



NatWest
Group

The Royal Bank of Scotland International (Holdings) Limited and The Royal Bank of Scotland International Limited

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Board of directors and secretary

Chair

James McConville

Executive directors

Jane Howard (appointed on 1 July 2025)

Chief Executive Officer

Robert Horrocks

Chief Financial Officer

Non-executive directors

Christine Ashton

Bruce Cannon

Aaron Le Cornu

Carinne Withey

Company Secretary

Rachael Pocklington

Board changes

Oliver Holbourn (resigned 30 June 2025)

Auditor

Ernst & Young LLP

Castle Street

St Helier

Jersey

JE1 1EY

Registered office and Head office

Royal Bank House

71 Bath Street

St Helier

Jersey

JE4 8PJ

The Board information covers the following companies:

The Royal Bank of Scotland International (Holdings) Limited

Registered in Jersey, Channel Islands No. 65046

The Royal Bank of Scotland International Limited

Registered in Jersey, Channel Islands No. 2304

Report of the directors

Presentation of information

The directors of The Royal Bank of Scotland International Limited (RBSI Ltd) and The Royal Bank of Scotland International (Holdings) Limited (RBSIH) present the Annual Report and audited consolidated financial statements for RBSI Ltd, including all of its branches and subsidiaries, together with the audited consolidated financial statements of RBSIH and its subsidiaries (together RBSI Group) for the year ended 31 December 2025.

RBSI Ltd has prepared consolidated financial statements for the first time in the current year following the establishment of Goldfinch 2025-1 Ltd in 2025 (Refer to Note 11). As no group existed in the prior year, the comparative information represents the stand-alone financial statements of RBSI Ltd and therefore the current-year balances are not directly comparable with those of the prior year.

The audited financial statements of The Royal Bank of Scotland International Limited and The Royal Bank of Scotland International (Holdings) Limited are clearly and separately identifiable throughout this document.

The financial statements of RBSI Group and RBSI Ltd are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). RBSI Group and RBSI Ltd publish their financial statements in the functional currency, pounds sterling ('£' or 'sterling') and all values are rounded to the nearest million pound, except when otherwise indicated. The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling, respectively.

Principal activities

RBSIH is a wholly owned subsidiary of NatWest Group plc, positioned within its Commercial & Institutional business. RBSIH is the holding company of RBSI Ltd and NatWest Trustee and Depositary Services Limited (NWTDS), owning the entire issued share capital of both entities.

RBSI Ltd is among the largest banks operating in the Channel Islands, Isle of Man and Gibraltar with wholesale branches in Luxembourg and the United Kingdom (UK). Our position outside the UK ring-fencing regime allows us to gather deposits and lend to retail, corporate and commercial customers and financial institutions.

We offer a range of financial products and services through our International Retail & Commercial Banking (IRCB) and Institutional Banking (IB) customer segments. IRCB acts as a trusted banking partner to personal, private, business and commercial customers. IB offers expert services to UK and European fund asset managers, fund administrators and corporate service providers, helping them to look after their money and manage risk.

NWTDS is the largest provider of independent trustee and depositary services in the UK. It oversees the management of funds in both the traditional and alternative fund markets.

The directors do not anticipate any material change in the type of activities of RBSI Ltd or RBSI Group as part of the current business strategy.

Copies of the NatWest Group plc Annual Report and Accounts 2025 can be obtained from Corporate Governance and Regulatory Affairs, NatWest Group, Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or through the NatWest Group website at natwestgroup.com.

Performance review

Performance key metrics and ratios	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
Total Income	£1,065m	£1,042m	£1,026m	£1,004m
Operating profit before tax	£593m	£627m	£609m	£626m
Loans and advances to customers	£15.9bn	£15.6bn	£15.9bn	£15.6bn
Customer deposits	£32.4bn	£32.3bn	£32.4bn	£32.3bn
Net interest margin	2.30%	2.34%	2.30%	2.33%
Loan: deposit ratio	49%	48%	49%	48%
Depository assets and assets held in a fiduciary capacity	£551bn	£495bn	£3.6bn	£2.9bn
Return on tangible equity (RoTE)	29.6%	34.9%	31.7%	36.6%
Non-financial metrics				
Net promoter score (NPS)	62	46		
Purposeful leadership scores	84%	81%		
Performance culture scores	80%	75%		
IRCB financial health checks	8,519	11,296		
Climate and sustainable funding and financing (1)	£1.7bn	£1.6bn		
Climate and transition finance (2)	£0.5bn	na		
RBSI Ltd regulatory metrics (3)				
Liquidity portfolio			£20.3bn	£19.5bn
Risk-weighted assets (RWAs)			£7.6bn	£7.4bn
Common Equity Tier 1 (CET1) ratio			20.3%	17.5%
Tier 1 capital ratio			21.2%	21.5%
Leverage exposure			£42.0bn	£40.5bn
Leverage ratio (4)			3.8%	3.9%
Net Stable Funding Ratio (NSFR)			141%	149%
Liquidity Coverage Ratio (LCR)			135%	131%

(1) RBSI Group's contribution to the target for the six-month period up to 30 June 2025. The NatWest Group Climate and Sustainable Funding and Financing Inclusion (CSFFI) criteria, which underpinned the previous £100 billion target, has been retired. The CSFFI framework is available on natwestgroup.com.

(2) In July 2025, NatWest Group announced a new target to provide £200 billion in climate and transition finance between 1 July 2025 and the end of 2030.

(3) RBSI Limited regulatory metrics are on a standalone basis.

(4) Leverage ratio is Tier 1 capital as a percentage of on and off balance sheet exposures in line with Jersey Financial Services Commission (JFSC) guidance. The primary driver of the leverage ratio is short term deposit balances, which RBSI Ltd typically holds in high quality liquid assets. Excluding unencumbered central bank balances would result in a ratio of 5.53%.

RBSI Group's operating profit before tax was £593 million compared with an operating profit before tax of £627 million in 2024. Return on tangible equity was 29.6% (31 December 2024 - 34.9%).

RBSI Ltd's operating profit before tax was £609 million compared with an operating profit before tax of £626 million in 2024.

RBSI Group and RBSI Ltd's financial performance are presented in the income statement on page 16. This year's performance reflects solid financial results, strong returns, and a robust balance sheet, providing stability for customers and communities. We remain well-positioned for sustainable growth and attractive shareholder returns.

The RBSI Ltd results are also presented in the RBSI factbook, which is available on the RBSI website.

Income

RBSI Group income increased by 2% to £1,065 million driven by higher non-interest income. Net interest income in RBSI Ltd reduced in 2025, impacted by lower central bank rates. RBSI Ltd net interest margin was 2.30%.

Operating expenses

RBSI Group operating expenses increased by 13% or £57 million to £480 million reflecting additional spend to reduce non-financial risk, as well as some non-repeat items, including legal costs and intangible asset write down.

Impairments

Net impairment releases of £8 million reflected an improved credit outlook across our performing and non-performing customer loans, as well as the continued low level of defaults.

Total loan impairment provisions stood at £44 million with an expected credit losses (ECL) coverage ratio of 0.26% (2024 - 0.37%). Key disclosures underlying our credit provisions are outlined in Note 8.

Loans and advances

Loans and advances to customers increased by £0.3 billion during 2025 to £15.9 billion which reflected growth across both Institutional Banking and International, Retail & Commercial Banking.

Customer loans and advances	2025	2024
IRCB	£3.8bn	£3.7bn
o/w buy to let mortgages	£0.7bn	£0.7bn
o/w residential mortgages	£1.5bn	£1.4bn
IB	£12.1bn	£11.9bn
o/w funds: subscription lines & NAV lines	£10.1bn	£9.2bn

Customer deposits

Customer deposits at £32.4 billion represent RBSI Ltd's primary funding source. Deposit balances increased by £0.1 billion.

Customer deposits	2025	2024
IRCB	£11.0bn	£11.2bn
IB	£21.4bn	£21.1bn

Capital and liquidity management

RBSI Group's capital and liquidity positions continued to reflect the stability of the entity throughout 2025. As RBSIH is not a regulated entity, the capital and liquidity metrics of RBSI Ltd are included in this report. As at 31 December 2025 the CET1 ratio was 20.3%, a 2.8% increase from 31 December 2024 (17.5%), driven by higher CET1 capital (from retained profits).

Ordinary dividends of £235 million were paid throughout the year, with remaining profits used to maintain total capital levels and progressively repay additional tier 1 (AT1) capital.

RWAs increased by £0.2 billion to £7.6 billion, driven by lending growth and higher operational risk RWAs. These increases were partially offset by ongoing RWA management.

Liquidity Coverage Ratio of 135% (31 December 2024 - 131%) remained robust, providing capacity to support our customer lending growth ambitions.

Customer deposits remain our principal source of funding, with continued emphasis on retaining and winning core operational balances and attracting term products. To support our funding diversification strategy, wholesale funding increased during 2025 to £3.3 billion (2024 - £2.2 billion), comprising commercial paper (£1.0 billion), syndicated loans (£1.6 billion), and private placements (£0.7 billion).

RBSI Ltd held securities of £7.4 billion (31 December 2024 - £5.4 billion) which are highly liquid and comprised primarily of bonds issued by UK and US governments and Multilateral Development Banks.

Depository assets and assets held in a fiduciary capacity

RBSI Group reports assets held in a fiduciary capacity within key performance metrics and these assets are not included on the balance sheet within its financial statements. This includes trustee and depository services to Collective Investment Schemes (CIS), including Alternative Investment Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities Directive (UCITS).

Depository assets increased by 11% year on year to £548 billion, largely reflecting equity market movements and underlying growth in fund values.

Credit ratings

RBSI Ltd had the following credit ratings at 31 December 2025:

S&P	A / A-1 (Stable)
Moody's (1)	A1 / P-1 (Stable)
Fitch	AA- / F1+ (Stable)

(1) Moody's Senior Unsecured Debt rating is A2.

Fitch upgraded the Long-term and Short-term Issuer Default Ratings during 2025, increasing to AA- from A, and to F1+ from F1, respectively. There were no changes to ratings or outlooks from S&P and Moody's.

Accounting policies

The reported results of RBSI Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Details of RBSI Group's accounting policies and key sources of judgemental uncertainty are included within the accounting policies on pages 21 to 26.

Strategic progress

RBSI Group is a part of the Commercial & Institutional business and the wider NatWest Group. In 2025, RBSI Group recorded full year revenues of £1,065 million and an operating profit of £593 million, which represents 15% of overall Commercial & Institutional operating profit.

RBSI Group continued to focus on being customer-centric, supporting the Group-wide strategic priorities of Disciplined Growth, Bank-wide Simplification, and Active Balance Sheet &

Risk Management. These enable the business to further enhance customer experience, alongside disciplined investment to achieve sustainable growth. The business remains focused on deepening customer relationships, driving innovation, and increasing alignment with NatWest Group where appropriate to optimise NatWest capabilities in support of its strategic ambitions.

Our approach reflects an overarching purpose of '*turning possibilities into progress*' to win together with customers. This will be achieved by focusing on three strategic priorities that guide our activity as a business:

- **Disciplined growth:** Maintain strong financial performance and drive growth in key customer segments.
- **Leveraging simplification:** Invest to modernise platforms and systems to improve customer propositions and maximise efficiency across RBSI Group, enabled by a closer relationship with C&I and NatWest Group.
- **Active balance sheet and risk management:** Actively manage risk and balance sheet position, to help drive growth.

Strong progress has been made against RBSI Group's strategic priorities in 2025. Our strategy will continue to evolve into 2026 with the appointment of Jane Howard as CEO in 2025, with a continued focus on delivery for our customers and contribution to NatWest Group.

Disciplined growth

- We supported customers' ambitions by delivering lending solutions across our business. Lending to institutional clients increased throughout 2025, and total lending increased to £15.9 billion, up from £15.6 billion in 2024.
- Customer-centricity within RBSI Group has been evidenced through consistently high Net Promoter Scores (NPS), rising to an overall score of +62 in 2025, with strong scores across our IB, IRCB and NWTDS businesses.
- RBSI Group continued to strengthen its partnership with NatWest Group, actively steering its disciplined growth ambition. This closer alignment has been reflected in frequent engagement by NatWest Executive Management throughout the year, including a series of client meetings initiated by RBSI Group focused on understanding evolving customer needs and reinforcing NatWest Group's commitment to delivering tailored solutions and deepening relationships across key markets.
- A strong focus on customers was also shown through the 8,519 Financial Health Checks provided (2024 - 11,296), which supported customers to better understand their overall financial position.
- In the second half of 2025 IRCB successfully launched our new Family-Backed Mortgage which provides customers, especially first-time buyers, with more ways to buy property.
- Customer remediation, including in relation to the Reliance regime progressed as planned. This was supported by a strengthened data culture designed to improve customer experience and the management of financial crime risk.
- Assets under Management in our Coutts Crown Dependency business grew by £0.7 billion to £3.6 billion in 2025 as we continued to reliably support our high net-worth individuals.
- Working together across the Commercial & Institutional business, RBSI Ltd provided £1.7 billion (2024 - £1.6 billion) of climate and sustainable funding and financing between 1 January and 30 June 2025, and £0.5 billion of climate and transition finance between 1 July and 31 December 2025 (see NatWest Group Annual Report and Accounts for further information).
- RBSI Group continued to offer access to sustainable finance solutions, including Sustainability-Linked Loans (SLLs) and Green Loans to our IB customers, and Green Mortgages to our retail customers in the UK and Gibraltar, supporting customers on their transition journeys.

Bank-wide simplification

- We simplified processes and modernised our operations by investing in critical technology, upgrading legacy systems, automating processes, and adopting NatWest Group aligned core platforms. We seek to further optimise our business by leveraging NatWest Group capabilities, both now and in the future, where it is beneficial to do so, to enhance the service we provide to customers.
- Work progressed on our account opening across IB and IRCB, with improvements seen in average opening times for IB and personal customers.
- We transitioned new mortgage bookings to our enhanced mortgage platform, optimising NatWest Group's systems and capabilities.
- RBSI Group aligned its financial crime risk-management approach with NatWest Group, supporting simpler business operations and enhancing capabilities to detect, identify and manage financial-crime risk.
- We continued to drive process simplification and greater organisational efficiency by investing in colleague-upskilling initiatives and establishing our Data Management roadmap.

Active balance sheet and risk management

- RBSI Group's continued success was underpinned by robust balance sheet and capital management. This sustained progress has supported several rating improvements over recent years and in 2025, we received a two-notch credit rating upgrade from Fitch, moving from A to AA-.
- Risk-weighted assets (RWAs) at £7.6 billion were well managed throughout the year, reflecting disciplined lending and a balanced risk profile.
- IRCB continued to provide secure and attractive savings options. Our personal customers placed £6.3 billion of deposit balances with us in 2025.
- We expanded our US dollar capabilities with access to additional markets, including Money Market Funds, which enables the efficient management of surplus liquidity and strengthens our ability to meet the evolving banking needs of our customers.
- RBSI Ltd continued to develop its access to alternative funding markets, introducing in GBP equivalent an additional £0.6 billion syndicated loan facility and £0.5 billion in US Private placements.
- We continued to strengthen our risk management culture, with the Risk & Control Performance Assessment (RCPA) now established as primary control environment framework. In 2025, RBSI Group achieved RCPA rating of 'Met' which is the highest possible rating, demonstrating effective risk and control practices.
- RBSI Group also voluntarily looks to follow Consumer Duty principles across our jurisdictions, underscoring our commitment to fair customer outcomes.

Colleagues

- In 2025, NatWest Group introduced new colleague behaviours designed to strengthen its customer-focused culture. We embedded a refreshed approach to performance through regular check-ins, clear goal setting, constructive feedback, and enhanced manager support to drive colleague development.
- We continued to foster a continuous learning culture and invest in building a future-ready workforce, delivering over 2000 Learning for the Future days. This included preparing colleagues for the impact of automation, evolving work practices and AI, alongside meaningful investment in technical training, job-related development and professional qualifications. This ensures colleagues have the skills needed to thrive and win with our customers.
- In our twice yearly colleague listening exercise, we saw strong engagement with an 81% response rate. Improvements were seen across most themes year on year including the topics of leadership and simplification.
- 93% of colleagues affirmed that RBSI Group recognises and respects individual differences and fosters an environment where everyone feels valued. In 2025, NatWest Group, including RBSI Group, adopted a new approach to diversity targets - more details are available in the 'Sustainability review' section of the NatWest Group plc 2025 Annual Reports and Accounts.
- Colleagues can report concerns about wrongdoing or misconduct through our whistleblowing service, Speak Up. Colleagues reported that they feel safe and know how to raise concerns, with our colleague survey score exceeding the financial services industry benchmark and with 28 reports raised in 2025.

Community and external engagement

- RBSI Group strengthened its commitment to developing future talent by supporting the 2025 STEM (Science, Technology, Engineering, and Mathematics) Fest programme. Across three events, in the Isle of Man and Gibraltar, we aimed to inspire hundreds of young people to explore STEM learning and career opportunities.
- Our dedication to sustainable finance was recognised for the third consecutive year with Jersey Finance's 'Leadership in Sustainable Finance – Banking' award, reflecting our commitment to operating as a sustainable business.
- We deepened community partnerships by actively engaging with charitable organisations across all jurisdictions, focusing on initiatives that deliver meaningful local impact. Through our donation strategy, we invested £1 million in projects that create lasting benefits and support positive change for local communities.
- Colleagues contributed 8,610 hours of volunteering across local communities during 2025, reinforcing RBSI Group's commitment to social impact.
- We hosted our first Winning Together Conference in Jersey, bringing together almost 30 charities from across Jersey, Guernsey, Isle of Man and Gibraltar to share challenges, successes, and opportunities for collaboration. The discussions aimed to facilitate stronger connections and to highlight the support available for local charities.

Governance

The Board

The Board is collectively responsible for the long-term success of RBSI Group; approving the strategic priorities and delivering sustainable value to its shareholder. It monitors and maintains the consistency of RBSI Group's activities within the strategic direction of NatWest Group. It reviews and approves risk appetite for strategic and material risks in accordance with NatWest Group Risk Appetite Framework and it monitors performance against risk appetite for RBSI Group. It approves RBSI Group's key financial objectives and keeps the capital and liquidity positions of RBSI Group under review. The Board is also responsible for purpose and culture, which underpins all RBSI Group's activities and its long-term sustainability.

The Board's terms of reference include key aspects of RBSI Group's affairs reserved for the Board's decision and are reviewed at least annually.

To provide effective oversight and leadership, the Board has established three Board Committees with particular responsibilities:

The Audit Committee assists the Board in discharging its responsibilities for monitoring the quality of the financial statements. It reviews the accounting policies, financial reporting and relevant compliance practices of RBSI Group. It also reviews its systems and standards of internal controls and monitors RBSI Group's processes for internal and external audit.

The Board Risk Committee provides oversight and advice on current and potential risk exposures and the future risk strategy. It reviews compliance with approved risk appetite and oversees the operation within RBSI Group of its Risk Management Framework.

The Remuneration Committee is responsible for overseeing the implementation of the NatWest Group-wide Remuneration Policy within RBSI Group. The Remuneration Committee also reviews performance and remuneration arrangements for senior executives of RBSI Group.

There are several areas where the Board has delegated specific authority to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). These include responsibility for the operational management of RBSI Group's businesses as well as responsibility for implementing Board agreed strategy, managing risk in line with the Group's risk appetite, and overseeing risk policies and frameworks prior to Board and/or committee approval. The CEO is supported by various executive and management level committees including the Executive Committee (ExCo) which operates under delegated authority to assist in managing key strategic, financial, operational, people and governance matters related to the effective running of the business.

The roles of Chair and CEO are distinct and separate, with a clear division of responsibilities. The Chair leads the Board and ensures the effective engagement and contribution of all executive and non-executive directors. The CEO has responsibility for all RBSI Group businesses and acts in accordance with authority delegated by the Board. The independent non-executive directors combine broad business and commercial experience with independent and objective judgement, and they provide independent challenge to the executive directors and leadership team.

Auditor

Ernst & Young LLP (EY) are the current auditors of NatWest Group and its subsidiaries, including RBSI Group. Following a tender undertaken in 2022, overseen by the Group Audit Committee, NatWest Group plc announced its intention to appoint PricewaterhouseCoopers (PwC) as auditors to the Group 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 or RBSI Group. A resolution to appoint PwC as the NatWest Group auditors (including NatWest Group subsidiaries) will be proposed at the forthcoming AGM of NatWest Group.

Going concern

RBSI Group's and RBSI Ltd's business activities and financial position, together with the factors likely to affect their future development, performance and position are set out in the Report of the directors.

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

Dividends

RBSI Ltd paid ordinary dividends of £235 million (2024 - £555 million) to RBSIH; this lower distribution reflects RBSI Ltd's decision to redeem AT1, while maintaining overall capital levels. In addition, a paid-in equity dividend of £18 million (2024 - £20 million) was paid to NatWest Group.

RBSIH paid ordinary dividends of £235 million (2024 - £583 million) to NatWest Group.

Post balance sheet events

Post balance sheet events are described in Note 22 to the financial statements.

By order of the Board:

Jane Howard
Chief Executive Officer
Date: 12 February 2026

Robert Horrocks
Chief Financial Officer
Date: 12 February 2026

Statement of directors' responsibilities

The directors of The Royal Bank of Scotland International Limited and the directors of The Royal Bank of Scotland International (Holdings) Limited are responsible for preparing the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The financial statements are required by law to give a true and fair view of the state of affairs of RBSIH and RBSI Ltd and of the profit or loss of RBSIH and RBSI Ltd for that period. In preparing these financial statements, the directors are required to:

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

The directors of The Royal Bank of Scotland International (Holdings) Limited are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of RBSIH and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

The directors of The Royal Bank of Scotland International Limited are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of RBSI Ltd and enable them to ensure that the Annual Report and Accounts complies with the Companies (Jersey) Law 1991, the Banking Business (Jersey) Law 1991, the Financial Services (General Insurance Mediation Business (Accounts, Audits, Reports and Solvency)) (Jersey) Order 2005, the Financial Services (Trust Company and Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2007 and the Financial Services (Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007, the Financial Services (Jersey) Law 1998, the Banking Business (Accounts, Auditors and Reports) (Jersey) Order 2023 and their Codes of Practice.

The directors of The Royal Bank of Scotland International (Holdings) Limited and the directors of The Royal Bank of Scotland International Limited are responsible for safeguarding the assets of RBSIH and RBSI Ltd and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors confirm they have discharged those responsibilities.

By order of the Boards of The Royal Bank of Scotland International Limited and The Royal Bank of Scotland International (Holdings) Limited:

Jane Howard
Chief Executive Officer

Date: 12 February 2026

Robert Horrocks
Chief Financial Officer

Date: 12 February 2026

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INTERNATIONAL (HOLDINGS) LIMITED**

Opinion

We have audited the financial statements of The Royal Bank of Scotland International (Holdings) Limited (the "company") and its subsidiaries ("RBSI Group") for the year ended 31 December 2025 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes 1 to 22 including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of RBSI Group's affairs as at 31 December 2025 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 RBSI Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, 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.

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 RBSI Group's and the company's ability to continue as a going concern for a period of twelve months from 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 RBSI Group's and the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements of RBSI Group 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INTERNATIONAL (HOLDINGS) LIMITED
(continued)**

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper 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 company's accounting records and returns; 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 set out on page 8, 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 RBSI Group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the RBSI Group or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to RBSI Group and determined that the most significant are those that relate to reporting framework, namely:
 - The Companies (Jersey) Law 1991

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INTERNATIONAL (HOLDINGS) LIMITED
(continued)**

- ▶ We understood how RBSI Group is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters and corroborated this by reviewing supporting documentation. We also reviewed minutes of the Board of Directors and gained an understanding of RBSI Group's governance framework;
- ▶ Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reviewing Board minutes, complaints register, compliance reports, and inquiries of internal legal counsel, those charged with governance, executive management, compliance and internal audit, and the performance of journal entry testing meeting our defined risk criteria and our understanding of the business;
- ▶ We assessed the susceptibility of RBSI Group's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud. We identified the risk of management override associated to impairment provisions and the risk associated with the revenue recognition of manual and partly manual revenue streams to be a fraud risk. When performing our fraud procedures, we identified other areas that we considered, such as cybersecurity and the appropriateness of sources used when performing confirmation testing on accounts such as cash, loans and securities.

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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Daniel Saunders
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
Date: 12 February 2026

Notes:

1. The maintenance and integrity of the company's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of The Royal Bank of Scotland International Limited (the "company") and its subsidiaries ("RBSI Ltd") for the year ended 31 December 2025 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 22, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of RBSI Ltd's affairs as at 31 December 2025 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards;
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991;
- ▶ have been prepared in accordance with the requirements of the Banking Business (Jersey) Law 1991;
- ▶ have been prepared in accordance with the requirements of the Financial Services (Trust Company and Investment Business (Accounts Audits and Reports)) (Jersey) Order 2007;
- ▶ have been prepared in accordance with the requirements of the Financial Services (Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007; and
- ▶ have been prepared in accordance with the requirements of the Financial Services (General Insurance Mediation Business (Accounts, Audits, Reports and Solvency)) (Jersey) Order 2005.

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 RBSI Ltd in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, 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.

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 RBSI Ltd's and the company's ability to continue as a going concern for a period of twelve months from 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 RBSI Ltd's and the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements of RBSI Ltd and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INTERNATIONAL LIMITED (continued)

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by RBSI Ltd, or proper 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 company's accounting records and returns; 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 set out on page 8, 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 RBSI Ltd's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate RBSI Ltd or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to RBSI Ltd and determined that the most significant are those that relate to the financial reporting framework, namely:
 - the Companies (Jersey) Law 1991;
 - the Banking Business (Jersey) Law 1991; and
 - the Financial Services (Jersey) Law 1998.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INTERNATIONAL LIMITED (continued)**

- ▶ We understood how RBSI Ltd is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters and corroborated this by reviewing supporting documentation. We also read correspondence between RBSI Ltd and the Jersey Financial Services Commission, read minutes of the Board of Directors, and gained an understanding of RBSI Ltd's governance framework;
- ▶ Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reading board minutes, complaints register, compliance reports, and inquiries of internal legal counsel, those charged with governance, executive management, compliance and internal audit, and the performance of journal entry testing meeting our defined risk criteria and our understanding of the business;
- ▶ RBSI Ltd operates in the banking industry which is a highly regulated environment. As such the Lead Audit Partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included use of specialists where appropriate.
- ▶ We assessed the susceptibility of RBSI Ltd'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 identified the risk of management override associated to impairment provisions and the risk associated with the revenue recognition of manual and partly manual revenue streams to be a fraud risk. When performing our fraud procedures, we identified other areas that we considered, such as cybersecurity and the appropriateness of sources used when performing confirmation testing on accounts such as cash, loans and securities.

