

NatWest Group plc 21 February 2025

NatWest Markets N.V. 2024 ARA
RBS Holdings N.V. 2024 ARA
RBS Holdings N.V. Pillar 3 Report

NatWest Markets N.V. and RBS Holdings N.V. today announces the publication of the 2024 Annual Report and Accounts. The documents will be available on NatWest Group plc's website at <https://investors.natwestgroup.com/reports-archive>

We have also published the RBS Holdings N.V. 2024 Pillar 3 report, available at at <https://investors.natwestgroup.com/reports-archive>

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For the purpose of compliance with the Disclosure Guidance and Transparency Rules, this announcement also contains risk factors extracted from the NatWest Markets N.V. Annual Report and Accounts 2024 in full unedited text. Page references in the text refer to page numbers in the NatWest Markets N.V. Annual Report and Accounts 2024.

Principal Risks and Uncertainties

Set out below are certain risk factors that could have a material adverse effect on NWM N.V. Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, and directly or indirectly impact the value of its securities. These risk factors are broadly categorised and should be read in conjunction with other risk factors in this section and other parts of this annual report, including the top and emerging risk section, and the risk and capital management section. They should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing NWM N.V. Group.

Economic and political risk

NWM N.V. Group, its customers and its counterparties face continued economic and political risks and uncertainties in the UK, European and global markets, including as a result of inflation and interest rates, supply chain disruption and geopolitical developments.

The value of NWM N.V. Group's own and other securities may be materially affected by market risk (including as a result of market fluctuations). Market volatility, illiquid market conditions and disruptions in the financial markets may make it very difficult to value certain of NWM N.V. Group's own and other securities, particularly during periods of market displacement. This could cause a decline in the value of NWM N.V. Group's financial instruments, or inaccurate carrying values for certain securities. Similarly, NWM N.V. Group trades a considerable amount of own and other securities (including derivatives) and volatile market conditions could result in a significant decline in NWM N.V. Group's net trading income or result in a trading loss.

In addition, financial markets are susceptible to severe events evidenced by, or resulting in, rapid depreciation in asset values, which may be accompanied by a reduction in asset liquidity. Under these conditions, hedging and other risk management strategies may not be as effective at mitigating losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously (and often automatically) and on a large scale, increasing NWM N.V. Group's counterparty risk. NWM N.V. Group's risk management and monitoring processes seek to quantify and mitigate NWM N.V. Group's exposure to extreme market moves. However, market events have historically been difficult to predict and NWM N.V. Group, its customers and its counterparties could realise significant losses if severe market events were to occur.

NWM N.V. 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 NWM N.V. Group. The outlook for the global economy is affected by many dynamic factors including: GDP, unemployment, inflation, interest rates, asset prices (including residential and commercial property), energy prices, supply chain disruption, protectionist policies or trade barriers (including tariffs), and monetary and fiscal policy (such as increases in bank levies).

Economic and market conditions could be exacerbated by a number of factors including: instability in the UK or global financial systems, market volatility and change, fluctuations in the value of the pound sterling and euro, new or extended economic sanctions, volatility in commodity prices, political uncertainty, concerns regarding sovereign debt (including sovereign credit ratings), changing demographics in the markets that NWM N.V. Group and its customers serve, or rapid changes to the economic environment due to the adoption of technology, automation and artificial intelligence, or due to climate change, and/or other sustainability-related risks (including increasing social and other inequalities). Any of the above developments could have an adverse effect on NWM N.V. Group directly (for example, as a result of credit losses) or indirectly (for example, by impacting global economic growth and financial markets and NWM N.V. Group's customers and their banking needs).

NWM N.V. Group is also exposed to risks arising out of geopolitical and other events or political developments that may hinder economic or financial activity levels. Political, military or diplomatic events (for example, the Russia-Ukraine conflict and Middle East conflicts), terrorist acts or threats, more severe and frequent extreme weather events, tax changes, 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, may have a material adverse effect on the business and

performance of NWM N.V. Group, including as a result of the direct or indirect impact on UK, regional or global trade and/or NWM N.V. Group's customers and counterparties.

In recent years, the UK has experienced significant political uncertainty. NWM Group may also face political uncertainty in Scotland if there is another Scottish independence referendum. Scottish independence may adversely affect NWM Group both in relation to entities incorporated in Scotland and in other jurisdictions. Any changes to Scotland's relationship with the UK or the EU would adversely affect the environment in which NWM Group plc and its subsidiaries operate and may require further changes to NatWest Group (including NWM Group's and NWM N.V. Group's structure), independently or in conjunction with other mandatory or strategic structural and organisational changes, any of which could have an adverse effect on NWM N.V. Group.

