950**	**-**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**1,141**	**1**	**(1,141)**	**(1)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(3)**	**-**	**(121)**	**(1)**	**124**	**1**	**-**	**-**
Transfers from Stage 3	**3**	**-**	**129**	**3**	**(132)**	**(3)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**-**		**(1)**		**-**		**(1)**
Changes in risk parameters		**(2)**		**-**		**14**		**12**
Other changes in net exposure	**(1,009)**	**-**	**(311)**	**(2)**	**(117)**	**(31)**	**(1,437)**	**(33)**
Other (P&L only items)		**-**		**-**		**(6)**		**(6)**
Income statement (releases)/charges		**(2)**		**(3)**		**(23)**		**(28)**
Amounts written-off	**-**	**-**	**-**	**-**	**(7)**	**(7)**	**(7)**	**(7)**
Unwinding of discount		**-**		**-**		**(14)**		**(14)**
At 31 December 2024	**7,650**	**2**	**1,346**	**2**	**335**	**68**	**9,331**	**72**
Net carrying amount	**7,648**		**1,344**		**267**		**9,259**	
At 1 January 2024	10,064	4	1,885	5	468	81	12,417	90
2024 movements	(1,596)	(1)	(45)	(1)	(22)	6	(1,663)	4
At 31 December 2024	8,468	3	1,840	4	446	87	10,754	94
Net carrying amount	8,465		1,836		359		10,660	

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

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Retail Banking - credit cards	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	647	10	318	28	28	20	993	58
Transfers from Stage 1 to Stage 2	(272)	(4)	272	4	-	-	-	-
Transfers from Stage 2 to Stage 1	166	9	(166)	(9)	-	-	-	-
Transfers to Stage 3	(4)	-	(30)	(10)	34	10	-	-
Transfers from Stage 3	-	-	2	1	(2)	(1)	-	-
Net re-measurement of ECL on stage transfer		(6)		19		14		27
Changes in risk parameters		1		4		3		8
Other changes in net exposure	82	(1)	(96)	(11)	(7)	(1)	(21)	(13)
Other (P&L only items)		-		-		-		-
Income statement (releases)/charges		(6)		12		16		22
Amounts written-off	-	-	-	-	(19)	(19)	(19)	(19)
Unwinding of discount		-		-		(2)		(2)
At 31 December 2025	619	9	300	26	34	24	953	59
Net carrying amount	610		274		10		894	
At 1 January 2024	606	12	390	37	28	16	1,024	65
2024 movements	41	(2)	(72)	(9)	-	4	(31)	(7)
At 31 December 2024	647	10	318	28	28	20	993	58
Net carrying amount	637		290		8		935	

- Overall ECL for cards remained stable during 2025, driven primarily by continued organic portfolio growth, reflecting strong customer demand, while sustaining robust risk appetite.
- The net flows into Stage 2 from Stage 1 reflected strategic growth and seasoning of credit card balances since 2022.
- Flows into Stage 3 are broadly consistent with last year.
- Charge-off (analogous to partial write-off) typically occurs after 12 missed payments.

Credit risk – Banking activities continued

Flow statements (audited)

Retail Banking - other personal unsecured	Stage 1 Financial assets £m	Stage 1 ECL £m	Stage 2 Financial assets £m	Stage 2 ECL £m	Stage 3 Financial assets £m	Stage 3 ECL £m	Total Financial assets £m	Total ECL £m
At 1 January 2025	1,063	20	229	27	145	112	1,437	159
Currency translation and other adjustments	-	-	-	-	4	4	4	4
Transfers from Stage 1 to Stage 2	(287)	(11)	287	11	-	-	-	-
Transfers from Stage 2 to Stage 1	204	20	(204)	(20)	-	-	-	-
Transfers to Stage 3	(13)	-	(47)	(18)	60	18	-	-
Transfers from Stage 3	1	-	4	2	(5)	(2)	-	-
Net re-measurement of ECL on stage transfer		(13)		29		10		26
Changes in risk parameters		(5)		(1)		19		13
Other changes in net exposure	121	10	(58)	(5)	(23)	(9)	40	(4)
Other (P&L only items)		-		-		5		5
Income statement (releases)/charges		(8)		23		25		40
Amounts written-off	-	-	-	-	(29)	(29)	(29)	(29)
Unwinding of discount		-		-		(5)		(5)
At 31 December 2025	1,089	21	211	25	152	118	1,452	164
Net carrying amount	1,068		186		34		1,288	
At 1 January 2024	992	24	286	38	167	132	1,445	194
2024 movements	71	(4)	(57)	(11)	(22)	(20)	(8)	(35)
At 31 December 2024	1,063	20	229	27	145	112	1,437	159
Net carrying amount	1,043		202		33		1,278	

- Total ECL coverage levels were broadly consistent with 31 December 2024.
- Flow rates into Stage 3 remained stable, in line with broader portfolio trends on arrears, with overall Stage 3 balances increasing as a result of reduced debt sale activity overall in the year.
- Write-off occurs once recovery activity with the customer has been concluded or there are no further recoveries expected, but no later than six years after default.

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional - corporate	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	9,972	22	1,212	36	174	91	11,358	149
Currency translation and other adjustments	(142)	-	11	-	6	5	(125)	5
Inter-group transfers	(39)	-	-	-	-	-	(39)	-
Transfers from Stage 1 to Stage 2	(2,076)	(6)	2,076	6	-	-	-	-
Transfers from Stage 2 to Stage 1	1,269	13	(1,269)	(13)	-	-	-	-
Transfers to Stage 3	(83)	-	(112)	(7)	195	7	-	-
Transfers from Stage 3	10	1	12	3	(22)	(4)	-	-
Net re-measurement of ECL on stage transfer		(12)		20		36		44
Changes in risk parameters		(4)		(4)		(48)		(56)
Other changes in net exposure	485	3	(294)	(7)	(80)	28	111	24
Other (P&L only items)		(2)		-		(3)		(5)
Income statement (releases)/charges		(15)		9		13		7
Amounts written-off	-	-	-	-	(20)	(20)	(20)	(20)
Unwinding of discount		-		-		(5)		(5)
At 31 December 2025	9,396	17	1,636	34	253	90	11,285	141
Net carrying amount	9,379		1,602		163		11,144	
At 1 January 2024	9,527	29	1,748	58	208	90	11,483	177
2024 movements	445	(7)	(536)	(22)	(34)	1	(125)	(28)
At 31 December 2024	9,972	22	1,212	36	174	91	11,358	149
Net carrying amount	9,950		1,176		83		11,209	

- Total ECL reduced in the year with small reductions observed in all stages. Reductions in performing book ECL reflected reduced post model adjustments. Stage 3 ECL reductions were driven by write-offs more than offsetting the impact of new defaults in the year.
- Stage 2 exposure increased due to the effects of stage transfers from Stage 1, driven by risk profile downgrade to sectors deemed most at risk of economic uncertainty.

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional - property	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	**7,443**	**14**	**667**	**13**	**153**	**70**	**8,263**	**97**
Currency translation and other adjustments	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Inter-group transfers	**39**	**(1)**	**-**	**-**	**-**	**-**	**39**	**(1)**
Transfers from Stage 1 to Stage 2	**(767)**	**(2)**	**767**	**2**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**190**	**4**	**(190)**	**(4)**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(1)**	**-**	**(29)**	**(2)**	**30**	**2**	**-**	**-**
Transfers from Stage 3	**10**	**-**	**6**	**1**	**(16)**	**(1)**	**-**	**-**
Net re-measurement of ECL on stage transfer		**(4)**		**8**		**2**		**6**
Changes in risk parameters		**(3)**		**1**		**(13)**		**(15)**
Other changes in net exposure	**1,681**	**4**	**(57)**	**(3)**	**(34)**	**(4)**	**1,590**	**(3)**
Other (P&L only items)		**-**		**-**		**-**		**-**
Income statement (releases)/charges		**(3)**		**6**		**(15)**		**(12)**
Amounts written-off	**-**	**-**	**-**	**-**	**(7)**	**(7)**	**(7)**	**(7)**
Unwinding of discount		**-**		**-**		**(2)**		**(2)**
At 31 December 2025	**8,595**	**12**	**1,164**	**16**	**126**	**51**	**9,885**	**79**
Net carrying amount	**8,583**		**1,148**		**75**		**9,806**	
At 1 January 2024	7,367	19	798	21	140	53	8,305	93
2024 movements	76	(5)	(131)	(8)	13	17	(42)	4
At 31 December 2024	7,443	14	667	13	153	70	8,263	97
Net carrying amount	7,429		654		83		8,166	

- Total ECL for property exposures reduced notably in the year.
- In Stage 3, both total financial assets and ECL reduced as there were low levels of default in the year, which were more than offset by the effects of repayments, improved risk parameters and write-offs.
- Performing book ECL was broadly stable, with a small increase in Stage 2 ECL driven by net transfers from Stage 1.

Credit risk – Banking activities continued

Flow statements (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
Commercial & Institutional - other	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	**995**	**-**	**8**	**-**	**3**	**2**	**1,006**	**2**
Inter-group transfers	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**
Transfers from Stage 1 to Stage 2	**(11)**	**-**	**11**	**-**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**9**	**-**	**(9)**	**-**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**-**	**-**	**(1)**	**-**	**1**	**-**	**-**	**-**
Other changes in net exposure	**46**	**-**	**6**	**-**	**7**	**2**	**59**	**2**
Income statement (releases)/charges		**-**		**-**		**2**		**2**
At 31 December 2025	**1,038**	**-**	**15**	**-**	**11**	**4**	**1,064**	**4**
Net carrying amount	**1,038**		**15**		**7**		**1,060**	
At 1 January 2024	764	1	12	-	4	3	780	4
2024 movements	231	(1)	(4)	-	(1)	(1)	226	(2)
At 31 December 2024	995	-	8	-	3	2	1,006	2
Net carrying amount	995		8		1		1,004	

- Other Commercial & Institutional ECL remained low, with the vast majority of exposures in Stage 1 with minimal ECL.

Credit risk – Banking activities continued

Stage 2 decomposition by a significant increase in credit risk trigger

	Mortgages		Credit cards		Other		Total	
2025	£m	%	£m	%	£m	%	£m	%
Personal trigger (1)								
PD movement	**902**	**68.2**	**220**	**76.9**	**123**	**58.3**	**1,245**	**68.5**
PD persistence	**169**	**12.8**	**52**	**18.2**	**45**	**21.3**	**266**	**14.6**
Adverse credit bureau recorded with credit reference agency	**171**	**12.9**	**12**	**4.2**	**22**	**10.4**	**205**	**11.3**
Forbearance support provided	**21**	**1.6**	**-**	**-**	**1**	**0.5**	**22**	**1.2**
Customers in collections	**13**	**1.0**	**-**	**-**	**-**	**-**	**13**	**0.7**
Collective SICR and other reasons (2)	**46**	**3.5**	**2**	**0.7**	**20**	**9.5**	**68**	**3.7**
	1,322	**100**	**286**	**100**	**211**	**100**	**1,819**	**100**
2024								
Personal trigger (1)								
PD movement	1,305	72.2	230	76.4	129	55.8	1,664	71.1
PD persistence	275	15.2	56	18.6	63	27.3	394	16.8
Adverse credit bureau recorded with credit reference agency	138	7.6	12	4.0	21	9.1	171	7.3
Forbearance support provided	25	1.4	-	-	1	0.4	26	1.1
Customers in collections	16	0.9	-	-	-	-	16	0.7
Collective SICR and other reasons (2)	47	2.6	3	1.0	17	7.4	67	2.9
Days past due >30	2	0.1	-	-	-	-	2	0.1
	1,808	100	301	100	231	100	2,340	100

- Overall Stage 2 levels for Personal reduced, primarily driven by mortgages where stable portfolio trends and PD model enhancements underpinned PD reductions in the year. The proportion of PD driven deterioration remained consistent with 31 December 2024, reflecting stability in portfolio PDs and underlying portfolio arrears trends.
- The reduction of PDs on mortgages, partly due to PD model enhancements, led to an increase in the proportion of Stage 2 captured by qualitative backstops, relative to last year.
- Accounts that were less than 30 days past due continued to represent the vast majority of the Stage 2 population.

Credit risk – Banking activities continued

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

	Corporate and other		Financial institutions		Other		Total	
2025	£m	%	£m	%	£m	%	£m	%
Non-Personal trigger (1)								
PD movement	**2,702**	**90.4**	**3**	**60.0**	**-**	**-**	**2,705**	**90.4**
PD persistence	**33**	**1.1**	**-**	**-**	**-**	**-**	**33**	**1.1**
Heightened Monitoring and Risk of Credit Loss	**158**	**5.3**	**-**	**-**	**-**	**-**	**158**	**5.3**
Forbearance support provided	**9**	**0.3**	**-**	**-**	**-**	**-**	**9**	**0.3**
Customers in collections	**4**	**0.1**	**-**	**-**	**-**	**-**	**4**	**0.1**
Collective SICR and other reasons (2)	**38**	**1.3**	**1**	**20.0**	**-**	**-**	**39**	**1.3**
Days past due >30	**45**	**1.5**	**1**	**20.0**	**-**	**-**	**46**	**1.5**
	2,989	**100**	**5**	**100**	**-**	**-**	**2,994**	**100**
2024								
Non-Personal trigger (1)								
PD movement	1,490	77.3	10	83.3	-	-	1,500	77.3
PD persistence	53	2.8	-	-	-	-	53	2.7
Heightened Monitoring and Risk of Credit Loss	263	13.6	2	16.7	-	-	265	13.7
Forbearance support provided	35	1.8	-	-	-	-	35	1.8
Customers in collections	9	0.5	-	-	-	-	9	0.5
Collective SICR and other reasons (2)	36	1.9	-	-	-	-	36	1.9
Days past due >30	41	2.1	-	-	-	-	41	2.1
	1,927	100	12	100	-	-	1,939	100

(1) The table is prepared on a hierarchical basis from top to bottom, for example, accounts with PD deterioration may also trigger backstop(s) but are only reported under PD deterioration.
(2) Includes cases where a PD assessment cannot be made and accounts where the PD has deteriorated beyond a prescribed backstop threshold aligned to risk management practices.

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

Capital, liquidity and funding risk

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

Definitions (audited)

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

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

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

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

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

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

Sources of risk (audited)

Capital

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

- **CET1 capital** - CET1 capital must be perpetual and capable of unrestricted and immediate use to cover risks or losses as soon as these occur. This includes ordinary shares issued and retained earnings.
- **Additional Tier 1 (AT1) capital** - This is the second type of loss absorbing capital and must be capable of absorbing losses on a going concern basis. These instruments are either written down or converted into CET1 capital when the CET1 ratio falls below a pre-specified level.
- **Tier 2 capital** - Tier 2 capital is the bank entities’ supplementary capital and provides loss absorption on a gone concern basis. Tier 2 capital absorbs losses after Tier 1 capital. It typically consists of subordinated debt securities which must have a minimum of five years to maturity at all times to be fully recognised for regulatory purposes.

Minimum requirement for own funds and eligible liabilities (MREL)

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

Liquidity

Liquidity risk within RBS plc is managed as part of the UK Domestic Liquidity Sub-Group (UK DoLSub), which is regulated by the PRA and comprises of NWH Group’s three licensed deposit taking UK banks: The Royal Bank of Scotland plc, National Westminster Bank Plc and Coutts & Company.

NWH 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 of the UK DoLSub is divided into primary and secondary liquidity as follows:

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

Funding

Funding risk within RBS plc is managed as part of the UK DoLSub allowing regulatory metrics and internally defined views to be met as a single consolidated group.

NWH Group maintains a diversified set of funding sources, including customer deposits, wholesale deposits and term debt issuance. RBS plc also retains access to central bank funding facilities.

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

Managing capital requirements: regulated entities

In line with paragraph 135 of IAS 1 ‘Presentation of Financial Statements’, RBS plc manages capital having regard to regulatory requirements. Regulatory capital is monitored and reported on an individual regulated bank legal entity basis (‘bank entities’), as relevant in the jurisdiction for large subsidiaries of NatWest Group. NatWest Group itself is monitored and reported on a consolidated basis.

Capital risk management

Capital management is the process by which the bank entities ensure that they have sufficient capital and other loss absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite, maintaining credit ratings and supporting strategic goals. Capital management is critical in supporting the bank entities’ businesses and is also considered at NatWest Group level. It is enacted through a NatWest Group-wide end to end framework.

Capital, liquidity and funding risk continued

Capital planning is integrated into RBS plc's wider annual budgeting process and is assessed and updated at least monthly. As a key operating entity, capital plans are produced and managed for RBS plc.

This is summarised below. Other elements of capital management, including risk appetite and stress testing, are set out on pages 10 to 14.

