



NatWest
Group

NatWest Markets Group

Q3 2024

Interim Management Statement

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NatWest Markets Group (NWM Group)

Results for Q3 2024

As part of the NatWest Group Commercial & Institutional segment, we continued to support customers in navigating their financing and risk solutions requirements in a period of continued high interest rates and uncertain geopolitical outlook. We will maintain our focus on leveraging growth opportunities through the delivery of markets products and collaboration across the segment to meet our customers' needs, whilst managing our capital efficiently.

Financial review

NWM Group maintained its robust capital and liquidity position in Q3 2024 and reported a profit of £20 million, compared with a profit of £1 million in Q2 2024 and a loss of £57 million in Q3 2023. Total income decreased to £284 million in Q3 2024, largely driven by foreign exchange (FX) reserves recycling and lower Fixed Income revenues, partially offset by stronger performances in Currencies and Capital Markets. Operating expenses decreased to £254 million, mainly driven by VAT recoveries recognised.

Financial performance

- **Total income** of £284 million decreased by £39 million compared with £323 million in Q2 2024 mainly driven by FX reserves recycling, lower Fixed Income revenues and a reduction in the amount recognised under the profit share arrangement with fellow NatWest Group subsidiaries, partially offset by higher income in Currencies and Capital Markets. Total income increased by £69 million compared with £215 million in Q3 2023 driven by a stronger performance across the product suite and the profit share arrangement with fellow NatWest Group subsidiaries, which was introduced in Q4 2023 and under which NWM Group recognised £19 million in Q3 2024.
- **Operating expenses** of £254 million in Q3 2024 were £83 million lower than £337 million in Q2 2024 and £40 million lower than £294 million in Q3 2023. Litigation and conduct costs of £23 million reflected ongoing progress in closing legacy matters and were down by £16 million compared with £39 million in Q2 2024 and by £14 million compared with £37 million in Q3 2023. Other operating expenses of £231 million were down by £67 million compared with £298 million in Q2 2024 and down by £26 million compared with £257 million in Q3 2023, largely due to VAT recoveries recognised.
- **Total assets and liabilities** increased by £9.7 billion and £9.8 billion to £187.6 billion and £181.3 billion respectively at 30 September 2024, compared with 31 December 2023. Increases in funded assets including trading assets, settlement balances and cash and balances at central banks were offset by lower derivative fair values, largely reflecting FX rate volatility across major currencies and variations in interest rates across different currencies and tenors.

Capital and leverage

- **Total NWM Plc RWAs** were £21.5 billion at 30 September 2024, compared with £20.5 billion at 30 June 2024 and £22.1 billion at 31 December 2023. The decrease since 31 December 2023 was driven by lower counterparty credit risk, lower market risk, and a decrease from the annual update to operational risk RWAs; partially offset by an increase in credit risk.
- **NWM Plc's Common Equity Tier 1 (CET1) ratio** was 17.3% at 30 September 2024, compared with 17.1% at 31 December 2023. The increase in the period was largely driven by the decrease in RWAs, partially offset by reserve movements.
- **Total MREL for NWM Plc** at 30 September 2024 was £9.1 billion, or 42.4% of RWAs, up from £7.6 billion or 34.5% of RWAs at 31 December 2023. The increase in total MREL in the current period was largely due to the issuance of three new MREL instruments with NatWest Group plc amounting to \$2.15 billion and two new internal Tier 2 instruments amounting to \$1.16 billion, partially offset by the redemption of an internal €0.95 billion Tier 2 instrument, and other reserve movements.
- **NWM Plc's leverage ratio** at 30 September 2024 was 4.6%, compared with 5.0% at 31 December 2023. The decrease in the period was mainly due to higher leverage exposure, driven by increases in trading assets and other financial assets, partially offset by a decrease in net settlement balances.

Liquidity and funding

- **NWM Plc's liquidity portfolio** increased by £2.3 billion to £17.0 billion at 30 September 2024 (31 December 2023 - £14.7 billion), largely driven by funding raised to support banking book growth. The liquidity coverage ratio (LCR) decreased to 163% (31 December 2023 - 183%), largely due to higher net outflows partially offset by the increase in liquidity portfolio.
- **NWM Plc issued public benchmark transactions** amounting to £4.5 billion in the nine months ended 30 September 2024. Transactions comprised issuances under our EMTN programme of €2.5 billion and CHF0.18 billion of notes respectively and an issuance under our US MTN programme of \$2.75 billion of notes. NWM Plc also raised funding in other formats throughout the period including, but not limited to, structured note issuance.

ESG highlights

We delivered £3.7 billion of climate and sustainable funding and financing in Q3 2024, contributing a cumulative £45.0 billion towards the NatWest Group climate and sustainable funding and financing target⁽¹⁾ of £100 billion between 1 July 2021 and the end of 2025.

(1) NatWest Group uses its climate and sustainable funding and financing inclusion (CSFFI) criteria to determine the assets, activities and companies that are eligible to be included within its climate and sustainable funding and financing target. This includes both provision of committed (on and off-balance sheet) funding and financing, including provision of services for underwriting issuances and private placements.