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

Changes in interest rates will continue to affect NWM N.V. Group's business and results.

NWM N.V. Group's performance is affected by changes in interest rates. Benchmark overnight interest rates decreased in 2024, and forward rates at 31 December 2024 suggest that interest rates will continue to decline in 2025.

On the one hand, stable interest rates support more predictable income flow and less volatility in asset and liability valuations, although persistently low and negative interest rates, may adversely affect NWM N.V. Group. On the other hand, volatility in interest rates may result in unexpected outcomes both for interest income and asset and liability valuations which may adversely affect NWM N.V. Group. For example, decreases in key benchmark rates such as the key ECB interest rates may adversely affect NWM N.V. 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 an adverse effect on some asset and derivative valuations, for example. Furthermore, customer and investor responses to rapid changes in interest rates can have an adverse impact on NWM N.V. Group.

For example, customers may make deposit choices that provide them with higher returns than those then being offered by NWM N.V. Group, and NWM N.V. Group may not respond with competitive products as rapidly, for example following an interest rate change which may in turn decrease NWM N.V. Group's net interest income. Movements in interest rates also influence and reflect the macroeconomic situation more broadly, affecting factors such as business and consumer confidence, property prices, default rates on loans, customer behaviour (which may adversely impact the effectiveness of NWM N.V. Group's hedging strategy) and other indicators that may indirectly affect NWM N.V. Group (and the effectiveness of its hedging strategy).

Any of the above may have an adverse effect on its future results, financial condition, prospects, and/or reputation.

HM Treasury (or UKGI on its behalf) could exercise, or be perceived as being capable of exercising, influence over NatWest Group and NWM N.V. Group is ultimately controlled by NatWest Group.

NatWest Group plc is the ultimate parent company of NWM N.V. In July 2024, the UK Chancellor confirmed the commitment of the UK Government to exit its shareholding in NatWest Group plc by 2025/2026 subject to market conditions and sales representing value for money. As at 13 January 2025, HM Treasury held 8.90% of the ordinary share capital with voting rights of NatWest Group plc.

HM Treasury has indicated that it intends to respect the commercial decisions of NatWest Group and that NatWest Group entities (including NWM N.V. Group) will continue to have their own independent board of directors and management team determining their own strategy. However, for as long as HM Treasury remains NatWest Group plc's largest single shareholder, HM Treasury and UK Government Investments Limited ('UKGI') (as manager of HM Treasury's shareholding) could exercise, or be perceived as being capable of exercising, influence over NatWest Group (including NWM N.V. Group), such as on matters relating to changes to NatWest Group's (including NWM N.V. Group's) directors and senior management, NatWest Group's (including NWM N.V. Group's) capital strategy, dividend policy, remuneration policy or the conduct by NatWest Group's (including NWM N.V. Group's) of its operations. HM Treasury or UKGI's approach largely depends on government policy, which could change. Any exercise of such influence, or the perception that such influence may be exercised, may have an adverse effect on NatWest Group's (including NWM N.V. Group's) reputation, the price of NatWest Group's (including NWM N.V. Group's) securities, or the governance or business strategy of NatWest Group (including NWM N.V. Group).

The way in which HM Treasury or UKGI exercises HM Treasury's rights as NatWest Group plc's largest single shareholder could give rise to conflicts between the interests of HM Treasury and the interests of other shareholders, including as a result of a change in government policy, which may in turn adversely affect NatWest Group (including NWM N.V. Group).

In addition, as a wholly owned subsidiary of NWM Plc (and ultimately NatWest Group plc), NWM plc and NatWest Group plc directly and indirectly control NWM N.V. Group's corporate policies and strategic direction. The interests of NatWest Group plc as an equity holder of NWM N.V. Group and as its ultimate parent and the interests of the C&I business segment may differ from, and conflict with, the interests of NWM N.V. Group or of potential investors in its securities.

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

Business change and execution risk

NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change.

As part of NatWest Group's strategy (including the strategic priorities of disciplined growth, bank-wide simplification and active balance sheet and risk management), NWM Group's (including NWM N.V. Group's) own strategy has evolved to mostly focus on serving NatWest Group's corporate and institutional customer base, via the creation of NatWest Group's C&I business segment. NatWest Group plc reports NWM N.V. Group's results under the C&I operating segment structure, although NWM N.V. Group continues to report on a standalone legal entity basis. The C&I business segment was created to promote closer operational and strategic alignment to support NatWest Group growth, with more integrated services to customers across NatWest Group entities, within and outside the ring-fenced banks, with the potential increased risk of breach of the UK ring-fencing regime requiring effective conflicts of interest policies. As a result of further focusing on NatWest Group's core C&I customers, NWM Group's prospects have become further dependent on the success and strategy of NatWest Group.