Produce capital plans	• Capital plans are produced for RBS plc, its key operating entities and its businesses over a five year planning horizon under expected and stress conditions. Stressed capital plans are produced to support internal stress testing in NWH Group's ICAAP for regulatory purposes. • Shorter term forecasts are developed frequently in response to actual performance, changes in internal and external business environment and to manage risks and opportunities.
Assess capital adequacy	• Capital plans are developed to maintain capital of sufficient quantity and quality to support RBS plc's business, its subsidiaries and strategic plans over the planning horizon within approved risk appetite, as determined via stress testing, and minimum regulatory requirements. • Capital resources and capital requirements are assessed across a defined planning horizon. • Impact assessment captures input from across RBS plc including from businesses.
Inform capital actions	• Capital planning informs potential capital actions including redemptions, dividends and new issuance. • Decisions on capital actions will be influenced by strategic and regulatory requirements, risk appetite, costs and prevailing market conditions. • As part of capital planning, RBS plc will monitor its portfolio of issued capital securities and assess the optimal blend and most cost effective means of financing.

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

Liquidity risk management

NWH Group manages its liquidity risk taking into account regulatory, legal and other constraints to ensure sufficient liquidity is available where required to cover liquidity stresses. Liquidity risk within RBS plc is managed as part of the UK DoLSub.

The size of the liquidity portfolio held in the UK DoLSub is determined by referencing NWH Group's liquidity risk appetite. The NWH Group retains a prudent approach to setting the composition of the liquidity portfolio, which is subject to internal policies and limits over quality of counterparty, maturity mix and currency mix.

NWB Plc manages the majority of the UK DoLSub portfolio, for which the NatWest Group Treasurer is responsible.

Funding risk management

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

The asset and liability types broadly match. Customer deposits provide more funding than customer loans utilise.

Capital, liquidity and funding risk continued

Key points

CET1 ratio

11.0%

(2024 – 11.1%)

The CET1 ratio decreased by 10 basis points to 11.0%. The decrease in the CET1 ratio was due a £0.1 billion decrease in CET1 capital partially offset by a £0.2 billion decrease in RWAs.

The CET1 capital decrease was mainly driven by a foreseeable ordinary dividend accrual of £0.7 billion partially offset by an attributable profit to ordinary shareholders of £0.6 billion (net of ordinary interim dividend paid).

RWAs

£17.4bn

(2024 - £17.6bn)

Total RWAs decreased by £0.2 billion to £17.4 billion mainly reflecting, a decrease in credit risk RWAs of £0.6 billion primarily driven by the benefits of RWA management actions partially offset by franchise lending growth and an increase in operational risk RWAs of £0.4 billion following the annual recalculation, including an acceleration of £0.2 billion from Q1 2026 to align with market practice.

UK leverage ratio

5.6%

(2024 – 5.8%)

The leverage ratio decreased by 20 basis points to 5.6% due to a £0.2 billion increase in leverage exposure and a £0.1 billion decrease in Tier 1 capital. The key drivers of the leverage exposure movement were an increase in other off balance sheet items and a reduction in the bounce back loans exclusion partially offset by a decrease in other assets and net central bank items.

Capital, liquidity and funding risk continued

Minimum requirements

Capital adequacy ratios

RBS 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 meet.

Type	CET1	Total Tier 1	Total capital
Minimum capital requirements	4.5%	6.0%	8.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Countercyclical capital buffer (1)	1.9%	1.9%	1.9%
Total	8.9%	10.4%	12.4%

(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.

Leverage ratio

RBS plc is not in scope of the minimum leverage ratio requirements. RBS plc manages its leverage ratio in line with the minimum requirements outlined in the UK leverage framework.

Liquidity and funding ratios

The table below summarises the minimum requirements for key liquidity and funding metrics under the PRA framework. Disclosures relating to these metrics, (including the liquidity portfolio composition), are completed at UK DoLSub level and published in the NatWest Holdings Group 2025 Annual Report and Accounts. Under the UK DoLSub waiver NWB Plc, RBS plc and Coutts & Co are permitted to manage liquidity on a consolidated sub-group basis rather than individually at the entity level.

Type	
Liquidity Coverage Ratio (LCR)	100%
Net Stable Funding Ratio (NSFR)	100%

Measurement

Capital, RWAs and leverage

Capital resources, RWAs and leverage for RBS plc are set out below and have been calculated in line with the PRA rulebook.

	2025	2024
Capital adequacy ratios (1)	%	%
CET1	11.0	11.1
Tier 1	13.8	14.0
Total	17.0	17.5
Capital	£m	£m
CET1	1,905	1,956
Tier 1	2,405	2,456
Total	2,955	3,080
RWAs		
Credit risk	13,326	13,952
Counterparty credit risk	-	-
Market risk	18	21
Operational risk	4,041	3,618
Total RWAs	17,385	17,591
Leverage		
Tier 1 capital (£m)	2,405	2,456
Leverage exposure (£m) (2)	42,877	42,687
Leverage ratio (%) (1)	5.6	5.8

(1) The IFRS 9 transitional capital rules in respect of ECL provisions ceased to apply on 1 January 2025. The impact of the IFRS 9 transitional adjustments at 31 December 2024 was £7 million. Excluding this adjustment at 31 December 2024, the CET1 ratio was 11.1% and the leverage ratio was 5.7%.
(2) Leverage exposure is broadly aligned to the accounting value of on and off-balance sheet exposures albeit subject to specific adjustments for derivatives, securities financing positions and off-balance sheet exposures.

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.

Leverage	2025 £m	2024 £m
Cash and balances at central banks	**25,590**	26,630
Derivatives	**535**	465
Financial assets	**68,292**	62,068
Other assets	**945**	1,313
Total assets	**95,362**	90,476
Derivatives		
- netting and variation margin	**207**	184
- potential future exposures	**664**	867
Other off balance sheet items	**7,266**	6,868
Regulatory deductions and other adjustments	**(617)**	(669)
Exclusion of core UK-group exposures	**(36,591)**	(30,590)
Claims on central banks	**(23,229)**	(24,052)
Exclusion of bounce back loans	**(185)**	(397)
Leverage exposure	**42,877**	42,687

Funding sources (audited)

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

	2025			2024		
	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m	Short-term less than 1 year £m	Long-term more than 1 year £m	Total £m
Bank deposits	**803**	**58**	**861**	854	67	921
Customer deposits						
Personal	**35,651**	**1,228**	**36,879**	35,868	451	36,319
Corporate	**30,537**	**-**	**30,537**	31,243	-	31,243
Non-bank financial institutions (NBFI)	**10,983**	**-**	**10,983**	10,507	-	10,507
	77,171	**1,228**	**78,399**	77,618	451	78,069
Amounts due to holding company and fellow subsidiaries (1)						
Bank and customer deposits	**6,941**	**90**	**7,031**	1,845	-	1,845
MREL	**17**	**1,048**	**1,065**	18	1,103	1,121
Subordinated liabilities	**3**	**525**	**528**	3	548	551
	6,961	**1,663**	**8,624**	1,866	1,651	3,517
Total funding	**84,935**	**2,949**	**87,884**	80,338	2,169	82,507
Of which: available in resolution (2)			***1,593***			*1,672*

(1) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of £136 million (2024 - £238 million) have been excluded from the table.
(2) 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

Contractual maturity (audited)

The table shows the residual maturity of third party financial instruments, based on contractual date of maturity of RBS plc's banking activities, including third party and intercompany hedging derivatives. Mandatory fair value through profit or loss (MFVTPL) assets and held-for-trading (HFT) liabilities have been excluded from the maturity analysis and are shown in total in the table below.

	Banking activities										
	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	Subtotal	1-3 years	3-5 years	More than 5 years	Total	MFVTPL and HFT	Total
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash and balances at central banks	25,590	-	-	-	25,590	-	-	-	25,590	-	25,590
Derivatives	3	34	41	26	104	188	45	88	425	110	535
Loans to banks - amortised cost	420	-	-	-	420	-	-	-	420	-	420
Loans to customers - amortised cost (1)	5,600	2,052	1,022	2,235	10,909	6,334	4,821	11,979	34,043	-	34,043
Personal	591	274	388	721	1,974	2,408	1,734	5,577	11,693	-	11,693
Corporate	4,537	1,775	632	1,509	8,453	3,855	2,975	6,388	21,671	-	21,671
Non-bank financial institutions	472	3	2	5	482	71	112	14	679	-	679
Other assets (2)	-	-	-	-	-	-	-	1	1	45	46
Total financial assets	31,613	2,086	1,063	2,261	37,023	6,522	4,866	12,068	60,479	155	60,634
2024											
Total financial assets	32,263	2,538	1,144	2,097	38,042	6,190	4,771	12,614	61,617	214	61,831
2025											
Bank deposits	803	-	-	-	803	-	-	58	861	-	861
Customer deposits	69,907	2,976	2,218	2,070	77,171	1,228	-	-	78,399	-	78,399
Personal	32,254	385	1,184	1,828	35,651	1,228	-	-	36,879	-	36,879
Corporate	26,889	2,434	981	233	30,537	-	-	-	30,537	-	30,537
Non-bank financial institutions	10,764	157	53	9	10,983	-	-	-	10,983	-	10,983
Derivatives	43	69	102	108	322	157	60	14	553	46	599
Notes in circulation	2,115	-	-	-	2,115	-	-	-	2,115	-	2,115
Lease liabilities	-	1	1	3	5	13	8	26	52	-	52
Total financial liabilities	72,868	3,046	2,321	2,181	80,416	1,398	68	98	81,980	46	82,026
2024											
Total financial liabilities	73,842	2,898	2,074	2,682	81,496	953	103	144	82,696	142	82,838

(1) Loans to customers is gross and excludes £512 million (2024 - £548 million) of ECL provisions.
(2) Other assets relating to non-financial instruments of £900 million (2024 - £1,133 million) have been excluded from the table.

Climate and nature risk

Definition

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

Sources of risk

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

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

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

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

As climate and nature risk is both a principal risk within NatWest Group's EWRMF, and a cross-cutting risk, which impacts other principal risks, NatWest Group periodically refreshes its assessment of the relative impact of climate-related risk factors to other principal risks, where NatWest Group's exposure to a principal risk could be taken outside of appetite due to climate-related risk factors. In identifying climate-related risks and opportunities to NatWest Group, the period in which each is likely to occur, was assessed. Risks and opportunities deemed material to the five-year financial planning cycle were viewed as short-term. Long-term was defined as beyond 15 years, while medium-term was defined as within the next five to 15 years[1].

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

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

(1) NatWest Group's climate transition planning uses different time frames than those used in financial reporting. Accordingly, the references to 'short', 'medium' and 'long-term' in climate reporting are not indicative of the meaning of similar terms used in NatWest Group's other disclosures.
(2) Acute – event-driven such as increased severity of extreme weather events (for example, storms, droughts, floods, and fires) or water, land or air pollution. Chronic – longer- term shifts in precipitation and temperature and increased variability in weather patterns (for example, sea level rise) or biodiversity loss.
(3) From 1 January 2026, the name of the ESE Risk Framework was updated to the Environmental & Social Risk Framework. This change better reflects the framework's underlying methodology which focuses on a risk-based approach aligned to organisational risk appetite, rather than values-based judgements.

Climate and nature risk continued

Key developments in 2025

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

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

Governance

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

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

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

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

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

Risk appetite

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

Identification, assessment and measurement

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

Strategic analysis

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

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

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

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

Specific internal-run exercises in 2025 included:

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

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

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

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

Portfolio level assessment

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

Transaction level assessment

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

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

Within the Non-Personal credit portfolio, NatWest Group continues to use its CDF tools to engage with its customers to understand their climate transition journeys and how they are managing the climate-related risk for their business.

In 2025, NatWest Group continued to roll-out CDF on a test-and-learn basis, adding coverage of insurance and other financial institutions' customers to the existing customer segments (large corporates, mid-corporates, commercial real estate, housing associations, banks, funds, and asset managers).

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

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

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

Mitigation

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

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

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

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

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

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

Industry engagement

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

Non-traded market risk

Definition (audited)

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

Sources of risk (audited)

Non-traded market risk in this entity is very low.

RBS plc's non-traded market risk exposure largely comprises structural interest rate risk arising from asset and liability hedging.

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.

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

Measurement

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

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

VaR is a statistical estimate of the potential change in the market value of a portfolio (and, thus, the impact on the income statement) over a specified time horizon at a given confidence level. For further information on non-traded market risk VaR metrics, refer to the non-traded market risk section of the NatWest Group 2025 Annual Report and Accounts.

	2025				2024			
	Average	**Maximum**	**Minimum**	**Period-end**	Average	Maximum	Minimum	Period-end
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Interest rate	**2.5**	**2.8**	**2.1**	**2.7**	3.4	3.8	2.7	3.4
Structural foreign exchange rate	**1.3**	**1.5**	**1.1**	**1.4**	1.7	2.1	1.1	1.1
Equity	**-**	**0.1**	**-**	**-**	0.1	0.1	-	-
Pipeline risk (1)	**1.3**	**1.7**	**0.3**	**0.3**	1.3	2.3	0.1	1.6
Diversification (2)	**(3.2)**			**(1.7)**	(3.8)			(3.7)
Total	**1.9**	**2.7**	**1.5**	**2.7**	2.7	3.9	1.9	2.4

(1) Pipeline risk is the risk of loss arising from personal customers owning an option to draw down a loan – typically a mortgage – at a committed rate, where interest rate changes may result in greater or fewer customers than anticipated taking up the committed offer.
(2) RBS 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.

- There were no material movements in non-traded market risk VaR year-on-year.

Non-traded market risk continued

Interest rate risk

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

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

Structural hedging aims to reduce gap risk and the sensitivity of earnings to interest rate shocks. It also provides some protection against prolonged periods of falling rates.

For further information on the types and sources of non-traded interest rate risk as well as on the purpose and methodology of the structural hedging carried out, refer to the non-traded market risk section of the NatWest Group 2025 Annual Report and Accounts.

Non-traded interest rate risk can be measured from either an economic value-based or earnings-based perspective, or a combination of the two. RBS plc uses VaR as its value-based approach and sensitivity of net interest earnings as its earnings-based approach. For further detail on these measurement approaches, refer to the non-traded market risk section of the NatWest Group 2025 Annual Report and Accounts.

Structural hedging

RBS plc has a significant pool of stable, non and low interest-bearing liabilities, principally comprising current accounts and savings, in addition to its equity and reserves.

A proportion of these balances are hedged, either by offsetting the positions against fixed-rate assets (such as fixed-rate mortgages) or by hedging positions externally using interest rate swaps, which are generally booked as cash-flow hedges of floating-rate assets, in order to reduce income volatility and provide a revenue stream in net interest income. Hence, the structural hedge is one component of a larger interest rate risk management programme.

At 31 December 2025, RBS plc's structural hedge had a notional of £36 billion (2024 – £36 billion) with an average life of 2.5 to 3 years.

Sensitivity of net interest earnings

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

Earnings sensitivity is derived from a market-implied forward rate curve, which will incorporate expected changes in central bank policy rates such as the Bank of England base rate. A simple scenario is shown that projects forward earnings over a 12-month period based on the 31 December 2025 balance sheet. An earnings projection is derived from the market-implied rate, which is then subjected to interest rate shocks. The difference between the market-implied projection and the shock gives an indication of underlying sensitivity to interest rate movements.

The sensitivity of net interest earnings table below shows the expected impact of immediate upward or downward changes of 25 basis points and 100 basis points to all interest rates.

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

	Shifts in yield curve			
2025	+25 basis points £m	-25 basis points £m	+100 basis points £m	-100 basis points £m
12-month interest earnings sensitivity	**24**	**(28)**	**81**	**(111)**
2024				
12-month interest earnings sensitivity	17	(22)	62	(89)

(1) Earnings sensitivity considers only the main drivers, namely structural hedging and margin management.

Sensitivity of cash flow hedging reserves to interest rate movements

Interest rate swaps are used to implement the structural hedging programme. Generally, these swaps are booked in hedge accounting relationships. Changes in the valuation of swaps that are in effective cash flow hedge accounting relationships are recognised in cash flow hedge reserves. The main driver of RBS plc's cash flow hedge reserve sensitivity is the interest rate swaps that form part of the structural hedge.

The table below shows an estimate of the sensitivity of cash flow hedge reserves to a parallel shift in all rates. For the purpose of this analysis, cash flow hedges are assumed to be fully effective. For further information on the assumptions and methodology relating to this table, refer to the corresponding table in the NatWest Group 2025 Annual Report and Accounts.

2025	+25 basis points £m	-25 basis points £m	+100 basis points £m	-100 basis points £m
Cash flow hedge reserves	**(87)**	**88**	**(343)**	**356**
2024				
Cash flow hedge reserves	(132)	133	(520)	542

Accounting volatility risk

Accounting volatility risk arises when an exposure is accounted for at amortised cost but economically hedged by a derivative that is accounted for at fair value. Although this is not an economic risk, the difference in accounting between the exposure and the hedge creates volatility in the income statement. For information on how this risk is managed, refer to the non-traded market risk section of the NatWest Group 2025 Annual Report and Accounts.