Outlook⁽¹⁾

We retain the Outlook guidance provided in the NatWest Markets Plc 2023 Annual Report and Accounts.

(1) The guidance, targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in the 'Risk Factors' section in the NatWest Markets Plc 2023 Annual Report and Accounts, and the 'Summary Risk Factors' in the NatWest Markets Plc 2024 Interim Results. These statements constitute forward-looking statements. Refer to 'Forward-looking statements' in this announcement.

Financial review

The table below presents an analysis of key lines of NWM Group's income statement. Commentary refers to the table below as well as the consolidated income statement shown on page 6.

| | Nine months ended | | Quarter ended | | |
|--|----------------------------|----------------------------|----------------------------|-----------------------|----------------------------|
| | 30 September 2024 £m | 30 September 2023 £m | 30 September 2024 £m | 30 June 2024 £m | 30 September 2023 £m |
| Income statement | | | | | |
| Net interest income | 347 | 201 | 110 | 116 | 123 |
| Non-interest income | 587 | 444 | 174 | 207 | 92 |
| Total income | 934 | 645 | 284 | 323 | 215 |
| Litigation and conduct costs | (61) | (29) | (23) | (39) | (37) |
| Other operating expenses | (785) | (799) | (231) | (298) | (257) |
| Operating expenses | (846) | (828) | (254) | (337) | (294) |
| Operating profit/(loss) before impairment releases/losses | 88 | (183) | 30 | (14) | (79) |
| Impairment releases/(losses) | 8 | 3 | 1 | (1) | (2) |
| Operating profit/(loss) before tax | 96 | (180) | 31 | (15) | (81) |
| Tax credit/(charge) | 7 | (25) | (11) | 16 | 24 |
| Profit/(loss) for the period | 103 | (205) | 20 | 1 | (57) |
| Income (1) | | | | | |
| Fixed Income | 170 | 137 | 41 | 66 | 32 |
| Currencies | 379 | 351 | 139 | 128 | 124 |
| Capital Markets | 502 | 332 | 171 | 166 | 114 |
| Capital Management Unit & other (2) | (38) | (26) | (27) | (11) | 3 |
| Income including shared revenue before OCA | 1,013 | 794 | 324 | 349 | 273 |
| Transfer pricing arrangements with fellow NatWest Group subsidiaries (3) | (74) | (151) | (42) | (24) | (51) |
| Income excluding OCA | 939 | 643 | 282 | 325 | 222 |
| Own credit adjustments (OCA) | (5) | 2 | 2 | (2) | (7) |
| Total income | 934 | 645 | 284 | 323 | 215 |

- (1) Product performance includes gross income earned on a NatWest Group-wide basis, including amounts contributed to other NatWest Group subsidiaries. Income including shared revenue before OCA includes revenue share from other NatWest Group subsidiaries but before revenue share is paid to or contributed to those subsidiaries.
- (2) Capital Management Unit was set up in Q3 2020 to manage capital usage and optimisation across all parts of NatWest Markets, with the income materially relating to legacy positions.
- (3) Transfer pricing arrangements with fellow NatWest Group subsidiaries includes shared revenue paid to or contributed to those subsidiaries and a profit share arrangement with fellow NatWest Group subsidiaries. The profit share arrangement was introduced during Q4 2023 to reward NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment, 2023 being the first full year with the Commercial & Institutional segment in place. The profit share is not allocated to individual NatWest Markets product areas.

Nine months ended 30 September 2024 performance

- **Net interest income** largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The increase of £146 million compared with the nine months ended 30 September 2023 largely reflects growth in lending activity partially offset by the impact of one-off items.
- **Non-interest income** increased by £143 million compared with the period ended 30 September 2023 mainly due to the profit share arrangement with fellow NatWest Group subsidiaries which was introduced in Q4 2023 and under which NWM Group recognised £100 million in the current period, in addition to stronger performances across the product suite and one-off items, partially offset by FX reserves recycling due to a legacy overseas branch closure completed in the quarter.
- **Operating expenses** increased by £18 million compared with the nine months ended 30 September 2023. Litigation and conduct costs reflected ongoing progress on closing legacy matters and were up by £32 million. Other operating expenses decreased by £14 million, largely due to credits recognised in the current period in relation to property charges and VAT recoveries recognised during Q3 2024 in relation to the finalisation of the 2023 VAT annual adjustment and earlier periods, partially offset by increases in severance costs, staff costs, bank levies and other smaller movements.