NWM Group's ability to serve its customers may be adversely affected by the execution of NatWest Group's strategy in respect of its C&I business segment and customer reactions to the changing nature of NWM Group's business model may be more adverse than expected. Previously anticipated revenue and profitability levels may not be achieved (including in relation to: the ability to support customer transactions whilst meeting NWM Group capital targets, and changes to the availability of risk capital, in the timescales envisaged, or at all). An adverse macroeconomic environment, political and regulatory uncertainty, market volatility and change, and/or strong market competition may require NWM Group to adjust aspects of its strategy or the timeframe for its implementation. It is anticipated that NWM Plc will continue to generate operating losses in the short term and as a result its capital levels may decline.

NWM Group's (which includes NWM N.V. Group) strategy requires it to focus on bank-wide simplification, a significant proportion of which is dependent on simplification of its IT systems and therefore may not be realised if IT capabilities are not delivered in line with assumptions. In addition, the scale of changes that have been concurrently implemented require the implementation and application of robust governance and controls frameworks and robust IT systems. There is a risk that NWM Group (including NWM N.V. Group) may not be successful in maintaining such governance and control frameworks and IT systems.

As part of NWM Group's strategy, NWM Group has set a number of financial, capital and operational targets and expectations, which are expected to require further reductions to its wider cost base. The financial, operational and capital targets and expectations envisaged by NWM's strategy may not be met or maintained in the timeframes expected or at all. In addition, targets and expectations for NWM Group are based on management plans, projections and models, and are subject to a number of key assumptions and judgments, any of which may prove to be inaccurate.

NWM Group has implemented a shared services model and transfer pricing arrangements with some entities within NatWest Group's ring-fenced sub-group (including NatWest Bank Plc and The Royal Bank of Scotland Plc). NWM Group therefore relies directly or indirectly on NatWest Group entities to provide services to itself and its customers. This reliance has increased as a result of NWM Group joining NatWest Group's C&I business segment.

A failure of NWM Group to receive these services may result in operational risk for NWM N.V. Group. See, 'Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM N.V. Group's businesses'. In addition, any change to the cost and/or scope of services provided by NatWest Group may impact NWM Group's (including NWM N.V. Group's) competitive position and its ability to meet its other targets.

NWM's strategy entails legal, execution, operational and regulatory (including compliance with the UK ring fencing regime), conflicts, IT system, cybersecurity, culture, people, conduct, business and financial risks to NWM Group (including NWM N.V. Group). As a result, NWM Group may not be able to successfully implement some or all aspects of its strategy or may not meet any or all of the related strategic targets or expectations. Each of the risks identified above, individually or collectively, could adversely affect NWM Group's (including NWM N.V. Group's) products and services offering or office locations, competitive position, ability to meet targets and commitments, reputation with customers or business model and may result in higher-than-expected costs, all of which could adversely affect NWM Group (including NWM N.V. Group) and its ability to deliver its strategy. There is a risk that the intended benefits of NatWest Group's and NWM Group's strategies may not be realised in the timelines or in the manner contemplated, or at all. Various aspects of NWM Group's strategy may not be successful, may not be completed as planned, or at all, or could be phased or could progress in a manner other than as expected. This could lead to additional management actions by NWM Group (or NWM N.V. Group), regulatory action or reduced liquidity and/or funding opportunities.

Additionally, as a result of the UK's withdrawal from the EU, certain aspects of the services provided by NatWest Group require local licences or individual equivalence decisions (temporary or otherwise) by relevant regulators. In April 2024, the European Parliament approved the Banking Package (CRR III/CRD VI). From 10 January 2027, non-EU firms providing 'banking services' will be required to apply for and obtain authorisation to operate as third country branches in each relevant EU member state where they provide these services, unless an exemption applies.

NatWest Group continues to evaluate its EU operating model, making adaptations as necessary. For example, in December 2024, NatWest Group decided that NWM N.V. will become the primary European corporate and institutional customer-facing entity, subject to regulatory approval. This new structure may lead to a significant increase in assets and liabilities within NWM N.V. Group and may require NWM N.V. to significantly increase its funding requirements, add additional skilled personnel, allocate increased management attention, and grow its technological capabilities. A failure by NWM N.V. Group to address any of these changes, if and when they arise, may have an adverse impact on NWM N.V. Group. See, 'NWM N.V. Group is reliant on access to the capital markets to meet its funding requirements. The inability to do so may adversely affect NWM N.V. Group', 'NWM N.V. Group relies on attracting, retaining, developing and remunerating diverse senior management and skilled personnel, and is required to maintain good employee relations', and 'NWM N.V. Group's operations are highly dependent on its complex IT systems, and any IT failure could adversely affect NWM N.V. Group'.