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 RBS plc property, information loss, the impact of natural or man-made disasters and the threat of cyberattacks. Operational risk can also arise from a failure to account for changes in law or regulations or to take appropriate measures to protect assets.

Key developments in 2025

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

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

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

Risk appetite

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

Measurement and monitoring

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

Mitigation

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

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

Operational resilience and cybersecurity

RBS plc 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 our 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 RBS plc's operational resilience strategies and plans, including third party and supplier arrangements in the event of severe but plausible disruptions.

This rigorous approach was underpinned with the enhancement, ongoing monitoring, and transparent reporting of key risk indicators and performance metrics for Important Business Services.

In early Q1 2025, RBS plc, through the NatWest Group operational resilience self-assessment, confirmed full compliance with the operational resilience requirements set by the Financial Conduct Authority and the Prudential Regulation Authority.

By meeting the 2025 compliance deadlines for these critical regulatory frameworks, RBS plc 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 RBS plc's commitment to building trust and stability within financial services.

Operational resilience remains a key priority, achieved through the effective management of a broad spectrum of interconnected operational risks. RBS plc consistently meets regulatory expectations and actively participates in multiple industry-wide operational resilience forums.

This engagement provides a valuable cross-sector perspective on the evolving operational resilience risk landscape and supports RBS plc's ability to adapt to ongoing innovation and change, both internally and across the financial services sector. NatWest Group operates layered security controls and its architecture is designed to provide inherent protection against threats. This approach avoids reliance on any one type or method of security control. Minimum security control requirements are set out in key risk policies, standards, processes and procedures.

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

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

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

Operational risk continued

Event and loss data management

The operational risk event and loss data management process ensures RBS plc 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. RBS plc 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 RBS plc 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 RBS plc 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 RBS plc'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 20 to the financial statements, members of NatWest Group are party to legal proceedings and are subject to investigation and other regulatory action in the UK, the US and other jurisdictions.

Key developments in 2025

- As part of the Non-Financial Risk Enhancement Programme, NatWest Group reviewed its compliance and conduct framework against the Operational Riskdata eXchange Association (ORX) regulatory compliance and conduct risk taxonomy. ORX is the largest operational risk management association in the financial services sector and this industry-standard taxonomy informed proposals for the annual risk directory refresh, including new level 2 risks and a consolidation of conduct and regulatory compliance risks into a single 'compliance and conduct level 1 risk" from 2026. These changes will enhance risk coverage, strengthen integration with the EWRMF, and align more closely with industry practice.
- NatWest Group 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 our framework remains resilient and future-ready.
- The Judicial Review challenging the Financial Ombudsman Service's (FOS) interpretation of 'unfair relationships' under Section 140 of the Consumer Credit Act (CCA) remains ongoing. NatWest Group and peer banks have raised concerns over the reopening of closed complaints, with the FCA intervening in support of our position. Separately, proposed CCA reforms aim to modernise regulation via a flexible, outcome-based regime.
- Following the Supreme Court's August 2025 ruling regarding 'unfair relationships' when arranging motor finance, the FCA's October consultation outlined a redress scheme expected to launch in 2026.
- A review of mortgage rules was launched by the FCA to simplify regulatory requirements and improve consumer flexibility. The proposals seek to simplify rules, enhance access to advice and execution-only options, and streamline affordability assessments under Consumer Duty. NatWest Group continues to monitor developments to ensure our proposition remains compliant and responsive.
- The FCA's March review of the treatment of vulnerable customers recognised progress but highlighted areas for improvement. NatWest Group remains committed to delivering fair outcomes and maintaining regulatory compliance.
- The PRA and FCA are consulting across the financial services industry on the Senior Managers and Certification Regime that could reduce the number of roles within scope by up to 40%, with His Majesty's Treasury supporting swift implementation.
- HMT has launched a consultation to review the FOS's remit and propose to modernise the framework. The FCA and FOS have published next steps, signalling coordinated reform of consumer compensation mechanisms.

Governance

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

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

Risk appetite

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

Measurement and monitoring

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

Mitigation

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

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

Financial crime risk

Definition
Financial crime risk is the risk that RBS plc'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 RBS plc’s customers, employees or third parties undertake or facilitate financial crime, or if RBS plc’s products or services are used intentionally or unintentionally to facilitate such crime. Financial crime risk is an inherent risk across all lines of business.

Key developments in 2025
- Significant investment continued to be made to support the delivery of a multi-year transformation plan across financial crime risk management.
- Enhancements were made to technology, data quality, and data analytics to improve the effectiveness of systems used to monitor customers and transactions.
- Financial crime events were held throughout the year to further embed financial crime risk management culture and behaviours.
- There was active participation in public/private partnerships including the Joint Money Laundering Intelligence Taskforce and Data Fusion. Following the success of the pilot, Data Fusion has become a permanent operational capability, able to deliver benefits across the public-private economic crime system. This includes the implementation of a permanent public-private Joint Analytical Team, housed within the National Crime Agency.

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

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

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

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

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

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

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

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

Through the financial crime framework, relevant policies, systems, processes and controls are used to mitigate and manage financial crime risk. This includes the use of dedicated screening and monitoring systems and controls to identify people, organisations, transactions and behaviours that may require further investigation or other actions. Centralised expertise is available to detect and disrupt threats to RBS plc 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
RBS plc uses a variety of models in the course of its business activities. Examples include the use of model outputs to support customer decisioning, measuring and assessing risk exposures (including credit, market, and climate risk), calculating regulatory capital and liquidity requirements and automation of operational processes.

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

Model risk continued

Business and function model management committees are 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 RBS plc'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 RBS plc.

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; RBS plc's actions materially conflicting with stakeholder expectations; and contagion (when RBS plc's reputation is damaged by failures in key sectors including RBS plc'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) [(1)] 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 RBS plc. Reputational risk registers are used to manage reputational risks identified within relevant business areas. These are reported to the relevant business risk committee.

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

Risk appetite

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

Reputational risk appetite is approved by the Board. RBS plc 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.

RBS plc seeks to identify, measure and manage risk aligned to stakeholder trust. However, reputational risk is inherent in RBS plc 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 business or legal entity level. They are escalated, where appropriate, to the relevant business risk committee and where material, to the Group Reputational Risk Committee.

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

Mitigation

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

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

(1) From 1 January 2026, the name of the ESE Risk Framework was updated to the Environmental & 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.

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

	Page/Note
Stakeholder engagement and s.172(1) statement	2
Board of directors and secretary	3
Financial review	4
Segmental analysis	Note 4
Share capital and reserves	Note 17
Post balance sheet events	Note 28

RBS plc structure

The Royal Bank of Scotland plc (RBS plc or 'we') is a wholly owned subsidiary of NatWest Holdings Limited (NWH Ltd or the intermediate holding company). The term 'NWH Group' refers to NWH Ltd and its subsidiary and associated undertakings. NatWest Group plc is 'the ultimate holding company'. The term NatWest Group refers to NatWest Group plc and its subsidiary and associated undertakings. NatWest Group plc is incorporated in Great Britain and has its registered office at 36 St Andrew Square, Edinburgh, EH2 2YB. Details of the principal subsidiary undertaking of RBS plc is shown in Note 29 to the accounts.

The financial statements of NatWest Group plc can be obtained from Corporate Governance, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or at natwestgroup.com.

Activities

RBS plc is engaged principally in providing a wide range of banking and other financial services in the UK.

Results and dividends

The profit attributable to the ordinary shareholders of RBS plc for the year ended 31 December 2025 amounted to £1,221 million compared with a profit of £1,146 million for the year ended 31 December 2024, as set out in the income statement on page 83.

No ordinary shares were issued in 2025 or 2024.

In 2025 RBS plc paid an ordinary dividend of £1.3 billion to NWH Ltd (2024 - £1.2 billion).

Employees

At 31 December 2025, 1,000 people (excluding temporary staff) were contractually employed by NWB Plc with all related staff costs paid by RBS plc. National Westminster Bank Plc (NWB Plc) provides the majority of shared services (including technology) and operational processes under intra-group agreements. Details of related costs are included in Note 3 to the financial statements.

References to 'colleagues' in this report mean all permanent employees and, in some instances, members of the wider workforce e.g. temporary employees and agency workers.

Corporate governance statement

For the financial year ended 31 December 2025 RBS plc has again chosen to report against the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles), published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website. The disclosures below explain how RBS plc has applied the Wates Principles in the context of its corporate governance arrangements.

1. Purpose and leadership

Purpose

In conjunction with the NatWest Group plc Board, the RBS plc Board approved NatWest Group's purpose statement – 'The bank that turns possibilities into progress' in September 2024.

Strategy

The Board reviews and sets the strategic direction of the NWH Sub Group and, as appropriate, the strategies for each of its businesses, within the parameters set by the NatWest Group plc Board. The Board also oversees the execution of NWH Group strategy and holds executive management to account for its delivery.

Following a series of dedicated strategy sessions in 2024 the NatWest Group plc Board formally approved the strategy in February 2025, including three strategic priorities of disciplined growth, bank-wide simplification and active balance sheet and risk management.

In March 2025 the Board confirmed its support for a bank-wide performance management framework to underpin delivery of the purpose and strategy, including the adoption of Key Performance Indicators (KPIs) and Key Results (KRs) to help measure strategic progress. Changes made to re-balance Board and Board committee agendas helped to ensure sufficient time on the Board agenda for broader considerations, with dedicated sessions on the Private Banking & Wealth Management segment and NatWest India strategy.

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

Culture

The board assesses and monitors culture and measures how culture is being embedded in several ways, as described below.

- New core behavioural framework: In February the Board approved the new core behavioural framework. The new framework consolidated previous colleague frameworks into a single set of action-oriented behaviours under the "Winning Together" banner. Directors welcomed that the new simplified approach 'started with customers' and was relatable to all colleagues across the bank.
- "Tone from the top": At the March Board dinner, as part of a broader conversation on strategic priorities, the directors discussed the "tone from the top" culture and behaviours they wished to demonstrate as a Board and in their interactions with executive management.
- Colleague Advisory Panel reports: Feedback on discussions from Colleague Advisory Panel (CAP) meetings held in March and September were provided to the Board by the CAP Chair. Topics included executive remuneration and the wider workforce, the new core behavioural framework, financial crime strategy and the launch of NatWest Group's new global recognition platform "Recognise".
- Performance management framework: In March, the Board reviewed how the performance management framework supports the delivery of NatWest Group's purpose, strategy, and financial plan. This included the introduction of Key Results for segments and functions to align with agreed KRs, enabling the tracking of strategic implementation and fostering the desired cultural change.
- Performance culture and operating systems: In June directors received an update on initial work underway to explore how the bank's customer-focused performance culture could be enhanced by being more customer focused, empowering those closest to the customer, speeding up decision making and putting decisions closer to those serving customers; alongside accelerating the journey to have a simpler operating system, powered by technology, AI and data; all in service of customers.

- Consumer Duty assessment: In July the Board approved the Consumer Duty assessment, noting the role culture played in further embedding. Offering products such as a family-backed mortgage proposition and focus on the bereavement journey demonstrated the bank's dedication to prioritising good customer outcomes.
- Colleague survey results: In June and December, the Board received reports on the results of our 2025 colleague survey, Our View (which had been conducted in April and September). Colleagues had responded to questions across the whole colleague experience including purposeful leadership, performance culture, building a simpler bank, wellbeing and ways of working, and risk, conduct and ethics.
- Culture assessment report: In July 2025, the Board received a Culture assessment report on progress across metrics linked to performance culture, ethics, conduct, and compliance. In December, it noted that from 2026, an enterprise-wide culture plan focused on customer performance would be reflected in the future approach for assessing culture.

2. Board composition

As at the date of publication of this report, the Board has 14 directors comprising the Chair, two executive directors and 11 independent non-executive directors, one of whom is the Senior Independent Director.

The names of the current directors and secretary are shown on page 3. Their biographies are available at natwestgroup.com (NatWest Holdings Limited section).

Chair, CEO and Senior Independent Director

The role of the Chair is to lead the Board and ensure its overall effectiveness. This is distinct and separate from that of the CEO who manages the business day-to-day. The Senior Independent Director acts as a sounding board for the Chair and as an intermediary for other directors when necessary.

Balance and diversity

The Board is structured to ensure that the directors provide RBS plc with the appropriate balance of skills, experience, knowledge and diversity, as well as independence. Board committees also comprise directors with a variety of skills and experience so that no undue reliance is placed on any one individual.

The Nominations Committee is responsible for considering and making recommendations to the Board in respect of Board appointments and membership and chairing of Board committees.

The Nominations Committee reviews the structure, size and composition of the Board, and makes recommendations to the Board in relation to any necessary changes, having regard to the overall balance of skills, knowledge, experience and diversity on the Board, the length of service of the Board as a whole; and the requirement to keep membership regularly refreshed. The Nominations Committee considers Board composition and succession planning periodically. The NatWest Group plc Group Nominations and Governance Committee (Group N&G) also approves all appointments to the Board, reflecting RBS plc's position as a subsidiary within NatWest Group.

Board recruitment continued to be a principal area of focus in 2025. During 2025 the Nominations Committee's membership supported comprehensive candidate searches with diversity and inclusion considerations factored into all search criteria. During the search processes, the Nominations Committee held several discussions on potential candidates, assessing the credentials of each candidate against the qualities and capabilities set out in the role specifications agreed by the Nominations Committee.

Following rigorous processes, the Nominations Committee, in conjunction with Group N&G, recommended and the Board approved the appointments of Karin Cook and Josh Critchley as non-executive directors of RBS plc. Gill Whitehead also joined as a non-executive director in January and Mark Seligman and Ian Cormack stepped down from the Board of RBS plc in March and May, respectively. In addition, Francesca Barnes replaced Ian Cormack as Senior Independent Director in March.

The Nominations Committee, in conjunction with Group N&G, continues to oversee further recruitment activity in respect of the Board of RBS plc.

The Board recognises the value and importance of a comprehensive Board skills matrix to support effective governance and strategic oversight. In December 2025, the Board skills assessment was refreshed following a review of six critical skills and ten general skills identified in 2024 as priorities for the Board over a 3 to 5 year period. Using the BoardOutlook technology platform, all directors participated in an online process which involved both self-assessment and peer calibration elements. The 2025 Board skills assessment outputs confirmed the Board's view of the collective expertise and capabilities of the Board against the organisation's strategic priorities and governance needs, as reflected in the Board skills matrix. The detailed data and analysis offered through the Board skills assessment has underpinned Board composition and succession planning, as well as supporting NED induction and professional development.

The Board operates a boardroom inclusion policy which reflects NatWest Group's inclusion guidelines and is aligned to NatWest Group's behaviours and relevant legal or voluntary code requirements.

The boardroom inclusion policy ensures that the Board, and any committee to which it delegates nomination responsibilities, follows an inclusive process when making nomination decisions. That includes ensuring that the nomination process is based on the principles of fairness, respect and inclusion; that all nominations and appointments are based on individual competence, skills and expertise measured against identified objective criteria without bias, prejudice or discrimination; and that searches for Board candidates are conducted with due regard to the benefits of diversity and inclusion.

The policy includes targets which aspire to meet those set out in the UK Listing Rules along with the recommendations of the FTSE Women Leaders Review and the Parker Review.

Diversity and inclusion have been considered in all of the recruitment overseen by the NWH Nominations Committee and in its review of executive succession planning in 2025, and accordingly, as of 31 December 2025:

- RBS plc met the FTSE Women Leaders Review voluntary target of 40% women's representation on boards by the end of 2025, with 57% of the Board being women;
- with the positions of CFO and Senior Independent Directors held by women, RBS plc met the FTSE Women Leaders Review recommendation that companies should have at least one woman in the Chair or Senior Independent Director roles on the board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025; and
- the company met the recommendation of the Parker Review to have at least one member of the Board being from an ethnic minority background with two such directors meeting this criterion.

Size and structure

NWH Ltd is the holding company for NatWest Group's ring-fenced operations, which include the Retail Banking and Private Banking & Wealth Management segments and certain aspects of the Commercial & Institutional segment. A common board structure is operated such that directors of NWH Ltd are also directors of RBS plc and NWB Plc. Known collectively as the NWH Sub Group, the boards of these three entities meet concurrently.

An integral part of NatWest Group's governance arrangements is the appointment of three double independent non-executive directors (DINEDs) to the Boards and Board committees, of the NWH Sub Group. They are Francesca Barnes, Karin Cook and Mark Rennison.

The DINEDs are independent in two respects: (i) independent of management as non-executives; and (ii) independent of the rest of NatWest Group by virtue of their NWH Sub Group only directorships. They attend NatWest Group plc Board and relevant Board committee meetings as observers. DINEDs play a critical role in NatWest Group's ring-fencing governance structure and are responsible for exercising appropriate oversight of the independence and effectiveness of the NWH Sub Group's governance arrangements, including the ability of each board to take decisions independently.