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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Daniel Saunders
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
Date: 12 February 2026

Notes:

1. The maintenance and integrity of the company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements

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Consolidated income statements

for the year ended 31 December 2025

	Note	RBSI Group		RBSI Ltd	
		2025 £m	2024 £m	2025 £m	2024 £m
Interest receivable		1,618	1,896	1,618	1,895
Interest payable		(757)	(1,027)	(759)	(1,030)
Net interest income	1	861	869	859	865
Fees and commissions receivable		138	136	102	102
Fees and commissions payable		(37)	(37)	(37)	(37)
Other operating income		103	74	102	74
Non-interest income	2	204	173	167	139
Total income		1,065	1,042	1,026	1,004
Staff costs		(170)	(174)	(154)	(157)
Premises and equipment		(21)	(23)	(20)	(21)
Other administrative expenses		(240)	(199)	(223)	(181)
Depreciation and amortisation		(49)	(27)	(28)	(26)
Operating expenses	3	(480)	(423)	(425)	(385)
Profit before impairment releases		585	619	601	619
Impairment releases	8	8	8	8	7
Operating profit before tax		593	627	609	626
Tax charge	5	(117)	(109)	(120)	(109)
Profit for the year		476	518	489	517

The accompanying notes on pages 27 to 97 and the accounting policies on pages 21 to 26 form an integral part of these financial statements.

Consolidated statements of comprehensive income

for the year ended 31 December 2025

	Note	RBSI Group		RBSI Ltd	
		2025 £m	2024 £m	2025 £m	2024 £m
Profit for the year		476	518	489	517
Items that do not qualify for reclassification					
Remeasurement of retirement benefit schemes	4	14	(5)	14	(5)
Tax	5	(3)	-	(3)	-
		11	(5)	11	(5)
Items that do qualify for reclassification					
FVOCI financial assets		11	(3)	11	(3)
Cash flow hedges		98	30	98	30
Tax	5	(17)	4	(17)	4
		92	31	92	31
Other comprehensive profit after tax		103	26	103	26
Total comprehensive income for the year		579	544	592	543

The accompanying notes on pages 27 to 97 and the accounting policies on pages 21 to 26 form an integral part of these financial statements.

Consolidated balance sheets

as at 31 December 2025

		RBSI Group		RBSI Ltd	
		2025	2024	2025	2024
	Note	£m	£m	£m	£m
Assets					
Cash and balances at central banks	7	12,972	14,264	12,972	14,264
Derivatives	6,7	87	221	87	221
Loans to banks - amortised cost	7	787	927	774	914
Loans to customers - amortised cost	7	15,911	15,621	15,911	15,621
Amounts due from holding companies and fellow subsidiaries	7	545	806	547	813
Other financial assets	7,9	8,043	5,410	8,043	5,410
Other assets	7,12	201	212	175	173
Total assets		38,546	37,461	38,509	37,416
Liabilities					
Bank deposits	7	1,709	1,185	1,709	1,185
Customer deposits	7	32,385	32,305	32,385	32,305
Derivatives	6,7	164	280	164	280
Other financial liabilities	7,13	1,843	1,273	1,843	1,273
Amounts due to holding companies and fellow subsidiaries	7	371	418	422	474
Other liabilities	7,15	212	236	206	230
Total liabilities		36,684	35,697	36,729	35,747
Equity attributable to controlling interests		1,862	1,764	1,780	1,669
Total liabilities and equity		38,546	37,461	38,509	37,416

The accompanying notes on pages 27 to 97 and the accounting policies on pages 21 to 26 form an integral part of these financial statements.

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

Jane Howard
Chief Executive Officer

Robert Horrocks
Chief Financial Officer

Consolidated statements of changes in equity

for the year ended 31 December 2025

	Note	RBSI Group		RBSI Ltd	
		2025 £m	2024 £m	2025 £m	2024 £m
Called-up share capital - at 1 January and 31 December	16	311	311	97	97
Paid-in equity - at 1 January	16	300	300	300	300
Redeemed		(225)	-	(225)	-
At 31 December		75	300	75	300
Share premium account - at 1 January and 31 December		499	499	5	5
FVOCI reserve - at 1 January		(16)	(14)	(16)	(14)
Unrealised gains/(losses)		11	(5)	11	(5)
Realised losses		-	2	-	2
Tax		(2)	1	(2)	1
At 31 December		(7)	(16)	(7)	(16)
Cash flow hedging reserve - at 1 January		(108)	(141)	(108)	(141)
Amount recognised in equity (1)		24	(119)	24	(119)
Reclassification of OCI to P&L (2)	6	74	149	74	149
Tax		(15)	3	(15)	3
At 31 December		(25)	(108)	(25)	(108)
Retained earnings - at 1 January		778	868	1,391	1,454
Profit attributable to ordinary shareholders and other equity owners		476	518	489	517
Paid-in equity dividends paid		(18)	(20)	(18)	(20)
Ordinary dividends paid		(235)	(583)	(235)	(555)
Redemption/reclassification of paid-in equity					
- gross		(3)	-	(3)	-
Remeasurement of the retirement benefit schemes					
- gross	4	14	(5)	14	(5)
- tax	4	(3)	-	(3)	-
At 31 December		1,009	778	1,635	1,391
Equity attributable to controlling interests at 31 December		1,862	1,764	1,780	1,669

- (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 6.

The accompanying notes on pages 27 to 97 and the accounting policies on pages 21 to 26 form an integral part of these financial statements.

Consolidated cash flow statements

for the year ended 31 December 2025

	Note	RBSI Group		RBSI Ltd	
		2025	2024	2025	2024
		£m	£m	£m	£m
Cash flows from operating activities					
Operating profit before tax		593	627	609	626
Adjustments for:					
Non-cash and other items	18	(313)	508	(336)	507
Changes in operating assets and liabilities	18	849	(1,553)	852	(1,584)
Income taxes paid		(137)	(102)	(136)	(100)
Net cash flows from operating activities (1)		992	(520)	989	(551)
Cash flows from investing activities					
Sale and maturity of other financial assets		4,356	878	4,356	878
Purchase of other financial assets		(6,294)	(3,366)	(6,294)	(3,366)
Income received on other financial assets		137	58	137	58
Purchase of property, plant and equipment		(4)	(4)	(4)	(4)
Cash expenditure on intangible assets		(18)	(24)	(15)	(20)
Net cash flows from investing activities		(1,823)	(2,458)	(1,820)	(2,454)
Cash flows from financing activities					
Issue of subordinated liabilities	19	260	-	260	-
Redemption of subordinated liabilities		(264)	-	(264)	-
Interest paid on subordinated liabilities	19	(20)	(20)	(20)	(20)
Redemption of other equity instruments		(228)	-	(228)	-
Dividends paid		(253)	(603)	(253)	(575)
Net cash flows from financing activities		(505)	(623)	(505)	(595)
Effects of exchange rate changes on cash and cash equivalents		273	(351)	273	(351)
Net decrease in cash and cash equivalents		(1,063)	(3,952)	(1,063)	(3,951)
Cash and cash equivalents at 1 January		15,991	19,943	15,978	19,929
Cash and cash equivalents at 31 December (2)	20	14,928	15,991	14,915	15,978

(1) Includes interest received of £1,607 million (2024 - £1,894 million) and interest paid of £778 million (2024 - £1,033 million). The total cash outflow for leases is £4 million (2024 - £3 million), including payment of principal amount of £3 million (2024 - £2 million) which are included in the operating activities in the cash flow statement.

(2) Cash and cash equivalents comprise loans and advances due from the holding company and fellow subsidiaries with an original maturity of less than three months for 2025 and 2024.

The accompanying notes on pages 27 to 97 and the accounting policies on pages 21 to 26 form an integral part of these financial statements.

Accounting policies

1. Presentation of accounts

The accounts, set out on pages 16 to 20 including these accounting policies on pages 21 to 26 and Risk management sections on pages 53 to 88, are prepared on a going concern basis in accordance with IFRS as issued by the IASB. 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 on pages 4 to 8). The material accounting policies and related judgements are set out below. The policies apply to both RBSI Group and RBSI Ltd.

RBSIH and RBSI Ltd are registered in Jersey, Channel Islands. The registered and head office is Royal Bank House, 71 Bath Street, St Helier, Jersey, JE4 8PJ.

The accounts are presented in the functional currency, pounds sterling.

With the exception of certain financial instruments as described in Accounting policies on pages 23 and 24, the accounts are presented on a historical cost basis.

Accounting policies are generally considered on an overall basis within RBSI Group such that common accounting policies, assumptions and estimates apply across RBSI Group. Therefore, for the most part, the accounting policies, assumptions, and estimates reflect those in RBSI Group as relevant for the businesses and operations.

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

A Qualifying Domestic Minimum Top Up Tax (QDMTT) was implemented in Gibraltar from 1 January 2024, with Guernsey, the Isle of Man and Gibraltar implementing a QDMTT from 1 January 2025. Jersey implemented the Minimum Corporate Income Tax (MCIT) from 1 January 2025 which is similar to the QDMTT and broadly follows the OECD Model Rules but is a domestic tax, rather than a top up tax. Any tax due under a QDMTT or the MCIT is payable by the relevant constituent entity, noting that under MCIT, the designated entity is liable for the MCIT liability of all Jersey constituent entities in the MNE group.

RBSI Group has 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 Two income taxes. Accordingly, the Group has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

Basis of consolidation

The consolidated accounts incorporate the financial statements of RBSI Group and RBSI Ltd and entities that give access to variable returns and that are controlled by RBSI Group and RBSI Ltd. Control is assessed by reference to our ability to enforce our will on the other entity, typically through voting rights.

RBSI Ltd has prepared consolidated financial statements for the first time in the current year following the establishment of Goldfinch 2025-1 Ltd in 2025 (refer to Note 11). As no group existed in the prior year, the comparative information represents the stand-alone financial statements of RBSI Ltd and therefore the current-year balances are not directly comparable with those of the prior year.

All intergroup balances, transactions, income and expenses are eliminated on consolidation. The consolidated accounts are prepared under uniform accounting policies.

2. Revenue recognition

Interest income or expense are recognised in the income statement using the effective interest rate method for: all financial instruments measured at amortised cost, debt instruments classified as fair value through OCI using the effective interest rate method and the effective part of any related accounting hedging instruments. Finance lease income is recognised at a constant periodic rate of return before tax on the net investment. Negative effective interest accruing to financial assets is presented in interest payable and negative interest on financial liabilities is presented in interest receivable. Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value. 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 pricing base is usually fixed and always determinable.

3. Staff costs

Staff costs, such as salaries, paid absences, and other benefits are recognised over the period in which the employees provide the related services. Employees may receive variable compensation satisfied by cash, by debt instruments issued by the NatWest Group or by NatWest Group plc shares. Such awards are generally subject to vesting conditions.

Variable compensation that is settled in cash or debt instruments is charged to the income statement on a straight-line basis over the vesting period, taking account of forfeiture and clawback criteria.

Contributions to defined contribution pension schemes are recognised in the income statement as employee service costs accrue.

For defined benefit pension schemes, the net of the recognisable scheme assets and obligations is reported in the balance sheet. The defined benefit obligation is measured on an actuarial basis. The charge to the income statement for pension costs (mainly the service cost and the net interest on the net defined benefit asset or liability) is recognised in operating expenses.

Actuarial gains and losses (i.e. gains and/or losses on re-measuring the net defined benefit asset or liability due to changes in actuarial measurement assumptions) are recognised in other comprehensive income in full in the period in which they arise. The difference between scheme assets and scheme liabilities (the net defined benefit asset or liability) is recognised in the balance sheet if the criteria of the asset ceiling test are met. This requires the net defined benefit surplus to be limited to the present value of any economic benefits available to RBSI Group in the form of refunds from the plan or reduced contributions to it.

4. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Freehold land is not depreciated.

The estimated useful lives are as follows:

Freehold and long leasehold buildings	50 years
Short leaseholds	unexpired period of the lease
Computer equipment	up to 5 years
Property adaptation costs	10 years
Other equipment	5 to 15 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

5. Intangible assets and goodwill

Intangible assets are identifiable non-monetary assets without physical substance acquired or developed by RBSI Group and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement over the assets estimated useful economic lives using methods that best reflect the pattern of economic benefits and is included in depreciation and amortisation. These estimated useful economic lives are:

Computer software	3 to 10 years
Other acquired intangibles	3 to 5 years

Direct costs relating to the development of internal-use computer software are capitalised once technical feasibility and economic viability have been established. These costs include payroll, the costs of materials and services, and directly attributable overheads. Capitalisation of costs ceases when the software is capable of operating as intended. During and after development, accumulated costs are reviewed for impairment against the benefits that the software is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred as are all training costs and general overheads. The costs of licences to use computer software that are expected to generate economic benefits beyond three years are also capitalised.

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

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

6. Impairment of non-financial assets

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. At each balance sheet date, RBSI Group assesses whether there is any indication that other intangible assets, right of use assets or property, plant and equipment are impaired. If any such indication exists, we estimate the recoverable amount of the asset and the impairment loss if any.

The recoverable amount of an asset that does not generate cash flows that are independent from those of other assets or groups of assets, is determined as part of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of our cash-generating units or groups of cash-generating units expected to benefit from the combination. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell or its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been considered in estimating future cash flows.

An impairment loss is recognised if the recoverable amount of an intangible or tangible asset is less than its carrying value. The carrying value of the asset is reduced by the amount of the loss and a charge recognised in the income statement. A reversal of an impairment loss on intangible assets (excluding goodwill) or property, plant and equipment can be recognised in the income statement provided the increased carrying value is not greater than it would have been had no impairment loss been recognised.

7. Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the foreign exchange rates ruling at the balance sheet date.

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

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

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Sterling at foreign exchange rates ruling at the balance sheet date. Income and expenses of foreign operations are translated into Sterling at average exchange rates unless these do not approximate to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of foreign operations are recognised in other comprehensive income. The amount accumulated in equity is reclassified from equity to the income statement on disposal of a foreign operation.

8. Leases

As lessor

Finance lease contracts are those which transfer substantially all the risks and rewards of ownership of an asset to a customer. All other contracts with customers to lease assets are classified as operating leases.

Loans to customers include finance lease receivables measured at the net investment in the lease, comprising the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

Interest receivable includes finance lease income recognised at a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review; if there is a reduction in their value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Rental income from operating leases is recognised in other operating income on a straight-line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use.

Operating lease assets are included within Property, plant and equipment and depreciated over their useful lives.

As lessee

On entering into a new lease contract, RBSI Group recognises a right of use asset and a lease liability to pay future rentals. The liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate. The right of use asset is depreciated over the shorter of the term of the lease and the useful economic life, subject to review for impairment.

Short term and low value leased assets are expensed on a systematic basis.

9. 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 by starting to implement the plan or by announcing its main features.

RBSI Group recognises 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 the right of use asset, the asset would be tested for impairment and a provision may be recognised for the ancillary contractual occupancy costs.

10. Tax

Income tax, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside the income statement which is credited or charged to other comprehensive income or to equity as appropriate. The tax consequences of servicing equity instruments are recognised in income statement.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in the income statement, other comprehensive income or equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the 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 its carrying amount for tax purposes. 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 not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. 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.

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. RBSI Group recognises 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.

11. 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 under the effective interest rate method;
- **fair value through other comprehensive income (FVOCI)** measured at fair value, interest on effective interest rate method and change in fair value through other comprehensive income;
- **mandatory fair value through profit or loss (MFVTPL)** measured at fair value through profit or loss; or
- **designated at fair value through profit or loss** measured at fair value through profit or loss.

Classification by business model reflects how RBSI Group manages its financial assets to generate cash flows. A business model assessment helps determine 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 of the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio.

The contractual terms of a financial asset; any leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest; are considered in determining whether cash flows comprise 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.

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 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 the following measurement categories:

- **amortised cost** measured under the effective interest rate method;
- **held for trading** measured at fair value through profit or loss; or
- **designated at fair value through profit or loss (held for trading)** measured at fair value through the income statement with the changes in fair value attributable to the credit risk component recognised in other comprehensive income. These are not subject to recycling to profit or loss.

12. Impairment: expected credit losses

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at FVOCI, issued financial guarantee and loan commitment (other than those classified as held for trading) is assessed for impairment and presented as impairments in the income statement. Loss allowances are forward looking, based on 12 month expected credit losses (ECL) where there has not been a significant increase in credit risk (SICR) rating (refer to Note 10 for details), otherwise allowances are based on lifetime expected losses.

ECL is a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, ECL are rebased from 12 month to lifetime expectations. 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 risk appetite and how we manage credit positions that stem from climate considerations, such as oil and gas, will directly affect our positions.

Judgement is exercised as follows:

- **Non-modelled portfolios** – RBSI Retail remains Basel standardised for Risk-Weighted Assets, therefore modelled Probability of Default (PDs) and Loss Given Default (LGDs) are not available for calculating stage 1 and stage 2 ECLs. Instead, this is undertaken by sourcing the equivalent product PD & LGD from within NatWest UK, which was identified as the closest comparable portfolio to RBSI Retail. The PD and LGD benchmarks are then used, along with the known exposure, to calculate an account level ECL.
- **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.
- **SICR** – 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 a financial asset without causing derecognition of the original asset 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.

Impaired loans 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 loans that are individually assessed for impairment, the timing of the write off is determined on a case-by-case basis. Such loans 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 RBSI Group's collectively-assessed portfolios are:

- Retail mortgages: write off usually occurs within five years, or when an account is closed if earlier.
- Overdrafts and other unsecured loans: write off occurs within six years.
- Commercial loans: write offs are determined in the light of individual circumstances; the period does not typically exceed five years.
- Uncollateralised impaired business loans are generally written off within five years.

13. Sale and repurchase transactions

Securities subject to sale and repurchase agreement under which substantially all the risks and rewards of ownership are retained by RBSI Group continue to be shown on the balance sheet and the sale proceeds recorded as a financial liability. Securities acquired in a reverse sale and repurchased transaction under which RBSI Group is not exposed to substantially all the risks and rewards of ownership are not recognised on the balance sheet and the consideration paid is recorded as a financial asset. Where Collateral supporting the transaction is received in the form of cash, deposit is recorded. Sale and repurchase transactions that are not accounted for at fair value through profit or loss are measured at amortised cost. The difference between the consideration paid or received and the repurchase or resale price is treated as interest and recognised in interest income or interest expense over the life of the transaction.

14. Netting

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

15. Capital instruments

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

16. Derivatives and hedging

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Our approach to determining the fair value of financial instruments is set out in the Critical accounting policies and key sources of estimation uncertainty entitled Fair value - financial instruments; further details are given in Note 7 on the accounts.

A derivative embedded in a financial liability contract is accounted for as a stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract; unless the entire contract is measured at fair value with changes in fair value recognised in the income statement.

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

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

Hedge accounting relationships are formally 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 the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. Hedge accounting is also discontinued if RBSI Group revokes the designation of a hedge relationship.

We enter into three types of hedge 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 gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion in the income statement. When the forecast transaction 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 forecast cash flows affect the income statement.

Hedge of net investment in a foreign operation – in the hedge of a net investment in a foreign operation, the portion of foreign exchange differences arising on the hedging instrument determined to be an effective hedge is recognised in other comprehensive income. Any ineffective portion is recognised in the income statement. Non-derivative financial liabilities as well as derivatives may be designated as a hedging instrument in a net investment hedge.

Discontinuation of hedge accounting – hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting; or if the hedging instrument expires or is sold, terminated or exercised; or if hedge designation is revoked. If the hedged item is one for which the effective interest rate method is used, any cumulative adjustment is amortised to the income statement over the life of the hedged item using a recalculated effective interest rate.

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.

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

17. Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and deposits with banks with an original maturity of less than three months together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

18. Depositary assets

Assets and liabilities held in a fiduciary capacity are not included in these financial statements.

19. 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.

Critical accounting policies and key sources of estimation uncertainty

The reported results of RBSI Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its accounts. IFRS require the directors, in preparing RBSI Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's 'Conceptual Framework for Financial Reporting'.

The judgements and assumptions involved in RBSI Group's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are discussed below.

Consideration of these sources of estimation uncertainty have been set out in the notes below:

Critical accounting policy	Note
Pensions	4
Fair value - financial instruments	7
Loan impairment provisions	8
Provisions for liabilities and charges	15

Future Accounting developments

International Financial Reporting Standards

Effective 1 January 2026

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

Effective 1 January 2027

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

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

Notes to the consolidated financial statements

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Notes to the consolidated financial statements

1 Net interest income

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Interest receivable on assets:				
Balances at central banks and loans to banks - amortised cost	482	789	482	789
Loans to customers - amortised cost	885	957	885	956
Amounts due from holding company and fellow subsidiaries	29	41	29	41
Other financial assets - debt securities	222	109	222	109
Interest receivable	1,618	1,896	1,618	1,895
Interest payable on liabilities:				
Bank deposits	(111)	(110)	(111)	(110)
Customer deposits: demand	(175)	(272)	(175)	(272)
Customer deposits: savings	(148)	(252)	(148)	(252)
Customer deposits: other time	(249)	(316)	(249)	(316)
Other financial liabilities	(52)	(51)	(52)	(51)
Amounts due to holding company and fellow subsidiaries	(22)	(26)	(24)	(29)
Interest payable	(757)	(1,027)	(759)	(1,030)
Net interest income	861	869	859	865

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. Finance lease income included in interest receivable was £1.5 million (2024 - £2.4 million).

Interest receivable on loans to customers includes amortisation of arrangement fees of £49.0 million (2024 - £45.9 million).

2 Non-interest income

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Fees and commissions receivable				
- payment services	33	33	34	33
- credit & debit card fees	9	9	9	9
- lending (credit facilities)	49	48	50	48
- trade finance	4	6	4	6
- investment management	41	38	4	4
- other services	2	2	1	2
Fees and commissions payable (1)	(37)	(37)	(37)	(37)
Other operating income (2)	103	74	102	74
Total non-interest income	204	173	167	139

(1) Fees and commissions payable primarily includes intercompany balances for revenue sharing.

(2) Other operating income primarily includes income from economic hedging activity, impacted by mark to market movements.

3 Operating expenses

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Wages, salaries and other staff costs	127	124	115	113
Temporary and contractor costs	15	22	15	20
Social security costs	13	11	11	10
Restructure costs	3	4	2	3
Pension costs:				
- defined benefit schemes (Note 4)	3	4	3	4
- defined contribution schemes (Note 4)	9	9	8	7
Staff costs	170	174	154	157
Premises and equipment (1)	21	23	20	21
Depreciation, impairment and amortisation:				
- property, plant and equipment	13	18	12	17
- intangible assets	36	9	16	9
Other administrative expenses (2)	240	199	223	181
Administrative expenses	310	249	271	228
Total operating expenses	480	423	425	385

(1) Premises and equipment includes investment in technology infrastructure.

(2) Other administrative expenses include £160 million (2024 - £121 million) recharges from NatWest Group companies.

The average number of persons employed by RBSI Group during the year, excluding temporary staff was 1,784 (2024 – 1,876). The average number of temporary employees during 2025 was 136 (2024 – 211).

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Auditor's remuneration				
Fees payable for:				
- the audit of RBSI Group's annual accounts	44	44	-	-
- the audit of RBSIH subsidiaries	1,530	1,512	1,430	1,430
- audit-related assurance services	456	450	244	244
- Other services	191	140	191	140
	2,221	2,146	1,865	1,814

4 Pensions

Defined contribution schemes

RBSI Group made contributions of £9 million to its own defined contribution schemes in 2025 (2024 - £9 million).

Eligible employees of RBSI Group can participate in membership of defined contribution NatWest Group operated pension schemes. Detailed disclosure of the NatWest Group pension schemes is available in the NatWest Group Annual Report and Accounts 2025.

Defined benefit schemes

RBSI Group sponsors two defined benefit pension schemes: one in Jersey and one in the UK. The most significant of these is The Royal Bank of Scotland International Pension Trust (RBSIPT). The assets of these schemes are independent of RBSI Group's finances, and the schemes are each overseen by a board of trustees.

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

The RBSIPT operates under Jersey trust law and is managed and administered on behalf of its members in accordance with the terms of the trust deed, the scheme rules and the Jersey legislation and, where applicable, that of its constituent plans (primarily in Guernsey and the Isle of Man). There is no pension scheme funding legislation in Jersey, Guernsey or the Isle of Man.

However, statutory debt rules do apply in respect of the Isle of Man liabilities of the RBSIPT such that a debt may be due on an employer if it becomes insolvent, the scheme winds up, or, in the case of a multi-employer scheme, stops participating in the scheme while the scheme continues.

The RBSIPT's corporate trustee is RBS International Employees' Pension Trustees Limited ("RBSIEPTL"), a subsidiary of The Royal Bank of Scotland International (Holdings) Limited. RBSIEPTL is the legal owner of the RBSIPT's assets which are held separately from the assets of RBS International.

The Board of RBSIEPTL includes trustee directors nominated by members selected from eligible staff and pensioner members who apply, alongside independent and bank appointed trustee directors. The Board is responsible for operating the scheme in line with its formal rules and pensions law. It has a duty to act in the best interests of all scheme members, including pensioners and those who are no longer employed by RBSI Group, but who still have benefits in the scheme.

Investment strategy

The assets of both schemes are invested in a diversified portfolio of quoted equities, government and corporate fixed-interest and index-linked bonds. The Trustee's investment benchmark is for the majority to be invested in global developed markets, with a small proportion invested in emerging markets.