Quarter ended 30 September 2024 performance

- **Net interest income** decreased by £6 million compared with Q2 2024, and by £13 million compared with Q3 2023, largely due to one-off items offset by continued growth in lending activity.
- **Non-interest income** decreased by £33 million compared with Q2 2024, largely driven by FX reserves recycling, lower Fixed Income revenues and a reduction in the amount recognised under the profit share arrangement with fellow NatWest Group subsidiaries, partially offset by higher revenues in Currencies and Capital Markets and one-off items. Non-interest income increased by £82 million compared with Q3 2023, mainly due to an improved performance across the product suite, the recognition of £19 million under the profit share arrangement with fellow NatWest Group subsidiaries in Q3 2024, and one-off items, partially offset by FX reserves recycling.
- **Operating expenses** decreased by £83 million compared with Q2 2024 and by £40 million compared with Q3 2023. Litigation and conduct costs in Q3 2024 reflected ongoing progress on closing legacy matters and were down by £16 million compared with Q2 2024 and by £14 million compared with Q3 2023. Other operating expenses decreased by £67 million compared with Q2 2024 largely due to VAT recoveries recognised, and lower staff and severance costs compared with the prior quarter. Other operating expenses decreased by £26 million compared with Q3 2023, largely due to VAT recoveries recognised partially offset by an increase in staff costs.

Financial review

Balance sheet profile as at 30 September 2024

NWM Group's balance sheet profile is summarised below. Commentary refers to the table below as well as the consolidated balance sheet on page 8.

| | Assets | | Liabilities | |
|---|-----------------------------|----------------------------|-----------------------------|---|
| | 30 September 2024 £bn | 31 December 2023 £bn | 30 September 2024 £bn | 31 December 2023 £bn |
| Cash and balances at central banks | 17.2 | 13.8 | | |
| Securities | 23.1 | 12.0 | 11.9 | 9.8 Short positions |
| Reverse repos (1) | 23.9 | 23.7 | 33.7 | 26.9 Repos (2) |
| Derivative cash collateral given (3) | 6.7 | 8.9 | 12.2 | 15.1 Derivative cash collateral received (4) |
| Other trading assets | 0.7 | 0.7 | 1.2 | 1.8 Other trading liabilities |
| Total trading assets | 54.4 | 45.3 | 59.0 | 53.6 Total trading liabilities |
| Loans - amortised cost | 17.7 | 14.2 | 11.1 | 9.3 Deposits - amortised cost |
| Settlement balances | 11.8 | 7.2 | 12.1 | 6.6 Settlement balances |
| Amounts due from holding company and fellow subsidiaries | 0.6 | 1.7 | 6.9 | 5.8 Amounts due to holding company and fellow subsidiaries |
| Other financial assets | 16.8 | 15.7 | 30.4 | 23.6 Other financial liabilities |
| Other assets | 0.5 | 0.7 | 0.4 | 0.6 Other liabilities |
| Funded assets | 119.0 | 98.6 | 119.9 | 99.5 Liabilities excluding derivatives |
| Derivative assets | 68.6 | 79.3 | 61.4 | 72.0 Derivative liabilities |
| Total assets | 187.6 | 177.9 | 181.3 | 171.5 Total liabilities |
| | | | | <i>of which:</i> |
| | | | 32.2 | 25.1 Wholesale funding (5) |
| | | | 15.3 | 9.9 Short-term wholesale funding (5) |

(1) Comprises bank reverse repos of £5.1 billion (31 December 2023 – £6.3 billion) and customer reverse repos of £18.8 billion (31 December 2023 – £17.4 billion).

(2) Comprises bank repos of £7.0 billion (31 December 2023 – £4.0 billion) and customer repos of £26.7 billion (31 December 2023 – £22.9 billion).

(3) Comprises derivative cash collateral given relating to banks of £3.3 billion (31 December 2023 – £4.3 billion) and customers of £3.4 billion (31 December 2023 – £4.6 billion).

(4) Comprises derivative cash collateral received relating to banks of £5.2 billion (31 December 2023 – £6.8 billion) and customers of £7.0 billion (31 December 2023 – £8.3 billion).

(5) Wholesale funding predominantly comprises bank deposits (excluding repos), debt securities in issue and third party subordinated liabilities, of which short-term wholesale funding is the amount with contractual maturity of one year or less.

- **Total assets and liabilities** increased by £9.7 billion and £9.8 billion respectively at 30 September 2024. Funded assets, which exclude derivatives, increased by £20.4 billion, largely driven by higher trading assets, settlement balances and cash and balances at central banks. Derivative fair values decreased in the period, largely driven by FX rate volatility across major currencies and variations in interest rates across different currencies and tenors.
- **Cash and balances at central banks** increased by £3.4 billion mainly driven by funding raised to support banking book growth and liquidity requirements.
- **Trading assets** were up by £9.1 billion, driven by an increase in securities from client-led activity, partially offset by a decrease in derivative cash collateral posted. **Trading liabilities** increased by £5.4 billion, driven by increases in repos and short positions, partially offset by a decrease in derivative cash collateral received.
- **Loans – amortised cost** increased by £3.5 billion, driven by higher loans to customers reflecting growth in Capital Markets.
- **Deposits – amortised cost** increased by £1.8 billion, largely driven by an increase in bank deposits repos to match planned banking book activity.
- **Settlement balance assets and liabilities** were up by £4.6 billion and £5.5 billion respectively, largely due to increased trading compared with the seasonally lower levels of customer activity leading up to 31 December 2023.
- **Other financial assets** increased by £1.1 billion mainly driven by an increase in held-to-collect securities purchased to support customer primary issuance.
- **Other financial liabilities** increased by £6.8 billion driven by new issuance in the period to support planned growth in the business, partially offset by maturities. The balance as at 30 September 2024 includes £20.5 billion of medium-term notes issued.
- **Derivative assets and derivative liabilities** were down by £10.7 billion and £10.6 billion respectively, largely reflecting FX rate volatility across major currencies and variations in interest rates across different currencies and tenors.