The DINEDs also have an enhanced role in managing any material conflicts which may arise between the interests of the NWH Sub Group and other members of NatWest Group.

Independence

The independent non-executive directors combine broad business and commercial experience with independent and objective judgement. They provide constructive challenge, strategic guidance, and specialist advice to the executive directors and the executive management team and hold management to account.

The balance between non-executive and executive directors enables the Board to provide clear and effective leadership across NWH Group's business activities and ensures no one individual or small group of individuals dominates the Board's decision-making.

The Chair and non-executive directors meet without the executive directors present at the end of each Board meeting. The performance of the non-executive directors is evaluated annually as part of the Board effectiveness review and further details of the process undertaken can be found on page 67.

Non-executive director independence and individual directors' continuing contribution to the company are considered by the Board, with support from the Nominations Committee, at least annually and when new non-executive directors are appointed. The Board considers that the Chair, Rick Haythornthwaite, was independent on appointment and that all current non-executive directors are independent.

Enhancing directors' skills and knowledge

The Chief Governance Officer and Company Secretary supports directors in their training and development by curating an annual schedule of training sessions and deep dives into areas of interest and relevance. In 2025, this annual schedule was supplemented by a suite of online learning resources and optional reading materials made available through a dedicated Teams channel for directors, which was refreshed periodically throughout the year.

These are designed to support directors' professional development, deepen their knowledge of the business or specific areas of interest or offer specialised training on relevant matters.

During 2025 directors had the opportunity to enhance their skills and knowledge on a range of relevant topics, including operational resilience, recovery and resolution; digital assets; climate; financial crime; client assets (CASS) and model risk management.

Each new non-executive director receives a formal induction programme on joining the Board, which is co-ordinated by the Chief Governance Officer and Company Secretary and tailored to suit the requirements of the individual concerned. This includes visits to NWH Group's major businesses and functions and meetings with directors and senior management. Meetings with external auditors, counsel and stakeholders are also arranged as appropriate. New NEDs also receive a copy of our non-executive director handbook which contains information on our corporate structure, governance framework and Board policies and processes.

An important element of the Board's ongoing development is the regional visits undertaken each year. In 2025, directors visited Birmingham and the West Midlands where they met clients, colleagues and local stakeholders.

Through direct conversations with commercial customers, the Board gained valuable insights into banking relationships, the challenges and opportunities presented by the macro-environment, and how the bank can best support customers in the future. These perspectives inform broader strategic discussions and help ensure the Board maintains a strong customer focus.

The visit included a tour of a local branch to observe how retail customers are served and to hear from colleagues about their experiences.

The Board also met a diverse group of colleagues during the visit, including graduates, apprentices, and teams from Retail Banking, Commercial & Institutional, and Digital X. These conversations provided valuable two-way dialogue, enabling the Board to deepen its understanding of the issues that matter most to colleagues, and also provided a valuable opportunity for two-way dialogue.

The Board also explored digital innovations across the business, recognising the importance of leveraging new technologies, including AI, to enhance services for both colleagues and customers.

External appointments and time commitment

The Board monitors the commitments of the Chair and directors and is satisfied that they are able to allocate sufficient time to discharge their duties and responsibilities effectively. Any additional external appointments require prior Board approval.

The Wates Principles emphasise the importance of ensuring directors have sufficient time to meet their board responsibilities. Before any appointment, significant commitments are disclosed with an indication of the time involved. After appointment to the Board, any new external appointments require prior Board approval. Time commitment is also considered during non-executive directors' year-end review meetings with the Chair, in the context of directors' performance and contribution to the Board.

Board papers relating to new director appointments or proposed additional external appointments for existing directors include details of the individual's full portfolio and anticipated time commitment for the external role(s) under consideration. They also include a reminder of applicable limits on the number of directorships which may be held, and relevant proxy adviser and investor guidance.

During 2025 the Board approved the appointments of Karin Cook and Josh Critchley to the Board and additional external appointments taken on by Geeta Gopalan, Rick Haythornthwaite and Gill Whitehead were also approved. In each case, the Board noted there would be no material impact on the time commitment required for their respective NWH Group roles and authorised any situational conflicts of interest which had been notified, under the process described below.

Board effectiveness review

In 2025, the Board and committee effectiveness review was conducted internally using the BoardOutlook technology platform. Key findings, recommendations and actions were aligned across NatWest Group plc and the NWH Sub Group and a summary of the outcomes and actions arising from the 2025 effectiveness review can be found on pages 119 to 121 of the NatWest Group plc 2025 Annual Report and Accounts.

In December 2025, the Board agreed an action plan in response to the review recommendations and implementation of the actions will be overseen by the Nominations Committee during 2026.

The Chair met each non-executive director individually to discuss their own performance and continuing professional development and contribution to the company's long term sustainable success.

Separately, the Senior Independent Director, together with the NatWest Group plc Senior Independent Director, sought feedback on the Chair's performance from the non-executive directors, executive directors and other key internal and external stakeholders and discussed it with the Chair.

3. Director responsibilities

Board policies and processes are set out in the non-executive director handbook, which operates as a consolidated governance support manual for non-executive directors of NatWest Group plc and the NWH Sub Group.

Accountability

All directors receive guidance on their statutory duties under the Companies Act 2006 and are supported in the discharge of their duties by the Chief Governance Officer and Company Secretary.

Each director has a role profile which clearly articulates their responsibilities and accountabilities, and any additional regulatory responsibilities and accountabilities are set out in their statement of responsibilities.

Conflicts of interest

The directors' conflicts of interest policy ensures that directors understand their fiduciary duties in respect of conflicts of interest and sets out the procedures for the effective identification, management and disclosure of actual or potential conflicts of interest. It also sets out the process for authorising certain conflicts.

Directors are required to notify the Board of any situational or transactional conflict of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts.

Situational conflicts can be authorised by the Board in accordance with the Companies Act 2006 and the company's Articles of Association. The Board considers each request for authorisation on a case-by-case basis and has the power to impose conditions or limitations on any authorisation granted as part of the process.

Details of all directors' conflicts of interest are recorded in a register which is maintained by the Chief Governance Officer and Company Secretary and reviewed annually by the Board.

The Board

The Board is the main decision-making forum for RBS plc. The Board is collectively responsible for the long-term success of RBS plc and the delivery of sustainable value to its shareholders. The Board's role is to provide leadership of RBS plc and NWH Group, with particular focus on customers and employees. It sets and oversees the strategic direction of the NWH Group. It reviews and approves the RBS plc risk management framework (including the risk appetite framework as a component thereof ('Risk Appetite Framework')) and risk appetite for principal risks in accordance with the Risk Appetite Framework; and it monitors performance against risk appetite for RBS plc. It considers any material risks and approves, as appropriate, recommended actions escalated by the NatWest Holdings Board Risk Committee. It approves RBS plc's key financial objectives and keeps the capital and liquidity positions of RBS plc under review.

The Board's terms of reference include a formal schedule of matters specifically reserved for the Board's decision and are reviewed at least annually. An internal review confirmed the Board had fulfilled its remit as set out in its terms of reference during 2025.

There were eight scheduled Board meetings during 2025. Additional ad hoc meetings of the Board and some of its committees were held throughout the year to receive updates and deal with time-critical matters. There was one additional Board meeting held in 2025. There were also two strategy sessions with executive management in 2025.

When directors are unable to attend meetings convened at short notice, they receive the papers and have the opportunity to provide their feedback in advance.

At each scheduled Board meeting the directors received reports from the Chair, Board committee Chairs, CEO, CFO, Chief Risk Officer and other members of the executive management team, as appropriate. Business reviews from the CEOs of the Retail Banking, Private Banking & Wealth Management and Commercial & Institutional businesses included updates on progress against strategy and spotlights on current topics such as customer trends and trading outlook. In addition to business CEOs, a number of other senior executives attended Board meetings throughout the year to present reports to the Board. This provided the Board with an opportunity to engage directly with management on key issues and supported succession planning. The Board also welcomed external presenters and advisers to Board meetings, providing useful insights and perspectives.

Having non-executive directors on multiple Board committees supports effective governance by strengthening co-ordination and alignment on shared areas of focus, particularly in relation to audit, risk and remuneration matters.

Board committee members also work together to enhance their knowledge and understanding of the business through business visits and teach-ins. In 2025 these included joint Audit and Risk Committee visits to the Risk, Internal Audit and Finance functions.

In 2025 a board evolution action plan led to a range of enhancements to the way the Board and Board committees operated, including a rebalance of Board and committee responsibilities. Further details are set out in the NatWest Group plc 2025 Annual Report and Accounts.

Board committees

The Board has established a number of Board committees with particular responsibilities. The Audit, Risk, Performance & Remuneration, and Nominations Committees of NWH Ltd operate as committees of each of NWH Ltd, NWB Plc and RBS plc, with meetings running concurrently.

As at the date of this report:

The Audit Committee comprises five independent non-executive director members, one of whom is the Board Risk Committee Chair and two of whom are DINEDs. The committee assists the Board in discharging its responsibilities in relation to accounting policies, internal control, and financial reporting functions, including consideration of any relevant non-financial disclosures or related controls which may impact the financial statements It also reviews accounting reporting and regulatory standards of internal controls, and monitors processes for internal audit and external audit.

The Board Risk Committee comprises seven independent non-executive director members, one of whom is the Chair of the Audit Committee and two of whom are DINEDs. It provides oversight and advice to the Board in relation to current and potential future risk exposures, future risk profile, and the approval and effectiveness of RBS plc's Risk Management Framework and (in conjunction with the Audit Committee) internal controls required to manage risk.

The Performance and Remuneration Committee (RemCo) comprises six independent non-executive directors, two of whom are DINEDs. It assists the NatWest Group plc Performance and Remuneration Committee with the oversight and implementation of NatWest Group's remuneration policy and also considers and makes recommendations on remuneration arrangements for senior executives of RBS plc.

The Nominations Committee comprises the Chair, Senior Independent Director and three further independent non-executive director members. 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 chairing of Board Committees.

The Sustainable Banking Committee transitioned to become the Group Technology, Innovation and Simplification Committee, a new NatWest Group plc Board level committee on 1 June 2025. As a result of this new Committee providing strategic oversight and advice on NatWest Group's use of technology, data, and innovation to support delivery of its strategic ambitions it was agreed to establish this at NatWest Group plc Board level only.

Executive Committee

The Executive Committee (ExCo) comprises RBS plc's most senior executives and supports the CEO in managing NWH Group's business.

Decisions at all executive level committees, including the Executive Committee, are made under individual accountability where decision making authority lies with an individual (who usually chairs committee meetings) and committee members support the relevant individual in discharging their accountabilities. These committees provide a forum for debate and challenge of the key issues set out in their terms of reference with the role of members being to provide input, support and challenge the decision maker including whether to recommend matters to Board committees and the Board.

ExCo considers the delivery of strategy, financials, risk and customer, colleague and operational issues affecting NWH Group. Members of the executive management team also have individual accountabilities for their respective areas of responsibility and have committees to support them in discharging these accountabilities.

Integrity of information

All directors receive accurate, timely and clear information on all relevant matters and have access to the advice and services of the Chief Governance Officer and Company Secretary. External advice is provided to the Board as required. In addition, all directors are able, if necessary, to obtain independent professional advice at RBS plc's expense.

4. Opportunity and risk

The role of the Board is to promote the long-term sustainable success of RBS plc.

The Board held two dedicated strategy sessions with the executive management team in 2025, and additional strategy updates to the Board during 2025. Within the context of a wider discussion at NatWest Group level, this provided an opportunity for the Board to assess opportunities and risks to the future success of the business, the sustainability of the business model and how its governance contributes to the delivery of its strategy.

The Board reviews and approves risk appetite for RBS plc's principal risks in accordance with the NatWest Group risk appetite framework; monitors performance against risk appetite for RBS plc; and considers any material risks and approves, as appropriate, recommended actions escalated by the Board Risk Committee.

RBS plc's risk strategy is informed and shaped by an understanding of the risk landscape including the principal risks it takes in carrying out business activities as well as the risks and uncertainties arising from the external economic, political and regulatory environments.

RBS plc operates within NatWest Group's integrated enterprise-wide risk management framework. This is centred around the embedding of a strong risk culture and is designed to ensure the tools and capability are in place to facilitate sound risk management and decision-making. As part of the enterprise-wide risk management framework RBS plc complies with NatWest Group's risk appetite framework, which is approved annually by the NatWest Group plc Board. NatWest Group's risk appetite is set in line with overall strategy.

Further information on NatWest Group's integrated enterprise-wide risk management framework including risk culture, risk appetite, risk identification, risk measurement and risk mitigation, as well as RBS plc risk governance, can be found in the risk and capital management section of this report (pages 6 to 14).

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 Group's purpose and business strategy, as well as the desired culture and behaviours and long-term interests of NWH Ltd. The policy supports a culture where employees are rewarded for delivering sustainable long term organisational success and effective risk management.

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

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 appropriate, as well as malus and clawback provisions to ensure rewards are justified in the long-term.

NatWest Group continued to embed Beyond – our performance management philosophy launched in 2024 – across the bank. 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 our commitment to setting pay levels above the real living wage rates. In 2025, we furthered our commitment to fair pay by achieving re-certification as a Global Living Wage Employer, recognising that our 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 CEO and Group CFO.

Further information on the remuneration policy, pay ratios and employee share plans can be found in the directors remuneration report of the NatWest Group plc 2025 Annual Report and Accounts. Gender and ethnicity pay gap information can be found in the Strategic report section of the NatWest Group plc 2025 Annual Report and Accounts and at natwestgroup.com, along with the steps being taken to build a skilled, engaged and inclusive workforce.

6. Stakeholder relationships and engagement

In February 2025 the Board confirmed the Board's key stakeholder groups - investors, customers. colleagues, communities, regulators and suppliers. The Board's agenda and engagement plans were structured to enhance the Board's understanding of these stakeholders' views and interests. This in turn has informed Board discussions and decision-making.

For further information on stakeholder engagement activities undertaken within NatWest Group which impacted NWH Group, refer to page 36 to 37 and pages 117 to 118 of the NatWest Group plc 2025 Annual Report and Accounts, and below under Additional colleague-related disclosures (workforce engagement including the Colleague Advisory Panel).

Engagement with colleagues, suppliers, customers and others

For further details on the Board's engagement with colleagues, customers, suppliers and others, and how these stakeholders' interests have influenced Board discussions and principal decisions, refer to page 36 of the Strategic report which includes a section 172(1) statement and signposts to further information contained in the NatWest Group plc 2025 Annual Report and Accounts.

Additional colleague-related disclosures

Informing and consulting colleagues

NatWest Group listens to our colleagues and uses this insight to attract, engage and retain the best talent for the future. In 2025, our colleague listening strategy included: regular colleague opinion surveys; a Colleague Advisory Panel (CAP) connected directly with our Board; the Colleague Experience Squad, which provided feedback on colleague products and services; and Engage, our social media platform. We also track metrics and key performance indicators, which we can benchmark with sector and high-performing comparisons.

Over 50,000 colleagues (83% participant rate) across all countries and levels participated in our September 2025 Our View colleague survey. [1] The results showed continued strong performance, particularly when compared to the Global Financial Services (GFS) and Global High Performance (GHP) norms. Marginal gains were achieved across most categories, demonstrating systemic improvements. Specifically, eight out of 14 categories improved, two remained static, and four declined compared with September 2024.

Regular interactions with employee representatives such as trade unions, elected employee bodies and work councils are a vital means of transparency and engagement for NatWest Group. These sessions are frequently used to discuss developments and updates on the progress of strategic priorities. NatWest Group is also committed to respecting employees' rights of freedom of association across all its business. In addition, the CAP remains a vital part of NatWest Group's governance and listening strategy, ensuring that the voice of colleagues is heard and considered at Board level. Chaired by non-executive director Roisin Donnelly, CAP met twice in 2025 – March and September – with strong cross-functional representation and active engagement from Board members. CAP membership is refreshed regularly and currently comprises 31 self-nominated colleagues, representing a cross-section of the bank by grade, business area, location and working pattern. Topics are either chosen by CAP or are requested by Board, and in 2025 have included our new core behavioural framework, our new global recognition approach Recognise, and our standing annual item: executive and wider workforce remuneration.

(1) NatWest Group Our View results exclude Ulster Bank RoI.

Employment of disabled colleagues and colleagues with long-term conditions

NatWest Group makes reasonable workplace adjustments to support colleagues with disabilities and long-term conditions to succeed. If a colleague develops a disability or long-term condition, NatWest Group will, wherever possible, make reasonable adjustments to support them in their existing job or re-deploy them to a more suitable alternative job. The NatWest Group Careers site gives comprehensive insights into NatWest Group jobs, culture, locations, and application processes. It also hosts a variety of blog content to portray stories of what it is like to work at NatWest Group. The company also makes sure that candidates can easily request reasonable adjustments to support at any stage of the recruitment process.