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

Major classes of plan assets as percentage of total plan assets of RBSIPT	RBSI Group and RBSI Ltd					
	2025			2024		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	11	-	11	23	-	23
Index-linked bonds	30	-	30	26	-	26
Government fixed interest bonds	18	-	18	14	-	14
Corporate and other bonds	39	-	39	34	-	34
Derivatives	-	-	-	-	1	1
Cash and other assets	-	2	2	-	2	2
	98	2	100	97	3	100

4 Pensions continued

	RBSI Group and RBSI Ltd			
	All schemes			
	Fair value of plan assets	Present value of defined benefit obligations (1)	Asset Ceiling (2)	Net pension asset
	£m	£m	£m	£m
Changes in value of net pension asset/(liability)				
At 1 January 2024	514	(484)	(23)	7
Income statement - operating expenses	24	(27)	(1)	(4)
Other comprehensive income	(57)	45	7	(5)
Contributions by employer	8	-	-	8
Benefits paid	(23)	23	-	-
Intra group transfers	-	-	-	-
At 1 January 2025	466	(443)	(17)	6
Currency translation and other adjustments	-	-	-	-
Income statement - operating expenses				
Interest income	26	-	-	26
Interest expense	-	(24)	(1)	(25)
Current service cost	-	(2)	-	(2)
Expenses	-	(2)	-	(2)
	26	(28)	(1)	(3)
Other comprehensive income				
Return on plan assets excluding recognised interest income (4)	(12)	-	-	(12)
Experience gains and losses	-	2	-	2
Effect of changes in actuarial financial assumptions (4)	-	20	-	20
Effect of changes in actuarial demographic assumptions	-	6	-	6
Asset ceiling adjustment	-	-	(2)	(2)
	(12)	28	(2)	14
Contributions by employer (3)	9	-	-	9
Benefits paid	(21)	21	-	-
Intra group transfers	2	(1)	-	1
At 31 December 2025	470	(423)	(20)	27

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

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

(3) RBSI Group expects to make contributions to the RBSIPT of £6 million in 2026.

	RBSI Group and RBSI Ltd	
	2025	2024
	£m	£m
Amounts recognised on the balance sheet		
Fund assets at fair value	470	466
Present value of fund liabilities	(423)	(443)
Funded status	47	23
Asset ceiling	(20)	(17)
	27	6

	RBSI Group and RBSI Ltd	
	2025	2024
	£m	£m
Net pension asset/(liability) comprises		
Net assets of schemes in surplus - IPT	27	6
Net assets of schemes in surplus - UK Scheme	20	17
Asset ceiling - UK Scheme	(20)	(17)
	27	6

4 Pensions continued

Funding and contributions by RBSI Group

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

The last triennial funding valuation of the RBSIPT was as at 31 March 2024. This determined the funding level of the RBSIPT to be 96%, based on pension liabilities of £468 million. RBSI Group has agreed to pay deficit contributions of £2.8m per annum over a period of seven years.

Critical accounting policy: Pensions

The assets of defined benefit schemes are measured at their fair value at the balance sheet date. Scheme liabilities are measured using the projected unit method, which takes account of projected earnings increases, using actuarial assumptions that give the best estimate of the future cash flows that will arise under the scheme liabilities. These cash flows are discounted at an interest rate based on the yields of high-quality corporate bonds of appropriate duration, with high-quality almost universally understood to mean AA-rated.

The choice of discount rate is a source of estimation uncertainty, due to a lack of appropriate UK denominated AA-rated bonds of equivalent duration to the pension schemes' liabilities.

The approach used is to fit a yield curve to an appropriate dataset of AA bonds, and derive the discount rate from that curve.

Accounting assumptions

Placing a value on RBSI Group's defined benefit pension schemes' liabilities requires RBSI Group's management to make a number of assumptions, with the support of independent actuaries who provide advice and guidance. In determining the value of scheme liabilities, financial and demographic assumptions are made as to price inflation, pension increases, earnings growth and employee life expectancy. A range of assumptions could be adopted in valuing the schemes' liabilities. The ultimate cost of the defined benefit obligations to RBSI Group will depend upon actual future events and the assumptions made are unlikely to be exactly borne out in practice, meaning the final cost may be higher or lower than expected.

A year end valuation of RBSI Group's pension schemes was prepared to 31 December 2025 by independent actuaries, using the following assumptions for the RBSIPT:

	RBSI Group and RBSI Ltd (1)	
	2025	2024
Discount rate	5.65%	5.55%
Rate of increase in salaries	1.75%	1.75%
Rate of increase in pensions in payment	2.58%	2.79%
Rate of increase in deferred pensions	3.15%	3.55%
Inflation assumption	3.15%	3.55%
Post-retirement mortality assumptions	2025	2024
Longevity at age 60 for current pensioners aged 60 (years)		
Males	27.4	27.1
Females	28.9	28.8
Longevity at age 60 for future pensioners currently aged 40 (years)		
Males	28.8	28.5
Females	30.4	30.3

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

4 Pensions continued

These post-retirement mortality assumptions are derived from standard mortality tables used by the scheme actuary to value the liabilities for the main scheme.

The weighted average duration of the RBSIPT's defined benefit obligation is 14.1 years (2024 - 14.8 years).

Discount rate

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

	RBSI Group and RBSI Ltd			
	(Decrease)/increase in pension cost for the year		(Decrease)/increase in obligation at 31 December	
	2025 £m	2024 £m	2025 £m	2024 £m
0.5% increase in the discount rate	(2)	(2)	(24)	(27)
0.25% increase in inflation	1	1	8	11
0.25% additional rate of increase in pensions in payment	1	1	10	11
0.25% additional rate of increase in deferred pensions	-	-	3	3
0.25% additional rate of increase in salaries	-	-	-	-
Longevity increase of one year	1	-	10	11

Pension liabilities are calculated on the central assumptions and under the relevant sensitivity scenarios. The sensitivity to pension liabilities is the difference between these calculations. Note the longevity sensitivities quoted above reflect the impact of a one-year increase to single life annuities.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The experience history of the schemes is shown below.

	RBSI Group and RBSI Ltd				
	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
Experience history of defined benefit schemes					
Fair value of plan assets	470	466	514	501	1,082
Present value of plan obligations	(423)	(443)	(484)	(465)	(850)
Funded status	47	23	30	36	232
Asset ceiling adjustment	(20)	(17)	(23)	(23)	(26)
Net surplus	27	6	7	13	206
Experience (losses)/gains on plan liabilities	2	(7)	(14)	(33)	13
Experience (losses)/gains on plan assets	(12)	(57)	1	(576)	38
Actual return on pension scheme assets	14	(33)	26	(557)	56

5 Tax

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Current tax:				
Charge for the year	114	103	118	103
(Under)/over provision in respect of prior years	(1)	6	(2)	6
	113	109	116	109
Deferred tax:				
Charge for the year	-	-	-	-
Prior year adjustment	4	-	4	-
Tax charge for the year	117	109	120	109

The actual tax charge differs from the expected tax charge computed by applying the standard rate of income tax as follows: (Jersey, Guernsey 15% (2024 – 10%), Isle of Man 15% (2024 – 13.75%), Gibraltar 15% (2024 – 13.75%), UK 28% (2024 – 28%), Luxembourg 23.87% (2024 – 24.94%) & NWTDS 25% (2024 – 25%).

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Expected tax charge	89	63	91	63
<i>Factors affecting the charge for the year:</i>				
Non-deductible items	4	3	4	3
Non-taxable items	-	-	-	-
Deferred tax	-	-	-	-
Rate differences on current tax	21	37	23	37
Adjustments in respect of prior years	3	6	2	6
Actual tax charge	117	109	120	109

Global minimum top-up tax

The Group is subject to the global minimum top-up tax under Pillar 2 tax legislation. For the period ended 31 December 2025, the effective minimum tax rate of 15% has been provided for in each RBSI jurisdiction. In 2024, prior to all the RBSI jurisdictions implementing the Pillar 2 minimum top-up tax legislation NatWest Group plc recognised a current tax expense of £20 million of top-up tax in respect of RBSI locations.

Deferred tax

	RBSI Group and RBSI Ltd	
	2025	2024
	£m	£m
Deferred tax assets	6	22
Deferred tax liabilities	(10)	(3)
Net deferred tax assets/(liabilities)	(4)	19

	RBSI Group and RBSI Ltd			
	Pension	Accelerated capital allowances	Other	Total
	£m	£m	£m	£m
At 1 January 2024	(1)	(2)	18	15
Charge to income statement	-	-	-	-
Charge to other comprehensive income	-	-	4	4
At 1 January 2025	(1)	(2)	22	19
Charge to income statement	1	(4)	-	(3)
Charge to other comprehensive income	(4)	-	(16)	(20)
At 31 December 2025	(4)	(6)	6	(4)

6 Derivatives

Companies within RBSI Group transact derivatives as principal to manage balance sheet foreign exchange and interest rate risk.

	RBSI Group and RBSI Ltd					
	2025			2024		
	Notional £m	Assets £m	Liabilities £m	Notional £m	Assets £m	Liabilities £m
Exchange rate contracts						
Spots and forwards - NatWest Group	3,762	10	25	4,149	71	15
Spots and forwards - Third party	486	5	1	403	9	4
Interest rate swaps						
NatWest Group	25,012	72	138	13,644	141	261
Total	29,260	87	164	18,196	221	280

Hedge accounting using derivatives

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

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

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

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

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

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

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

6 Derivatives continued

Derivatives in hedge accounting relationships

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

	RBSI Group and RBSI Ltd							
	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	5,798	29	31	(33)	2,965	108	14	48
Cash flow hedging								
Interest rate contracts	8,072	39	101	81	6,868	28	213	5
Total	13,870	68	132	48	9,833	136	227	53

(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 comprises.

	RBSI Group and RBSI Ltd	
	2025 £m	2024 £m
Fair value hedging		
Gain/(Loss) on hedged items attributable to the hedged risk	30	(47)
(Loss)/gain on the hedging instruments	(33)	48
Fair value hedging ineffectiveness	(3)	1
Total	(3)	1

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

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

6 Derivatives continued

Maturity of notional hedging contracts

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

	RBSI Group and RBSI Ltd						
	0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
	£m	£m	£m	£m	£m	£m	£m
2025							
Fair value hedging							
Interest rate risk							
Hedging assets	43	492	1,917	1,274	985	138	4,849
Hedging liabilities	-	163	526	260	-	-	949
2024							
Fair value hedging							
Interest rate risk							
Hedging assets	5	229	769	622	488	339	2,452
Hedging liabilities	-	279	168	66	-	-	513
2025							
Cash flow hedging							
Interest rate risk							
Hedging assets	989	1,302	2,251	2,076	312	-	6,930
Hedging liabilities	171	385	586	-	-	-	1,142
2024							
Cash flow hedging							
Interest rate risk							
Hedging assets	450	507	2,440	2,016	672	-	6,085
Hedging liabilities	-	-	783	-	-	-	783

Average fixed interest rates

The following table shows the average fixed rate for cash flow hedges, interest rate risk, for RBSI Group and RBSI Ltd.

		0-3 months	3-12 months	1-3 years	3-5 years	5-10 years	Over 10 years	Total
		%	%	%	%	%	%	%
2025								
Average fixed interest rate								
Hedging assets		2.01	3.23	3.06	3.15	2.23	-	2.93
Hedging liabilities		4.59	4.29	3.90	-	-	-	4.14
2024								
Average fixed interest rate								
Hedging assets		0.48	3.79	2.08	3.61	2.58	-	2.67
Hedging liabilities		-	-	4.29	-	-	-	4.29

6 Derivatives continued

Analysis of hedged items and related hedging instruments

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

	RBSI Group and RBSI Ltd		
	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
2025			
Fair value hedging - interest rate			
Loans to banks and customers - amortised cost	160	(2)	5
Other financial assets - securities	4,767	3	25
Total	4,927	1	30
Other financial liabilities - debt securities in issue	695	1	(1)
Subordinated liabilities	262	-	1
Total	957	1	-
2024			
Fair value hedging - interest rate			
Loans to banks and customers - amortised cost	188	(8)	4
Other financial assets - securities	2,157	(81)	(55)
Total	2,345	(89)	(51)
Other financial liabilities - debt securities in issue	235	(2)	3
Subordinated liabilities	283	1	1
Total	518	(1)	4
2025			
Cash flow hedging - interest rate			
Loans to banks and customers - amortised cost (2)	6,930		(86)
Bank and customer deposits	1,142		5
2024			
Cash flow hedging - interest rate			
Loans to banks and customers - amortised cost (2)	6,085		(4)
Bank and customer deposits	783		(1)

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

(2) Includes cash and balances at central banks.

Analysis of cash flow hedge reserve

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

	RBSI Group and RBSI Ltd	
	2025 £m	2024 £m
Continuing - Cash flow hedging - Interest rate risk	(25)	(107)
De-designated - Cash flow hedging - Interest rate risk	(4)	(19)
Total	(29)	(126)
	RBSI Group and RBSI Ltd	
	2025 £m	2024 £m
Interest rate risk		
Amount recognised in equity	24	(119)
Amount transferred from equity to earnings		
Interest rate risk to net interest income	74	149

7 Financial instruments – classification

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

	RBSI Group				
	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
2025					
Assets					
Cash and balances at central banks			12,972		12,972
Derivatives	87				87
Loans to banks – amortised cost (1)			787		787
Loans to customers – amortised cost (1,2)			15,911		15,911
Amounts due from holding companies and fellow subsidiaries	80	-	459	6	545
Other financial assets	630	5,858	1,555	-	8,043
Other assets				201	201
	797	5,858	31,684	207	38,546

	Held-for- trading £m	Amortised cost £m	Other liabilities £m	Total £m
Liabilities				
Banks deposits (1,3)		1,709		1,709
Customer deposits (1)		32,385		32,385
Derivatives	164			164
Other financial liabilities (4)	-	1,843	-	1,843
Amounts due to holding companies and fellow subsidiaries	1	354	16	371
Other liabilities (5)		29	183	212
	165	36,320	199	36,684

	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
2024					
Assets					
Cash and balances at central banks			14,264		14,264
Derivatives	221				221
Loans to banks – amortised cost (1)			927		927
Loans to customers – amortised cost (1,2)			15,621		15,621
Amounts due from holding companies and fellow subsidiaries	50	-	750	6	806
Other financial assets	-	3,657	1,753		5,410
Other assets				212	212
	271	3,657	33,315	218	37,461

	Held-for- trading £m	Amortised cost £m	Other liabilities £m	Total £m
Liabilities				
Banks deposits (1,3)		1,185		1,185
Customer deposits (1)		32,305		32,305
Derivatives	280			280
Other financial liabilities (4)	-	1,273		1,273
Amounts due to holding companies and fellow subsidiaries	-	374	44	418
Other liabilities (5)		30	206	236
	280	35,167	250	35,697

Refer to the following page for footnotes.

7 Financial instruments – classification continued

2025	RBSI Ltd				
	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Assets					
Cash and balances at central banks	-	-	12,972	-	12,972
Derivatives	87	-	-	-	87
Loans to banks – amortised cost (1)	-	-	774	-	774
Loans to customers – amortised cost (1,2)	-	-	15,911	-	15,911
Amounts due from holding companies and fellow subsidiaries	80	-	461	6	547
Other financial assets	630	5,858	1,555	-	8,043
Other assets	-	-	-	175	175
	797	5,858	31,673	181	38,509

	Held-for- trading £m	Amortised cost £m	Other liabilities £m	Total £m
Liabilities				
Banks deposits (1,3)	-	1,709	-	1,709
Customer deposits (1)	-	32,385	-	32,385
Derivatives	164	-	-	164
Other financial liabilities (4)	-	1,843	-	1,843
Amounts due to holding companies and fellow subsidiaries	1	407	14	422
Other liabilities (5)	-	29	177	206
	165	36,373	191	36,729

2024	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Assets					
Cash and balances at central banks			14,264		14,264
Derivatives	221				221
Loans to banks – amortised cost (1)			914		914
Loans to customers – amortised cost (1,2)			15,621		15,621
Amounts due from holding companies and fellow subsidiaries	50	-	750	13	813
Other financial assets	-	3,657	1,753		5,410
Other assets				173	173
	271	3,657	33,302	186	37,416

	Held-for- trading £m	Amortised cost £m	Other liabilities £m	Total £m
Liabilities				
Banks deposits (1,3)		1,185		1,185
Customer deposits (1)		32,305		32,305
Derivatives	280			280
Other financial liabilities (4)	-	1,273		1,273
Amounts due to holding companies and fellow subsidiaries	-	435	39	474
Other liabilities (5)		30	200	230
	280	35,228	239	35,747

(1) RBSI Group and RBSI Ltd balance sheet lines include instruments that are subject to IAS 32 netting, or contracts covered by legally enforceable master netting agreements with the right to offset assets and liabilities with the same counterparty, subject to certain conditions. Netting applied primarily relates to IAS 32 netting for reverse repo and repo contracts. Total netting adjustments recorded are:

- Loans to banks and bank deposits: £749 million (2024 – £970 million).
 - Loans to customers and customer deposits: £103 million (2024 – £273 million).
- Includes RBSI Group and RBSI Ltd finance lease receivables of £9 million (2024 – £31 million).
 - Includes RBSI Group and RBSI Ltd syndicated loans of £1,561 million (2024 – £997 million).
 - Includes RBSI Group and RBSI Ltd private placements of £715 million (2024 – £234 million) and commercial paper issuance of £1,023 million (2024 – £1,037 million).
 - Includes RBSI Group and RBSI Ltd lease liabilities of £28 million (2024 – £29 million), held at amortised cost.

7 Financial instruments – classification continued

Additional information on finance lease receivables

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

	RBSI Group and RBSI Ltd	
	2025	2024
	£m	£m
Amount receivable under finance leases		
Within 1 year	4	2
1 to 2 years	3	6
2 to 3 years	3	6
3 to 4 years	-	6
4 to 5 years	-	6
After 5 years	-	18
Lease payments total	10	44
Unearned income	(1)	(13)
Present value of lease payments	9	31
Impairments	-	-
Net investment in finance leases	9	31

7 Financial instruments - valuation

Critical accounting policy: Fair value - financial instruments

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

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

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

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

For accounting policy information refer to Accounting policies 11 and 16.

Fair Value Hierarchy

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

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

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

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

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

Valuation techniques

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

Non-modelled products are valued directly from a price input, typically on a position-by-position basis. Examples include equities and most debt securities. Non-modelled products can fall into any fair value levelling hierarchy depending on the observable market activity, liquidity, and assessment of valuation uncertainty of the instruments. The assessment of fair value and the classification of the instrument to a fair value level is subject to the valuation controls discussed in the Valuation control section.

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

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

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

Inputs to valuation models

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

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

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

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

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

7 Financial instruments – valuation continued

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

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

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

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

Valuation control

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

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

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

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

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

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

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

Valuation Committees are made up of valuation specialists and senior business representatives from various functions and oversee pricing, reserving and valuations issues. These committees meet monthly to review and ratify any methodology changes. The Executive Valuation Committee meets quarterly to address key material and subjective valuation issues, to review items escalated by Valuation Committees and to discuss other relevant industry matters. Our model risk policy sets the policy for model documentation, testing and review. Governance of the model risk policy is carried out by the Model Risk Oversight Committee, which comprises model risk owners and independent model experts. All models are required to be independently validated in accordance with the model risk policy.

Key areas of judgement

Over the years the business has simplified, with most products classified as level 1 or 2 of the fair value hierarchy. Level 3 indicates a significant level of pricing uncertainty, where expert judgement is used. As such, extra disclosures are required in respect of level 3 instruments.

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

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

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

7 Financial instruments – valuation continued

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

	RBSI Group and RBSI Ltd					
	2025			2024		
	Level 1 £m	Level 2 £m	Total £m	Level 1 £m	Level 2 £m	Total £m
Assets						
Derivatives	-	87	87	-	221	221
Amounts due from holding companies and fellow subsidiaries	-	80	80	-	50	50
Other financial assets - securities	4,183	2,305	6,488	2,692	965	3,657
Total financial assets at fair value	4,183	2,472	6,655	2,692	1,236	3,928
As % of total fair value assets	63%	37%		69%	31%	
Liabilities						
Derivatives	-	164	164	-	280	280
Amounts due to holding companies and fellow subsidiaries	-	1	1	-	-	-
Total financial liabilities at fair value	-	165	165	-	280	280
As % of total fair value liabilities	-	100%		-	100%	

Fair value of Financial Instruments not carried at fair value

The following tables show the carrying values and the fair values of financial instruments on the balance sheet carried at amortised cost.

	RBSI Group					
	Carrying value £m	Fair value £m	Fair value hierarchy level			Items where fair value approximates carrying value £m
			Level 1 £m	Level 2 £m	Level 3 £m	
2025						
Financial assets						
Cash and balances at central banks	12,972	12,972	-	-	-	12,972
Loans to banks	787	787	-	-	-	787
Loans to customers	15,911	15,759	-	-	15,759	-
Amounts due from holding company and fellow subsidiaries	459	459	-	-	459	-
Other financial assets - securities	1,555	1,510	1,510	-	-	-
2024						
Financial assets						
Cash and balances at central banks	14,264	14,264	-	-	-	14,264
Loans to banks	927	927	-	-	-	927
Loans to customers	15,621	16,529	-	-	16,529	-
Amounts due from holding company and fellow subsidiaries	750	750	-	-	750	-
Other financial assets - securities	1,753	1,655	1,655	-	-	-
2025						
Financial liabilities						
Bank deposits	1,709	1,709	-	-	1,582	127
Customer deposits	32,385	32,385	-	-	9,392	22,993
Other financial liabilities						
Debt securities in issue	1,843	1,843	-	1,843	-	-
Amounts due to holding company and fellow subsidiaries	354	354	-	-	354	-
2024						
Financial liabilities						
Bank deposits	1,185	1,185	-	-	1,040	145
Customer deposits	32,305	32,305	-	-	10,415	21,890
Other financial liabilities						
Debt securities in issue	1,273	1,273	-	1,273	-	-
Amounts due to holding company and fellow subsidiaries	374	374	-	-	374	-

7 Financial instruments – valuation continued

Fair value of Financial Instruments not carried at fair value continued

	RBSI Ltd					
	Carrying value	Fair value	Fair value hierarchy level			Items where fair value approximates carrying value
	£m	£m	Level 1 £m	Level 2 £m	Level 3 £m	£m
2025						
Financial assets						
Cash and balances at central banks	12,972	12,972	-	-	-	12,972
Loans to banks	774	774	-	-	-	774
Loans to customers	15,911	15,759	-	-	15,759	-
Amounts due from holding companies and fellow subsidiaries	461	461	-	-	461	-
Other financial assets - securities	1,555	1,510	1,510	-	-	-
2024						
Financial assets						
Cash and balances at central banks	14,264	14,264	-	-	-	14,264
Loans to banks	914	914	-	-	-	914
Loans to customers	15,621	16,529	-	-	16,529	-
Amounts due from holding companies and fellow subsidiaries	750	750	-	-	750	-
Other financial assets - securities	1,753	1,655	1,655	-	-	-
2025						
Financial liabilities						
Bank deposits	1,709	1,709	-	-	1,582	127
Customer deposits	32,385	32,385	-	-	9,392	22,993
Other financial liabilities						
Debt securities in issue	1,843	1,843	-	1,843	-	-
Amounts due to holding companies and fellow subsidiaries	407	407	-	-	407	-
2024						
Financial liabilities						
Bank deposits	1,185	1,185	-	-	1,040	145
Customer deposits	32,305	32,305	-	-	10,415	21,890
Other financial liabilities						
Debt securities in issue	1,273	1,273	-	1,273	-	-
Amounts due to holding companies and fellow subsidiaries	435	435	-	-	435	-

7 Financial instruments – valuation continued

Fair value of Financial Instruments not carried at fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market values are used where available, otherwise, fair values have been estimated based on discounted expected future cash flows and other valuation techniques. These techniques involve uncertainties and require assumptions and judgements covering prepayments, credit risk and discount rates. Changes in these assumptions would significantly affect estimated fair values. The fair values reported would not necessarily be realised in an immediate sale or settlement.

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 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, RBSI Group'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 that is not observable, the spread for borrowers of a similar credit standing.
- (b) Expected cash flows (unadjusted for credit losses) are discounted at the current offer rate for the same or similar products.

Other financial assets

The majority of other financial assets consist of debt securities which are valued using quoted prices in active markets, or using quoted prices for similar assets in active markets. Fair values of the rest are determined using discounted cash flow valuation techniques.

Deposits by banks and customer accounts

The fair values of deposits are estimated using discounted cash flow valuation techniques.

Debt securities in issue

Fair values are determined using quoted prices for similar liabilities where available or by reference to valuation techniques, adjusting for own credit spreads where appropriate.

7 Financial instruments - maturity analysis

Remaining maturity

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

	RBSI Group					
	2025			2024		
	Less than 12 months £m	More than 12 months £m	Total £m	Less than 12 months £m	More than 12 months £m	Total £m
Assets						
Cash and balances at central banks	12,972	-	12,972	14,264	-	14,264
Derivatives	19	68	87	83	138	221
Loans to banks - amortised cost	787	-	787	927	-	927
Loans to customers - amortised cost	8,452	7,459	15,911	9,095	6,526	15,621
Amounts due from holding companies and fellow subsidiaries	539	-	539	800	-	800
Other financial assets	2,351	5,692	8,043	2,402	3,008	5,410
Liabilities						
Banks deposits	702	1,007	1,709	185	1,000	1,185
Customer deposits	32,361	24	32,385	32,043	262	32,305
Derivatives	60	104	164	63	217	280
Other financial liabilities	1,192	651	1,843	1,038	235	1,273
Lease liabilities	3	25	28	4	25	29
Amounts due to holding companies and fellow subsidiaries	30	324	354	23	351	374

	RBSI Ltd					
	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	12,972	-	12,972	14,264	-	14,264
Derivatives	19	68	87	83	138	221
Loans to banks - amortised cost	774	-	774	914	-	914
Loans to customers - amortised cost	8,452	7,459	15,911	9,095	6,526	15,621
Amounts due from holding companies and fellow subsidiaries	541	-	541	800	-	800
Other financial assets	2,351	5,692	8,043	2,402	3,008	5,410
Liabilities						
Banks deposits	701	1,008	1,709	185	1,000	1,185
Customer deposits	32,361	24	32,385	32,043	262	32,305
Derivatives	60	104	164	63	217	280
Other financial liabilities	1,192	651	1,843	1,038	235	1,273
Lease liabilities	3	25	28	4	25	29
Amounts due to holding companies and fellow subsidiaries	83	325	408	84	351	435

(1) Amounts due from holding company and fellow subsidiaries relating to non-financial instruments of £6 million (2024 - £6 million) for RBSI Group and £6 million (2024 - £13 million) for RBSI Ltd have been excluded from the tables.

(2) Amounts due to holding company and fellow subsidiaries relating to non-financial instruments of £17 million (2024 - £44 million) for RBSI Group and £14 million (2024 - £39 million) for RBSI Ltd have been excluded from the tables.