Non-IFRS measures

This document contains a number of non-IFRS measures. For details of the basis of preparation and reconciliations, where applicable, refer to the non-IFRS measures section on page 12.

Capital, liquidity and funding risk

Introduction

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

Capital, RWAs and leverage

The capital resources, RWAs and leverage for NWM Plc are presented on a transitional basis for the remaining IFRS 9 relief in respect to ECL. Regulatory capital is monitored and reported at legal entity level for NWM Plc.

| | 30 September 2024 | 30 June 2024 | 31 December 2023 |
|--------------------------------------|----------------------|-----------------|---------------------|
| Capital adequacy ratios (1,2) | % | % | % |
| CET1 | 17.3 | 18.7 | 17.1 |
| Tier 1 | 20.6 | 22.0 | 20.2 |
| Total | 23.6 | 25.3 | 23.0 |
| Total MREL | 42.4 | 42.2 | 34.5 |
| Capital (1,2) | £m | £m | £m |
| CET1 | 3,720 | 3,840 | 3,776 |
| Tier 1 | 4,416 | 4,519 | 4,455 |
| Total | 5,066 | 5,198 | 5,072 |
| Total MREL (3) | 9,104 | 8,672 | 7,627 |
| Risk-weighted assets | | | |
| Credit risk | 8,252 | 8,085 | 7,895 |
| Counterparty credit risk | 6,095 | 5,881 | 6,516 |
| Market risk | 6,127 | 5,574 | 6,366 |
| Operational risk | 1,002 | 1,002 | 1,322 |
| Total RWAs | 21,476 | 20,542 | 22,099 |

- (1) NWM Plc's total capital ratio requirement is 11.5%, comprising the minimum capital requirement of 8%, supplemented with the capital conservation buffer of 2.5% and the institution specific countercyclical buffer (CCyB) of 1%. The minimum CET1 ratio is 8.0%, including the minimum capital requirement of 4.5%. The CCyB is based on the weighted average of NWM Plc's geographical exposures.
- (2) In addition, NWM Plc is subject to Pillar 2A requirements for CET1, AT1 and Tier 2. Refer to the NatWest Markets Plc Q3 Pillar 3 2024 report for further details on these additional capital requirements.
- (3) Includes senior internal debt instruments issued to NatWest Group plc with a nominal value of £4.0 billion (30 June 2024 - £3.5 billion; 31 December 2023 - £2.6 billion).

Leverage

The leverage ratio has been calculated in accordance with the Leverage Ratio (CRR) part of the PRA rulebook.

| | 30 September 2024 | 30 June 2024 | 31 December 2023 |
|----------------------------|----------------------|-----------------|---------------------|
| Tier 1 capital (£m) | 4,416 | 4,519 | 4,455 |
| Leverage exposure (£m) (1) | 96,209 | 86,275 | 89,929 |
| Leverage ratio (%) | 4.6 | 5.2 | 5.0 |

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

Liquidity and funding

| | 30 September 2024 | 30 June 2024 | 31 December 2023 |
|------------------------------------|----------------------|-----------------|---------------------|
| Liquidity coverage ratio (LCR) (%) | 163 | 173 | 183 |
| Liquidity portfolio (£bn) | 17.0 | 18.5 | 14.7 |
| Total wholesale funding (£bn) (1) | 32.2 | 30.7 | 25.1 |
| Total funding including repo (£bn) | 95.1 | 90.0 | 82.4 |

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

Condensed consolidated income statement

For the period ended 30 September 2024 (unaudited)