Internal control over financial reporting

The internal controls over financial reporting for NWH Group are managed at NatWest Group level. Any deficiencies identified are reported to Group Audit Committee along with management's remediation plans.

NatWest Group's auditors have audited the effectiveness of NatWest Group's internal control over financial reporting and have given an unqualified opinion.

Directors' interests

Where directors of RBS plc are also directors of NatWest Group plc, their interests in the shares of the ultimate holding company at 31 December 2025 are shown in the Corporate Governance, Annual report on remuneration section of the NatWest Group plc 2025 Annual Report and Accounts. None of the directors held an interest in the loan capital of the ultimate holding company or in the shares or loan capital of RBS 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 its directors, members of RBS plc's Executive Committee, individuals authorised by the PRA/FCA and certain directors and/or officers of NatWest Group's subsidiaries and trustees of NatWest Group's pension scheme.

The indemnities referenced above were in force throughout the financial year, including for individuals who resigned during the year, and remain in force as at the date of this report.

The ultimate holding company also maintains Directors' and Officers' Liability Insurance to provide appropriate protection to directors and/or officers from liabilities that may arise against them in connection with their role.

Going concern

RBS 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. RBS 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 49 to 54. This section also describes RBS plc's funding and liquidity profile, including changes in key metrics and the build up of liquidity reserves.

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.

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 RBS plc's auditors are unaware; and

(b) the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that RBS 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 Group Audit Committee, NatWest Group plc announced its intention to appoint PricewaterhouseCoopers (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 NatWest Group. A resolution to appoint PwC as the NatWest Group auditors will be proposed at the forthcoming AGM of NatWest Group.

By order of the Board

Gary Moore
Chief Governance Officer and Company Secretary
12 February 2026

The Royal Bank of Scotland plc
is registered in Scotland No. SC083026

Statement of directors' responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on pages 73 to 81.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required by the Companies Act 2006 to prepare company financial statements, for each financial year in accordance with UK adopted International Accounting Standards. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of the Bank. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company 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 the Bank 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 the Bank 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 Directors' report, 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 International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank taken as a whole; and
- the Strategic report and Directors' report (incorporating the Financial review) include a fair review of the development and performance of the business and the position of the Bank taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Richard Haythornthwaite
Chair

John-Paul Thwaite
Chief Executive Officer

Katie Murray
Chief Financial Officer

12 February 2026

Board of directors

Chair
Richard Haythornthwaite

Executive directors
John-Paul Thwaite
Katie Murray

Non-executive directors
Francesca Barnes
Karin Cook
Joshua Critchley
Roisin Donnelly
Patrick Flynn
Geeta Gopalan
Yasmin Jetha
Stuart Lewis
Mark Rennison
Gillian Whitehead
Lena Wilson

Financial statements

Independent auditors' report to the members of The Royal Bank of Scotland plc

Opinion

We have audited the financial statements of The Royal Bank of Scotland plc (the 'Bank') for the year ended 31 December 2025 which comprise the Income statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity, the Cash flow statement, Accounting policies, the related Notes 1 to 29, and the Risk and capital management section of the Strategic report identified as 'audited'. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the Bank's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted IAS and IFRS as issued by the IASB; and
- have been prepared in accordance with the requirements 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 are independent of 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Bank's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the directors' going concern assessment process, including the Bank's forecasting process;
- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including both internal (e.g. impact of Bank's strategic plans) and external risks (e.g. geopolitical and macroeconomic factors);
- Evaluating the Bank's financial forecasts for the going concern period, including the use of EY financial modelling and economic advisory specialists to assess the assumptions used to develop the forecasts;
- Engaging EY prudential regulatory specialists to assess the results of management's stress testing on funding, liquidity, and regulatory capital;
- Understanding and evaluating credit agency ratings; and
- Reading and evaluating the adequacy and conformity with reporting standards of the disclosures made in the financial statements in relation to going concern.

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 Bank's ability to continue as a going concern for a period over the 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 Bank's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Expected credit loss provisions • IT access management	(Consistent with prior year) (Consistent with prior year)
Materiality	Overall materiality of £84 million (2024 - £71 million) which represents 5% of the profit before tax of the Bank of £1,671 million (2024 - £1,389 million).	

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements. We take into account the size and risk profile of the component and its activities, the organisation of the Bank and effectiveness of NatWest Group plc (NWG) group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Bank financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the two reporting components of the Bank, we selected two components based on size and risk, which represent the principal business units within the Bank.

The scoping for the current year is as follows:

Component	Scope	Key locations where work was performed
Retail Banking	Full	United Kingdom
Commercial & Institutional	Full	United Kingdom

The table below illustrates the coverage obtained from the work performed by our audit teams. We considered total assets, total equity and total income to verify we had appropriate overall coverage.

	Full scope (1)
Total assets	100%
Total equity	100%
Total income	97%

(1) Full scope: audit procedures on all significant accounts.

Involvement with component audit teams

In establishing our overall approach to the Bank audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Primary audit engagement team, or by component audit teams operating under our instruction. All of the direct components of the Bank were audited by EY global network firms.

The Primary audit engagement team continued to follow a programme of oversight that has been designed to ensure that the Senior Statutory Auditor, or another audit partner, has ongoing interactions with all in scope component teams and locations. The Primary audit engagement team interacted regularly with the component audit teams throughout the course of the audit, which included holding planning meetings, maintaining regular communications on the status of the audits and results of procedures, reviewing key working papers and taking responsibility for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion as a whole. This, together with the additional procedures at Bank level, gave us appropriate evidence for our opinion on the financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Bank. The Bank has determined that credit risk, operational risk, compliance risk, conduct risk and reputational risk as potentially the most impacted by climate risk in the medium and long-term horizons. These are explained in the Climate and nature risk section within the Risk and capital management section, 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 Bank's business and any consequential material impact on its financial statements.

The Bank has explained in Accounting policies how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. The Bank notes that many of the impacts will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgements and estimates for the current period under the requirements of UK adopted IAS and IFRS as issued by the IASB.

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

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

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact within the key audit matter for expected credit loss provisions. Details of our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

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

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td colspan="2">Expected credit loss (ECL) provisions</td></tr>
<tr><td>
At 31 December 2025 the Bank reported total gross loans – amortised cost and fair value through other comprehensive income (FVOCI) of £68.9 billion (2024 - £62.8 billion) and £540 million of expected credit losses (ECL) (2024 - £582 million).
Management's judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used. Aspects with increased complexity and judgements in respect of the timing and measurement of ECL include:

Economic scenarios – Macroeconomic forecasts, scenarios and weightings adequately consider the volatility in geopolitical and economic environment, and impacts of global and UK policy decisions on wholesale sectors and UK consumers. We considered whether the quantitative approach to probability weightings of scenarios adequately captured the economic outlook.
Models and model assumptions – Appropriateness of modelling assumptions, model build and methodology, and data used to calculate Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).
Post-model adjustments (PMAs) - Completeness and valuation of post-model adjustments which represent approximately 6% of total ECL (2024 - 7%), including adjustments required to address the limitation of models to adequately incorporate affordability, inflation, liquidity challenges from ongoing geopolitical and economic uncertainties.
Individual provisions - Measurement of individual provisions including the assessment of multiple scenarios and probability weights, the impact of the current uncertain geopolitical and economic outlook on exit or recovery strategies, collateral valuations, and time to collect; and
Staging - Completeness and accuracy of allocation of assets into stage 1, 2 and 3 using criteria in accordance with IFRS 9.

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Controls testing - We evaluated the design and operating effectiveness of controls over the ECL process, including those over management's judgements and estimates, as well as the associated controls over relevant information technology systems. These controls, among others, included:

the staging of assets per management's criteria, and their monitoring of stage effectiveness;
model governance including development, monitoring and independent validation;
data accuracy and completeness;
credit monitoring;
multiple economic scenarios;
the governance and management review of post-model adjustments; and
individual provisions.

Economic scenarios - We involved EY economic specialists to assist us in evaluating the base case and alternative economic scenarios, including evaluating probability weights. We assessed the most significant variables such as GDP, unemployment rate, UK Stock Price Index, House Price Index, comparing the forecasts across all scenarios with multiple benchmarks against the backdrop of persistent inflation, restrictive trade policies, geopolitical events as well as climate risks. With the support of our credit modelling specialists, we evaluated the correlation and translation of the macroeconomic factors, including the impacts of alternative paths or weights to ECL.
Models and model assumptions - We selected a sample of models based on both quantitative and qualitative factors such as portfolio size and risks, model complexities, and external factors. We involved EY modelling specialists to test the assumptions, inputs, methodology and model build through a combination of assessing model design and formulae, alternative modelling techniques, recalculations and independent implementation of new models during the year. We considered the key portfolio movements during the year including growth of the retail unsecured portfolio, both organic and through acquisitions, alongside changes in recovery strategies, to challenge model performance.
To evaluate data quality, we agreed a sample of key data points to source systems, and tested ECL data reconciliations from the calculation engine through to the general ledger and disclosures.
Post-Model Adjustments (PMAs) - We, along with our modelling and economic specialists, tested the appropriateness, adequacy and completeness of the PMAs held at year end in response to model and data limitations. This included challenging management's identification of high-risk retail customers and commercial sub-sectors that were considered most at risk from the current economic and geopolitical headwinds. This included those that were susceptible to affordability challenges, inflation risks, supply chain and liquidity challenges. We also challenged the continued recognition of PMAs from previous years, by checking the latest default trends in specific cohorts. We assessed PMAs against the risk of double counting of either certain portfolios/customers or identified risks.
Individual provisions – We recalculated and challenged the scenarios, assumptions, and cash flows for a sample of individual provisions including the alternative scenarios and probability weights assigned, involving EY valuation specialists where appropriate. The samples considered higher risk sectors, such as oil and gas, leisure and commercial real estate. We considered the impact of the current geopolitical and economic outlook and climate change had on collateral valuations and time to collect as well as whether planned exit strategies remained viable.
</td></tr>
</table>

Risk	Our response to the risk
Expected credit loss (ECL) provisions continued	
	Staging - We evaluated the staging criteria used by management by performing independent tests to assess staging effectiveness and stability, as well as recalculating the staging of the complete population of assets. We performed sensitivity analyses of different staging criteria, and collective staging downgrades to industries, geographic regions and high-risk populations that are exposed to recent economic, geopolitical or climate change stresses. On the non-personal portfolio, we recalculated the risk ratings for a sample of performing loans and focused our testing on certain risk characteristics such as loans in management's Problem Debt Management framework, high-risk industries - commercial real estate, telecommunications, private markets, retail and leisure. **Standback assessment** - We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable by performing analytical reviews, trend analysis, peer benchmarking and sensitivity analysis, which included assessing the impact of changing selected variables, and their impacts on the ECL coverage levels.

Key observations communicated to the NatWest Holdings (NWH) Group Audit Committee (1)

We are satisfied that the ECL provisions were reasonable and recognised in accordance with IFRS 9. We highlighted the following matters to the NWH Group Audit Committee that contributed to our overall conclusion:

- Effectiveness of the overall control environment, including the compensating controls identified by management, where deficiencies were identified.
- Results of our testing of models, model assumptions, the key data elements used for ECL calculation, including the reasonableness of the macroeconomic variables, scenarios and weightings used.
- Accuracy of staging and the reasonableness of management's staging criteria, and our independent sensitivity analysis on the staging criteria to assess appropriateness.
- Reasonableness and adequacy of the post-model adjustments recorded to reflect risk in the portfolios.
- Individually assessed impairments, the overall reasonableness of the provisions, including assumptions applied.

Relevant references in the Annual Report and Accounts

Credit Risk section of the Risk and capital management section identified as 'audited'
Accounting policies
Note 12 to the financial statements

(1) The NWH Group Audit Committee covers the ring-fenced bank legal entities of NatWest Group plc, including The Royal Bank of Scotland plc.

Risk	Our response to the risk
IT access management	
The IT environment is complex and pervasive to the operations of the Bank 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. The Bank has implemented user access management controls across IT applications, databases and operating systems. We have identified user access-related deficiencies in the past and similar thematic issues have been noted in the current year, and thus the risk of inappropriate access remains.	We evaluated the design and operating effectiveness of IT general controls including access over the applications, operating systems and databases that are relevant to financial reporting. We tested user access by assessing the controls 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 Bank'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 Bank in the current year. 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. 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 identified, and the impact on our overall approach to access management testing. We noted that no further changes to our approach were required.
Key observations communicated to the NWH Group Audit Committee	
Based on our testing procedures, including validating management's remediation activities, testing of compensating IT controls and substantive procedures, we conclude that the IT control environment, supplemented by relevant business compensating controls, was effective. 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, compensating controls within either IT or the business were identified for these deficiencies.	

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 Bank to be £84 million (2024 - £71 million), which is 5% (2024 - 5%) of the profit before tax of the Bank of £1,671 million (2024 - £1,389 million). We believe that this reflects the most useful measure for users of the financial statements and is consistent with the prior year. The 5% basis used for Bank materiality is consistent with the wider industry and is the standard for regulated entities.

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 Bank's overall control environment, our judgement was that performance materiality was 75% (2024 - 75%) of our planning materiality, namely £63 million (2024 - £53 million). We have set performance materiality at this percentage based on our experience of misstatements and consistent effectiveness of the control environment.

Audit work was undertaken at component teams for the purpose of responding to the assessed risks of material misstatement of the Bank financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Bank 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 £29 million and £51 million (2024 - £23 million to £42 million).

Reporting threshold

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

We agreed with the NWH Group Audit Committee that we would report to them all uncorrected audit differences in excess of £4 million (2024 - £4 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, Report of the directors, and Statement of directors' responsibilities, 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 or a material misstatement of the other information. 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 the 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 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 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 Bank and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA); and Companies Act 2006.
- We understood how the Bank 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 Bank and banking regulatory bodies in relevant jurisdictions including the PRA and FCA; reviewed minutes of the NWH Board and Risk Committees; and gained an understanding of the Bank's governance framework.
- Carried out an assessment of matters reported on the Group's whistleblowing programmes where these related to the financial statements.
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud. We also assessed the risks of fraud in our key audit matters. Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.
- We designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of internal and external legal counsel, executive management, and internal audit. We also tested controls and performed procedures to respond to the fraud risks as identified in our key audit matters. These procedures were performed by both the Primary audit team and component audit teams with oversight from the Primary audit team.
- Identified and tested journal entries, including those posted with certain descriptions or unusual characteristics, backdated journals or posted by infrequent and unexpected users.
- The Bank 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 NWH Group Audit Committee we were appointed by the Bank on 4 May 2016 to audit the financial statements of the Bank for the year ending 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 10 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 Bank and we remain independent of the Bank in conducting the audit.
- The audit opinion is consistent with the additional report to the NWH Group Audit Committee.