7 Financial instruments - maturity analysis continued

Assets and liabilities by contractual cash flows up to 20 years

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

Financial assets are reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by RBSI Group. Financial liabilities are included at the earliest date on which the counterparty can require repayment, regardless of whether or not such early repayment results in a penalty. If the repayment of a financial instrument is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the time band that contains the latest date on which it can be repaid, regardless of early repayment.

The liability is included in the time band that contains the earliest possible date on which the conditions could be fulfilled, without considering the probability of the conditions being met.

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

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

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

MFVTPL assets of £729 million (2024 - £271 million) and HFT liabilities of £33 million (2024 - £280 million) have been excluded from the following tables.

7 Financial instruments - maturity analysis continued

2025	RBSI Group					
	0-3	3-12	1-3	3-5	5-10	10-20
	months £m	months £m	years £m	years £m	years £m	years £m
Assets by contractual maturity up to 20 years						
Cash and balances at central banks	12,972	-	-	-	-	-
Loans to banks - amortised cost	787	-	-	-	-	-
Loans to customers - amortised cost	2,317	6,697	5,205	968	974	1,148
Finance lease	-	3	6	-	-	-
Amounts due from holding companies and fellow subsidiaries	460	-	-	-	-	-
Other financial assets	904	1,036	2,775	1,814	1,659	115
Liabilities by contractual maturity up to 20 years						
Bank deposits	142	560	1,007	-	-	-
Customer deposits	29,608	2,809	24	-	-	-
Other financial liabilities	485	717	536	-	121	-
Lease liabilities	1	2	6	5	14	4
Amounts due to holding companies and fellow subsidiaries	12	30	25	288	26	35
Guarantees and commitments notional amount (1)						
Guarantees (2)	437	-	-	-	-	-
Commitments (3)	9,762	-	-	-	-	-

2024	RBSI Group					
	0-3	3-12	1-3	3-5	5-10	10-20
	months £m	months £m	years £m	years £m	years £m	years £m
Assets by contractual maturity up to 20 years						
Cash and balances at central banks	14,264	-	-	-	-	-
Loans to banks - amortised cost	927	-	-	-	-	-
Loans to customers - amortised cost	2,808	7,721	4,610	991	1,815	-
Finance lease	2	4	14	12	10	-
Amounts due from holding companies and fellow subsidiaries	499	259	-	-	-	-
Other financial assets	596	1,934	1,406	1,122	590	254
Liabilities by contractual maturity up to 20 years						
Bank deposits	185	-	1,000	-	-	-
Customer deposits	29,468	2,642	195	67	-	-
Other financial liabilities	329	734	185	70	-	-
Lease liabilities	1	3	6	5	12	9
Amounts due to holding companies and fellow subsidiaries	43	372	-	-	-	-
Guarantees and commitments notional amount (1)						
Guarantees (2)	267	-	-	-	-	-
Commitments (3)	9,853	-	-	-	-	-

Refer to the following page for footnotes.

7 Financial instruments - maturity analysis continued

	RBSI Ltd					
	0-3	3-12	1-3	3-5	5-10	10-20
	months	months	years	years	years	years
2025	£m	£m	£m	£m	£m	£m
Assets by contractual maturity up to 20 years						
Cash and balances at central banks	12,972	-	-	-	-	-
Loans to banks - amortised cost	774	-	-	-	-	-
Loans to customers - amortised cost	2,317	6,697	5,205	968	974	1,148
Finance lease	-	3	6	-	-	-
Amounts due from holding companies and fellow subsidiaries	462	-	-	-	-	-
Other financial assets	904	1,036	2,775	1,814	1,659	115
Liabilities by contractual maturity up to 20 years						
Bank deposits	142	560	1,007	-	-	-
Customer deposits	29,608	2,809	24	-	-	-
Other financial liabilities	485	717	536	-	121	-
Lease liabilities	1	2	6	5	14	4
Amounts due to holding companies and fellow subsidiaries	65	30	25	288	26	35
Guarantees and commitments notional amount (1)						
Guarantees (2)	437	-	-	-	-	-
Commitments (3)	9,762	-	-	-	-	-

	RBSI Ltd					
	0-3	3-12	1-3	3-5	5-10	10-20
	months	months	years	years	years	years
2024	£m	£m	£m	£m	£m	£m
Assets by contractual maturity up to 20 years						
Cash and balances at central banks	14,264	-	-	-	-	-
Loans to banks - amortised cost	914	-	-	-	-	-
Loans to customers - amortised cost	2,808	7,721	4,610	991	1,815	-
Finance lease	2	4	14	12	10	-
Amounts due from holding companies and fellow subsidiaries	499	259	-	-	-	-
Other financial assets	596	1,934	1,406	1,122	590	254
Liabilities by contractual maturity up to 20 years						
Bank deposits	185	-	1,000	-	-	-
Customer deposits	29,468	2,642	195	67	-	-
Other financial liabilities	329	734	185	70	-	-
Lease liabilities	1	3	6	5	12	9
Amounts due to holding companies and fellow subsidiaries	103	372	-	-	-	-
Guarantees and commitments notional amount (1)						
Guarantees (2)	267	-	-	-	-	-
Commitments (3)	9,853	-	-	-	-	-

(1) Refer to Note 17 Memorandum items – Contingent liabilities and commitments.

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

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

8 Loan impairment provisions

Loan exposure and impairment metrics

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

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Loans - amortised cost				
-Stage 1	16,604	16,190	16,592	16,177
-Stage 2	170	302	170	302
-Stage 3	75	141	75	141
Inter-group (1)	459	750	461	750
Total	17,308	17,383	17,298	17,370
Loans impairment provisions				
ECL provisions				
-Stage 1	8	11	8	11
-Stage 2	3	6	3	6
-Stage 3	33	44	33	44
Total	44	61	44	61
ECL provision coverage (2)				
-Stage 1 (%)	0.05	0.07	0.05	0.07
-Stage 2 (%)	1.76	1.99	1.76	1.99
-Stage 3 (%)	44.00	31.21	44.00	31.21
	0.26	0.37	0.26	0.37
Impairment losses				
ECL release	(8)	(8)	(8)	(7)
Third Party	(8)	(8)	(8)	(8)
Inter-group	-	-	-	1
Amounts written off	8	2	8	2

(1) Amounts due from holding companies and fellow subsidiaries (Inter-Group) are all considered as Stage 1.

(2) ECL provisions coverage is ECL provisions divided by third party loans - amortised cost.

(3) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £12.9 billion (2024 - £14.2 billion) and debt securities of £7.4 billion (2024 - £5.5 billion).

8 Loan impairment provisions continued

Credit risk enhancement and mitigation

For information on credit risk enhancement and mitigation held as security, refer to Risk management – Note 10.

Critical accounting estimates

The loan impairment provisions have been established in accordance with IFRS 9. Accounting policy 12 sets out how the expected loss approach is applied. At 31 December 2025, impairment provisions amounted to £44 million (2024 – £61 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.

There is a risk that customers and counterparties fail to meet their contractual obligation to settle outstanding amounts, known as expected credit losses ('ECL'). The calculation of ECL considers historic, current and forward-looking information to determine the amount we do not expect to recover. ECL is recognised on current and potential exposures, and contingent liabilities.

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 management Note 10.

IFRS 9 models

To meet IFRS 9 requirements for ECL estimation, Probability Of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) used in the calculations must be:

- **Unbiased** - material regulatory conservatism has been removed to produce unbiased model estimates;
- **Point-in-time** - recognise current economic conditions;
- **Forward-looking** - incorporated into PD estimates and, where appropriate, EAD and LGD estimates; and
- **For the life of the loan** - all models produce a term structure to allow a lifetime calculation for assets in Stage 2 and Stage 3.

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.

The general approach for the IFRS 9 LGD models is to leverage corresponding Basel LGD models with bespoke adjustments to ensure estimates are unbiased and where relevant forward-looking.

For Wholesale, while conversion ratios in the historical data show temporal variations, these cannot (unlike in the case of PD and some LGD models) be sufficiently explained by the Credit-Cycle Index ('CCI') measure and are presumed to be driven to a larger extent by exposure management practices. Therefore point-in-time best estimates measures for EAD are derived by estimating the regulatory model specification on a rolling five year window. For more details refer Note 10.

Approach for multiple economic scenarios (MES)

The base scenario plays a greater part in the calculation of ECL than the approach to MES. This is discussed further in Note 10.

9 Other financial assets

	RBSI Group and RBSI Ltd				
	Debt securities				
	Central and local government			Other debt	Total
	UK £m	US £m	Other £m	£m	£m
2025					
Mandatory fair value through profit or loss				630	630
Fair value through other comprehensive income	3,527	415	241	1,675	5,858
Amortised cost	1,024	341	-	190	1,555
Total	4,551	756	241	2,495	8,043
2024					
Mandatory fair value through profit or loss					
Fair value through other comprehensive income	2,571	121	-	965	3,657
Amortised cost	984	500	17	252	1,753
Total	3,555	621	17	1,217	5,410

10 Risk management

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Presentation of information

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 RBSI Group and Bank.

Risk management framework

RBSI Group operates under NatWest Group's enterprise-wide risk management framework, 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 RBSI Group's principal risks – which are detailed in this section – are appropriately controlled and managed. In addition, there is a process to identify and manage top and emerging risks, which are those which could have a significant negative impact on RBSI Group's ability to meet its strategic priorities of growth through better understanding of customers, leveraging simplification and better management of resources. Both top and emerging risks are reported to the Board on a regular basis alongside reporting on the principal risks.

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

All RBSI Group colleagues share ownership of the way risk is managed, working together to make sure business activities and policies are consistent with risk appetite.

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 RBSI Group to support better customer outcomes, develop a stronger and more sustainable business and deliver an improved cost base.

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

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

Training

Enabling employees to have the capabilities and confidence to manage risk is core to 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 RBSI 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.

Governance

Three lines of defence

RBSI 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.

10 Risk management continued

The first line of defence incorporates most roles in RBSI 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 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.

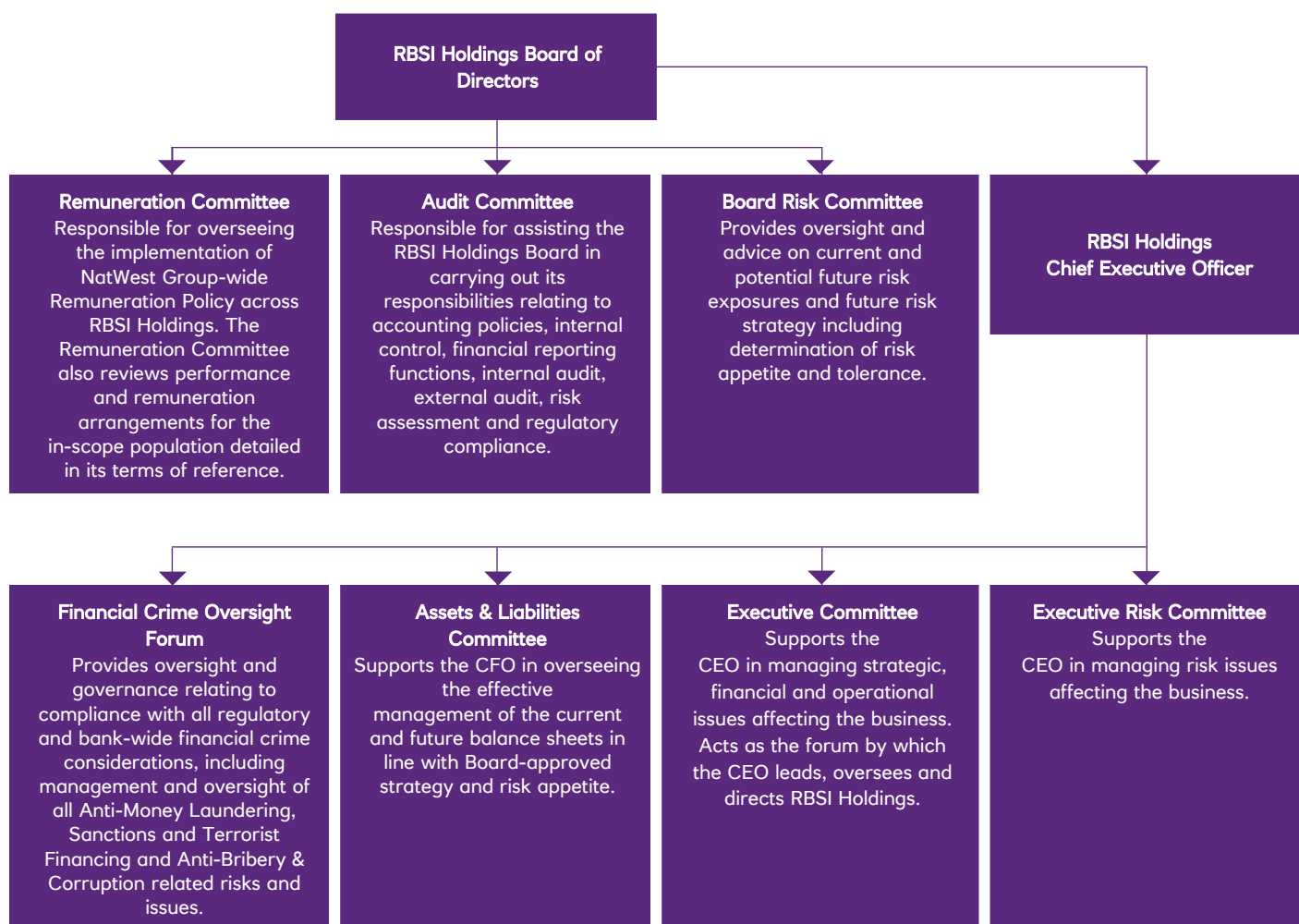
The second line of defence comprises the Risk function and is independent of the first line. The second line of defence is empowered to design and maintain the risk management framework and its components. It undertakes proactive risk oversight and continuous monitoring activities to confirm that RBSI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

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

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.

Committee structure

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



(1) The chart does not show all management-level committees, only material committees which consider risk are shown.

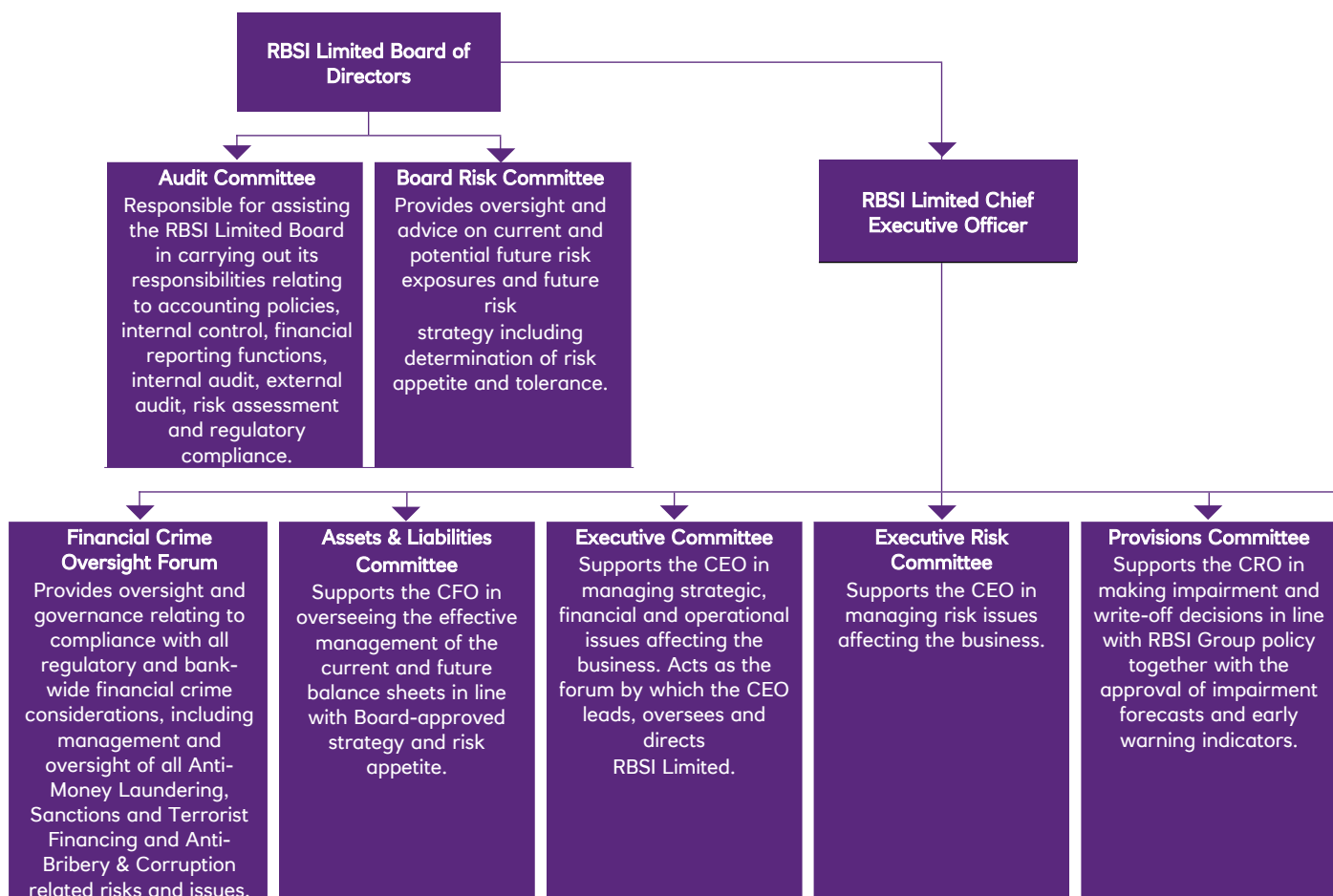
(2) RBSI Holdings is a Jersey incorporated holding company. It has two principal operating subsidiaries: The Royal Bank of Scotland International Limited, a Jersey incorporated and regulated bank and NatWest Trustee and Depositary Services Limited, a company incorporated in England and Wales.

(3) The NatWest Holdings Group Risk function provides risk management services across NatWest Group, including – where agreed – to the RBSI Holdings Chief Risk Officer. These services are managed, as appropriate, through service level agreements.

10 Risk management continued

Committee structure

The diagram shows RBSI Ltd's risk committee structure in 2025 and the main purposes of each committee.

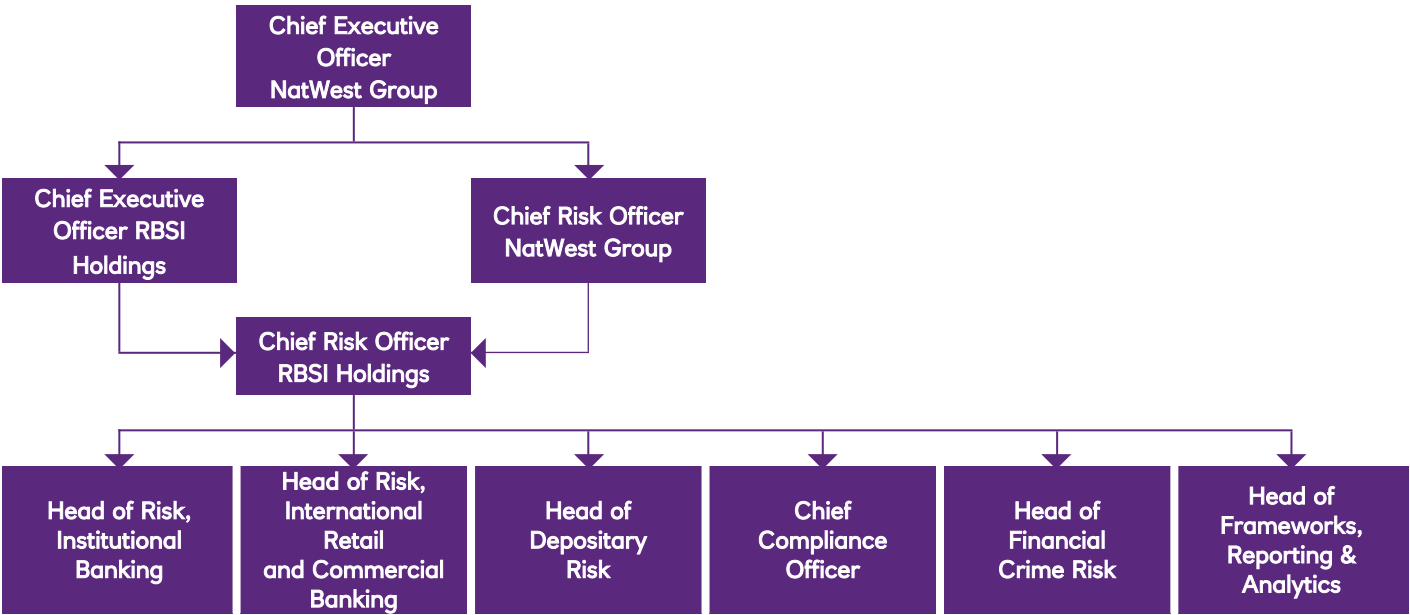


- (1) The Royal Bank of Scotland International Limited is one of the principal operating subsidiaries of RBSI Holdings.
- (2) The chart does not show all management-level committees, only material committees which consider risk are shown.
- (3) The NWH Group Risk function provides risk management services across NatWest Group, including – where agreed – to the RBSI Limited Chief Risk Officer. These services are managed, as appropriate, through service level agreements.

10 Risk management continued

Risk management structure

The diagram shows RBSI Group’s risk management structure in 2025.



(1) The RBSI Holdings Chief Risk Officer reports directly to the RBSI Holdings Chief Executive Officer and the NatWest Group Chief Risk Officer. The RBSI Holdings Chief Risk Officer also has an additional reporting line to the chair of the RBSI Holdings Board Risk Committee, and a right of access to the committee.

10 Risk management continued

Risk appetite

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

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

Risk appetite framework

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

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

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

Establishing risk appetite

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

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

Risk appetite statements consist of qualitative statements of appetite supported by risk limits and triggers that operate as a defence against excessive risk-taking. Risk measures and their associated limits are an integral part of the risk appetite approach and a key part of embedding risk appetite in day-to-day risk management decisions. A clear tolerance for each principal risk is set in alignment with business activities. As a subsidiary, RBSI Group's risk appetite statements and measures must be consistent with NatWest Group's. Under no circumstances should RBSI Group's risk appetite or profile exceed that of NatWest Group.

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

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

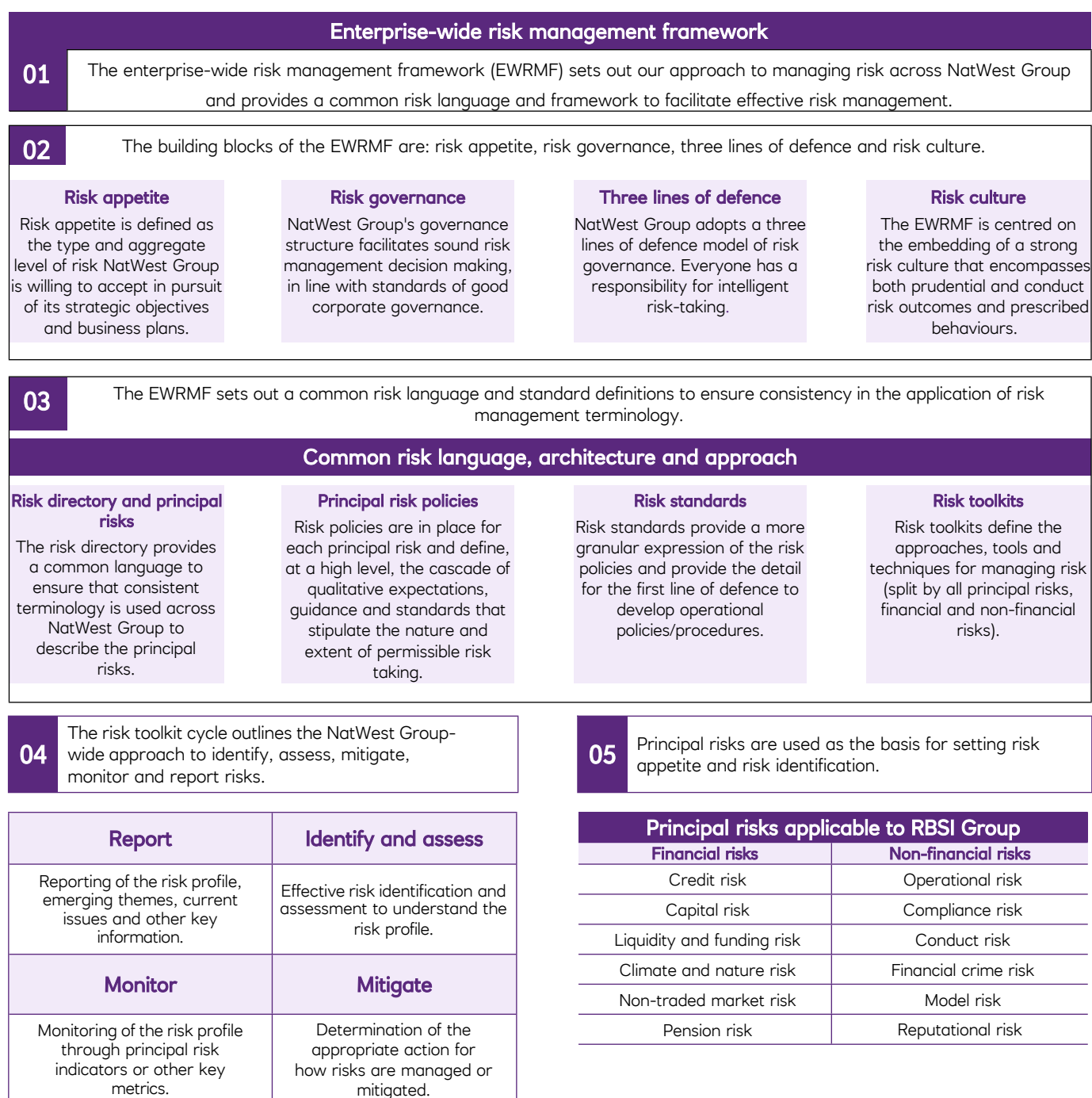
Risk appetite is approved at least annually by the Board on the Board Risk Committee's recommendation to ensure it remains appropriate and aligned to strategy.

RBSI Group's risk profile is continually monitored and frequently reviewed. Management focus is concentrated on all principal risks as well as the top and emerging risks that may correlate to them. Risk profile relative to risk appetite is reported regularly to executive management and the Board.