| | Nine months ended | | Quarter ended | | |
|--|----------------------------|----------------------------|----------------------------|-----------------------|----------------------------|
| | 30 September 2024 £m | 30 September 2023 £m | 30 September 2024 £m | 30 June 2024 £m | 30 September 2023 £m |
| Interest receivable | 2,055 | 1,509 | 698 | 682 | 614 |
| Interest payable | (1,708) | (1,308) | (588) | (566) | (491) |
| Net interest income | 347 | 201 | 110 | 116 | 123 |
| Fees and commissions receivable | 374 | 279 | 120 | 132 | 93 |
| Fees and commissions payable | (166) | (119) | (55) | (59) | (45) |
| Income from trading activities | 428 | 329 | 199 | 123 | 78 |
| Other operating income | (49) | (45) | (90) | 11 | (34) |
| Non-interest income | 587 | 444 | 174 | 207 | 92 |
| Total income | 934 | 645 | 284 | 323 | 215 |
| Staff costs | (353) | (316) | (112) | (117) | (94) |
| Premises and equipment | (55) | (47) | (19) | (19) | (16) |
| Other administrative expenses | (431) | (455) | (120) | (199) | (181) |
| Depreciation and amortisation | (7) | (10) | (3) | (2) | (3) |
| Operating expenses | (846) | (828) | (254) | (337) | (294) |
| Profit/(loss) before impairment releases/losses | 88 | (183) | 30 | (14) | (79) |
| Impairment releases/(losses) | 8 | 3 | 1 | (1) | (2) |
| Operating profit/(loss) before tax | 96 | (180) | 31 | (15) | (81) |
| Tax credit/(charge) | 7 | (25) | (11) | 16 | 24 |
| Profit/(loss) for the period | 103 | (205) | 20 | 1 | (57) |
| Attributable to: | | | | | |
| Ordinary shareholders | 43 | (257) | 3 | (15) | (74) |
| Paid-in-equity holders | 51 | 52 | 17 | 17 | 17 |
| Non-controlling interests | 9 | - | - | (1) | - |
| | 103 | (205) | 20 | 1 | (57) |

Condensed consolidated statement of comprehensive income
For the period ended 30 September 2024 (unaudited)

| | Nine months ended | | Quarter ended | | |
|--|-------------------|--------------|---------------|---------|--------------|
| | 30 September | 30 September | 30 September | 30 June | 30 September |
| | 2024 | 2023 | 2024 | 2024 | 2023 |
| | £m | £m | £m | £m | £m |
| Profit/(loss) for the period | 103 | (205) | 20 | 1 | (57) |
| Items that do not qualify for reclassification | | | | | |
| Remeasurement of retirement benefit schemes | (4) | (2) | (1) | (2) | (2) |
| Changes in fair value of credit in financial liabilities designated at fair value through profit or loss (FVTPL) | (25) | (26) | 1 | (3) | (22) |
| Fair value through other comprehensive income (FVOCI) financial assets | 13 | 9 | 10 | 1 | 6 |
| Tax | 16 | 2 | (2) | - | 3 |
| | - | (17) | 8 | (4) | (15) |
| Items that do qualify for reclassification | | | | | |
| FVOCI financial assets | 4 | 6 | (2) | (2) | 2 |
| Cash flow hedges | 25 | (48) | 98 | (15) | 56 |
| Currency translation | (127) | (76) | (77) | (21) | 68 |
| Tax | - | (33) | (20) | 3 | (17) |
| | (98) | (151) | (1) | (35) | 109 |
| Other comprehensive (loss)/income after tax | (98) | (168) | 7 | (39) | 94 |
| Total comprehensive income/(loss) for the period | 5 | (373) | 27 | (38) | 37 |
| Attributable to: | | | | | |
| Ordinary shareholders | (55) | (425) | 10 | (54) | 20 |
| Paid-in equity holders | 51 | 52 | 17 | 17 | 17 |
| Non-controlling interests | 9 | - | - | (1) | - |
| | 5 | (373) | 27 | (38) | 37 |

Condensed consolidated balance sheet

As at 30 September 2024 (unaudited)

| | 30 September 2024 £m | 31 December 2023 £m |
|--|----------------------------|---------------------------|
| Assets | | |
| Cash and balances at central banks | 17,237 | 13,831 |
| Trading assets | 54,361 | 45,324 |
| Derivatives | 68,578 | 79,332 |
| Settlement balances | 11,786 | 7,227 |
| Loans to banks - amortised cost | 1,445 | 1,246 |
| Loans to customers - amortised cost | 16,247 | 12,986 |
| Amounts due from holding company and fellow subsidiaries | 606 | 1,730 |
| Other financial assets | 16,766 | 15,723 |
| Other assets | 613 | 518 |
| Total assets | 187,639 | 177,917 |
| Liabilities | | |
| Bank deposits | 4,660 | 2,267 |
| Customer deposits | 6,459 | 6,998 |
| Amounts due to holding company and fellow subsidiaries | 6,870 | 5,802 |
| Settlement balances | 12,064 | 6,641 |
| Trading liabilities | 58,964 | 53,623 |
| Derivatives | 61,417 | 71,981 |
| Other financial liabilities | 30,383 | 23,574 |
| Other liabilities | 500 | 653 |
| Total liabilities | 181,317 | 171,539 |
| Owners' equity | 6,315 | 6,380 |
| Non-controlling interests | 7 | (2) |
| Total equity | 6,322 | 6,378 |
| Total liabilities and equity | 187,639 | 177,917 |