Changes to, or uncertainty regarding NatWest Group's and NWM Group's (including NWM N.V. Group) EU operating model have been, and may continue to be, costly and may (i) adversely affect customers and counterparties who are dependent on trading with the EU or personnel from the EU; and/or (ii) result in further costs and/or regulatory sanction due to a failure to receive the required regulatory permissions and/or further changes to NatWest Group's and NWM Group's business operations, product offering, customer engagement, and regulatory requirements.

Any of the above may lead to NWM Group (and NWM N.V. Group) not being viable, competitive or profitable, and may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

[The transfer of NatWest Group's Western European corporate portfolio involves certain risks.](#)

To improve efficiencies and best serve customers following the UK's withdrawal from the EU, certain assets, liabilities, transactions and activities of NatWest Group (including its Western European corporate portfolio principally consisting of term funding and revolving credit facilities) (the 'Transfer Business'), are expected to be: (i) transferred from the ring-fenced subgroup of NatWest Group to NWM Group (including NWM N.V. Group), and/or (ii) transferred to the ring-fenced subgroup of NatWest Group from NWM Group (including NWM N.V. Group), subject to regulatory and customer requirements. The timing, success and quantum of any of these transfers remain uncertain as is the impact of these transactions on its results of operations. As a result, this could have a material adverse effect on NWM Group's (including NWM N.V. Group) future results, financial condition, prospects, and/or reputation.

Financial resilience risk

NWM N.V. is NatWest Group's banking and trading entity located in the Netherlands. NWM N.V. has repurposed its banking licence, and NWM N.V. Group may be subject to further changes.

As part of NatWest Group's strategy, NWM N.V. is NatWest Group's banking and trading entity located in the Netherlands, and serves EEA customers. In addition, although the head office for NWM N.V. is located in the Netherlands, NWM N.V. Group also operates branches in France, Germany, Italy, and Sweden. As NWM N.V. and its parent company, RBS Holdings N.V., are classified as a "significant supervised group", the ECB has assumed direct supervision of NWM N.V., which may have an adverse effect on NWM N.V. Group's business strategy, operating model (including any compliance cost) and prudential and regulatory requirements.

As a subsidiary of NWM Plc (and ultimately NatWest Group plc), NWM N.V. utilises a number of NWM Group and NatWest Group systems, policies and frameworks (via a shared services model) including in relation to: technology (including innovation) and network infrastructure, marketing, risk frameworks, financial accounting systems, reporting, on-boarding processes, model development and validation, certain administrative and legal services and governance. In addition, the products that NWM N.V. offers are based on those offered by NWM Plc. See also, 'Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM N.V. Group's businesses'. As such, any changes made to systems, policies, frameworks or products of NatWest Group or NWM Group may have a corresponding adverse effect on NWM N.V.

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

NWM Group, including NWM N.V. Group, may not achieve its ambitions or targets, meet its guidance, generate returns or implement its strategy effectively.

NWM N.V. Group is subject to transfer pricing arrangements with NWM Plc (NWM N.V.'s parent company). Arm's length transfer pricing legislation in both the Netherlands and UK requires that, for transactions between related parties, each entity is rewarded on the same basis as two independent parties negotiating a contract covering the same activities.

The transfer pricing arrangements between NWM N.V. and NWM Plc require approval by both counterparties and are subject to audit and/or assessment by Dutch and UK tax authorities. A portion of NWM N.V. Group's income derives from transfer pricing income received from NatWest Group entities. Should the level of such income change as a result of regulatory intervention or otherwise, this may have a material and adverse effect on NWM N.V. Group's profitability. As part of NatWest Group's strategy, NWM N.V. Group has set a number of financial, capital and operational targets including in respect of: CET1 ratio targets, leverage ratio targets, targets in relation to local regulation, funding plans and requirements, employee engagement, diversity and inclusion as well as climate strategy (including its climate and sustainable funding and financing targets).

NWM N.V. 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: global macroeconomic, political, market and regulatory uncertainties, customer behaviour, operational risks and risks relating to NWM N.V. Group's business model and strategy (including risks associated with climate and other sustainability-related issues). See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change'.

A number of factors may impact NWM N.V.'s abilities to maintain its CET1 ratio target, including the macroeconomic environment, impairments, the extent of organic capital generation, and the receipt and payment of dividends. Furthermore, the focus on maintaining a disciplined cost base may result in limited investment in other areas which could affect NWM N.V. Group's long-term product offering or competitive position and its ability to meet its other targets, including those related to customer satisfaction.