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

10 Risk management continued

The following diagram illustrates NatWest Group's enterprise-wide risk management framework.



10 Risk management 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 RBSI Group.

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

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

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

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

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

Monitoring

The primary tool used to provide regular monitoring of the risk and control environment across the 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, Internal Audit and RBSI Group's regulators – that risk policies and procedures are being correctly implemented and that they are operating adequately and effectively. Thematic reviews and targeted reviews are also carried out where relevant to ensure appropriate customer outcomes.

Stress testing

Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of RBSI 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 RBSI Group, including its capital position.

Stress testing includes:

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

The process for stress testing consists of four broad stages:

Define scenarios	<ul style="list-style-type: none"> • Identify specific macro RBSI Group vulnerabilities and risks. • Define and calibrate scenarios to examine risks and vulnerabilities. • Formal governance process to agree scenarios.
Assess impact	<ul style="list-style-type: none"> • Translate scenarios into risk drivers. • Assess impact to current and projected profit and loss and balance sheet across RBSI Group.
Calculate results and assess implications	<ul style="list-style-type: none"> • Aggregate impacts into overall results. • Results form part of the risk management process. • Scenario results are used to inform RBSI Group's business and capital plans.
Develop and agree management actions	<ul style="list-style-type: none"> • 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 Committees and the Board Risk Committees and recommended to the Board for approval.

10 Risk management continued

Stress testing is used widely across NatWest Group. 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 RBSI 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 RBSI Group's recovery plan.

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

Capital sufficiency – going concern forward-looking view

Going concern capital requirements are examined on a forward-looking basis – including as part of the annual budgeting process – by assessing the resilience of capital adequacy and leverage ratios under hypothetical future states. These assessments include assumptions about regulatory and accounting factors (such as IFRS 9). They incorporate economic variables and key assumptions on balance sheet and profit and loss drivers, such as impairments, to demonstrate that RBSI Group maintains 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. RBSI Group takes part in NatWest Group 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 RBSI Group needs to hold in stress conditions in accordance with the capital risk appetite framework.

Internal assessment of capital adequacy

In RBSI Ltd, an internal assessment of material risks is carried out 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). RBSI Ltd's 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. RBSI Ltd's ICAAP is approved by the Board and submitted to the Jersey Financial Services Commission (JFSC).

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

In the UK, the regulatory expectations for the Investment Firms Prudential Regime (IFPR) are set out in the FCA's Prudential Sourcebook for MiFID Investment Firms (MiFIDPRU) which includes the production of a report that reviews NWTDS' Internal Capital and Risk Assessment (ICARA) and outlines the processes and analysis from which those results were derived. It provides a quantitative evaluation of NWTDS's aggregate risk profile and corresponding capital needs, i.e. it provides a risk-based estimate of the amount of capital needed to ensure NWTDS can meet its liabilities as they fall due. This includes assessing NWTDS' ability to absorb various identified material risks. This analysis provides a view of the adequacy of capital level and risk management approaches to meet IFPR requirements.

Governance

Capital management is subject to substantial review and governance. The Boards of both RBSI Ltd and RBSI Group approve 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 daily, with performance reported to the Assets & Liabilities Committee on a regular basis. Liquidity condition indicators are monitored daily. This ensures any build-up of stress is detected early and the response escalated appropriately through recovery planning.

Internal assessment of liquidity

Under the liquidity risk management framework, RBSI 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 RBSI 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. RBSI 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.

RBSI 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.

10 Risk management continued

Stress testing – recovery and resolution planning

RBSI Ltd and NWTDS each maintain a recovery plan. This forms part of the overall NatWest Group Recovery Framework. The recovery plans explain how the entities 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 plans ensure 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.
- Carrying out 'fire drills' to practise responding to recovery events.

The plan is intended to enable RBSI Group to maintain critical services and products it provides to its customers, maintain its core business lines and operate while restoring RBSI Group's financial health. It is assessed for appropriateness on an ongoing basis and reviewed and approved by the Board prior to submission to the JFSC.

Resolution would be implemented if NatWest Group or RBSI Ltd was assessed by the UK or Jersey authorities to have failed and the appropriate authority put it into resolution. Relevant for RBSI Ltd, the Recovery and Resolution (Jersey) Law 2017 (the Law) came into force on 31 January 2022. The Law provides a bank resolution regime for Jersey which is broadly consistent with the European Union Bank Recovery and Resolution Directive (2014/59) and the United Kingdom Banking Act 2009 (as amended). Specifically, it established the Jersey Resolution Authority which has been granted administrative powers to stabilise and/or resolve distressed banks.

Stress testing – non-traded market risk

RBSI Group 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 Technical Asset and Liability Management Committee.

Credit risk

Definition

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

Sources of risk

RBSI Group has exposure to entities by making placements and advances to those customers, counterparties, or issuers.

RBSI Group is also exposed to the Bank of England, the Banque Centrale du Luxembourg, US correspondent banks and money market funds through its cash deposits, as well as to bonds held in its liquid asset portfolio issued by sovereigns, supranationals and agencies.

Governance

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 expected credit loss (ECL) and any necessary in-model and post model adjustments through the Provisions Committee.

Risk appetite

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 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.

10 Risk management continued

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, RBSI Group reviews both internal credit data and external information from credit reference agencies, developing and applying lending rules according to product type.

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

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

Non-Personal

Non-Personal customers are grouped by industry sectors and geography as well as by product/asset class and are 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.

Probability of default (PD) and loss given default (LGD) are reviewed and if appropriate reapproved 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 RBSI Group. These techniques mitigate credit concentrations related to individual customers, borrower groups or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools may involve structuring security interests in physical or financial assets, using credit derivatives such as credit default swaps, credit-linked debt instruments and securitisation structures, and utilising guarantees or similar instruments (including credit insurance) from related and third parties. Property is used to mitigate credit risk across a number of portfolios, in particular residential mortgage lending and commercial real estate.

Residential mortgages

RBSI Group uses residential property as collateral to reduce credit risk arising from mortgages. The value of the property is determined during loan underwriting. Properties securing loans greater than €3 million are revalued every three years.

Commercial real estate

For commercial real estate valuations, RBSI Group works with a managed panel of chartered surveying firms that cover relevant geographic and property sectors in which RBSI Group takes collateral. Suitable valuers for particular assets are contracted through a service agreement to ensure consistency of quality and advice.

Problem debt management

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

Personal

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

Collections

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

Recoveries

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.

Non-Personal

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

Wholesale Problem Debt Management framework

This framework focuses on Non-Personal customers 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.

Customer lending support

Customer Lending Support is a centre of expertise that provides support to Non-Personal customers in financial difficulty.

10 Risk management continued

Forbearance

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

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

Personal

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

Non-Personal

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

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

IFRS 9 models

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

PD

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

Economic forecasts are incorporated into Non-Personal 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

EAD is calculated as the maximum of the balance exposure, or limit which has been factored up by a credit conversion factor sourced from the benchmarked modelled portfolio.

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.

Personal non-modelled portfolio

Personal remains Basel standardised for risk-weighted assets, therefore modelled PDs and LGDs are not available for calculating Stage 1 and Stage 2 ECLs. Instead, this is performed by sourcing the equivalent product PD and LGD from elsewhere in NatWest Group, which was identified as the closest comparable portfolio to RBSI Personal. The PD and LGD benchmarks are then used, along with the known exposure, to calculate an account level ECL.

In order to identify accounts showing Stage 2 the RBSI Personal Watch classification is applied where accounts are identified as having clear signs of credit deterioration, increased risk of default or have been given forbearance, with days past due being checked as supplementary back stop.

Economic drivers

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 loss drivers for the most material Personal portfolios include unemployment rate, house price index, and base rate for the UK, and these are applied to credit portfolios across all jurisdictions.

In addition to some of these loss drivers, world GDP is a primary loss driver for the Non-Personal portfolios.

10 Risk management continued

Economic scenarios

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

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

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

High-level narrative – potential developments, vulnerabilities and risks

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

10 Risk management continued

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

Main macroeconomic variables

	31 December 2025					31 December 2024				
	Base		Extreme		Weighted average	Base		Extreme		Weighted average
	Upside	case	Downside	downside		Upside	case	Downside	downside	
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

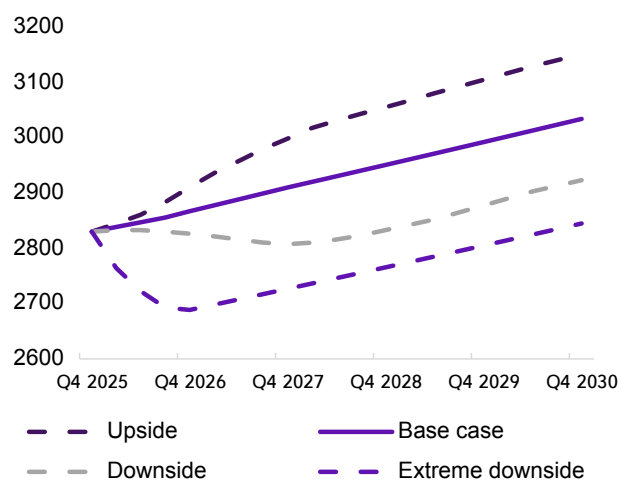
NatWest Group applies a quantitative approach for IFRS 9 multiple economic scenarios by selecting specific discrete scenarios that represent the range of risks in the economic outlook and assigning appropriate probability weights.

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.

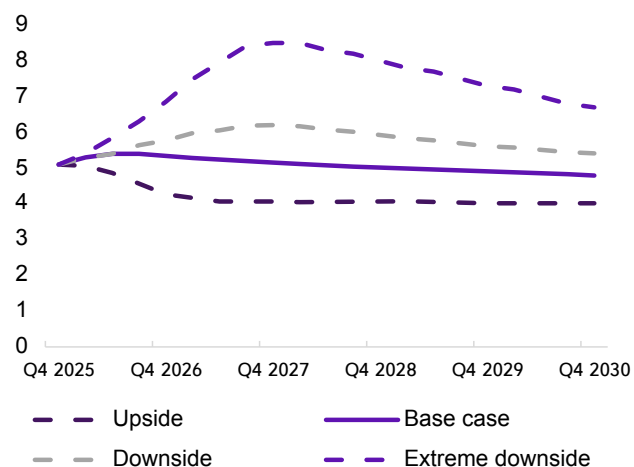
The weights were broadly comparable to those used at 31 December 2024 but with slightly more downside skew. The assigned probability weights were judged to be aligned with the subjective assessment of balance of the risks in the economy. Given the balance of risks that the economies in which NatWest 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.

10 Risk management continued

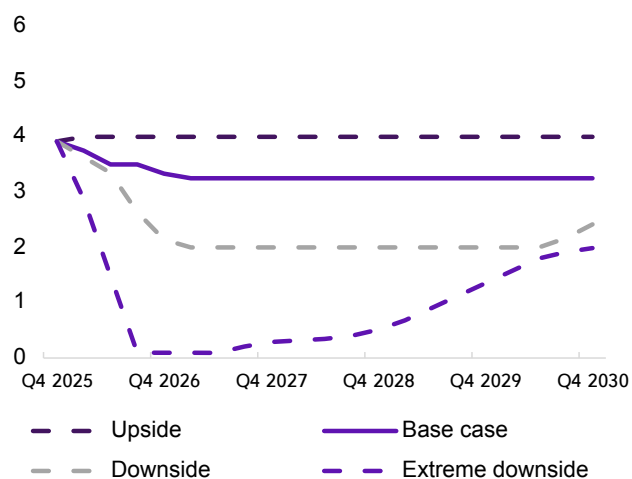
UK gross domestic product (£bn)



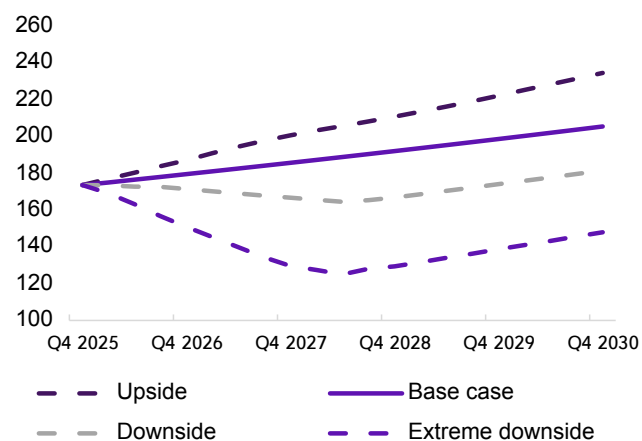
UK unemployment rate (%)



Bank of England base rate (%)



UK house prices (index)



10 Risk management continued

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

10 Risk management continued

Worst points

	31 December 2025					31 December 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.

Impairment, provisioning and write-offs

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

Significant increase in credit risk (SICR)

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

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

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 – the contractual maturity date is used and adjusted for behavioural trends where applicable, such as expected prepayment and amortisation.

Governance

The IFRS 9 PD, EAD and LGD models are subject to RBSI 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 RBSI Group's ongoing ECL adequacy assessment process. A comprehensive framework has been established that incorporates analysis of diverse economic data, external benchmarks and portfolio performance trends with a particular focus on segments (across both Personal and Non-Personal portfolios) that may be more susceptible to specific risk factors.

ECL post model adjustments

The table below shows ECL post model adjustments.

	2025 £m	2024 £m
Deferred model calibrations	-	1
Economic uncertainty	2	4
Total	2	5
Of which:		
-Stage 1	1	3
-Stage 2	1	2

10 Risk management continued

Measurement uncertainty and ECL sensitivity analysis

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

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

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

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

As expected, the scenarios created varying impacts on ECL by portfolio, and these impacts were deemed reasonable.

The simulations assumed that existing modelled relationships between key economic variables and drivers would hold. However, in practice, other factors such as potential changes in customer behaviour and policy changes could also impact the wider availability of credit.

The focus of the simulations was on ECL provisioning requirements for performing exposures in Stage 1 and Stage 2. The simulations were run on a stand-alone basis and were independent of each other. Scenario impacts on significant increase in credit risk (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. RBSI Group's core criterion for identifying a SICR is based on PD deterioration. Under the simulations, changes in PDs resulted in exposures moving between Stage 1 and Stage 2, contributing to the ECL impact.

	RBSI Group and RBSI Ltd				
2025	Actual	Base case	Upside	Downside	Extreme Downside
Stage 1 modelled exposure (£m)					
Commercial	14,728	14,730	14,731	14,728	13,947
Stage 1 modelled ECL (£m)					
Commercial	5	4	3	6	16
Stage 1 coverage (%)					
Commercial	0.03%	0.03%	0.02%	0.04%	0.11%
Stage 2 modelled exposure (£m)					
Commercial	122	120	119	122	903
Stage 2 modelled ECL (£m)					
Commercial	3	2	2	3	17
Stage 2 coverage (%)					
Commercial	2.46%	1.67%	1.68%	2.46%	1.88%
Stage 1 and Stage 2 modelled exposure (£m)					
Commercial	14,850	14,850	14,850	14,850	14,850
Stage 1 and Stage 2 modelled ECL (£m)					
Commercial	8	6	5	9	33
Stage 1 and Stage 2 coverage (%)					
Commercial	0.05%	0.04%	0.03%	0.06%	0.22%
Reconciliation to Stage 1 and Stage 2 ECL (£m)					
ECL on modelled exposures	8	6	5	9	33
ECL on non-modelled exposures	3	2	3	2	1
Total Stage 1 and Stage 2 ECL (£m)	11	8	8	11	34
Variance to actual total Stage 1 and Stage 2 ECL (£m)	-	(3)	(3)	-	23

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

10 Risk management continued

Banking activities

Financial instruments within the scope of the IFRS 9 ECL framework

Refer to Note 7 to the accounts for balance sheet analysis of financial assets that are classified as amortised cost or fair value through other comprehensive income (FVOCI), the starting point for IFRS 9 ECL framework assessment.

Financial assets

	RBSI Group					
	31 December 2025			31 December 2024		
	Gross £m	ECL £m	Net £m	Gross £m	ECL £m	Net £m
Balance sheet - total gross amortised cost and FVOCI	37,127			36,282		
In scope of IFRS 9 ECL framework	37,193			36,356		
% in scope	100%			100%		
Loans to customers - in scope - amortised cost	16,062	44	16,018	15,706	61	15,645
Loans to banks - in scope - amortised cost	787	-	787	927	-	927
Total loans - in scope	16,849	44	16,805	16,633	61	16,572
Stage 1	16,603	8	16,595	16,190	11	16,179
Stage 2	171	3	168	302	6	296
Stage 3	75	33	42	141	44	97
Other financial assets - in scope - amortised cost	14,480	-	14,480	15,965	-	15,965
Other financial assets - in scope - FVOCI	5,864	1	5,863	3,758	-	3,758
Total other financial assets - in scope	20,344	1	20,343	19,723	-	19,723
Stage 1	20,344	1	20,343	19,723	-	19,723
Out of scope of IFRS 9 ECL framework	(66)	na	(66)	(74)	na	(74)
Loans to customers - out of scope - amortised cost	(109)	na	(109)	(26)	na	(26)
Other financial assets - out of scope - amortised cost	48	na	48	52	na	52
Other financial assets - out of scope - FVOCI	(5)	na	(5)	(100)	na	(100)

na = not applicable

10 Risk management continued

	RBSI Ltd					
	31 December 2025			31 December 2024		
	Gross £m	ECL £m	Net £m	Gross £m	ECL £m	Net £m
Balance sheet - total gross amortised cost and FVOCI	37,115			36,269		
In scope of IFRS 9 ECL framework	37,181			36,343		
% in scope	100%			100%		
Loans to customers - in scope - amortised cost	16,062	44	16,018	15,706	61	15,647
Loans to banks - in scope - amortised cost	775	-	775	914	-	914
Total loans - in scope	16,837	44	16,793	16,620	61	16,561
Stage 1	16,592	8	16,584	16,177	11	16,168
Stage 2	170	3	167	302	6	296
Stage 3	75	33	42	141	44	97
Other financial assets - in scope - amortised cost	14,480	-	14,480	15,965	-	15,965
Other financial assets - in scope - FVOCI	5,864	1	5,863	3,758	-	3,758
Total other financial assets - in scope	20,344	1	20,343	19,723	-	19,723
Stage 1	20,344	1	20,343	19,723	-	19,723
Out of scope of IFRS 9 ECL framework	(66)	na	(66)	(74)	na	(74)
Loans to customers - out of scope - amortised cost	(109)	na	(109)	(26)	na	(26)
Other financial assets - out of scope - amortised cost	48	na	48	52	na	52
Other financial assets - out of scope - FVOCI	(5)	na	(5)	(100)	na	(100)

na = not applicable

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

- Settlement balances, items in the course of collection, cash balances and other non-credit risk assets of £26.6 million (2024 – £34.6 million). These were assessed as having no ECL unless there was evidence that they were defaulted.

In scope assets also include £459 million (2024 – £750 million) of inter-Group assets not shown in the Group table above and £461 million (2024 – £750 million) of Inter-Group assets not shown in RBSI Ltd table above.

Contingent liabilities and commitments

In addition to contingent liabilities and commitments disclosed in Note 17 to the accounts, reputationally committed limits were also included in the scope of the IFRS 9 ECL framework. Total contingent liabilities (including financial guarantees) and commitments within IFRS 9 ECL scope were £10,553 million (2024 – £10,196 million), comprised Stage 1 £10,372 million (2024 – £10,163 million); Stage 2 £58 million (2024 – £31 million); and Stage 3 £123 million (2024 – £2 million).

The total ECL in the remainder of the Credit risk section of £43.7 million included ECL for both on and off-balance sheet exposures.

10 Risk management continued

Flow statements

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.
- 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.

	RBSI Group							
	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	37,500	11	336	6	142	44	37,978	61
Currency translation and other adjustments	71	-	-	-	8	1	79	1
Transfers from Stage 1 to Stage 2	(208)	-	208	-	-	-	-	-
Transfers from Stage 2 to Stage 1	272	2	(272)	(2)	-	-	-	-
Transfers to Stage 3	(2)	-	(27)	(1)	29	1	-	-
Transfers from Stage 3	5	-	6	-	(11)	-	-	-
Exp change & income statement (releases)/charges	(553)	(5)	(96)	-	(91)	(3)	(740)	(8)
Amounts written-off	-	-	-	-	(8)	(8)	(8)	(8)
Unwinding of discount	-	-	-	-	-	(2)	-	(2)
At 31 December 2025	37,085	8	155	3	69	33	37,309	44
Net carrying amount	37,077	-	152	-	36	-	37,265	-
At 1 January 2024	37,110	16	721	12	128	39	37,959	67
2024 movements	390	(5)	(385)	(6)	14	5	19	(6)
At 31 December 2024	37,500	11	336	6	142	44	37,978	61
Net carrying amount	37,489	-	330	-	98	-	37,917	-

	RBSI Ltd							
	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	37,487	11	336	6	142	44	37,965	61
Currency translation and other adjustments	71	-	-	-	8	1	79	1
Transfers from Stage 1 to Stage 2	(208)	-	208	-	-	-	-	-
Transfers from Stage 2 to Stage 1	272	2	(272)	(2)	-	-	-	-
Transfers to Stage 3	(2)	-	(27)	(1)	29	1	-	-
Transfers from Stage 3	5	-	6	-	(11)	-	-	-
Exp change & income statement (releases)/charges	(553)	(5)	(96)	-	(91)	(3)	(740)	(8)
Amounts written-off	-	-	-	-	(8)	(8)	(8)	(8)
Unwinding of discount	-	-	-	-	-	(2)	-	(2)
At 31 December 2025	37,072	8	155	3	69	33	37,296	44
Net carrying amount	37,064	-	152	-	36	-	37,252	-
At 1 January 2024	37,097	16	721	12	128	39	37,946	67
2024 movements	390	(5)	(385)	(6)	14	5	19	(6)
At 31 December 2024	37,487	11	336	6	142	44	37,965	61
Net carrying amount	37,476	-	330	-	98	-	37,904	-

(1) Related financial asset movements are one month in arrears relative to the balance sheet reporting dates, as these are the balances used to calculate the modelled ECL.

10 Risk management continued

Stage 2 decomposition – arrears status and contributing factors

The tables below show Stage 2 decomposition for the Non-Personal portfolios.

	Corporate and other		FI		Other		Non-Personal	
	Loans £m	ECL £m	Loans £m	ECL £m	Loans £m	ECL £m	Loans £m	ECL £m
31 December 2025								
Non-Personal								
Currently up-to-date	101	3	37	-	1	-	139	3
- PD deterioration	55	2	17	-	-	-	72	2
- Other driver (forbearance, Risk of Credit Loss etc.)	46	1	20	-	1	-	67	1
Total Stage 2	101	3	37	-	1	-	139	3

	Corporate and other		FI		Other		Non-Personal	
	Loans £m	ECL £m	Loans £m	ECL £m	Loans £m	ECL £m	Loans £m	ECL £m
31 December 2024								
Non-Personal								
Currently in arrears (>30 DPD)	4	-	-	-	-	-	4	-
Currently up-to-date	209	5	45	1	1	-	255	6
- PD deterioration	191	4	37	-	-	-	228	4
- Other driver (forbearance, Risk of Credit Loss etc.)	18	1	8	1	1	-	27	2
Total Stage 2	213	5	45	1	1	-	259	6

10 Risk management continued

Credit risk enhancement and mitigation

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

	Gross exposure	RBSI Group									
		ECL	Maximum credit risk		CREM by type (3)			CREM coverage		Exposure post CREM	
			Total	Stage 3	Financial (1)	Property	Other (2)	Total	Stage 3	Total	Stage 3
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets											
Cash and balances at central banks	12,924	-	12,924	-	-	-	-	-	-	12,924	-
Loans - amortised cost	16,849	42	16,807	44	485	3,533	12	4,030	44	12,777	-
Personal	2,431	12	2,419	33	138	2,204	-	2,342	33	77	-
Non-Personal	14,418	30	14,388	11	347	1,329	12	1,688	11	12,700	-
Debt securities	7,420	1	7,419	-	-	-	-	-	-	7,419	-
Total financial assets	37,193	43	37,150	44	485	3,533	12	4,030	44	33,120	-
Contingent liabilities and commitments											
Personal	436	-	436	87	236	-	-	236	82	200	5
Non-Personal	9,876	1	9,875	36	126	300	42	468	32	9,407	4
Total off-balance sheet	10,312	1	10,311	123	362	300	42	704	114	9,607	9
Total exposure	47,505	44	47,461	167	847	3,833	54	4,734	158	42,727	9
2024											
Financial assets											
Cash and balances at central banks	14,212	-	14,212	-	-	-	-	-	-	14,212	-
Loans - amortised cost	16,633	59	16,574	97	558	3,903	12	4,473	94	12,101	3
Personal	2,320	18	2,302	35	111	2,113	-	2,224	35	78	-
Non-Personal	14,313	41	14,272	62	447	1,790	12	2,249	59	12,023	3
Debt securities	5,511	1	5,510	-	-	-	-	-	-	5,510	-
Total financial assets	36,356	60	36,296	97	558	3,903	12	4,473	94	31,823	3
Contingent liabilities and commitments											
Personal	474	-	474	-	200	-	-	200	-	274	-
Non-Personal	9,722	1	9,721	3	134	314	46	494	1	9,227	2
Total off-balance sheet	10,196	1	10,195	3	334	314	46	694	1	9,501	2
Total exposure	46,552	61	46,491	100	892	4,217	58	5,167	95	41,324	5

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

10 Risk management continued

	RBSI Ltd										
	Gross exposure	Maximum credit risk			CREM by type (3)			CREM coverage		Exposure post CREM	
		ECL	Total	Stage 3	Financial (1)	Property	Other (2)	Total	Stage 3	Total	Stage 3
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets											
Cash and balances at central banks	12,924	-	12,924	-	-	-	-	-	-	12,924	-
Loans - amortised cost	16,837	42	16,795	44	485	3,533	12	4,030	44	12,765	-
Personal	2,431	12	2,419	33	138	2,204	-	2,342	33	77	-
Non-Personal	14,406	30	14,376	11	347	1,329	12	1,688	11	12,688	-
Debt securities	7,420	1	7,419	-	-	-	-	-	-	7,419	-
Total financial assets	37,181	43	37,138	44	485	3,533	12	4,030	44	33,108	-
Contingent liabilities and commitments											
Personal	436	-	436	87	236	-	-	236	82	200	5
Non-Personal	9,876	1	9,875	36	126	300	42	468	32	9,407	4
Total off-balance sheet	10,312	1	10,311	123	362	300	42	704	114	9,607	9
Total exposure	47,493	44	47,449	167	847	3,833	54	4,734	158	42,715	9

	RBSI Ltd										
	Gross exposure	Maximum credit risk			CREM by type (3)			CREM coverage		Exposure post CREM	
		ECL	Total	Stage 3	Financial (1)	Property	Other (2)	Total	Stage 3	Total	Stage 3
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets											
Cash and balances at central banks	14,212	-	14,212	-	-	-	-	-	-	14,212	-
Loans - amortised cost	16,620	59	16,561	97	558	3,903	12	4,473	94	12,088	3
Personal	2,320	18	2,302	35	111	2,113	-	2,224	35	78	-
Non-Personal	14,300	41	14,259	62	447	1,790	12	2,249	59	12,010	3
Debt securities	5,511	1	5,510	-	-	-	-	-	-	5,510	-
Total financial assets	36,343	60	36,283	97	558	3,903	12	4,473	94	31,810	3
Contingent liabilities and commitments											
Personal	474	-	474	-	200	-	-	200	-	274	-
Non-Personal	9,722	1	9,721	3	134	314	46	494	1	9,227	2
Total off-balance sheet	10,196	1	10,195	3	334	314	46	694	1	9,501	2
Total exposure	46,539	61	46,478	100	892	4,217	58	5,167	95	41,311	5

(1) Includes cash and securities collateral.