Use of our report

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

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

Income statement
for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Interest receivable		**3,462**	3,539
Interest payable		**(1,391)**	(1,591)
Net interest income	1	**2,071**	1,948
Fees and commissions receivable		**441**	442
Fees and commissions payable		**(105)**	(88)
Other operating income		**103**	(25)
Non-interest income	2	**439**	329
Total income		**2,510**	2,277
Staff costs		**(51)**	(51)
Premises and equipment		**(2)**	(1)
Other administrative expenses		**(746)**	(800)
Depreciation and amortisation		**(11)**	(19)
Operating expenses	3	**(810)**	(871)
Profit before impairment losses		**1,700**	1,406
Impairment losses	12	**(29)**	(17)
Operating profit before tax		**1,671**	1,389
Tax charge	7	**(416)**	(209)
Profit for the year		**1,255**	1,180
Attributable to:			
Ordinary shareholders		**1,221**	1,146
Paid-in equity holders		**34**	34
		1,255	1,180

Statement of comprehensive income
for the year ended 31 December 2025

	2025 £m	2024 £m
Profit for the year	**1,255**	1,180
Items that do qualify for reclassification		
Cash flow hedges (1)	**631**	277
Currency translation	**-**	1
Tax	**(177)**	(78)
	454	200
Other comprehensive income after tax	**454**	200
Total comprehensive income for the year	**1,709**	1,380
Attributable to:		
Ordinary shareholders	**1,675**	1,346
Paid-in equity holders	**34**	34
	1,709	1,380

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

Balance sheet

as at 31 December 2025

	Note	2025 £m	2024 £m
Assets			
Cash and balances at central banks	8	**25,590**	26,630
Derivatives	11	**535**	465
Loans to banks - amortised cost	8	**420**	484
Loans to customers - amortised cost	8	**33,531**	33,524
Amounts due from holding companies and fellow subsidiaries	8	**34,340**	28,060
Other assets	13	**946**	1,313
Total assets		**95,362**	90,476
Liabilities			
Bank deposits	8	**861**	921
Customer deposits	8	**78,399**	78,069
Amounts due to holding companies and fellow subsidiaries	8	**8,760**	3,755
Derivatives	11	**599**	1,411
Notes in circulation		**2,115**	2,381
Other liabilities	16	**970**	690
Total liabilities		**91,704**	87,227
Total equity		**3,658**	3,249
Total liabilities and equity		**95,362**	90,476

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

Richard Haythornthwaite	John-Paul Thwaite	Katie Murray	The Royal Bank of Scotland plc
Chair	Chief Executive Officer	Chief Financial Officer	Registration No. SC083026

Statement of changes in equity

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Called-up share capital - at 1 January and 31 December	17	**20**	20
Paid-in equity - at 1 January and 31 December		**500**	500
Cash flow hedging reserve - at 1 January		**(538)**	(737)
Amount recognised in equity (1)		**148**	(671)
Reclassification of OCI to P&L (2)		**483**	948
Tax		**(177)**	(78)
At 31 December		**(84)**	(538)
Foreign exchange reserve - at 1 January		**-**	(1)
Retranslation of net assets		**2**	(2)
Recycled to profit or loss		**(2)**	3
At 31 December		**-**	-
Retained earnings - at 1 January		**3,267**	3,321
Profit attributable to ordinary shareholders and other equity owners		**1,255**	1,180
Paid-in equity dividends paid		**(34)**	(34)
Ordinary dividends paid		**(1,266)**	(1,200)
At 31 December		**3,222**	3,267
Total equity at 31 December		**3,658**	3,249
Attributable to:			
Ordinary shareholders		**3,158**	2,749
Paid-in equity holders		**500**	500
		3,658	3,249

(1) The change in the cash flow hedging reserve is driven by realised accrued interest transferred into the income statement and a decrease in swap rates in the year. The portfolio of hedging instruments are predominantly receive fixed swaps.

(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 and customer deposits. Refer to Note 11.

Cash flow statement

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Cash flows from operating activities			
Operating profit before tax		**1,671**	1,389
Adjustments for:			
Non-cash and other items	21	**609**	1,138
Changes in operating assets and liabilities	21	**(309)**	769
Income taxes paid		**-**	(339)
Net cash flows from operating activities (1,2)		**1,971**	2,957
Cash flows from investing activities			
Sale of property, plant and equipment		**1**	3
Purchase of property, plant and equipment		**(1)**	(5)
Dividends received from subsidiaries		**6**	-
Net cash flows from investing activities		**6**	(2)
Cash flows from financing activities			
Issue of MRELs		**-**	119
Redemption of MRELs		**-**	(397)
Interest paid on MRELs		**(63)**	(71)
Issue of subordinated liabilities		**-**	546
Redemption of subordinated liabilities		**-**	(381)
Interest paid on subordinated liabilities		**(33)**	(39)
Dividends paid		**(1,300)**	(1,234)
Net cash flows from financing activities		**(1,396)**	(1,457)
Effects of exchange rate changes on cash and cash equivalents		**(81)**	(13)
Net increase in cash and cash equivalents		**500**	1,485
Cash and cash equivalents at 1 January		**47,816**	46,331
Cash and cash equivalents at 31 December (3)	23	**48,316**	47,816

(1) Includes interest received of £3,475 million (2024 - £3,546 million) and interest paid of £1,413 million (2024 - £1,574 million).

(2) The total cash outflow for leases is £6 million (2024 - £7 million), including payment of principal amounts of £5 million (2024 - £5 million) which are included in operating activities in the cash flow statement.

(3) 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

The financial statements contain information about RBS plc as an individual company and do not contain consolidated financial information as the parent of a group. RBS plc is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as in accordance with IFRS 10. RBS plc and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of NWH Ltd and NatWest Group plc.

The Royal Bank of Scotland plc (RBS 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 91 to 118 and the audited sections of the Risk and capital management section on pages 6 to 63 which together from an integral part of the primary financial statements. The directors have prepared the financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved (refer to the Report of the directors) and in accordance with UK adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The critical and material accounting policies and related judgements are set out below.

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

We apply accounting for associates and joint arrangements to entities where we have significant influence, but not control, over the operating and financial policies. We assess significant influence by reference to a presumption of voting rights of more than 20%, but less than 50%, supplemented by a qualitative assessment of substantive rights which include representation at the Board of Directors and significant exchange of managerial personnel or technology amongst others. Investments in associates and joint ventures are recorded upon initial recognition at cost and increased or decreased each period by the share of the subsequent levels of profit or loss. Other changes in equity are considered in line with their nature.

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

In 2025, scenario planning was enhanced by the further integration of NatWest Group's (including subsidiaries') climate transition plan, including the assessment of climate-related risks and opportunities.

- The climate transition plan includes an assessment of:
  - Changes in products, services and business operations to support customer transition towards net zero.
  - Financial impacts of supporting customer transition, including investment required. The linkage between the financial plan and the climate transition plan will continue to be developed and refreshed annually as part of the financial planning cycle.
  - 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.

Effect of climate change in the estimation of ECL

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

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

2. Critical accounting policies

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

Information used for significant estimate

Policy	Judgement	Estimate	Further information
Deferred tax	Determination of whether sufficient sustainable taxable profits will be generated in future years to recover the deferred tax asset.	Our estimates are based on the five-year revenue and cost forecasts (which include inherent uncertainties) and the expectation of long term economic growth beyond this period.	Note 7
Loan impairment provisions	Definition of default against which to apply PD, LGD and EAD models. Selection of multiple economic scenarios. Criteria for a significant increase in credit risk. Identification of risks not captured by the models.	ECL estimates contain a number of measurement uncertainties (such as the weighting of multiple economic scenarios) and disclosures include sensitivities to show the impact on other reasonably possible scenarios.	Note 12

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 eligible and available deferred tax liabilities we have and of our future taxable profits. These future taxable profits are based on our five-year revenue and cost forecasts and the expectation of long term economic growth beyond this period. The five-year forecast takes account of management's current expectations on 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. Loan impairment provisions: 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 are 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 are adjusted from 12 months to lifetime. This will lead to a higher impairment charge.

The measurement of expected credit loss considers the ability of borrowers to make payments as they fall due. Future cashflows are discounted, so long dated cashflows are less likely to affect current expectations on credit loss.

Our assessment of sector specific risks, and whether additional adjustments are required, include expectations of the ability of those sectors to meet their financing needs in the market. Changes in credit stewardship and credit risk appetite that stem from climate transition policies may directly affect our positions.

Judgement is exercised as follows:

- **Non-modelled portfolios** – 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 polices for control, associates and joint ventures apply.

2. Critical accounting policies continued

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, renegotiation, and similar events.

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

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

3. Material accounting polices

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 at 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 other operating income. Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

3.2. Staff costs

Employee costs, such as salaries, paid absences, and other benefits are recognised over the period in which the employees provide the related services to us. Employees may receive variable compensation in cash, in deferred cash or debt instruments of NatWest Group or in ordinary shares of NatWest Group plc subject to deferral, and clawback 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.

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.

3.3. 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.

3.4. 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.

3. Material accounting polices continued

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 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.

3.5. Capital instruments

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

3.6. Derivatives and hedging

Derivatives are reported on the balance sheet at fair value.

We use derivatives to manage our own risk such as interest rate. Not all derivatives used to manage risk are in hedge accounting relationships (an IFRS method to reduce accounting mismatch from changes in the fair value of the derivatives reported in the income statement).

Gains and losses arising from changes in the fair value of derivatives that are not in hedge relationships and derivatives that are managed together with financial instruments designated at fair value 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 two 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.

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 hedge 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.

3. Material accounting polices continued

3.7. Provisions

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

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

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

3.8. 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.

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 financial statements

1 Net interest income

	2025	2024
	£m	£m
Balances at central banks and loans to banks - amortised cost	**615**	516
Loans to customers - amortised cost	**1,655**	1,692
Amounts due from holding company and fellow subsidiaries	**1,192**	1,331
Interest receivable	**3,462**	3,539
Bank deposits	**7**	7
Customer deposits	**1,196**	1,404
Amounts due to holding company and fellow subsidiaries	**187**	179
Other financial liabilities	**1**	1
Interest payable	**1,391**	1,591
Net interest income	**2,071**	1,948

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	2024
	£m	£m
Net fees and commissions (1)	**336**	354
Other operating income		
Hedge ineffectiveness	**4**	4
Net Income/(loss) from economic hedging	**78**	(55)
Profit on sale of property, plant and equipment	**1**	1
Dividend income	**6**	-
Changes in fair value of other financial assets at MFVTPL (2)	**7**	21
Other income	**7**	4
	103	(25)
Non-interest income	**439**	329

(1) Refer to Note 4 for further analysis.
(2) Includes instruments that have failed solely payment of principal and interest testing under IFRS 9.

For accounting policy information refer to Accounting policies 3.1, 3.4 and 3.6.

3 Operating expenses

	2025 £m	2024 £m
Wages, salaries and other staff costs	**43**	40
Social security costs	**5**	4
Pension costs	**3**	7
- defined benefit schemes (Note 5)	**-**	5
- defined contribution schemes	**3**	2
Staff costs	**51**	51
Premises and equipment	**2**	1
Other administrative expenses (1,2)	**746**	800
Depreciation and amortisation	**11**	19
Administrative expenses	**759**	820
	810	871

(1) Includes £709 million (2024 - £726 million) of recharges from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes to RBS plc.
(2) Includes litigation costs. Further details are provided in Note 16.

For accounting policy information refer to Accounting policy 3.2.

1,000 customer-facing staff (2024 – 900) are contractually employed by NWB Plc with all related staff costs recharged to RBS plc.

4 Segmental analysis

Reportable operating segments

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

Retail Banking serves personal customers in the UK.

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

Commercial & Institutional consists of customer businesses reported under Business Banking, Commercial Mid-market and Corporate & Institutions to support our domestic customers across the full non-personal customer lifecycle.

Central items & other comprises corporate treasury activity on behalf of RBS plc and RBS plc's corporate services and functions activities.

2025	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	Total £m
Net interest income	**977**	**-**	**939**	**155**	**2,071**
Net fees and commissions	**96**	**5**	**234**	**1**	**336**
Other operating income	**1**	**-**	**13**	**89**	**103**
Total income	**1,074**	**5**	**1,186**	**245**	**2,510**
Depreciation and amortisation	**(5)**	**-**	**(6)**	**-**	**(11)**
Other operating expenses	**(426)**	**-**	**(373)**	**-**	**(799)**
Impairment (losses)/releases	**(35)**	**-**	**4**	**2**	**(29)**
Operating profit	**608**	**5**	**811**	**247**	**1,671**
2024					
Net interest income	885	4	748	311	1,948
Net fees and commissions	97	5	252	-	354
Other operating income	2	-	37	(64)	(25)
Total income	984	9	1,037	247	2,277
Depreciation and amortisation	(10)	-	(9)	-	(19)
Other operating expenses	(454)	-	(398)	-	(852)
Impairment (losses)/releases	(31)	-	7	7	(17)
Operating profit	489	9	637	254	1,389

Total revenue (1)

2025	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	Total £m
External	**850**	**5**	**1,323**	**1,828**	**4,006**
Inter-segment (2)	**(8)**	**-**	**(254)**	**262**	**-**
Total	**842**	**5**	**1,069**	**2,090**	**4,006**
2024					
External	920	5	1,458	1,573	3,956
Inter-segment (2)	(54)	1	(351)	404	-
Total	866	6	1,107	1,977	3,956

Total income

2025	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	Total £m
External	**221**	**5**	**598**	**1,686**	**2,510**
Inter-segment (2)	**853**	**-**	**588**	**(1,441)**	**-**
Total	**1,074**	**5**	**1,186**	**245**	**2,510**
2024					
External	201	6	598	1,472	2,277
Inter-segment (2)	783	3	439	(1,225)	-
Total	984	9	1,037	247	2,277

(1) Total revenue comprises interest receivable, fees and commissions receivable and other operating income.
(2) Revenue and income arising from transactions between the group's segments are reported as inter-segment and include net inter-segment funding income/(expense)..

4 Segmental analysis continued

Analysis of net fees and commissions

2025	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	Total £m
Fees and commissions receivable					
- Payment services	**65**	**-**	**129**	**-**	**194**
- Credit and debit card fees	**77**	**-**	**53**	**-**	**130**
- Lending and financing	**2**	**-**	**68**	**-**	**70**
- Other	**8**	**5**	**33**	**1**	**47**
Total	**152**	**5**	**283**	**1**	**441**
Fees and commissions payable	**(56)**	**-**	**(49)**	**-**	**(105)**
Net fees and commissions	**96**	**5**	**234**	**1**	**336**
2024					
Fees and commissions receivable					
- Payment services	61	-	128	-	189
- Credit and debit card fees	75	-	54	-	129
- Lending and financing	2	-	77	-	79
- Other	8	5	32	-	45
Total	146	5	291	-	442
Fees and commissions payable	(49)	-	(39)	-	(88)
Net fees and commissions	97	5	252	-	354

2025	Retail Banking £m	Private Banking & Wealth Management £m	Commercial & Institutional £m	Central items & other £m	Total £m
Assets	**14,198**	**12**	**22,398**	**58,754**	**95,362**
Liabilities	**39,120**	**11**	**42,915**	**9,658**	**91,704**
2024					
Assets	16,055	11	21,084	53,326	90,476
Liabilities	38,907	12	43,415	4,893	87,227

All of RBS plc's activities, by location of offices, are based in the UK.

5 Pensions

Eligible employees of RBS plc can participate in membership of the NatWest Group operated pension schemes. The principal defined benefit scheme is the NatWest Group Pension Fund (the Main section). The Main section was closed to new entrants in October 2006 and since then employees have been offered membership to the NatWest Group Retirement Savings Plan, a defined contribution pension scheme. Further information about the NatWest Group pension schemes is disclosed in the NatWest Group 2025 Annual Report and Accounts.

For accounting policy information refer to Accounting policy 3.2.

6 Auditor's remuneration

Amounts payable to RBS plc's auditor for statutory audit and other services are set out below:

	2025 £m	2024 £m
Fees payable for:		
- the audit of RBS plc's annual accounts	**4.0**	3.7
- audit-related assurance services	**0.4**	0.4
Total audit and audit-related assurance service fees	**4.4**	4.1

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
Current tax		
Charge for the year	**(355)**	(302)
Over provision in respect of prior years	**4**	-
	(351)	(302)
Deferred tax		
Charge for the year	**(103)**	(88)
Increase in the carrying value of deferred tax assets in respect of losses	**40**	175
(Under)/over provision in respect of prior years	**(2)**	6
Tax charge for the year	**(416)**	(209)

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 charge 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
Expected tax charge	**(418)**	(347)
Items not allowed for tax:		
- losses on disposals and write downs	**-**	(1)
- UK bank levy	**(3)**	(4)
- regulatory and legal actions	**1**	(5)
- other disallowable items	**(2)**	(2)
Increase in the carrying value of deferred tax assets in respect of:		
- UK losses	**40**	175
Banking surcharge	**(45)**	(40)
Tax on paid-in equity dividends	**9**	9
Adjustments in respect of prior years (1)	**2**	6
Actual tax charge	**(416)**	(209)

(1) Prior year tax adjustments incorporate refinements to tax computations made on submission and agreement with the tax authorities.

For accounting policy information refer to Accounting policies 2.1 and 3.3.

7 Tax continued

Deferred tax

RBS plc makes provision for deferred tax on temporary differences where tax recognition occurs at a different time from accounting recognition. Deferred tax assets of £675 million were recognised as at 31 December 2025 (2024 - £917 million).

	2025 £m	2024 £m
Deferred tax liability	-	-
Deferred tax asset	675	917
Net deferred tax asset	675	917

Net deferred tax asset comprised:

	Accelerated capital allowances £m	Expense provisions £m	Financial instruments (1) £m	Tax losses carried forward £m	Other £m	Total £m
At 1 January 2024	18	3	276	597	7	901
(Charge)/credit to income statement	(3)	5	3	88	-	93
Charge to other comprehensive income	-	-	(78)	-	-	(78)
Currency translation and other adjustments	-	1	-	-	-	1
At 31 December 2024	15	9	201	685	7	917
(Charge)/credit to income statement	-	(5)	3	(63)	-	(65)
Charge to other comprehensive income	-	-	(177)	-	-	(177)
At 31 December 2025	15	4	27	622	7	675

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

Critical accounting policy: Deferred tax

The deferred tax assets of £675 million as at 31 December 2025 (2024 - £917 million) principally comprise losses which arose in the UK, 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 – RBS plc has considered the carrying value of deferred tax assets and concluded that, based on management's estimates, sufficient sustainable taxable profits will be generated in future years to recover recognised deferred tax assets.

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 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.