Condensed consolidated statement of changes in equity

For the period ended 30 September 2024 (unaudited)

| | Share capital and share premium £m | Paid-in equity £m | Retained earnings £m | Other reserves* £m | Total owners' equity £m | Non controlling interests £m | Total equity £m |
|---|---------------------------------------|----------------------|-------------------------|-----------------------|----------------------------|---------------------------------|--------------------|
| At 1 January 2024 | 2,346 | 904 | 3,195 | (65) | 6,380 | (2) | 6,378 |
| Profit attributable to ordinary shareholders and paid-in equity holders | | | 94 | | 94 | 9 | 103 |
| Other comprehensive income | | | | | | | |
| - Realised gain in period on FVOCI equity shares | | | 3 | (3) | - | | - |
| - Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk | | | (25) | | (25) | | (25) |
| - Unrealised gains: FVOCI | | | | 18 | 18 | | 18 |
| - Remeasurement of retirement benefit schemes | | | (4) | | (4) | | (4) |
| - Amounts recognised in equity: cash flow hedges | | | | (181) | (181) | | (181) |
| - Foreign exchange reserve movement | | | | (127) | (127) | | (127) |
| - Amounts transferred from equity to earnings | | | | 205 | 205 | | 205 |
| - Tax | | | 16 | - | 16 | | 16 |
| Paid-in equity dividends paid | | | (51) | | (51) | | (51) |
| Share-based payments | | | (10) | | (10) | | (10) |
| Merger reserve amortisation | | | (2) | 2 | - | | - |
| At 30 September 2024 | 2,346 | 904 | 3,216 | (151) | 6,315 | 7 | 6,322 |

| | 30 September 2024 £m |
|------------------------------------|-------------------------|
| Attributable to: | |
| Ordinary shareholders | 5,411 |
| Paid-in equity holders | 904 |
| Non-controlling interests | 7 |
| | 6,322 |
| *Other reserves consist of: | |
| Merger reserve | (12) |
| FVOCI reserve | 26 |
| Cash flow hedging reserve | (138) |
| Foreign exchange reserve | (27) |
| | (151) |

Notes

1. Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Markets Plc's 2023 Annual Report and Accounts. The accounting policies are the same as those applied in the consolidated financial statements.

The directors have prepared the condensed consolidated 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 they are approved.

Amendments to IFRS effective from 1 January 2024 had no material effect on the condensed consolidated financial statements.

2. Trading assets and liabilities

Trading assets and liabilities comprise assets and liabilities held at fair value in trading portfolios.

| | 30 September 2024 £m | 31 December 2023 £m |
|--------------------------------------|----------------------------|---------------------------|
| Assets | | |
| Loans | | |
| Reverse repos | 23,856 | 23,694 |
| Collateral given | 6,699 | 8,914 |
| Other loans | 685 | 762 |
| Total loans | 31,240 | 33,370 |
| Securities | | |
| Central and local government | | |
| - UK | 3,284 | 2,729 |
| - US | 6,007 | 2,600 |
| - Other | 9,325 | 3,062 |
| Financial institutions and Corporate | 4,505 | 3,563 |
| Total securities | 23,121 | 11,954 |
| Total | 54,361 | 45,324 |
| Liabilities | | |
| Deposits | | |
| Repos | 33,671 | 26,902 |
| Collateral received | 12,220 | 15,062 |
| Other deposits | 901 | 1,150 |
| Total deposits | 46,792 | 43,114 |
| Debt securities in issue | 247 | 706 |
| Short positions | 11,925 | 9,803 |
| Total | 58,964 | 53,623 |

Notes

3. Other financial liabilities

| | 30 September 2024 £m | 31 December 2023 £m |
|--|----------------------------|---------------------------|
| Customer deposits - designated as at fair value through profit or loss (FVTPL) | 1,398 | 1,259 |
| Debt securities in issue | | |
| - Medium-term notes | 20,540 | 17,608 |
| - Commercial paper and certificates of deposit | 8,177 | 4,433 |
| Subordinated liabilities | | |
| - Designated as at FVTPL | 233 | 238 |
| - Amortised cost | 35 | 36 |
| Total | 30,383 | 23,574 |

4. Amounts due to holding company and fellow subsidiaries

| | 30 September 2024 £m | 31 December 2023 £m |
|--|----------------------------|---------------------------|
| Bank deposits - amortised cost | 544 | 537 |
| Customer deposits - amortised cost | 46 | 55 |
| Settlement balances | 211 | - |
| Trading liabilities | 768 | 1,028 |
| Other financial liabilities - subordinated liabilities | 1,087 | 1,022 |
| MREL instruments issued to NatWest Group plc | 4,159 | 3,070 |
| Other liabilities | 55 | 90 |
| Total | 6,870 | 5,802 |

5. Litigation and regulatory matters

NatWest Markets Plc's Interim Results 2024, issued on 26 July 2024, included disclosures about NWM Group's litigation and regulatory matters in Note 10. Set out below are the material developments in those matters (which have been previously disclosed) since publication of the Interim Results 2024.

Litigation

1MDB litigation

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

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

6. Post balance sheet events

Other than as disclosed in this document, there have been no other significant events between 30 September 2024 and the date of approval of these accounts that would require a change to or additional disclosure in the condensed consolidated financial statements.