(2) Includes guarantees.

(3) The Group holds collateral in respect of individual loans. This collateral includes mortgages over property (both personal and commercial). Property valuations are capped at the loan value.

10 Risk management continued

Credit risk asset quality

The asset quality analysis presented below is based on RBSI Group's internal asset quality ratings which have ranges for the PD, as set out below. Customers are assigned credit grades, based on various credit grading models that reflect the key drivers of default for the customer type. All credit grades across RBSI Group map to both an asset quality scale, used for external financial reporting, and a master grading scale for Non-Personal exposures used for internal management reporting across portfolios.

The table that follows details the relationship between asset quality (AQ) bands and external ratings published by Standard & Poor's (S&P), for illustrative purposes only. This relationship is established by observing S&P's default study statistics, notably the one year default rates for each S&P rating grade. A degree of judgement is required to relate the PD ranges associated with the master grading scale to these default rates given that, for example, the S&P published default rates do not increase uniformly by grade and the historical default rate is nil for the highest rating categories.

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

The mapping to the S&P ratings is used by RBSI Group as one of several benchmarks for its Non-Personal portfolios, depending on customer type and the purpose of the benchmark. The mapping is based on all issuer types rated by S&P. It should therefore be considered illustrative and does not, for instance, indicate that exposures reported against S&P ratings either have been or would be assigned those ratings if assessed by S&P. In addition, the relationship is not relevant for Personal portfolios, smaller corporate exposures or specialist corporate segments given that S&P does not typically assign ratings to such entities.

10 Risk management continued

Portfolio summary - sector analysis

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

	RBSI Group			RBSI Ltd		
	Personal £m	Non-Personal £m	Total £m	Personal £m	Non-Personal £m	Total £m
2025						
Loans by geography	2,431	14,418	16,849	2,431	14,406	16,837
- UK ⁽¹⁾	2,431	7,552	9,983	2,431	7,540	9,971
- Other Europe	-	6,142	6,142	-	6,142	6,142
- RoW	-	724	724	-	724	724
Loans by asset quality	2,431	14,418	16,849	2,431	14,406	16,837
- AQ1	10	3,124	3,134	10	3,124	3,134
- AQ2	-	4,169	4,169	-	4,170	4,170
- AQ3	-	4,211	4,211	-	4,211	4,211
- AQ4	-	2,026	2,026	-	2,013	2,013
- AQ5	-	360	360	-	360	360
- AQ6	-	260	260	-	260	260
- AQ7 ⁽²⁾	2,377	228	2,605	2,377	228	2,605
- AQ8	-	9	9	-	9	9
- AQ10	44	31	75	44	31	75
Loans by stage	2,431	14,418	16,849	2,431	14,406	16,837
- Stage 1	2,355	14,248	16,603	2,355	14,237	16,592
- Stage 2	32	139	171	32	138	170
- Stage 3	44	31	75	44	31	75
Loans - past due analysis	2,431	14,418	16,849	2,431	14,406	16,837
- Not past due	2,367	14,376	16,743	2,367	14,364	16,731
- Past due 1-30 days	12	25	37	12	25	37
- Past due 31-90 days	9	2	11	9	2	11
- Past due 91-180 days	14	-	14	14	-	14
- Past due >180 days	29	15	44	29	15	44
Loans - Stage 2	32	139	171	32	138	170
- Not past due	12	136	148	12	135	147
- Past due 1-30 days	12	1	13	12	1	13
- Past due 31-90 days	8	2	10	8	2	10
ECL provisions by stage	12	32	44	12	32	44
- Stage 1	1	7	8	1	7	8
- Stage 2	-	3	3	-	3	3
- Stage 3	11	22	33	11	22	33
ECL provisions coverage (%)	0.5	0.2	0.3	0.5	0.2	0.3
- Stage 1 (%)	-	-	-	-	-	-
- Stage 2 (%)	-	2.2	1.8	-	2.2	1.8
- Stage 3 (%)	25.0	71.0	44.0	25.0	71.0	44.0
ECL charge	1	(9)	(8)	1	(9)	(8)
- UK	1	(9)	(8)	1	(9)	(8)
ECL loss rate (%)	0.04	(0.06)	(0.05)	0.04	(0.06)	(0.05)
Amounts written-off	6	2	8	6	2	8
Other financial assets by asset quality	-	20,344	20,344	-	20,344	20,344
- AQ1-AQ4	-	20,344	20,344	-	20,344	20,344
Off-balance sheet	436	9,876	10,312	436	9,876	10,312
- Loan commitments	436	9,420	9,856	436	9,420	9,856
- Financial guarantees	-	456	456	-	456	456
Off-balance sheet by asset quality	436	9,876	10,312	436	9,876	10,312
- AQ1-AQ4	-	9,354	9,354	-	9,354	9,354
- AQ5-AQ8	349	486	835	349	486	835
- AQ10	87	36	123	87	36	123

(1) UK includes exposures in Jersey, Guernsey, Isle of Man and Gibraltar.

(2) Due to the non-modelled nature of the retail portfolio in RBSI, most of the asset quality defaults to AQ7.

10 Risk management continued

	RBSI Group			RBSI Ltd		
	Personal £m	Non-Personal £m	Total £m	Personal £m	Non-Personal £m	Total £m
2024						
Loans by geography	2,320	14,313	16,633	2,320	14,300	16,620
- UK ⁽¹⁾	2,320	8,522	10,842	2,320	8,509	10,829
- Other Europe	-	4,618	4,618	-	4,618	4,618
- RoW	-	1,173	1,173	-	1,173	1,173
Loans by asset quality	2,320	14,313	16,633	2,320	14,300	16,620
- AQ1	11	2,544	2,555	11	2,544	2,555
- AQ2	-	5,825	5,825	-	5,825	5,825
- AQ3	-	2,547	2,547	-	2,547	2,547
- AQ4	-	2,196	2,196	-	2,183	2,183
- AQ5	-	521	521	-	521	521
- AQ6	-	244	244	-	244	244
- AQ7 ⁽²⁾	2,257	329	2,586	2,257	329	2,586
- AQ8	-	9	9	-	9	9
- AQ9	-	9	9	-	9	9
- AQ10	52	89	141	52	89	141
Loans by stage	2,320	14,313	16,633	2,320	14,300	16,620
- Stage 1	2,225	13,965	16,190	2,225	13,952	16,177
- Stage 2	43	259	302	43	259	302
- Stage 3	52	89	141	52	89	141
Loans - past due analysis	2,320	14,313	16,633	2,320	14,300	16,620
- Not past due	2,236	14,122	16,358	2,236	14,109	16,345
- Past due 1-30 days	20	153	173	20	153	173
- Past due 31-90 days	16	17	33	16	17	33
- Past due 91-180 days	14	-	14	14	-	14
- Past due >180 days	34	21	55	34	21	55
Loans - Stage 2	43	259	302	43	259	302
- Not past due	11	246	257	11	246	257
- Past due 1-30 days	17	9	26	17	9	26
- Past due 31-90 days	15	4	19	15	4	19
ECL provisions by stage	18	43	61	18	43	61
- Stage 1	2	9	11	2	9	11
- Stage 2	-	6	6	-	6	6
- Stage 3	16	28	44	16	28	44
ECL provisions coverage (%)	0.8	0.3	0.4	0.8	0.3	0.4
- Stage 1 (%)	0.1	0.1	0.1	0.1	0.1	0.1
- Stage 2 (%)	-	2.3	2.0	-	2.3	2.0
- Stage 3 (%)	30.8	31.5	31.2	30.8	31.5	31.2
ECL charge	1	(9)	(8)	1	(9)	(8)
- UK	1	(6)	(5)	1	(6)	(5)
- Other Europe	-	(3)	(3)	-	(3)	(3)
ECL loss rate (%)	0.04	(0.06)	(0.05)	0.04	(0.06)	(0.05)
Amounts written-off	2	-	2	2	-	2
Other financial assets by asset quality	-	19,723	19,723	-	19,723	19,723
- AQ1-AQ4	-	19,723	19,723	-	19,723	19,723
Off-balance sheet	474	9,722	10,196	474	9,722	10,196
- Loan commitments	474	9,433	9,907	474	9,433	9,907
- Financial guarantees	-	289	289	-	289	289
Off-balance sheet by asset quality	474	9,722	10,196	474	9,722	10,196
- AQ1-AQ4	125	9,217	9,342	125	9,217	9,342
- AQ5-AQ8	349	501	850	349	501	850
- AQ9	-	2	2	-	2	2
- AQ10	-	2	2	-	2	2

(1) UK includes exposures in Jersey, Guernsey, Isle of Man and Gibraltar.

(2) Due to the non-modelled nature of the retail portfolio in RBSI, most of the asset quality defaults to AQ7.

10 Risk management continued

Capital risk

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

RBSI Ltd is required to report its total capital ratio and Common Equity Tier 1 (CET1) capital ratio to its lead regulator, the JFSC, on a periodic basis. The ratios are calculated as total capital to total risk-weighted assets, expressed as a percentage and CET1 capital to total risk-weighted assets, expressed as a percentage.

The JFSC updated its Code of Practice for Deposit-taking Business on 1 January 2025. It requires Jersey-incorporated banks' risk-based capital ratios to be maintained at or above the following: a CET1 ratio of 4.5% of risk-weighted assets (RWAs); a tier 1 ratio of 6% of RWAs; and a total capital ratio of 8% of total RWAs. The JFSC further established a specific capital buffer for each Jersey-incorporated bank, which is set at a minimum of 2.5%, being the capital conservation buffer. Capital requirements remain subject to developments as the JFSC undertakes a series of consultations around its implementation of Basel III.

Constituents of capital

The determination of what instruments and financial resources are eligible to be counted as capital is laid down in applicable regulation. Capital is categorised by applicable regulation under two tiers (1 and 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 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. CET1 capital absorbs losses before other types of capital and any loss absorbing instruments.
- Additional Tier 1 (AT1) capital is the second form 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 a pre-specified CET1 ratio is reached. Coupons on AT1 issuances are discretionary and may be cancelled at the discretion of the issuer at any time. AT1 capital must have a minimum original maturity of five years.
- Tier 2 capital is RBSI Group's supplementary capital and provides loss absorption on a gone concern basis. Tier 2 capital absorbs losses after Tier 1 capital. RBSI Group has not issued any Tier 2 instruments.

Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base.

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.

RBSI Group manages its liquidity risk taking into account regulatory, legal and other constraints to ensure sufficient liquidity resources are available to cover liquidity stresses. In line with NatWest Group, RBSI Group maintains a prudent approach to the definition of liquidity resources comprising cash and balances at central banks, gilts and other high-quality government debt.

The contractual maturity of balance sheet assets and liabilities reflects the maturity transformation role banks perform. In practice, the behavioural profiles of many liabilities generally exhibit greater stability and longer maturity than the contractual maturity. This is particularly true of many types of retail and corporate deposits which, despite being repayable on demand or at short notice, have demonstrated very stable characteristics even in periods of stress. To assess and manage asset and liability maturity gaps, RBSI Group determines the expected customer behaviour through qualitative and quantitative techniques, incorporating observed customer behaviours over long periods of time. Procedures for determining expected behaviour are subject to regulatory and internal requirements and are stressed according to these requirements.

The policy and key inputs for managing maturity and behavioural analysis are subject to governance through RBSI Holdings Group Asset and Liabilities Committee as well as the NatWest Group Asset and Liability Management Committee. Financial assets have been reflected in the time band of the latest date on which they could be repaid unless earlier repayment can be demanded by RBSI Group. Financial liabilities are included at the earliest date on which the counterparty can require repayment regardless of whether or not such early repayment results in a penalty.

If the repayment of a financial asset or liability is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the latest date on which it can repay regardless of early repayment, whereas the liability is included at the earliest possible date that the conditions could be fulfilled without considering the probability of the conditions being met.

10 Risk management continued

Contractual maturity

This table shows the residual maturity of financial instruments, based on contractual date of maturity. Derivatives are included in the relevant maturity bands.

	RBSI Group										Trading activities £m	Total £m
	Banking activities											
	Less than 1 month £m	1-3 months £m	3-6 months £m	6 months - 1 year £m	Subtotal £m	1-3 years £m	3-5 years £m	More than 5 years £m	Total £m			
2025												
Cash and balances at central banks	12,972	-	-	-	12,972	-	-	-	12,972	-	-	12,972
Derivatives	8	4	4	3	19	25	18	25	87	-	-	87
Loans to banks	787	-	-	-	787	-	-	-	787	-	-	787
Loans to customers (1)	536	1,644	2,147	4,167	8,494	4,787	764	1,908	15,953	-	-	15,953
Personal	430	13	27	65	535	202	211	1,728	2,676	-	-	2,676
Corporate	66	184	38	400	688	857	386	180	2,111	-	-	2,111
Financial institutions excluding banks	40	1,447	2,082	3,702	7,271	3,728	167	-	11,166	-	-	11,166
Other financial assets	440	391	619	271	1,721	2,463	1,653	1,576	7,413	630	-	8,043
Total financial assets	14,743	2,039	2,770	4,441	23,993	7,275	2,435	3,509	37,212	630	-	37,842
2024												
Total financial assets	15,901	2,238	2,728	5,961	26,828	5,270	1,807	2,597	36,502	-	-	36,502
2025												
Bank deposits	128	14	560	-	702	1,007	-	-	1,709	-	-	1,709
Customer deposits	24,277	5,327	1,590	1,168	32,362	23	-	-	32,385	-	-	32,385
Personal	5,360	1,015	1,197	726	8,298	20	-	-	8,318	-	-	8,318
Corporate	4,190	1,649	146	174	6,159	3	-	-	6,162	-	-	6,162
Financial institutions excluding banks	14,727	2,663	247	268	17,905	-	-	-	17,905	-	-	17,905
Derivatives	29	14	10	7	60	36	27	41	164	-	-	164
Other financial liabilities	200	283	342	367	1,192	530	-	121	1,843	-	-	1,843
Lease liabilities	-	1	1	2	4	5	4	15	28	-	-	28
Total financial liabilities	24,634	5,639	2,503	1,544	34,320	1,601	31	177	36,129	-	-	36,129
2024												
Total financial liabilities	23,751	6,252	1,731	1,599	33,333	1,493	92	154	35,072	-	-	35,072

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

10 Risk management continued

	RBSI Ltd											
	Banking activities										Trading activities	Total
	6 months - 1 year											
	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			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
2025												
Cash and balances at central banks	12,972	-	-	-	12,972	-	-	-	12,972	-	12,972	
Derivatives	8	4	4	3	19	25	18	25	87	-	87	
Loans to banks	774	-	-	-	774	-	-	-	774	-	774	
Loans to customers (1)	536	1,644	2,147	4,167	8,494	4,787	764	1,908	15,953	-	15,953	
Personal	430	13	27	65	535	202	211	1,728	2,676	-	2,676	
Corporate	66	184	38	400	688	857	386	180	2,111	-	2,111	
Financial institutions excluding banks	40	1,447	2,082	3,702	7,271	3,728	167	-	11,166	-	11,166	
Other financial assets	440	391	619	271	1,721	2,463	1,653	1,576	7,413	630	8,043	
Total financial assets	14,730	2,039	2,770	4,441	23,980	7,275	2,435	3,509	37,199	630	37,829	
2024												
Total financial assets	15,888	2,238	2,728	5,961	26,815	5,270	1,807	2,597	36,489	-	36,489	
2025												
Bank deposits	128	14	560	-	702	1,007	-	-	1,709	-	1,709	
Customer deposits	24,277	5,327	1,590	1,168	32,362	23	-	-	32,385	-	32,385	
Personal	5,360	1,015	1,197	726	8,298	20	-	-	8,318	-	8,318	
Corporate	4,190	1,649	146	174	6,159	3	-	-	6,162	-	6,162	
Financial institutions excluding banks	14,727	2,663	247	268	17,905	-	-	-	17,905	-	17,905	
Derivatives	29	14	10	7	60	36	27	41	164	-	164	
Other financial liabilities	200	283	342	367	1,192	530	-	121	1,843	-	1,843	
Lease liabilities	-	1	1	2	4	5	4	15	28	-	28	
Total financial liabilities	24,634	5,639	2,503	1,544	34,320	1,601	31	177	36,129	-	36,129	
2024												
Total financial liabilities	23,751	6,252	1,731	1,599	33,333	1,493	92	154	35,072	-	35,072	

(1) Loans to customers is gross and excludes £42 million for RBSI (2024 - £59 million) and £42 million for Bank (2024 - £59 million) of impairment provision.

10 Risk management continued

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. RBSI 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. RBSI 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 RBSI Group's competitiveness and profitability, as well as threaten reputational damage.

Liability risks may arise should stakeholders consider RBSI 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 RBSI 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 risk into our risk management processes.

Key developments in 2025

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

- RBSI 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. In particular, internal physical risk modelling capabilities have been developed during 2025 with further enhancements to come in 2026.
- RBSI Group continued its rollout of climate decisioning framework (CDF) tools. These comprise climate risk scorecards and climate transition plan assessment tools. The rollout continues to be undertaken on a test and learn basis although initial use cases are now being introduced across NatWest Group whereby higher-risk transactions are being identified 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 RBSI Group's overall business strategy and risk appetite.

Risk appetite

Risk appetite for climate and nature risk is in line with the approach outlined in the Risk management framework section. Climate risk appetite is approved by the Board. Performance against risk appetite is reported regularly to the Executive Risk Committee, the Board Risk Committee, and the Board. Relevant climate risk matters are escalated through the Executive Risk Committee and Board Risk Committee and to the Board as applicable.

Monitoring and measurement

RBSI Group continues to enhance its processes to effectively measure the potential size and scope of climate-related risks, through the three approaches: scenario analysis, portfolio level assessment and transaction level assessment. Identification, assessment and measurement is undertaken at RBSI 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.

Non-traded market risk

Definition

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

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

Credit spread risk

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

10 Risk management continued

RBSI Group's bond portfolios primarily comprise high-quality securities maintained as a liquidity buffer to ensure it can continue to meet its obligations in the event that access to wholesale funding markets is restricted.

Credit spread risk is monitored daily through sensitivities and VaR measures. The dealing authorities in place for the bond portfolios further mitigate the risk by imposing constraints by duration, asset class and credit rating. Exposures and limit utilisations are reported to senior management on a daily basis.

Interest rate risk

Non-traded interest rate risk 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.

RBSI Group has the benefit of a pool of stable, non and low interest-bearing liabilities, principally comprising equity and money transmission accounts. These balances are hedged, either by the use of interest rate swaps, generally booked as cash flow hedges of floating-rate assets, or by investing directly in longer-term fixed-rate assets (primarily fixed-rate mortgages or UK government gilts), in order to provide a consistent and predictable revenue stream.

Foreign exchange risk

Non-traded foreign exchange risk exposure may arise principally due to investments in overseas operations. Movements in the exchange rates of the operational currency of the overseas investment will impact the balance sheet and the income statement unless the investment is financed by borrowings in the same currency.

All transactional (or non-structural) currency exposure risk is managed by Treasury and there remains an immaterial open position which is measured on a daily basis within set limits. The principal non-sterling currencies in which RBSI Group has transactional currency exposure are the US dollar and the euro.

Value-at-Risk (VaR)

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.

RBSI Group's standard VaR metrics – which assume a time horizon of one trading day and a confidence level of 99% – are based on interest rate repricing gaps at the reporting date. Daily rate moves are modelled using observations from the last 500 business days. These incorporate customer products plus associated funding and hedging transactions as well as non-financial assets and liabilities. Behavioural assumptions are applied as appropriate.

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

It includes any mismatch between structural hedges and stable non and low interest-bearing liabilities such as equity and money transmission accounts as regards their interest rate repricing behavioural profile.

RBSI Group manages market risk through VaR limits as well as stress testing, position and sensitivity limits. The table below shows one-day internal banking book VaR at a 99% confidence level. VaR values for each year are calculated based on one-day values for each of the 12 month-end reporting dates.

Overall VaR remained stable during 2025 with limited movement between period-ends. The increase in average VaR was driven by increased credit spread risk, due to higher bond holdings in the liquidity portfolio throughout most of 2025. The lower credit spread risk at period-end followed the rollout of updated VaR timeseries in December 2025.

	RBSI Group and RBSI Ltd			
	31 December 2025	Maximum	Minimum	Average
	£m	£m	£m	£m
Interest rate	0.8	1.4	0.7	1.0
Credit spread	5.1	7.0	4.9	6.0
Structural foreign exchange rate	1.4	1.5	0.9	1.2
Diversification (1)	(2.0)			(2.1)
Value-at-risk	5.3	7.5	5.3	6.1
	31 December 2024	Maximum	Minimum	Average
	£m	£m	£m	£m
Interest rate	0.7	3.2	0.6	1.6
Credit spread	5.2	6.5	4.6	5.5
Structural foreign exchange rate	1.1	2.4	1.0	1.8
Diversification (1)	(1.8)			(3.3)
Value-at-risk	5.2	6.6	5.0	5.6

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

10 Risk management continued

Pension risk

Definition

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

Sources of risk

The main source of pension risk for RBSI Group is through its largest scheme, the International Pensions Trust (IPT). Further detail on RBSI Group's pension obligations can be found in Note 4 to the accounts.

RBSI Group is exposed to the risk that the schemes' assets, together with future returns and additional future contributions, are estimated to be insufficient to meet liabilities as they fall due. In such circumstances, RBSI Group could be obliged (or might choose) to make additional contributions to the schemes or be required to hold additional capital to mitigate this risk.

Key developments in 2025

- There were no material changes to RBSI Group's exposure to pension risk during the year, and the overall positions of the schemes that RBSI Group sponsors, remained broadly stable.
- The triennial actuarial valuation for the IPT with an effective date of 31 March 2024 concluded during 2025 with a £18.5 million deficit linked to the September 2022 failed UK mini-budget. A capital contribution plan has been agreed to bring the scheme back into surplus.

Governance, risk appetite and controls

The RBSI Asset & Liability Committee receives authority from the Board and is responsible for taking decisions or making recommendations in relation to the financial, compliance, policy and operational structure of RBSI Group's pension arrangements. Where authority is not delegated, the Committee makes recommendations to RBSI Group's Chief Financial Officer or the Board, depending on the materiality of the issue. The Board retains ultimate authority for decision making.

Monitoring and measurement

The RBSI Asset & Liability Committee formulates the RBSI Group view of pension risk and provides a governance framework for all RBSI Group's pension schemes.

RBSI Group calculates stochastic stresses on its material defined benefit pension schemes each year. The stress calculations form the basis of the pension risk Pillar 2 charge in RBSI Ltd's ICAAP.

Mitigation

The trustee board of the IPT is solely responsible for the investment of scheme assets which are held separately from the assets of RBSI Group. The trustee board has taken measures to mitigate risk including adopting a diversified investment strategy and investing in liability driven investments, so that changes in the value of the liabilities will be partially matched by changes in the asset values, thus reducing volatility of the scheme's funding position. In managing the assets of the IPT, the trustee board also takes account of, and gives consideration to, the ability of investment managers to effectively deal with environmental, social and governance issues.

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

Key developments in 2025

- The enhanced risk and control self-assessment approach was refined further with a focus on material operational risks and controls across the key end-to-end processes.
- The use of automated data-led insights was embedded to oversee the operational risk profile and manage it within appetite.
- Improvements to technology end of life risk management were implemented to mitigate associated technology and cyber risks.
- AI tools have been introduced to support the articulation and adequacy of controls including generative AI chat bots to support the embedding of frameworks and to help with horizon scanning.
- The framework for performance monitoring of critical internal services was enhanced with improved oversight and governance.

Governance

The risk governance arrangements in place for operational risk are aligned to the requirements set out in the RBSI Group risk management framework and operational risk policy, and are consistent with achieving safety, soundness and sustainable risk outcomes. Relevant issues are escalated into the RBSI Group Executive Risk Committee and Board Risk Committee.

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

Risk appetite

Operational risk appetite is approved by the RBSI Group Board and 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.

10 Risk management continued

Compliance and conduct risk

Definition

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

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

The consequences of failing to meet regulatory 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 RBSI Group's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential inside information.

Key developments in 2025

- As part of the Non-Financial Risk Enhancement Programme, NatWest Group reviewed our 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. Once approved, these changes will enhance risk coverage, strengthen integration with the EWRMF, and align more closely with industry practice.
- RBSI 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.

Key regulatory changes

- EU Capital Requirements Directive 6 regulations designed to strengthen the EU's financial system, primarily by regulating cross-border banking activities by non-EU firms. The new rules will begin to apply in full from 11 January 2027, with new reporting requirements starting earlier in some cases.
- Basel III Finalisation: Output floor (72.5%), standardized approaches for credit/market/operational risk – phased EU/UK adoption from 2025.
- EBA final guidance on internal policies, procedures and controls to ensure the implementation of EU and national sanctions.
- Jersey Government Competitiveness Programme. 10-Year Horizon to strengthen Jersey's financial and related professional services sector.
- Compliance with UK and EU operational resilience regulatory requirements was achieved and maintained along with material compliance with EU Digital Operational Resilience Act.

- 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 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.