A deferred tax asset of £622 million (2024 - £685 million) has been recognised in respect of losses of £2,489 million carried forward at 31 December 2025. The losses were transferred from NatWest Markets Plc as a consequence of the ring fencing regulations. RBS plc expects the deferred tax asset to be utilised against future taxable profits by the end of 2032.

Unrecognised deferred tax

Deferred tax assets of £5 million (2024 - £52 million) have not been recognised in respect of tax losses carried forward of £19 million (2024 - £208 million). The 2025 unrecognised deferred tax relates solely to UK capital losses. These losses carried forward have no expiry date.

8 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.

For accounting policy information refer to Accounting policies 3.4 and 3.6.

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

Assets	MFVTPL (1) £m	FVOCI (1) £m	Amortised cost £m	Other assets £m	Total £m
Cash and balances at central banks			**25,590**		**25,590**
Derivatives (2)	**535**				**535**
Loans to banks - amortised cost (3)			**420**		**420**
Loans to customers - amortised cost			**33,531**		**33,531**
Amounts due from holding companies and fellow subsidiaries	**-**	**-**	**34,310**	**30**	**34,340**
Other assets	**45**	**1**	**-**	**900**	**946**
31 December 2025	**580**	**1**	**93,851**	**930**	**95,362**
Cash and balances at central banks			26,630		26,630
Derivatives (2)	465				465
Loans to banks - amortised cost (3)			484		484
Loans to customers - amortised cost			33,524		33,524
Amounts due from holding companies and fellow subsidiaries	-	-	28,033	27	28,060
Other assets	179	1	-	1,133	1,313
31 December 2024	644	1	88,671	1,160	90,476

Liabilities	Held-for-trading (4) £m	Amortised cost £m	Other liabilities £m	Total £m
Bank deposits (5)		**861**		**861**
Customer deposits		**78,399**		**78,399**
Amounts due to holding companies and fellow subsidiaries	**-**	**8,632**	**128**	**8,760**
Derivatives (2)	**599**			**599**
Notes in circulation		**2,115**		**2,115**
Other liabilities (6)		**59**	**911**	**970**
31 December 2025	**599**	**90,066**	**1,039**	**91,704**
Bank deposits (5)		921		921
Customer deposits		78,069		78,069
Amounts due to holding companies and fellow subsidiaries	-	3,523	232	3,755
Derivatives (2)	1,411			1,411
Notes in circulation		2,381		2,381
Other liabilities (6)		66	624	690
31 December 2024	1,411	84,960	856	87,227

(1) Includes instruments of £568 million (2024 - £502 million) held in level 2 and £12 million (2024 - £143 million) held in level 3 of the fair value hierarchy.
(2) Includes hedging derivative assets of £425 million (2024 - £429 million) and hedging derivative liabilities of £553 million (2024 - £1,269 million).
(3) Includes items in the course of collection from other banks of £49 million (2024 - £12 million).
(4) Instruments of £599 million (2024 - £1,411 million) held in level 2 of the fair value hierarchy.
(5) Includes items in the course of transmission to other banks of £2million (2024 - £2 million).
(6) Includes lease liabilities of £52 million (2024 - £56 million), held at amortised cost.

9 Financial instruments: fair value of financial instruments measured at amortised cost

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

	Carrying value	Fair value	Fair value hierarchy level		Items where fair value approximates carrying value
			Level 2	Level 3	
2025	£m	£m	£m	£m	£m
Financial assets					
Cash and balances at central banks	**25,590**	**25,590**	**-**	**-**	**25,590**
Loans to banks	**420**	**420**	**-**	**56**	**364**
Loans to customers	**33,531**	**33,368**	**-**	**33,368**	**-**
Amounts due from holding companies and fellow subsidiaries	**34,310**	**34,328**	**30,968**	**3,359**	**1**
2024					
Financial assets					
Cash and balances at central banks	26,630	26,630	-	-	26,630
Loans to banks	484	484	-	15	469
Loans to customers	33,524	33,008	-	33,008	-
Amounts due from holding companies and fellow subsidiaries	28,033	28,047	24,619	3,428	-
2025					
Financial liabilities					
Bank deposits	**861**	**861**	**58**	**4**	**799**
Customer deposits	**78,399**	**78,399**	**4,790**	**5,194**	**68,415**
Amounts due to holding companies and fellow subsidiaries	**8,632**	**8,668**	**6,778**	**1,513**	**377**
Notes in circulation	**2,115**	**2,115**	**-**	**-**	**2,115**
2024					
Financial liabilities					
Bank deposits	921	921	-	-	921
Customer deposits	78,069	78,023	3,923	4,681	69,419
Amounts due to holding companies and fellow subsidiaries	3,523	3,561	2,204	814	543
Notes in circulation	2,381	2,381	-	-	2,381

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

Short-term financial instruments

For certain short-term financial instruments: cash and balances at central banks, items in the course of collection from other banks, settlement balances, items in the course of transmission to other banks, customer demand deposits and notes in circulation, carrying value is deemed a reasonable approximation of fair value.

Loans to banks and customers

In estimating the fair value of net loans to customers and banks measured at amortised cost, RBS plc's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Two principal methods are used to estimate fair value:

(a) Contractual cash flows 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. This method is used for portfolios where counterparties have external ratings, such as institutional and corporate lending.

(b) Expected cash flows (unadjusted for credit losses) are discounted at the current offer rate for the same or similar products. The current methodology caps all loan values at par rather than modelling clients' option to repay loans early. This approach is adopted for lending portfolios in Retail Banking, Commercial & Institutional (SME loans) and Private Banking & Wealth Management in order to reflect the homogeneous nature of these portfolios.

Bank and customer deposits

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

For accounting policy information refer to Accounting policy 3.4 and 3.6.

10 Financial instruments - maturity analysis

Remaining maturity

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

	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
Assets						
Cash and balances at central banks	25,590	-	25,590	26,630	-	26,630
Derivatives	3	532	535	9	456	465
Loans to banks - amortised cost	420	-	420	484	-	484
Loans to customers - amortised cost	10,397	23,134	33,531	10,285	23,239	33,524
Amounts due from holding companies and fellow subsidiaries (1)	29,787	4,523	34,310	28,033	-	28,033
Other assets (2)	-	46	46	38	142	180
Liabilities						
Bank deposits	803	58	861	854	67	921
Customer deposits	77,171	1,228	78,399	77,618	451	78,069
Amounts due to holding companies and fellow subsidiaries (3)	6,968	1,664	8,632	1,872	1,651	3,523
Derivatives	191	408	599	230	1,181	1,411
Notes in circulation	2,115	-	2,115	2,381	-	2,381
Lease liabilities	5	47	52	5	51	56

(1) Amounts due from holding companies and fellow subsidiaries relating to non-financial instruments of £30 million (2024 - £27 million) have been excluded from the table.
(2) Other assets relating to non-financial instruments of £900 million (2024 - £1,133 million) have been excluded from the table.
(3) Amounts due to holding companies and fellow subsidiaries relating to non-financial instruments of £128 million (2024 - £232 million) have been excluded from the table.

10 Financial instruments - maturity analysis continued

Liabilities by contractual cash flow maturity with a maturity of 20 years or less

The tables below show the timing of cash outflows to settle financial liabilities, prepared on the following basis:

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 liability is included at the earliest possible date that the conditions could be fulfilled without considering the probability of the conditions being met. For example, if a structured note automatically prepays 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 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 RBS plc's liquidity position.

Held for trading liabilities of £46 million (2024 - £142 million) have been excluded from the tables.

2025	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
Liabilities by contractual maturity up to 20 years						
Bank deposits	**804**	**-**	**-**	**-**	**66**	**-**
Customer deposits	**72,900**	**4,375**	**1,294**	**-**	**-**	**-**
Amounts due to holding companies and fellow subsidiaries	**6,972**	**73**	**1,310**	**577**	**-**	**-**
Derivatives	**113**	**214**	**167**	**69**	**18**	**-**
Notes in circulation	**2,115**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**2**	**4**	**16**	**10**	**26**	**1**
	82,906	**4,666**	**2,787**	**656**	**110**	**1**
Guarantees and commitments notional amount (1)						
Guarantees (2)	**203**	**-**	**-**	**-**	**-**	**-**
Commitments (3)	**14,719**	**-**	**-**	**-**	**-**	**-**
	14,922	**-**	**-**	**-**	**-**	**-**

2024	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	10-20 years £m
Liabilities by contractual maturity up to 20 years						
Bank deposits	854	-	-	-	79	-
Customer deposits	73,355	4,290	451	-	-	-
Amounts due to holding companies and fellow subsidiaries	1,882	68	313	1,123	585	-
Derivatives	164	489	530	110	56	1
Notes in circulation	2,381	-	-	-	-	-
Lease liabilities	2	5	17	9	22	8
	78,638	4,852	1,311	1,242	742	9
Guarantees and commitments notional amount (1)						
Guarantees (2)	336	-	-	-	-	-
Commitments (3)	16,583	-	-	-	-	-
	16,919	-	-	-	-	-

(1) Refer to Note 20 Memorandum items – Contingent liabilities and commitments.
(2) RBS plc is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. RBS plc expects most guarantees it provides to expire unused.
(3) RBS plc 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. RBS plc does not expect all facilities to be drawn, and some may lapse before drawdown.

11 Derivatives

RBS plc uses derivatives to manage its own risk such as foreign exchange risk and interest rate risk.

	2025			2024		
	Notional	**Assets**	**Liabilities**	Notional	Assets	Liabilities
	£m	**£m**	**£m**	£m	£m	£m
Exchange rate contracts	**2**	**-**	**-**	16	-	-
Interest rate contracts	**42,220**	**535**	**599**	49,220	465	1,411
Total	**42,222**	**535**	**599**	49,236	465	1,411

Hedge accounting using derivatives

For accounting policy information refer to Accounting policies 3.4 and 3.6.

Refer to Note 26 for amounts due from/to fellow NatWest Group subsidiaries.

RBS plc applies hedge accounting to reduce the accounting mismatch caused in the income statement by using derivatives to hedge the following risks: interest rate and foreign exchange risk.

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

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

For all cash flow hedging and fair value hedge relationships, RBS plc 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.

RBS plc 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.

11 Derivatives continued

Derivatives in hedge accounting relationships

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

	2025				2024			
	Notional £m	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m	Notional £m	Assets £m	Liabilities £m	Changes in fair value used for hedge ineffectiveness (1) £m
Fair value hedging								
Interest rate contracts	3,524	156	33	8	3,573	168	55	62
Cash flow hedging								
Interest rate contracts	26,109	269	520	614	32,515	261	1,214	51
Net investment hedging								
Exchange rate contracts	-	-	-	-	8	-	-	-
Total	29,633	425	553	622	36,096	429	1,269	113

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

Hedge ineffectiveness

Hedge ineffectiveness recognised in other operating income comprised.

	2025 £m	2024 £m
Fair value hedging		
Loss on hedged items attributable to the hedged risk	(6)	(58)
Gain on the hedging instruments	8	62
Fair value hedging ineffectiveness	2	4
Cash flow hedging		
Interest rate risk	2	-
Cash flow hedging ineffectiveness	2	-
Total	4	4

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).

11 Derivatives continued

Maturity of notional hedging contracts

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

2025	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	Over 10 years £m	Total £m
Fair value hedging							
Interest rate risk							
Hedging assets	**13**	**60**	**145**	**286**	**626**	**952**	**2,082**
Hedging liabilities	**-**	**-**	**929**	**513**	**-**	**-**	**1,442**

2024	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	Over 10 years £m	Total £m
Fair value hedging							
Interest rate risk							
Hedging assets	69	51	172	227	552	955	2,026
Hedging liabilities	-	-	-	997	550	-	1,547

2025	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	Over 10 years £m	Total £m
Cash flow hedging							
Interest rate risk							
Hedging assets	**1,410**	**5,124**	**12,247**	**3,179**	**721**	**-**	**22,681**
Hedging liabilities	**80**	**1,423**	**1,072**	**698**	**155**	**-**	**3,428**

2024	0-3 months £m	3-12 months £m	1-3 years £m	3-5 years £m	5-10 years £m	Over 10 years £m	Total £m
Cash flow hedging							
Interest rate risk							
Hedging assets	-	4,556	13,040	8,503	1,149	-	27,248
Hedging liabilities	-	1,839	2,277	711	440	-	5,267

Average fixed interest rates

Average fixed rate for cash flow hedges, interest rate risk.

2025	0-3 months %	3-12 months %	1-3 years %	3-5 years %	5-10 years %	Over 10 years %	Total %
Average fixed interest rate							
Hedging assets	**0.50**	**1.31**	**3.43**	**2.85**	**2.51**	**-**	**2.66**
Hedging liabilities	**4.19**	**4.97**	**1.81**	**1.61**	**3.33**	**-**	**3.21**

2024	0-3 months %	3-12 months %	1-3 years %	3-5 years %	5-10 years %	Over 10 years %	Total %
Average fixed interest rate							
Hedging assets	-	0.86	2.06	3.70	1.70	-	2.36
Hedging liabilities	-	5.03	3.96	1.65	1.79	-	3.84

11 Derivatives continued

Analysis of hedged items and related hedging derivatives

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

2025	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
Fair value hedging - interest rate			
Loans to banks and customers - amortised cost (2)	**1,930**	**(162)**	**30**
Other financial liabilities - debt securities in issue	**953**	**8**	**(22)**
Subordinated liabilities	**528**	**12**	**(14)**
Total	**1,481**	**20**	**(36)**
2024			
Fair value hedging - interest rate			
Loans to banks and customers - amortised cost (2)	1,835	(198)	(72)
Other financial liabilities - debt securities in issue	1,121	(14)	12
Subordinated liabilities	551	(2)	2
Total	1,672	(16)	14
2025			
Cash flow hedging - interest rate			
Loans to banks and customers - amortised cost (3)	**22,680**		**(667)**
Cash flow hedging - interest rate			
Bank and customer deposits	**3,428**		**55**
2024			
Cash flow hedging - interest rate			
Loans to banks and customers - amortised cost (3)	27,247		5
Bank and customer deposits	5,267		(56)

(1) The change in fair value used for hedge ineffectiveness includes instruments that were derecognised in the year.
(2) Carrying values include £8 million (2024 - £8 million) adjustment for discontinued fair value hedges.
(3) Includes cash and balances at central banks.

11 Derivatives continued

The following shows analysis of the pre-tax cash flow hedge reserve.

	Cash flow hedge reserve	
	2025	2024
	£m	£m
Continuing		
Interest rate risk	**(118)**	(728)
De-designated		
Interest rate risk	**1**	(19)
Total	**(117)**	(747)

	Cash flow hedge reserve	
	2025	2024
	£m	£m
	hedge reserve	hedge reserve
	£m	£m
Amount recognised in equity		
Interest rate risk	**148**	(671)
Amount transferred from equity to earnings		
Interest rate risk to net interest income	**483**	948

12 Loan impairment provisions

Loan exposure and impairment metrics

The table below summarises loan and related credit impairment measures within the scope of the ECL framework.

	2025 £m	2024 £m
Loans - amortised cost (1)		
Stage 1	**28,928**	29,533
Stage 2	**4,813**	4,279
Stage 3	**847**	938
Inter-group (2)	**34,331**	28,052
	68,919	62,802
ECL provisions (3)		
Stage 1	**61**	73
Stage 2	**103**	108
Stage 3	**355**	382
Inter-group	**21**	19
	540	582
ECL provision coverage (4)		
Stage 1 (%)	**0.21**	0.25
Stage 2 (%)	**2.14**	2.52
Stage 3 (%)	**41.91**	40.72
Inter-group (%)	**0.06**	0.07
	1.50	1.62
Impairment (releases)/losses		
ECL (release)/charge		
Stage 1	**(38)**	(71)
Stage 2	**47**	31
Stage 3	**18**	64
Inter-group	**2**	(7)
	29	17
Amounts written off	**82**	100

(1) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Refer to the 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 £25.3 billion (2024 – £26.1 billion).
(2) RBS plc's intercompany assets are classified in Stage 1.
(3) ECL provisions coverage is calculated as ECL provisions divided by third party loans – amortised cost. It is calculated on loans and total ECL provisions, including ECL for other (non-loan) assets and unutilised exposure. Some segments with a high proportion of debt securities or unutilised exposure may result in a not meaningful coverage ratio.

Credit risk enhancement and mitigation

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

Critical accounting policy: Loan impairment provisions

Accounting policy 2.2 sets out how the expected loss approach is applied. At 31 December 2025, impairment provisions amounted to £540 million (2024 - £582 million). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan was advanced. Such evidence includes, changes in the credit rating of a borrower, the failure to make payments in accordance with the loan agreement, significant reduction in the value of any security, breach of limits or covenants, and observable data about relevant macroeconomic measures.