Non-IFRS measures

NWM Group prepares its financial statements in accordance with IFRS as issued by the IASB which constitutes a body of generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP or non-IFRS performance measures. These measures are adjusted for certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. These non-IFRS measures are not measures within the scope of IFRS and are not a substitute for IFRS measures. These measures include:

- Management analysis of operating expenses shows litigation and conduct costs on a separate line. These amounts are included within staff costs and other administrative expenses in the statutory analysis. Other operating expenses excludes litigation and conduct costs which are more volatile and may distort comparisons with prior periods.
- Funded assets are defined as total assets less derivative assets. This measure allows review of balance sheet trends exclusive of the volatility associated with derivative fair values.
- Management view of income by business including shared revenue and before own credit adjustments. This measure is used to show underlying income generation in NatWest Markets excluding the impact of own credit adjustments.
- Revenue share refers to income generated by NatWest Markets products from customers that have their primary relationship with other NatWest Group subsidiaries, a proportion of which is shared between NatWest Markets and those subsidiaries.
- Transfer Pricing arrangements with fellow NatWest Group subsidiaries includes revenue share and a profit share arrangement with fellow NatWest Group subsidiaries. The profit share arrangement was introduced during 2023 to reward NWM Group on an arm's length basis for its contribution to the performance of the NatWest Group Commercial & Institutional business segment, 2023 being the first full year with the Commercial & Institutional segment in place. The profit share is not allocated to individual NatWest Markets product areas.
- Own credit adjustments are applied to positions where it is believed that the counterparties would consider NWM Group's creditworthiness when pricing trades. The fair value of certain issued debt securities, including structured notes, is adjusted to reflect the changes in own credit spreads and the resulting gain or loss recognised in income.

Non-IFRS financial measures

Operating expenses – management view

| | Nine months ended | | | | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|------------------------------|--------------------------|------------------------------|
| | 30 September 2024 | | | 30 September 2023 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| | £m | £m | £m | £m | £m | £m |
| Staff costs | 21 | 332 | 353 | 8 | 308 | 316 |
| Premises and equipment | - | 55 | 55 | - | 47 | 47 |
| Other administrative expenses | 40 | 391 | 431 | 21 | 434 | 455 |
| Depreciation and amortisation | - | 7 | 7 | - | 10 | 10 |
| Total | 61 | 785 | 846 | 29 | 799 | 828 |

| | Quarter ended | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|
| | 30 September 2024 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| | £m | £m | £m |
| Staff costs | 8 | 104 | 112 |
| Premises and equipment | - | 19 | 19 |
| Other administrative expenses | 15 | 105 | 120 |
| Depreciation and amortisation | - | 3 | 3 |
| Total | 23 | 231 | 254 |

| | Quarter ended | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|
| | 30 June 2024 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| | £m | £m | £m |
| Staff costs | 7 | 110 | 117 |
| Premises and equipment | - | 19 | 19 |
| Other administrative expenses | 32 | 167 | 199 |
| Depreciation and amortisation | - | 2 | 2 |
| Total | 39 | 298 | 337 |

| | Quarter ended | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|
| | 30 September 2023 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| | £m | £m | £m |
| Staff costs | 4 | 90 | 94 |
| Premises and equipment | - | 16 | 16 |
| Other administrative expenses | 33 | 148 | 181 |
| Depreciation and amortisation | - | 3 | 3 |
| Total | 37 | 257 | 294 |

Additional information

Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly-owned subsidiary of NatWest Group plc or 'the ultimate holding company'. The NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' comprises NatWest Group plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NatWest Holdings Limited ('NWH') and its subsidiary and associated undertakings. The term 'NatWest Bank Plc' or 'NWB Plc' refers to National Westminster Bank Plc.

NWM Plc publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling, respectively, and references to 'pence' or 'p' represent pence in the United Kingdom ('UK'). References to 'dollars' or '\$' are to United States of America ('US') dollars. The abbreviations '\$m' and '\$bn' represent millions and thousands of millions of dollars, respectively. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively.

Statutory results

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2023 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

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Forward-looking statements

Cautionary statement regarding forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. In particular, this document includes forward-looking targets and guidance relating to financial performance measures, such as income growth, operating expense, cost reductions, impairment loss rates, balance sheet reduction, including the reduction of RWAs, CET1 ratio (and key drivers of the CET1 ratio, including timing, impact and details), Pillar 2 and other regulatory buffer requirements and MREL and non-financial performance measures, such as climate and sustainability-related performance ambitions, targets and metrics, including in relation to initiatives to transition to a net zero economy, climate and sustainable funding and financing and financed emissions. In addition, this document includes forward-looking statements relating, but not limited to: planned cost reductions, disposal losses and strategic costs; implementation of NatWest Group's and NWM Group's strategy (including in relation to investment programmes relating to digital transformation of their operations and services and inorganic opportunities); the timing and outcome of litigation and government and regulatory investigations; funding plans and credit risk profile; managing its capital position; liquidity ratio; portfolios; net interest margin; and drivers related thereto; lending and income growth, product share and growth in target segments; impairments and write-downs; restructuring and remediation costs and charges; NWM Group's exposure to political risk, economic assumptions and risk, climate, environmental and sustainability risk, operational risk, conduct risk, financial crime risk, cyber, data and IT risk and credit rating risk and to various types of market risk, including interest rate risk, foreign exchange rate risk and commodity and equity price risk; customer experience, including our Net Promoter Score (NPS); employee engagement and gender balance in leadership positions.