Governance

RBSI Group defines appropriate standards of compliance and conduct and ensures adherence to those standards through its risk management framework. To support ongoing oversight of the management of the compliance and conduct risk profile there are committees in place. Relevant compliance and conduct matters are escalated through the RBSI Group Executive Risk Committee and Board Risk Committee (quarterly).

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

10 Risk management continued

Financial crime risk

Definition

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

Sources of risk

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

Key developments in 2025

- Significant investment continued to be made to support the delivery of a multi-year transformation plan across financial crime risk management.
- Enhancements were made to technology data quality and data analytics to improve the effectiveness of systems used to monitor customers and transactions.

Governance

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

The Financial Crime Oversight Forum is the principal financial crime risk management forum. The forum reviews and, where appropriate, escalates material financial crime risks and issues to the RBSI Group Executive Risk Committee and Board Risk Committee (quarterly).

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 is 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 monthly reporting to the Financial Crime Oversight Forum and other risk governance committees (including the Executive and Board Risk Committees). Quantitative and qualitative data is reviewed and assessed to measure whether financial crime risk is within risk 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 RBSI Group expertise is available to detect and disrupt threats to RBSI Group and its customers.

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

Model risk

Definition

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

Sources of risk

RBSI Group uses a variety of models in the course of its business activities. Examples include the use of model outputs to support customer decisioning, measuring and assessing risk exposures. A governance framework is in place to ensure policies and processes relating to models are appropriate and effective.

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. A governance framework is in place to ensure policies and processes relating to models are appropriate and effective.

Two roles are key to this – model risk owners and model validation leads. Model risk owners are responsible for model approval and ongoing performance monitoring. Model validation leads, in the second line of defence, are responsible for oversight, including ensuring that models are independently validated prior to use and on an ongoing basis aligned to the model's tier.

The Finance Risk Board chaired by the RBSI CFO is used to govern key model management matters and escalate to senior management where required. Given the limited number of models owned by RBSI, a separate Model Management Committee is not deemed necessary.

Risk appetite

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

10 Risk management continued

Measurement and monitoring

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 RBSI Group's business activities, safety and/or soundness.

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

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

Ongoing performance monitoring is conducted by model owners and overseen by the model validators to ensure parameter estimates and model constructs remain fit for purpose, model assumptions remain valid and that models are being used consistently with their intended purpose. This allows timely action to be taken to remediate poor model performance and/or any control gaps or weaknesses.

Mitigation

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

Reputational risk

Definition

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

Sources of risk

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

Key developments in 2025

- A new approach to the management of reputational risks was introduced, in line with changes introduced across RBSI Group, other NatWest Group businesses and legal entities.
- The RBSI Group Reputational Risk Committee was retired, with decisions relating to customer onboarding, retention and exits re-directed to the accountable executive for the business unit in question, supported by customer decisioning meetings where needed.
- Matters involving other reputational risk considerations, were similarly re-directed in the first instance to the relevant accountable executive. However, those with wider impacts to RBSI Group reputation are referred to the ERC for decision.
- RBSI ERC has responsibility for the oversight of both types of cases, as well as the entity's overall reputational risk profile, with individual cases also escalated to ERC as required.
- Reputational risk assessment guidance was updated and colleagues in relevant roles received updated training on key aspects of the policy and framework.
- The impact classification matrix for assessing risks was also overhauled for reputational risks.
- 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 RBSI Group. Reputational risk registers are used to record and manage reputational risks identified within relevant business areas.

The reputational pillar of the impact classification matrix is used to assess the impact and likelihood of reputational risk. Material risks are risks which have the potential to breach reputational risk appetite limits and are defined as risks which have an impact of major or significant, and a likelihood of almost certain or likely.

Decisions on customer matters giving rise to potential reputational risks follow the customer decisioning process. The most significant issues for decision are escalated to the RBSI Group ERC, which also holds responsibility for overseeing the entity's overall reputational risk profile. Reporting is also undertaken to RBSI Group BRC and where relevant, to NatWest Group BRC to the NatWest Group Reputational Risk Committee.

The RBSI Group 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. RBSI Group manages and articulates its appetite for reputational risk through a qualitative reputational risk appetite statement and associated quantitative measures.

(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.

10 Risk management continued

RBSI Group seeks to proactively identify, measure and manage material reputational risk exposures to ensure stakeholder trust is retained. RBSI Group risk appetite is expressed through external measurement of public trust in RBSI Group to do the right thing. Key drivers of trust have been identified as being able to provide core banking services and to act with honesty and fairness towards stakeholders. Reputational risk is inherent in RBSI Group operating environment and public trust is a specific factor in setting reputational risk appetite.

RBSI Group accepts that reputational risk can occur as a result of conducting business and in the provision of service to customers. Several measures – including some also used in the management of operational, conduct and financial risks – are used to assess risk levels against risk appetite. Where a material reputational risk is presented, this is escalated to the RBSI Group ERC, and where relevant, to the RBSI Group BRC.

RBSI Group maintains a reputational risk register which records all the current and emerging RBSI Group Reputational risks that have been assessed as major or significant in accordance with the reputational risk impact classification matrix and these are reported quarterly to RBSI Group ERC, RBSI Group BRC, and NatWest Group Reputational Risk Committee.

Monitoring and measurement

All material reputational risks have management plans and mitigation actions logged and tracked by the risk owner on the reputational risk register.

Additional key risk indicators for material risks being monitored are also reported to the Group Reputational Risk Committee and to the RBSI Group ERC and BRC. Management information is also maintained on cases that go through the customer decisioning process and this is reported quarterly to RBSI Group ERC and BRC.

Mitigation

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

RBSI Group has a fully embedded reputational risk framework which captures a more complete view of reputational risk at a strategic level.

External events that could cause reputational damage are identified and mitigated through horizon scanning and the RBSI Group top and emerging risks process.

11 Investments in subsidiaries

The table below shows the related undertakings of RBSIH and RBSI Ltd and the accounting treatment for each.

Name of subsidiary	Parent company	Place of incorporation	Ownership	Principal activities	Accounting treatment	Regulatory treatment
The Royal Bank of Scotland International Limited	The Royal Bank of Scotland International (Holdings) Limited	Jersey	100%	Banking & Financial Institution	Full consolidation & Stand alone	Stand alone
NatWest Trustee and Depositary Services Limited (NWTDS)	The Royal Bank of Scotland International (Holdings) Limited	UK	100%	Depositary Services	Full consolidation & Stand alone	Stand alone
Tilba Limited (formerly known as Isle of Man Bank Limited)	The Royal Bank of Scotland International (Holdings) Limited	Isle of Man	100%	Since 2019, entity is inactive.	n/a	n/a
RBS International Employees' Pension Trustees Limited	The Royal Bank of Scotland International (Holdings) Limited	Jersey	100%	Pension Scheme Trustees	Not consolidated	Deconsolidated
Goldfinch 2025-01 Limited	The Royal Bank of Scotland International Limited	Jersey	0%	Banking & Financial Institution	Full consolidation	Deconsolidated

In December 2025, RBSI Ltd entered into a synthetic securitisation transferring first loss credit risk on EUR 3.4 billion of its Institutional Banking Funds lending portfolio through the establishment of a special purpose vehicle, Goldfinch 2025-01 Ltd. Goldfinch issued EUR 138 million of Credit Linked Notes due 2030, which were listed on The International Stock Exchange on 9 January 2026. RBSI Ltd has assessed that it controls Goldfinch 2025-01 Ltd by virtue of the power and exposure to variable returns arising from the contractual arrangements governing the vehicle. The underlying assets are unencumbered and remain recognised on the RBSI Ltd balance sheet as their cash flows are retained by RBSI Ltd.

12 Other assets

	RBSI Group		RBSI Ltd	
	2025 £m	2024 £m	2025 £m	2024 £m
Property plant and equipment	47	60	47	60
Intangible assets (1)	56	73	40	39
Accrued income	19	17	12	11
Other assets	33	34	34	35
Current and deferred tax (refer Note 5)	19	22	15	22
Retirement benefit assets (refer Note 4)	27	6	27	6
	201	212	175	173

(1) £20 million partial intangible asset write-off (2024 – nil).

13 Other financial liabilities

	RBSI Group and RBSI Ltd	
	2025 £m	2024 £m
Debt securities in issue - amortised cost (1)	1,843	1,273
	1,843	1,273

(1) Includes £120 million Credit Linked Note, the remaining movement is predominantly driven by an increase in private placement.

14 Subordinated liabilities

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

						RBSI Group and RBSI Ltd	
Dated loan capital		First call date	Maturity date	Capital treatment		2025 £m	2024 £m
\$350 million	Fixed rate Notes	Nov-25	Nov-26	Not applicable		-	283
£260 million	Fixed rate Notes	Nov-30	Nov-31	Not applicable		262	-
						262	283

The loans are unsecured and subordinated to the claims of senior creditors. The loan capital is available to absorb losses and ranks ahead of other existing capital in the event of liquidation. RBSI Ltd has a contractual obligation to pay interest.

15 Other liabilities

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Lease liabilities	28	29	28	29
Provisions for liabilities and charges	12	18	12	17
Accruals	35	41	29	36
Deferred income	37	37	37	37
Current tax and deferred tax (refer Note 5)	73	76	73	76
Other liabilities	27	35	27	35
Total	212	236	206	230

The following amounts are included within provisions:

	RBSI Group				
	Provision for property (1)	Integration restructuring provision divested (2)	ECL provision (3)	Others (4)	Total
	£m	£m	£m	£m	£m
At 1 January 2024	10	2	2	5	19
Charged to the income statement	-	4	-	6	10
Released during the year	-	(1)	(1)	-	(2)
Utilised in year	-	(2)	-	(7)	(9)
At 1 January 2025	10	3	1	4	18
Charged to the income statement	-	3	-	30	33
Released during the year	(3)	(1)	-	(1)	(5)
Utilised in year	-	(3)	-	(31)	(34)
At 31 December 2025	7	2	1	2	12

	RBSI Ltd				
	Provision for property (1)	Integration restructuring provision divested (2)	ECL provision (3)	Others (4)	Total
	£m	£m	£m	£m	£m
At 1 January 2024	10	2	2	5	19
Charged to the income statement	-	3	-	6	9
Released during the year	0	(1)	(1)	-	(2)
Utilised in year	-	(2)	-	(7)	(9)
At 1 January 2025	10	2	1	4	17
Charged to the income statement	-	3	-	30	33
Released during the year	(3)	(1)	-	(2)	(6)
Utilised in year	-	(2)	-	(30)	(32)
At 31 December 2025	7	2	1	2	12

(1) Property provisions relate to closure of properties.

(2) Restructuring provisions relate to redundancy costs.

(3) ECL provisions relate to contingent liabilities and commitments, as calculated in accordance with IFRS 9.

(4) Other provisions relate to conduct.

For accounting policy information refer to Accounting policy 9.

Critical accounting policy: Provisions for liabilities

The key judgement is involved in determining whether a present obligation exists. There is often a high degree of uncertainty and judgement is based on the specific facts and circumstances relating to individual events in determining whether there is a present obligation. Judgement is also involved in estimation of the probability, timing and amount of any outflows. Where RBSI Group can look to another party such as an insurer to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

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

16 Share capital and other equity

	RBSI Group			
	2025	2024	Number of shares	
			2025	2024
Allotted, called up and fully paid	£m	£m	000s	000s
Equity shares				
Ordinary shares of £1	311	311	310,735	310,735
	311	311	310,735	310,735

	RBSI Ltd			
	2025	2024	Number of shares	
			2025	2024
Allotted, called up and fully paid	£m	£m	000s	000s
Equity shares:				
Ordinary shares of £1	97	97	96,540	96,540
	97	97	96,540	96,540

The whole of the issued share capital of RBSI Ltd comprises one class of Ordinary Share held by its holding company, RBSIH.

Paid-in equity

Paid-in equity comprises equity instruments issued by RBSI Ltd to NatWest Group other than those legally constituted as shares.

	RBSI Group and RBSI Ltd	
	2025	2024
	£m	£m
Additional Tier 1 capital notes:		
£300m 9.5249% notes callable September 2026 ⁽¹⁾	75	300
	75	300

(1) The £300 million Additional Tier 1 instrument (6.597%, callable September 2025) was partially redeemed by £225 million in 2025 and remaining £75 million was reset on 9.5249%, callable September 2026.

The coupons on this instrument are non-cumulative and payable at RBSI Ltd's discretion. In the event of winding up, any amounts outstanding on the loan will be subordinated. While taking the legal form of debt, these notes are classified as equity under IFRS.

17 Memorandum items

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 RBSI Group 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 RBSI Group's expectation of future losses.

	RBSI Group and RBSI Ltd	
	2025 £m	2024 £m
Guarantees	437	267
Other contingent liabilities	19	22
Standby facilities, credit lines and other commitments	9,856	9,906
Contingent liabilities and commitments	10,312	10,195

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. RBSI Group's maximum exposure to credit loss, in the event of non-performance by the other party and where all counterclaims, collateral or security proves valueless, is represented by the contractual nominal amount of these instruments included in the table. These commitments and contingent obligations are subject to RBSI Group's normal credit approval processes.

Guarantees

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

Contingent liabilities

These include standby letters of credit, supporting customer debt issues, contingent liabilities relating to customer trading activities such as those arising from performance and customs bonds, warranties and indemnities and obligations to the NatWest Group.

Commitments

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

Litigation and regulatory matters

As a participant in the financial services industry, RBSI Group operates in a highly regulated environment. At any moment in time it is likely that RBSI Group will be party to legal proceedings and involved in regulatory matters, including as the subject of investigations and other regulatory and government action ('Matters') in the jurisdictions it operates in. Such Matters are subject to many uncertainties and their outcome is often difficult to predict, particularly in the early stages.

The directors of RBSI Group have reviewed actual, threatened and known potential claims and proceedings and, after consulting with the relevant legal advisers are satisfied that the outcome of these claims and proceedings will not have a material adverse effect on RBSI Group's consolidated net assets, results of operations or cash flows. RBSI Group recognises a provision for a liability in relation to such 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 such 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 the Group's reputation, business and operations.

RBSI Ltd reliance regime and referral to enforcement

In January 2023, the Jersey Financial Services Commission (JFSC) notified RBSI Ltd that it had been referred to its Enforcement Division in relation to RBSI Ltd's operation of the reliance regime. The reliance regime is specific to certain Crown Dependencies and enables RBSI Ltd to rely on regulated third parties for specific due diligence information. In July 2025, the JFSC confirmed the investigation had concluded, having determined it reasonable to take no further action.

18 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.

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
Impairment releases	(8)	(8)	(8)	(7)
Defined benefit pension schemes	3	4	3	4
Depreciation and amortisation	49	27	28	26
Change in fair value taken to profit or loss on other financial assets	(25)	55	(25)	55
Change in fair value taken to profit or loss on subordinated liabilities	(1)	(1)	(1)	(1)
Elimination of foreign exchange differences	(248)	335	(248)	335
Charges and releases of provisions	28	9	27	9
Loss on sale of other financial assets	-	2	-	2
Interest payable on subordinated liabilities	19	20	19	20
Income receivable on other financial assets	(207)	(87)	(207)	(87)
Other non-cash items	77	152	76	151
Non-cash and other items	(313)	508	(336)	507
Change in operating assets and liabilities				
Change in loans to customers	(282)	(1,113)	(282)	(1,113)
Change in amounts due from holding companies and fellow subsidiaries	-	(1)	5	(3)
Change in derivative assets	157	(171)	157	(171)
Change in other assets	1	10	3	8
Change in derivative liabilities	(116)	(134)	(116)	(134)
Change in banks deposits	524	341	524	341
Change in customer deposits	80	(634)	80	(634)
Change in other financial liabilities	570	159	570	159
Change in amounts due to holding companies and fellow subsidiaries	(25)	4	(30)	(24)
Change in other liabilities	(60)	(14)	(59)	(13)
Change in operating assets and liabilities	849	(1,553)	852	(1,584)

19 Analysis of changes in financing during the year

	RBSI Group				RBSI Ltd			
	Share capital, share premium and paid-in equity		Subordinated liabilities (1)		Share capital, share premium and paid-in equity		Subordinated liabilities (1)	
	2025	2024	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	1,110	1,110	283	279	402	402	283	279
Issued			260				260	
Redeemed	(225)		(264)		(225)		(264)	
Interest paid			(20)	(20)			(20)	(20)
Net cash flows from financing activities	(225)	-	(24)	(20)	(225)	-	(24)	(20)
Effects of foreign exchange			(15)	20			(15)	20
Changes in fair value			(1)	(1)			(1)	(1)
Interest payable	-	-	19	5	-	-	19	5
At 31 December	885	1,110	262	283	177	402	262	283

(1) The subordinated liabilities represent lending from NatWest Group plc. This is intended to contribute toward RBSI Ltd future minimum requirement for own funds and eligible liabilities (MREL) expected to be set by the relevant resolution authority.

20 Analysis of cash and cash equivalents

	RBSI Group		RBSI Ltd	
	2025	2024	2025	2024
	£m	£m	£m	£m
At 1 January				
- cash	14,264	17,697	14,264	17,697
- cash equivalents	1,727	2,246	1,714	2,232
	15,991	19,943	15,978	19,929
Net decrease in cash and cash equivalents	(1,063)	(3,952)	(1,063)	(3,951)
At 31 December	14,928	15,991	14,915	15,978
Comprising:				
Cash and balances at central banks	12,972	14,264	12,972	14,264
Loans to banks including intragroup balances	1,326	1,727	1,313	1,714
Other financial assets	630	-	630	-
Cash and cash equivalents	14,928	15,991	14,915	15,978

RBSI Ltd is required by law or regulation to maintain balances with the Central banks which are included in Cash and cash equivalents, and not available for use by RBSI Group. These are set out below.

	2025	2024	2025	2024
	£m	£m	£m	£m
Central Bank of Luxembourg	79	111	79	111
Bank of England	-	-	-	-
Total	79	111	79	111

21 Related parties

RBSI Group's immediate parent company is NatWest Group. RBSI Group's ultimate holding company, and the parent of the largest group into which RBSI Group is consolidated into is NatWest Group.

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%.

RBSI Group enters into transactions with many of these bodies. Transactions include the payment of: taxes – principally UK corporation tax (paid through London branch) and value added tax; national insurance contributions; and regulatory fees and levies together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

Bank of England facilities

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

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

(a) Transactions with key management

For the purposes of IAS 24 'Related Party Disclosure', key management comprise directors of RBSI Group and members of the Executive Committee Offshore. The following amounts are attributable, in aggregate, to key management:

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

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

	2025 £'000	2024 £'000
Loans and advances to customers	1,559	840
Customer accounts	769	316
Interest received	6	9
Interest paid	16	4

(b) Related party transactions

	RBSI Group		RBSI Ltd	
	2025 £m	2024 £m	2025 £m	2024 £m
Income				
Interest received:				
NatWest Group entities	29	41	29	41
Expenses				
Interest paid:				
NatWest Group entities	22	26	24	29

Operating expenses includes inter-group cost recharges of £160 million (2024 - £121 million) from NatWest Group.

RBSI Ltd paid ordinary dividends of £235 million (2024 - £555 million) to RBSIH and a paid-in equity dividend of £18 million (2024 - £20 million) was paid to NatWest Group.

RBSIH paid ordinary dividends of £235 million (2024 - £583 million) to NatWest Group.

21 Related parties continued

The following tables include amounts due to/from holding companies and fellow subsidiaries:

	RBSI Group					
	2025			2024		
	Holding companies £m	Fellow subsidiaries £m	Total £m	Holding companies £m	Fellow subsidiaries £m	Total £m
Assets						
Loans to banks - amortised cost	-	459	459	-	750	750
Other financial assets	-	80	80	-	50	50
Other assets	-	6	6	-	6	6
Amounts due from holding companies and fellow subsidiaries	-	545	545	-	806	806
Derivatives (1)	-	82	82	-	212	212
Liabilities						
Bank deposits	-	81	81	-	84	84
Customer deposits	-	11	11	-	7	7
Subordinated liabilities	262	-	262	283	-	283
Other liabilities	-	17	17	-	44	44
Amounts due to holding companies and fellow subsidiaries	262	109	371	283	135	418
Derivatives (1)	-	164	164	-	276	276

	RBSI Ltd							
	2025				2024			
	Holding companies £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m	Holding companies £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m
Assets								
Loans to banks - amortised cost	-	459	-	459	-	750	-	750
Loans to customers - amortised cost	-	-	2	2	-	-	-	-
Other financial assets	-	80	-	80	-	50	-	50
Other assets	-	6	-	6	-	13	-	13
Amounts due from holding companies and fellow subsidiaries	-	545	2	547	-	813	-	813
Derivatives (1)	-	82	-	82	-	213	-	213
Liabilities								
Bank deposits	-	82	-	82	-	85	-	85
Customer deposits	-	64	-	64	-	67	-	67
Subordinated liabilities	262	-	-	262	283	-	-	283
Other liabilities	-	14	-	14	-	39	-	39
Amounts due to holding companies and fellow subsidiaries	262	160	-	422	283	191	-	474
Derivatives (1)	-	164	-	164	-	276	-	276

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

21 Related parties continued

(c) Compensation of key management

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

	RBSI Group and RBSI Ltd	
	2025	2024
	£'000	£'000
Short-term benefits	4,104	3,831
Share-based payments	3,630	1,737
Post-employment benefits	159	148
	7,893	5,716

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

22 Post balance sheet events

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

Risk Factors

Principal risks and uncertainties

Set out below are certain risk factors that could have a material adverse effect on RBSI Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected. These risk factors are broadly categorised and should be read in conjunction with other risk factors in this section and other parts of this annual report (refer to Note 10 Risk Management). They should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing RBSI Group.

Economic and political risk

RBSI Group, its customers and its counterparties face continued economic and political risks and uncertainties in its jurisdictions and global markets, including as a result of inflation and interest rates, supply chain disruption, protectionist policies and geopolitical developments.

RBSI Group is affected by global economic and market conditions. Uncertain and volatile economic conditions can create a challenging operating environment for financial services companies such as RBSI Group. Prevailing market and economic conditions pose risks for RBSI Group including demand for and utilisation of lending facilities, the level of defaults from customers on outstanding advances, the stability of deposit balances, as well as the degree of uncertainty in the valuation of other financial assets and liabilities.

The outlook for the global economy is affected by many dynamic factors including: GDP, unemployment, inflation and interest rates, asset prices (including residential and commercial property), energy prices, supply chain disruption and changes to monetary and fiscal policy (such as increases in bank levies).

These conditions could be exacerbated by a number of factors including: instability in the global financial system, market volatility and change, fluctuations in the value of the pound sterling, new or extended economic sanctions, volatility in commodity prices, political uncertainty or instability, concerns regarding sovereign debt (or sovereign credit ratings), any lack or perceived lack of creditworthiness of a counterparty or borrower that may trigger market wide liquidity problems, changing demographics in the markets that RBSI Group and its customers serve, rapid changes to the economic environment due to the adoption of technology, automation, digitisation, artificial intelligence, decarbonisation, or due to the consequences of climate change, biodiversity loss, environmental degradation and widening social inequalities.

RBSI Group is also exposed to risks arising out of geopolitical events or political developments that may hinder economic or financial activity levels. Political, military or diplomatic events, geopolitical tensions, armed conflict (for example the Russia-Ukraine and Middle East conflicts), terrorist acts or threats; (including to critical infrastructure), more severe and frequent extreme weather events, protectionist policies or trade barriers, widespread public health crises, related potential adverse effects on supply chains and the responses to any of the above scenarios by various governments and markets, could negatively affect the business and performance of RBSI Group, including as a result of the indirect impact on regional or global trade and/or RBSI Group's customers and counterparties.

Financial markets are susceptible to severe events evidenced by, or resulting in, rapid depreciation in asset values, which may be accompanied by a reduction in asset liquidity. Under these conditions, hedging and other risk management strategies may not be as effective at mitigating losses as they would be under more normal market conditions.

Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously (and often automatically) and on a large scale, increasing RBSI Group's counterparty risk. RBSI Group's risk management and monitoring processes seek to quantify and mitigate RBSI Group's exposure to extreme market moves. However, market events have historically been difficult to predict, and RBSI Group, its customers and its counterparties could realise significant losses if extreme market events were to occur.

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects and reputation.

Changes in interest rates will continue to affect RBSI Group's business and result.

RBSI Group's performance is affected by changes in interest rates. Benchmark overnight interest rates, such as the UK base rate, decreased in 2025 and forward rates imply UK short term interest rates will continue to decline in 2026, while longer term swap rates, such as the GBP 5 and 10-year swap rates, will rise slightly across 2026. Stable interest rates support more predictable income flow and less volatility in asset and liability valuations, although persistently low and negative interest rates may adversely affect RBSI Group.

Further volatility in interest rates may result in unexpected outcomes both for interest income and asset and liability valuations which may adversely affect RBSI Group. For example, decreases in key benchmark rates such as the UK base rate may adversely affect RBSI Group's net interest margin and unexpected movements in spreads between key benchmark rates such as sovereign and swap rates may in turn affect liquidity portfolio valuations. In addition, unexpected sharp rises in rates may also have negative impacts on some asset and derivative valuations.

Moreover, customer and investor responses to rapid changes in interest rates can have an adverse effect on RBSI Group. For example, customers may make deposit choices that provide them with higher returns than those being offered by RBSI Group. Alternatively, RBSI Group may not respond with competitive products as rapidly, for example following an interest rate change which may in turn decrease RBSI Group's net interest income.

Movements in interest rates also influence and reflect the macroeconomic situation more broadly, affecting factors such as business and consumer confidence, property prices, default rates on loans, customer behaviour (which may adversely impact the effectiveness of RBSI Group's hedging strategy) and other indicators that may indirectly affect RBSI Group.

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and/or reputation.

Fluctuations in currency exchange rates may adversely affect RBSI Group's results and financial condition.

Decisions of central banks (including the Bank of England, the European Central Bank and the US Federal Reserve) and political or market events, which are outside RBSI Group's control, may lead to sharp and sudden fluctuations in currency exchange rates.

Legal, regulatory and conduct risk

RBSI Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect RBSI Group.

RBSI Group is subject to extensive laws, regulations, guidelines, corporate governance practice and disclosure requirements, administrative actions and policies in each jurisdiction in which it operates, which represents ongoing compliance and conduct risks.