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

The measurement of credit impairment under the IFRS expected loss model depends on management's assessment of any potential deterioration in the creditworthiness of the borrower, its modelling of expected performance and the application of economic forecasts. All three elements require judgements that are potentially significant to the estimate of impairment losses.

For further information and sensitivity analysis, refer to Risk and capital management – Measurement uncertainty and ECL sensitivity analysis section.

IFRS 9 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.

13 Other assets

	2025 £m	2024 £m
Other financial assets	**46**	180
Investments in Group undertakings (Note 14)	**9**	9
Property, plant and equipment	**98**	94
Deferred tax (Note 7)	**675**	917
Other assets	**118**	113
Total	**946**	1,313

14 Investments in Group undertakings

Investments in Group undertakings are carried at cost less impairment losses as follows.

	2025 £m	2024 £m
At 1 January and 31 December	**9**	9

The sole subsidiary undertaking of RBS plc is owned directly and has an accounting reference date of 31 December. Refer to Note 29 for details of all related undertakings.

15 Subordinated liabilities

The following table analyses intercompany subordinated liabilities. These balances are included in amounts due to holding companies and fellow subsidiaries on the balance sheet.

Dated loan capital		First call date	Maturity date	Capital treatment	2025 £m	2024 £m
$690 million	6.258% notes	Aug-30	Nov-35	Tier 2	**528**	551

16 Other liabilities

	2025 £m	2024 £m
Lease liabilities	**52**	56
Provisions for liabilities and charges	**59**	125
Accruals	**65**	71
Deferred income	**41**	41
Current tax	**650**	299
Acceptances	**81**	81
Other liabilities	**22**	17
Total	**970**	690

Provisions for liabilities and charges	Redress and other Litigation £m	Property £m	Financial commitments and guarantees £m	Other £m	Total £m
At 1 January 2025	**104**	**10**	**10**	**1**	**125**
Currency translation and other movements	**(22)**	**-**	**-**	**-**	**(22)**
Expected credit losses impairment release	**-**	**-**	**(3)**	**-**	**(3)**
Charge to income statement	**8**	**1**	**-**	**10**	**19**
Releases to income statement	**(20)**	**(1)**	**-**	**-**	**(21)**
Provisions utilised	**(27)**	**(1)**	**-**	**(11)**	**(39)**
At 31 December 2025	**43**	**9**	**7**	**-**	**59**

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

For accounting policy information refer to Accounting policy 3.7.

Background information on all material provisions is given in Note 20.

17 Share capital and reserves

			Number of shares	
	2025	2024	**2025**	2024
Allotted, called up and fully paid	**£m**	£m	**000s**	000s
Ordinary shares of £1	**20**	20	**19,500**	19,500

Ordinary shares

No ordinary shares were issued during 2025 or 2024.

In 2025, RBS plc paid an ordinary dividend of £1.3 billion to NWH Ltd (2024 - £1.2 billion).

Paid-in equity

Comprises equity instruments issued by RBS plc other than those legally constituted as shares.

Additional Tier 1 instruments issued by RBS plc having the legal form of debt are classified as equity under IFRS. The coupons on these instruments are non-cumulative and payable at RBS's discretion.

	2025	2024
	£m	£m
Additional Tier 1 instruments		
£500 million 6.8543% instruments callable May 2027	500	500

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

For accounting policy information refer to Accounting policy 3.5.

18 Unconsolidated structured entities

RBS plc has lending to unconsolidated structured entities of £99 million (2024 - £109 million) and loan commitments of £14 million (2024 – £31 million).

19 Capital resources

Regulatory capital is assessed against minimum requirements that are set out under the UK CRR to determine the strength of its capital base. This note shows a reconciliation of shareholders' equity to regulatory capital.

	2025 £m	2024 £m
Shareholders' equity (excluding non-controlling interests)		
Shareholders' equity	**3,658**	3,249
Other equity instruments	**(500)**	(500)
	3,158	2,749
Regulatory adjustments and deductions		
Cash flow hedging reserve	**84**	538
Deferred tax assets	**(616)**	(677)
Prudential valuation adjustments	**(1)**	(1)
Adjustment under IFRS 9 transitional arrangements	**-**	7
Foreseeable dividends	**(720)**	(660)
	(1,253)	(793)
CET1 capital	**1,905**	1,956
Additional Tier 1 (AT1) capital		
Qualifying instruments and related share premium	**500**	500
	500	500
Tier 1 capital	**2,405**	2,456
Qualifying Tier 2 capital		
Qualifying instruments and related share premium	**513**	550
Other regulatory adjustments	**37**	74
Tier 2 capital	**550**	624
Total regulatory capital	**2,955**	3,080

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

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

20 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 RBS plc is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of RBS plc's expectation of future losses.

For accounting policy information refer to Accounting policy 3.7.

	2025 £m	2024 £m
Contingent liabilities and commitments		
Guarantees	**203**	336
Other contingent liabilities	**386**	315
Standby facilities, credit lines and other commitments	**15,281**	16,629
Total	**15,870**	17,280

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. RBS plc'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 RBS plc's normal credit approval processes.

Guarantees – RBS plc gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that RBS plc will meet a customer's specified obligations to a third party if the customer fails to do so. The maximum amount that RBS plc could be required to pay under a guarantee is its principal amount as in the table above. RBS plc 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 RBS plc 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 RBS plc 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.

Capital Support Deed

RBS plc, together with certain other subsidiaries of NatWest Holdings Ltd, is party to a Capital Support Deed (CSD). Under the terms of the CSD, RBS plc may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to RBS plc's capital resources in excess of the capital and financial resources needed to meet its regulatory requirements. RBS plc may also be obliged to make onward distribution to its ordinary shareholders of dividends or other capital distributions received from subsidiaries that are party to the CSD.

The CSD also provides that, in certain circumstances, funding received by RBS plc from other parties to the CSD becomes immediately repayable, such repayment being limited to RBS plc's available resources.

Trustee and other fiduciary activities

In its capacity as trustee or other fiduciary role, RBS plc may hold or place assets on behalf of individuals, trusts, companies, pension schemes and others. The assets and their income are not included in its financial statements. RBS plc earned fee income of £5 million (2024 - £5 million) from these activities.

The Financial Services Compensation Scheme

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

Litigation and regulatory matters

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

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

In many of the Matters, it is not possible to determine whether any loss is probable, or to estimate reliably the amount of any loss, either as a direct consequence of the relevant proceedings and regulatory matters or as a result of adverse impacts or restrictions on NatWest Group's reputation, businesses and operations.

20 Memorandum items continued

Litigation and regulatory matters continued

Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and document production exercises and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before the probability of a liability, if any, arising can reasonably be estimated in respect of any Matter. NatWest Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, damages, fine, penalty or other relief, if any, may be, particularly for Matters that are at an early stage in their development or where claimants seek substantial or indeterminate damages.

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

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

The future economic outflow in respect of any Matter may ultimately prove to be substantially greater than, or less than, the aggregate provision, if any, that NatWest Group has recognised in respect of such Matter. Where a reliable estimate of the economic outflow cannot be reasonably made, no provision has been recognised. NatWest Group expects that in future periods, additional provisions and economic outflows relating to Matters that may or may not be currently known by NatWest Group will be necessary, in amounts that are expected to be substantial in some instances. Refer to Note 16 for information on material provisions.

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

Regulatory matters

NatWest Group's businesses and financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, the US, the EU and elsewhere. NatWest Group has engaged, and will continue to engage, in discussions with relevant governmental and regulatory authorities, including in the UK, the US, the EU and elsewhere, on an ongoing and regular basis, and in response to informal and formal inquiries or investigations, regarding operational, systems and control evaluations and issues including those related to compliance with applicable laws and regulations, including consumer protection, investment advice, business conduct, competition/anti-trust, VAT recovery, anti-bribery, anti-money laundering and sanctions regimes. NatWest Group expects government and regulatory intervention in financial services to be high for the foreseeable future, including increased scrutiny from competition and other regulators in the retail and SME business sectors.

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

RBS plc is co-operating fully with the matters described below.

Investment advice review

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

The Skilled Person's review has concluded and, after discussion with the FCA, NatWest Group is undertaking additional review / remediation work, which is expected to conclude in H1 2026.

21 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.

	2025 £m	2024 £m
Impairment losses	**29**	17
Depreciation and amortisation	**11**	19
Gain on redemption of own debt	**-**	(3)
Change in fair value taken to profit or loss on other liabilities and subordinated liabilities	**35**	(15)
Elimination of foreign exchange differences	**(30)**	29
Other non-cash items	**478**	948
Dividends receivable from subsidiaries	**(6)**	-
Profit on sale of property, plant and equipment	**(1)**	(1)
Interest payable on MRELs and subordinated liabilities	**95**	108
Charges and releases of provisions	**(2)**	31
Defined benefit pension schemes	**-**	5
Non-cash and other items	**609**	1,138
Change in operating assets and liabilities		
Change in derivative assets	**77**	(513)
Change in loans to banks	**3**	228
Change in loans to customers	**(38)**	1,256
Change in amounts due from holding companies and fellow subsidiaries	**(4,678)**	(370)
Change in other assets	**121**	104
Change in bank deposits	**(60)**	(106)
Change in customer deposits	**330**	565
Change in amounts due to holding companies and fellow subsidiaries	**5,084**	293
Change in derivative liabilities	**(812)**	(521)
Change in notes in circulation	**(266)**	(49)
Change in other liabilities	**(70)**	(118)
Change in operating assets and liabilities	**(309)**	769

22 Analysis of changes in financing during the year

	Share capital, share premium, and paid-in equity		Subordinated liabilities (1)		MREL instruments (2)	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
At 1 January	**520**	520	**551**	394	**1,121**	1,393
Issued	**-**	-	**-**	546	**-**	119
Redeemed	**-**	-	**-**	(381)	**-**	(397)
Interest paid			**(33)**	(39)	**(63)**	(71)
Net cash flows from financing activities	**-**	-	**(33)**	126	**(63)**	(349)
Effects of foreign exchange			**(37)**	(4)	**(76)**	22
Changes in fair value			**14**	(3)	**21**	(12)
Interest payable			**33**	41	**62**	67
Other	**-**	-	**-**	(3)	**-**	-
At 31 December	**520**	520	**528**	551	**1,065**	1,121

(1) Subordinated liabilities are included within amounts due to holding companies and fellow subsidiaries.
(2) MREL balances are included in amounts due to holding companies and fellow subsidiaries.

23 Analysis of cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and loans to banks 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.

	2025	2024
	£m	£m
Cash and balances at central banks	**25,590**	26,630
Loans to banks including intragroup balances	**22,726**	21,186
Cash and cash equivalents	**48,316**	47,816

24 Directors' and key management remuneration

The composition of RBS plc's board of directors is aligned to that of its intermediate holding company NatWest Holdings Ltd. The directors are remunerated for their services to NatWest Group as a whole, and their remuneration cannot be apportioned in respect of their services to RBS plc.

The directors' emoluments in the table below represent the NWH Group emoluments of the directors.

Directors remuneration	2025 £000	2024 £000
Non-executive directors emoluments	**2,112**	1,787
Chair and executive directors emoluments	**7,519**	6,425
	9,631	8,212
Amounts receivable under long-term incentive and share option plans	**3,279**	1,471
	12,910	9,683

The total emoluments and amounts receivable under long-term incentive plans and share option plans of the highest paid director were £5,218,000 (2024 - £3,873,000)

The executive directors may participate in the NatWest Group's long-term incentive plans, executive share option and sharesave schemes. Where directors of RBS plc are also directors of NatWest Group plc, details of their share interests can be found in the NatWest Group 2025 Annual Report and Accounts in line with regulations applying to NatWest Group plc as a premium listed company.

Compensation of key management

The aggregate remuneration of directors and other members of key management[1] during the year was as follows:

	2025 £000	2024 £000
Short-term benefits	**23,255**	19,729
Post-employment benefits	**683**	614
Share-based payments	**10,801**	5,250
	34,739	25,593

(1) Key management comprises members of the NWH Ltd Executive Committee.

Short term benefits include benefits expected to be settled wholly within twelve months of the 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.

25 Transactions with directors and key management

For the purposes of IAS 24 Related party disclosures, key management comprises directors of RBS plc and members of RBS plc's Executive Committee. Key management have banking relationships with NatWest Group 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 companies.

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

	At 31 December	
	2025 £000	2024 £000
Loans to customers - amortised cost	**2,631**	3,538
Customer deposits	**52,378**	36,936

At 31 December 2025, amounts outstanding in relation to transactions, arrangements and agreements entered into by RBS plc, as defined in UK legislation, were £2,594,679 in respect of loans to seven persons who were directors of RBS plc at any time during the financial period (2024 - £2,581,500).

26 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%.

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

Bank of England facilities

RBS plc 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

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

At 31 December 2025 there were balances within Loans to customers - amortised cost of £4 million (2024 - £4 million) and customer deposits of nil (2024 - £2 million) relating to equity interests over 10%.

Post employment benefits

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

26 Related parties continued

Holding companies and fellow subsidiaries

The transactions RBS plc enters with its holding companies and fellow subsidiaries also meet the definition of related party transactions. The table below discloses transactions between RBS plc and fellow subsidiaries of NatWest Group.

	2025			2024		
	Holding companies	Fellow subsidiaries	Total	Holding companies	Fellow subsidiaries	Total
	£m	£m	£m	£m	£m	£m
Interest receivable	-	1,192	1,192	-	1,331	1,331
Interest payable	(94)	(93)	(187)	(45)	(134)	(179)
Fees and commissions receivable	-	33	33	-	31	31
Fees and commissions payable	-	(22)	(22)	-	(19)	(19)
Other administration expenses (1)	-	(709)	(709)	-	(726)	(726)
Impairment (losses)/releases	(2)	-	(2)	7	-	7
	(96)	401	305	(38)	483	445

(1) Internal service recharges of £709 million (2024 - £726 million).

The below table discloses amounts due from or to holding companies and fellow subsidiaries.

	2025			2024		
	Holding companies	Fellow subsidiaries	Total	Holding companies	Fellow subsidiaries	Total
	£m	£m	£m	£m	£m	£m
Assets						
Loans to banks - amortised cost	-	26,843	26,843	-	20,702	20,702
Loans to customers - amortised cost	-	7,467	7,467	4	7,327	7,331
Other assets	22	8	30	6	21	27
Amounts due from holding companies and fellow subsidiaries	22	34,318	34,340	10	28,050	28,060
Derivatives (1)	-	535	535	-	465	465
Liabilities						
Bank deposits - amortised cost	-	6,711	6,711	-	1,606	1,606
Customer deposits - amortised cost	-	320	320	-	239	239
Other financial liabilities - subordinated liabilities (2)	528	-	528	551	-	551
MREL instruments issued to NatWest Holdings Limited	1,065	-	1,065	1,121	-	1,121
Other liabilities	22	114	136	-	238	238
Amounts due to holding companies and fellow subsidiaries	1,615	7,145	8,760	1,672	2,083	3,755
Derivatives (1)	-	599	599	-	1,411	1,411

(1) Intercompany derivatives are included within the derivative classification on the balance sheet.
(2) Other financial liabilities are fixed rate USD subordinated notes. Refer Note 15.

There was £0.3 billion (2024 - £1.0 billion) of RBS plc commitments and guarantees related to transactions with fellow group companies outstanding at the balance sheet date.

27 Ultimate holding company

RBS plc's ultimate holding company is NatWest Group plc and its intermediate parent company is NatWest Holdings Ltd ('NWH Ltd' or 'the intermediate holding company').

NatWest Group plc is incorporated in the United Kingdom registered in Scotland and NWH Ltd is registered in England. As at 31 December 2025, NatWest Group plc heads the largest group in which RBS plc is consolidated (through NWH Ltd). 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.

28 Post balance sheet events

There have been no significant events between 31 December 2025 and the date of approval of these accounts which would require a change to or additional disclosure in the accounts.

29 Related undertakings

Legal entities and activities at 31 December 2025

In accordance with the Companies Act 2006, RBS plc's related undertakings and the accounting treatment for each are listed below. All undertakings are wholly-owned by RBS plc or subsidiaries of RBS plc and are consolidated in NatWest Group's accounts by reason of contractual control (Section 1162(2) CA 2006), unless otherwise indicated. RBS plc 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.

Active related undertakings incorporated in the UK which are owned by RBS plc and fully consolidated for accounting purposes

Entity Name	Activity	Regulatory treatment	Notes
The One Account Ltd	BF	FC	1

Active related undertakings incorporated in the UK where RBS plc ownership is less than 100%

Entity Name	Activity	Regulatory treatment	Group %	Notes
Oaxaca Ltd	OTH	DE	23	2

Key:
Activity

OTH Other
BF Banking and financial institution

Regulatory treatment

DE Deconsolidated
FC Full consolidation

Notes	Registered addresses	Country of incorporation
1	250 Bishopsgate, London, EC2M 4AA, England	UK
2	5 Little Portland Street, London, W1W 7JD, England	UK