Limitations inherent to forward-looking statements

These statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's and NWM Group's strategy or operations, which may result in NWM Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future results, gains or losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein, whether to reflect any change in our expectations with regard thereto, any change in events, conditions or circumstances on which any such statement is based, or otherwise, except to the extent legally required.

Important factors that could affect the actual outcome of the forward-looking statements

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements described in this document. These factors include, but are not limited to, those set forth in the risk factors and the other uncertainties described in NatWest Markets Plc's Annual Report and its other public filings. The principal risks and uncertainties that could adversely affect NWM Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, include, but are not limited to: economic and political risk (including in respect of: economic and political risks and uncertainties in the UK and global markets, including as a result of GDP growth, inflation and interest rates, supply chain disruption, fiscal and monetary policy changes (such as increases in bank levies), and geopolitical developments (including the direct and indirect impacts of escalating armed conflicts); changes in interest rates and foreign currency exchange rates; uncertainty regarding the effects of Brexit; and HM Treasury's ownership of NatWest Group plc); business change and execution risk (including in respect of: NatWest Group's strategy and NatWest Group's creation of its Commercial & Institutional franchise (of which NWM Group forms part); financial resilience risk (including in respect of: NWM Group's ability to meet targets, generate returns or implement its strategy effectively; prudential regulatory requirements for capital and MREL; NWM Group's reliance on access to capital markets directly or indirectly through its parent (NatWest Group); capital, funding and liquidity risk; reductions in the credit ratings; the competitive environment; the requirements of regulatory stress tests; counterparty and borrower risk; model risk; sensitivity to accounting policies, judgments, estimates and assumptions (and the economic, climate, competitive and other forward looking information affecting those judgments, estimates and assumptions); changes in applicable accounting standards; the adequacy of NatWest Group's resolution plans; and the application of UK statutory stabilisation or resolution powers to NatWest Group); climate and sustainability risk (including in respect of: risks relating to climate change and sustainability-related risks; both the execution and reputational risk relating to NatWest Group's climate change-related strategy, ambitions, targets and transition plan; climate and sustainability-related data and model risk; the failure to implement climate change resilient governance, procedures, systems and controls; increasing levels of climate, environmental, human rights and other sustainability-related laws, regulation and oversight; climate, environmental, human rights and other sustainability-related litigation, enforcement proceedings, investigations and conduct risk; and reductions in ESG ratings); operational and IT resilience risk (including in respect of: operational risks (including reliance on third party suppliers); cyberattacks; the accuracy and effective use of data; attracting, retaining and developing senior management and skilled personnel; complex IT systems; NWM Group's risk management framework; and NWM Group's reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; the outcome of legal, regulatory and governmental actions and investigations as well as remedial undertakings; and changes in tax legislation or failure to generate future taxable profits).

Forward-looking statements continued

Climate and ESG disclosures

Climate and sustainability-related disclosures in this document are not measures within the scope of International Financial Reporting Standards ('IFRS'), use a greater number and level of judgments, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities, than our reporting of historical financial information in accordance with IFRS. These judgments, assumptions and estimates are highly likely to change materially over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. In addition, our climate risk analysis, net zero strategy, including the implementation of our climate transition plan, remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. The process we have adopted to define, gather and report data on our performance on climate and sustainability-related measures is not subject to the formal processes adopted for financial reporting in accordance with IFRS and there are currently limited industry standards or globally recognised established practices for measuring and defining climate and sustainability-related metrics. As a result, we expect that certain climate and sustainability-related disclosures made in this document are likely to be amended, updated, recalculated or restated in the future. Please also refer to the cautionary statement in the section entitled 'Climate-related and other forward-looking statements and metrics' of the NatWest Group 2023 Climate-related Disclosures Report published by NatWest Group plc for the consolidated group, including NatWest Markets Plc.

Cautionary statement regarding Non-IFRS financial measures and APMs

NWM Group prepares its financial statements in accordance with UK-adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). This document may contain financial measures and ratios not specifically defined under GAAP or IFRS ('Non-IFRS') and/or alternative performance measures ('APMs') as defined in European Securities and Markets Authority ('ESMA') guidelines. Non-IFRS measures and APMs are adjusted for notable and other defined items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. Non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. Any Non-IFRS measures and/or APMs included in this document, are not measures within the scope of IFRS, are based on a number of assumptions that are subject to uncertainties and change, and are not a substitute for IFRS measures.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or a solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

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