Many of these are constantly evolving and are subject to further material changes, which may increase compliance and conduct risks, particularly as the laws of different jurisdictions (including those of the EU/EEA and UK) diverge. RBSI Group expects government and regulatory intervention in the financial services industry to remain high for the foreseeable future. Also refer Note 17 on litigation and regulatory matters.

Regulators and governments continue to focus on refining the prudential regulation within the financial services industry and enhancing the way financial services are conducted, with the dual aim of fostering greater competition and supporting sustainable growth. Forthcoming measures include: enhanced capital, liquidity and funding requirements, through future implementation of the Basel 3.1 standards (and any resulting effect on RWAs and models). This is in addition to previous measures such as the UK ring-fencing regime, the strengthening of the recovery and resolution framework applicable to financial institutions in Jersey (the Bank (Recovery and Resolution) (Jersey) Law 2017 (which came into force on 31 January 2022), financial industry reforms (including in respect of MiFID II and the FSM Act 2023), corporate governance requirements, rules relating to the compensation of senior management and other employees, enhanced data protection and IT resilience requirements, financial market infrastructure reforms, enhanced regulations in respect of the provision of 'investment services and activities'. There is also continued regulatory focus in certain areas, including conduct, model risk governance, consumer protection (such as the FCA's Consumer Duty) in retail or other financial markets, competition and disputes regimes, anti-money laundering, anti-corruption, anti-bribery, anti-tax evasion, payment systems and digital assets, sanctions and anti-terrorism laws and regulations.

The actions taken by regulators in response to any new or revised bank regulation and other rules affecting financial services, may adversely affect RBSI Group, including its business, non-UK operations, group structure, compliance costs, intragroup arrangements and capital requirements.

Other areas in which, and examples of where, governmental policies, regulatory and accounting changes, and increased public and regulatory scrutiny may have an adverse effect (some of which could be material) on RBSI Group include, but are not limited to, the following:

- the introduction of, and changes to, taxes, levies or fees applicable to RBSI Group in the jurisdictions in which it operates, such as the introduction of global minimum tax rules;
- general changes in government, central bank, regulatory or competition policy, or changes in regulatory regimes that may influence investor decisions in the jurisdictions in which RBSI Group operates;
- rules relating to foreign ownership, expropriation, nationalisation and confiscation or appropriation of assets;
- increased risk of legal action against RBSI Group for financing or contributing to climate change and nature-related degradation;
- new or increased regulations relating to data protection as well as IT controls and resilience;
- changes to Internal Ratings Based (IRB) regulation from the Prudential Regulatory Authority (PRA) and the Jersey Financial Services Commission (JFSC);

- the introduction of Basel 3.1 amendments may result in additional supervisory and prudential expectations, including an increase in risk-weighted assets;
- developments of The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL);
- any regulatory requirements relating to the use of artificial intelligence and large language models across the financial services industry (such as the European Union Artificial Intelligence Act);
- increased regulatory focus on customer protection;
- the potential introduction by the Bank of England of a Central Bank Digital Currency which could result in deposit outflows, higher funding costs, and/or other implications for UK banks including NatWest Group (of which RBSI Group forms part);
- regulatory enforcement in the form of imposed financial penalties for failings in banks' regulatory reporting governance and controls, and ongoing regulatory scrutiny, and reviews of the governance, controls and processes for preparing regulatory returns;
- increased regulatory scrutiny and requirements from the ECB in relation to RBSI Group's EU based activities including the impact of CRD VI.

Any of these developments (including any failure to comply with or correctly interpret new rules and regulations) could also have an adverse effect on RBSI Group's authorisations and licences, the products and services that RBSI Group may offer, its reputation and the value of its assets, RBSI Group's operations or legal entity structure, and the manner in which RBSI Group conducts its business. Material consequences could arise should RBSI Group be found to be non-compliant with these regulatory requirements. Regulatory developments may also result in an increased number of regulatory investigations and proceedings and have increased the risks relating to RBSI Group's ability to comply with the applicable body of rules and regulations in the manner and within the timeframes required.

Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, including contradictory or conflicting laws, rules or regulations by key regulators or policymakers in different jurisdictions (such as divergence of regulations of digital assets and cryptocurrency), or failure by RBSI Group to comply with such laws, rules and regulations, may adversely affect RBSI Group's business, results of operations and outlook. In addition, uncertainty and insufficient international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect RBSI Group's ability to engage in effective business, capital and risk management planning.

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and/or reputation.

Operational and IT resilience risk

Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in RBSI Group's businesses.

Operational risk is the risk of loss or disruption resulting from inadequate or failed internal processes, procedures, people or systems, or from external events. RBSI Group offers a diverse range of products and services supported directly or indirectly by third party suppliers. As a result, operational risks or losses can arise from internal or external factors (including for example, payment errors or financial crime and fraud), for which there is continued scrutiny as to the activities of offshore entities, including but not limited to compliance with financial crime requirements.

RBSI Group also relies on critical services that we procure from other areas of NatWest Group including, without limitation, property technology, accounting, financial crime, human resources and certain other support and administrative functions.

A failure by NatWest Bank Plc or other NatWest Group entities to adequately supply these services may expose RBSI Group to critical business failure risk, increased costs, regulatory sanctions and other liabilities. These and any increases in the cost of these services may adversely affect RBSI Group.

Operational risks also exist due to the implementation of NatWest Group's (RBSI Group's ultimate parent) strategy, and the organisational and operational changes involved, including: cost controlling and simplification measures; continued digitalisation and the integration of artificial intelligence in the business; the implementation of recommendations from internal and external reviews with respect to certain governance processes, policies, systems and controls of RBSI Group and conditions affecting the financial services industry generally (including macroeconomic and other geopolitical developments) as well as the legal and regulatory uncertainty resulting from these conditions. Any of the above may place significant pressure on RBSI Group's ability to maintain effective internal controls and governance frameworks.

Financial crime continues to evolve, whether through fraud, scams, cyberattacks or other criminal activity. These risks are exacerbated as RBSI Group continues to innovate its product offering and offer digital solutions to its customers, including through mobile banking. Financial crime assessment, systems and controls, internal stress tests and models are critical to financial crime risk management. Ineffective risk management may arise from a wide variety of factors, including lack of transparency or incomplete risk reporting, manual processes and controls, inaccurate data, inadequate IT systems, unidentified conflicts or misaligned incentives, lack of accountability control and governance, incomplete risk monitoring and management, insufficient challenges or assurance processes, or a failure to commence or timely complete risk remediation projects. Weak or ineffective financial crime processes and controls may risk RBSI Group inadvertently facilitating financial crime which may result in regulatory investigation, sanction, litigation, fines and/or reputational damage. Further, failure to manage these risks effectively, or within regulatory expectations, could adversely affect RBSI Group's reputation or its relationship with its regulators, customers. These risks are also exacerbated when RBSI Group relies on critical service providers (suppliers) or vendors to provide services to it or its customers, including with respect to the implementation of technologies, innovation (such as cloud services and artificial intelligence) and responding to regulatory and market changes.

NatWest Group also faces operational risks as it continues to invest in the automation of certain solutions and customer interactions, including through artificial intelligence. Such initiatives may result in operational, reputational and conduct risks if the technology is not used appropriately, is defective or inadequate, or is not fully integrated into RBSI Group's current solutions, systems and controls. The effective management of operational risks is critical to meeting customer service expectations and retaining and attracting customer business. Although NatWest Group has implemented risk controls and mitigation actions, with resources and planning devoted to mitigate operational risk, such measures may not be effective in controlling each of the operational risks faced by NatWest Group.

Ineffective management of such risks may have a material adverse effect on NatWest Group's future results, financial condition, prospects, and/or reputation.

RBSI Group is subject to sophisticated and frequent cyberattacks, and compliance with cybersecurity and data protection regulations is becoming increasingly complex. RBSI Group experiences a constant threat from cyberattacks and against RBSI Group's supply chain networks, reinforcing the importance of due diligence of, ongoing risk management of, and a close working relationship with, the third parties on which RBSI Group relies.

RBSI Group is reliant on technology, against which there is a constantly evolving series of attacks that are increasing in terms of frequency, sophistication, impact and severity. The increased availability of malicious tools and the rapid advancement of artificial intelligence capabilities reducing entry barriers for malicious actors and accelerating the exploitation of vulnerabilities leading to cyberattacks evolving and becoming more sophisticated.

Any failure in RBSI Group's information and cybersecurity policies, procedures or controls, may result in significant financial losses, major business disruption, inability to deliver customer services, or loss of, or ability to access, data or systems or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these factors could increase costs (including compensation to customers), result in regulatory investigations or sanctions being imposed or may affect RBSI Group's ability to retain and attract customers.

Additionally, malicious third parties may induce employees, customers, third-party providers or other users with access to RBSI Group's systems to wrongfully disclose sensitive information to gain access to RBSI Group's customers or employees. Cybersecurity and information security events can derive from factors such as: internal or external threat actors, human error, fraud or malice on the part of RBSI Group's employees, customers or third parties, including third-party providers, or may result from technological failure (including defective, inadequate or inappropriately used artificial intelligence based solutions).

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and/or reputation.

RBSI Group's operations are highly dependent on its complex IT systems and any IT failure could adversely affect RBSI Group.

RBSI Group's operations are highly dependent on the ability to process a very large number of transactions efficiently and accurately while complying with applicable laws and regulations. The proper functioning of RBSI Group's transactional and payment systems, financial crime and fraud detection systems and controls, risk management, credit analysis and reporting, accounting, customer service and other IT systems, including cloud services providers (some of which are owned and operated by other entities in NatWest Group or third parties), as well as the communication networks between its branches and main data processing centres, is critical to RBSI Group's operations.

RBSI Group uses IT systems that enable remote working interface with third-party systems. RBSI Group could experience service denials or disruptions if such IT systems exceed capacity or if NatWest Group or a third-party system fails or experiences any interruptions, all of which could result in business and customer interruption and related reputational damage, significant compensation costs, regulatory sanctions and/or a breach of applicable regulations. Hybrid working arrangements for NatWest Group employees (of which RBSI Group forms part of) place heavy reliance on the IT systems that enable remote working and may place additional pressure on RBSI Group's ability to maintain effective internal controls and governance frameworks and increase operational risk.

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and/or reputation.

RBSI Group's operations and strategy are highly dependent on the accuracy and effective use of data.

RBSI Group relies on the availability, sourcing, and effective use of accurate and high quality data to support, monitor, evaluate, manage and enhance its operations, innovate its products offering, meet its regulatory obligations, and deliver its strategy.

Failure to have or to be able to access that data or the ineffective use or governance of that data could result in a failure to manage and report important risks and opportunities or satisfy customers' expectations including the inability to deliver products and services.

These data weaknesses and limitations, or the unethical or inappropriate use of data, and/or non-compliance with data protection laws could give rise to conduct and litigation risks and may increase the risk of operational challenges, losses, reputational damage or other adverse consequences due to inappropriate models, systems, processes, decisions or other actions.

Any of the above may have a material adverse effect on NatWest Group's future results, financial condition, prospects, and/or reputation.

RBSI Group relies on attracting, retaining and developing diverse senior management and skilled personnel, and is required to maintain good employee relations.

RBSI Group's success depends on its ability to attract, retain, and develop a highly skilled and qualified diverse workforce, including senior management, and other employees in critical roles (such as in technology, artificial intelligence and data), in a highly competitive market.

RBSI Group's businesses are also exposed to risks from employee, contractor or service providers misconduct including non-compliance with policies and regulations, negligence or fraud (including financial crimes and fraud), any of which could result in regulatory fines or sanctions and serious reputational or financial harm to RBSI Group. Hybrid working arrangements are also subject to regulatory scrutiny to ensure compliance with regulatory requirements and expectations. Engagement with its employees is important to RBSI Group in maintaining good employee relations.

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and/or reputation.

A failure in RBSI Group's risk management framework could adversely affect RBSI Group, including its ability to achieve its strategic objectives.

Risk management is a fundamental component of RBSI Group's operations and is critical to the effective delivery of its long-term strategic objectives. The Enterprise-Wide Risk Management Framework sets the approach for risk management and outlines key principles for sound risk governance and setting of risk appetite with respect to: financial risk (capital risk, liquidity and funding risk, credit risk, traded market risk, non-traded, market risk, pension risk, earning stability risk) and non-financial risk (model risk, reputational risk, financial crime, operational risk, compliance and conduct risk). Non-compliance with this framework, including deviations from risk appetite, or any significant shortcomings in related controls and procedures, may have a detrimental effect on RBSI Group's financial condition, strategic delivery, or result in inaccurate reporting of risk exposures.

RBSI Group's operations are subject to inherent reputational risk.

Reputational risk relates to stakeholder and public perceptions of NatWest Group and RBSI Group arising from an actual or perceived failure to meet stakeholder or the public's expectations. This includes harm to its brand, which may be detrimental to RBSI Group's business, including its ability to build or sustain business relationships with customers, stakeholders and regulators, and may cause low employee morale, regulatory censure or reduced access to, or an increase in the cost of, funding. Reputational risk may arise whenever there is, or there is perceived to be, a material lapse in standards of integrity, controls, compliance, customer or operating efficiency, or regulatory or press scrutiny, and may adversely affect RBSI Group's ability to attract and retain customers.

Technologies, in particular online social networks and other broadcast tools that facilitate communication with large audiences in short timeframes and with minimal costs, may also significantly increase and accelerate the impact of damaging information and allegations.

Any of the above aspects of reputational risk may have a material adverse effect on NatWest Group's future results, financial condition, prospects, and/or reputation.

Strategic and climate risk

RBSI Group is subject to strategic risks including as part of NatWest Group's Commercial & Institutional business segment and NatWest Group's (including RBSI Group's) climate and sustainability-related ambitions, targets and commitments.

The Commercial & Institutional business segment combined the pre-existing Commercial, RBSI Group and NatWest Markets businesses to form a single business segment, which focuses on serving Commercial & Institutional customers. The Commercial & Institutional business segment is intended to allow closer operational and strategic alignment to support growth, with increased levels of service being provided between NatWest Group entities. The interests of NatWest Group plc and the interests of the Commercial & Institutional business segment may differ from the interests of RBSI Group. As a result of becoming part of NatWest Group's Commercial & Institutional business segment, RBSI Group may become increasingly reliant on NatWest Group. Reputational risk around the strategy to create the Commercial & Institutional business segment also arises in relation to stakeholder and public perceptions of RBSI Group as part of the Commercial & Institutional business segment.

RBSI Group is subject to financial and non-financial risks associated with climate change, nature-related and social matters (together sustainability-related matters). These matters impact RBSI Group directly through its own operations and employees, and indirectly through its value chain (including its investors, customers, counterparties (including its suppliers) and business partners (collectively, our 'Value Chain') and business activities.

Financial and non-financial risks from climate change can arise through physical and transition risks. In addition, RBSI Group may also be exposed to legal, regulatory or financial consequences arising from RBSI Group's actions or omissions related to climate and sustainability-related matters, giving rise to liability risk.

Climate-related physical risks are associated with increasing frequency and intensity of extreme weather events, including floods, wildfires and changes in climate conditions. Such events can impact employee health and safety and negatively affect local communities where RBSI Group operates, and damage assets, property and infrastructure, disrupt operations and supply chains, resulting in changes in asset value, deterioration of the value of collateral or insurance shortfalls and increased costs and credit defaults.

This can negatively impact the creditworthiness of customers and their ability and/or willingness to pay fees, afford new products or repay their debts, leading to increased default rates, delinquencies, write-offs and impairment charges in RBSI Group's portfolios (including its real estate portfolio) while simultaneously increasing RBSI Group's own operational costs and exposing it to potential business continuity challenges. In addition, RBSI Group's premises and operations, or those of its critical outsourced functions may experience damage or disruption leading to increased costs for RBSI Group.

Climate-related transition risks arise from the UK's and global economies' shift to net zero. The pace and nature of transition - whether orderly or disorderly - depends significantly on timely and appropriate government policy and regulatory changes, immediate actions from national and regional governments, new technological innovation, changes to supply and demand systems within industries, customer behaviour and market sentiment. In

In addition, there is significant uncertainty about how climate change and the world's transition to a net-zero economy will unfold over time and how and when climate and other sustainability-related risks will manifest. This could adversely impact profitability, market stability and the resilience of financial institutions, including RBSI Group. In addition, the transition may affect RBSI Group's customers and businesses across sectors in different ways and at different levels of risk. These timeframes are considerably longer than RBSI Group's historical and current strategic, financial, resilience and investment planning horizons. Transition risks may also trigger reputational and liability exposures, especially if NatWest Group (of which RBSI Group is a part) is perceived as not meeting its climate ambitions, targets and commitments, or not making progress against its climate transition plan.

Moreover, beyond climate change, RBSI Group and its Value Chain may face financial and non-financial risks arising from acute or chronic nature-related physical risks, (such as wildfires, pollution, water stress and loss of biodiversity), nature-related transition risks (such as risk arising directly or indirectly due to changes in policy, market and technology, changes in perception concerning an organisation's actual or perceived nature impacts and from legal claims) and social issues (such as data protection and privacy, impact of increased adoption of artificial intelligence technology, human rights abuse, conflict and security, land rights, labour rights and unjust working conditions, modern slavery and child labour, discrimination and lack of support for the vulnerable, negative impact on people's standard of living and health, inequality, accessible banking and financial inclusion, and financial crime).

NatWest Group (of which RBSI Group is a part) has an ambition to be net zero across its financed emissions, assets under management and operational value chain by 2050. NatWest Group (of which RBSI Group is a part) also has an ambition to at least halve the climate impact of its financing activity by 2030, against a 2019 baseline, supported by portfolio-level activity-based targets. NatWest Group (of which RBSI Group is a part) may also announce other climate and sustainability-related ambitions, targets and commitments, and may withdraw, retire, amend, replace or supersede existing ones from time to time, whether or not they have been achieved, where it considers this to be appropriate having regard to its strategic objectives, or where required or appropriate to do so by applicable law, regulation or supervisory expectations.

RBSI Group's ability to contribute to achieving NatWest Group's strategy, including achieving NatWest Group's climate and sustainability-related ambitions, targets and commitments, and to contribute to implementing NatWest Group's climate transition plan is dependent on many factors and uncertainties beyond RBSI Group's control. Any delay or failure by RBSI Group in putting into effect, making progress against, or contributing to achieving NatWest Group's climate and sustainability-related ambitions, and to contributing to the implementation of NatWest Group's climate transition plan may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and reputation and may increase the climate and sustainability-related risks RBSI Group faces.

Financial resilience risk

RBSI Group may not achieve its ambitions or targets, generate returns or be in a position to continue to make discretionary capital distributions to its parent.

RBSI Group has set a number of financial, capital and operational targets including in respect of: balance sheet growth, cost management, CET1 ratio, funding plans and requirements, employee engagement, diversity and inclusion as well as climate strategy (including its climate and transition finance targets) and customer satisfaction targets.

RBSI Group's ability to meet its ambitions, targets and guidance and make discretionary capital distributions is subject to various internal and external factors, risks and uncertainties. These

include but are not limited to: macroeconomic, political, market and regulatory uncertainties, customer behaviour, operational risks and risks relating to RBSI Group's business model and strategy (including risks associated with climate and other sustainability-related issues), competitive pressures, and litigation, government actions, investigations and regulatory matters. If assumptions, judgements and estimates (for example about future economic conditions) prove to be incorrect, RBSI Group may not achieve any or all of its ambitions or targets.

RBSI Group has exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on RBSI Group

RBSI Group has exposure to many different sectors, customers and counterparties, and risks arising from actual or perceived changes in credit quality and the recoverability of monies due from borrowers and other counterparties are inherent in RBSI Group's business. RBSI Group's lending strategy and associated processes and systems may fail to identify or anticipate or quickly react to weaknesses or risks in a particular sector, market, borrower, or counterparties, or RBSI Group's risk appetite relative to competitors, or fail to appropriately value physical or financial collateral. This may result in increased default rates, or a higher loss given default for loans, which may, in turn, impact RBSI Group's profitability. RBSI Group also has counterparty exposures to certain financial institutions through its cash and liquidity management arrangements such as its repurchase/reverse repurchase agreements. Also refer Note 10 'Risk Management - Credit Risk'. The credit quality of RBSI Group's borrowers and other counterparties may be affected by UK and global macroeconomic and political uncertainties, as well as prevailing economic and market conditions. These include factors relating to interest rates and inflation, changing asset prices (including residential and commercial property), energy prices, supply chain disruption, changes to monetary and fiscal policy, the impact of armed conflict, and the legal and regulatory landscape in the jurisdictions where RBSI Group is exposed to credit risk. Any further deterioration in these conditions or changes to legal or regulatory landscapes could worsen borrower and counterparty credit quality or impact the enforcement of contractual rights, increasing credit risk.

Adverse changes in borrower and counterparty credit risk may cause additional impairment charges under IFRS 9, increased repurchase demands, higher costs, additional write-downs and losses for RBSI Group and an inability to engage in routine funding transactions. If RBSI Group experiences losses and a reduction in profitability, this is likely to affect the recoverable value of fixed assets, including goodwill and deferred taxes, which may lead to write-downs.

RBSI Group has applied an internal analysis of multiple economic scenarios (MES) together with the determination of specific overlay adjustments to inform its IFRS 9 ECL (Expected Credit Loss). The recognition and measurement of ECL is complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic scenarios into ECL to meet the measurement objective of IFRS 9. The ECL provision is sensitive to the model inputs and economic assumptions underlying the estimate. See also, Note 10 'Risk Management - Credit Risk'. A credit deterioration would also lead to RWA increases. Furthermore, the assumptions and judgements used in the MES and ECL assessment at 31 December 2025 may not prove to be adequate resulting in incremental ECL provisions for RBSI Group.

RBSI Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options.

RBSI Group is required to access sources of liquidity and funding through retail and wholesale deposits and wholesale funding, including debt capital markets. The level of deposits may fluctuate due to factors outside RBSI Group's control, such as a loss of customers, loss of customer and/or investor confidence (including as a result of volatility in the financial industry), changes in customer behaviour, changes in interest rates, government support, increasing competitive pressures for retail and corporate customer deposits (including from new entrants or fintech companies (including deposit aggregators)), new deposit offerings (such as digital assets), or the reduction or cessation of deposits by wholesale depositors, which could result in a significant outflow of deposits within a short period of time. An inability to grow or any material decrease in RBSI Group's deposits could, particularly if accompanied by one or more of the other factors mentioned above, materially affect RBSI Group's ability to satisfy its liquidity or funding needs, or comply with its related regulatory requirements. In turn, this could require RBSI Group to adapt its funding plans or change its operations.

Macroeconomic developments, political uncertainty, changes in interest rates, market volatility, and other stress events could affect RBSI Group's ability to access sources of liquidity and funding (including in foreign currencies) on satisfactory terms, or at all. This may result in higher funding costs and failure to comply with regulatory capital, funding and leverage requirements. As a result, RBSI Group could be required to change its funding plans. This could exacerbate funding and liquidity risk, which may adversely affect RBSI Group.

If RBSI Group's liquidity and/or funding position were to come under stress, and if RBSI Group were unable to raise funds through deposits or through other reliable funding sources, on acceptable terms or at all, its liquidity position would likely be adversely affected and it might be unable to meet deposit withdrawals on demand or at their contractual maturity, repay borrowings as they mature, meet its obligations under committed financing facilities, comply with regulatory funding requirements, undertake certain capital and/or debt management activities, and/or fund new loans, investments and businesses. RBSI Group may need to liquidate assets to meet its liabilities, including disposals of assets not previously identified for disposal to reduce its funding commitments or trigger the execution of certain management actions or recovery options. In a time of reduced liquidity or market stress, RBSI Group may be unable to sell its assets at attractive prices, or at all which may adversely affect RBSI Group's liquidity.

Any of the above may lead to RBSI Group not being able to maintain a diversified, stable and cost-effective funding basis, which may adversely affect RBSI Group's future results, financial condition prospects and/or reputation.

RBSI Group may not meet the prudential regulatory requirements for regulatory capital, or manage its capital effectively, which could trigger the execution of certain management actions or recovery options.

The entities within RBSI Group are required by regulators in its jurisdictions to maintain adequate financial resources. Adequate levels of capital provide RBSI Group with financial flexibility and enables RBSI Group to make discretionary capital distributions and remain a viable, competitive and profitable business.

A number of factors may impact NatWest Group plc's ability to maintain its CET1 ratio target and achieve its capital strategy including changes to capital resources, RWAs and regulatory requirements.

RBSI Group's financial statements are sensitive to underlying accounting policies, judgements, estimates and assumptions.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, exposures and RWAs. While estimates, judgements and assumptions take into account historical experience and other factors (including market practice and expectations of future events that are believed to be reasonable under the circumstances), actual results may differ due to the inherent uncertainty in making estimates, judgements and assumptions (particularly those involving the use of complex models).

Further, accounting policy and financial statement reporting requirements increasingly require management to adjust existing judgements, estimates and assumptions for the effects of climate-related, sustainability and other matters that are inherently uncertain and for which there is little historical experience which may affect the comparability of RBSI Group's future financial results with its historical results. Actual results may differ due to the inherent uncertainty in making climate-related and sustainability estimates, judgements and assumptions.

Accounting policies deemed critical to RBSI Group's results and financial position, based upon materiality and significant judgements and estimates, involve a high degree of uncertainty and may have a material impact on its results. These are set out in 'Critical accounting policies and sources of estimation uncertainty'.

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and/or reputation.

Changes in accounting standards may materially impact RBSI Group's financial results.

RBSI Group prepares its consolidated financial statements in accordance with UK-adopted IAS, and IFRS as issued by the International Accounting Standards Board. Changes in accounting standards or guidance by accounting bodies and/or changes in accounting standards required by regulatory bodies or in the timing of their implementation, whether immediate or foreseeable, could result in RBSI Group having to recognise additional liabilities on its balance sheet, or in further write-downs or impairments to its assets and could also have a material adverse effect on RBSI Group. Additionally, auditors may have different interpretations of these accounting standards, and any change of auditor may lead to unfavourable changes in RBSI Group's accounting policies. From time to time, the International Accounting Standards Board may also issue new accounting standards or interpretations that could materially impact how RBSI Group calculates, reports and discloses its financial results and financial condition, and which may affect RBSI Group entities capital ratios, including the CET1 ratio and the required levels of regulatory capital. New accounting standards and interpretations that have been issued by the International Accounting Standards Board but which have not yet been adopted by RBSI Group are discussed in 'Future accounting developments'.

Any of the above may have a material adverse effect on RBSI Group's future results, financial condition, prospects, and/or reputation.