In addition, challenging trading conditions may adversely affect NWM N.V. Group's business and its ability to achieve its targets, meet its guidance, and execute its strategy. Furthermore, NWM N.V. Group's strategy may not be successfully executed, or it may not meet its ambitions, targets, guidance, and expectations.

Any of the above may lead NWM N.V. Group to not meet its ambitions, target, guidance and expectations, to not be viable, competitive or profitable, and may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. may not meet the prudential regulatory requirements for capital.

NWM N.V. Group is required by the ECB to maintain adequate financial resources. Adequate capital provides NWM N.V. Group with financial flexibility in the face of turbulence and uncertainty in the global economy and specifically in its core European operations.

NWM Plc's and NWM N.V.'s target CET1 ratios (see the targets set forth in each respective entity's Outlook section) are based on regulatory requirements and management actions that rely on internal modelling and risk appetite (including under stress). As at 31 December 2024, NWM N.V. Group's CET1 ratio (on a consolidated basis) was 20.4% and its CET1 target ratio for the medium term is around 14%. NWM N.V.'s current capital strategy is based on the management of RWAs and other capital management initiatives.

Other factors that could influence NWM N.V.'s CET1 ratios include:

- a depletion of NWM N.V.'s capital resources through reduced profits (which would in turn impact retained earnings) and may result from revenue attrition or increased liabilities, sustained periods of low interest rates, reduced asset values resulting in write-downs or reserve adjustments, impairments, changes in accounting policy, accounting charges or foreign exchange movements;
- a change in the quantum of NWM N.V.'s RWAs, stemming from exceeding target RWA levels, regulatory changes (including their interpretation or application), foreign exchange movements or a failure in internal controls or procedures to accurately measure and report RWAs/leverage exposure. An increase in RWAs would lead to a reduction in the CET1 ratio (and increase the amount of internal MREL required for NWM N.V.);
- changes in prudential regulatory requirements including the Total Capital Requirement for NWM N.V. (as regulated by the ECB), including Pillar 2 requirements and regulatory buffers as well as any applicable scalars;
- further losses (including as a result of extreme one-off incidents such as cyberattack, fraud or conduct issues) would deplete capital resources and place downward pressure on the CET1 ratio; or
- the timing of planned liquidation, disposal and/or capital releases of capital including on activity or legacy entities owned by NWM Plc and NWM N.V. See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change. Management actions taken under a stress scenario may affect, among other things, NWM N.V. Group's product offering, its credit ratings, its ability to operate its businesses and pursue its strategy, any of which may negatively impact investor confidence and the value of NWM N.V. Group's securities. See also, 'NWM N.V. may not manage its capital, liquidity or funding effectively which could trigger the execution

of certain management actions or recovery options', and 'NatWest Group (including NWM N.V.) may become subject to the application of statutory stabilisation or resolution powers which may result in, among other actions, the write-down or conversion of certain Eligible Liabilities (including NWM N.V.'s Eligible Liabilities).'

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

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

Liquidity and the ability to raise funds continues to be a key area of focus for NWM N.V. Group and the industry as a whole. NatWest Group and NWM N.V. are required by regulators in the UK, the EU and other jurisdictions in which they undertake regulated activities to maintain adequate liquidity and funding resources. To satisfy its liquidity and funding requirements, NWM N.V. Group may therefore access sources of liquidity and funding through deposits and wholesale funding, including debt capital markets and trading liabilities such as repurchase agreements. As at 31 December 2024, NWM N.V. Group held €3.6 billion in deposits from banks and customers. The level of deposits and wholesale funding may fluctuate due to factors outside NWM N.V. Group's control.

These factors include: loss of customers, changes in customer behaviour, loss of customer and/or investor confidence (including in individual NWM N.V. Group entities or the European banking sector or the banking sector as a whole), changes in interest rates, government support, increasing competitive pressures for bank funding or the reduction or cessation of deposits and other funding by counterparties, any of which could result in a significant outflow of deposits or reduction in wholesale funding within a short period of time. See also, 'NWM N.V. Group has significant exposure to counterparty and borrower risk'.

An inability to grow, roll-over, or any material decrease in, NWM N.V. Group's deposits, short-term wholesale funding and short-term liability financing could, particularly if accompanied by one of the other factors described above, have an adverse effect on NWM N.V. Group's ability to satisfy its liquidity needs.

NWM N.V. Group engages from time to time in 'fee based borrow' transactions whereby collateral (such as government bonds) is borrowed from counterparties on an unsecured basis in return for a fee. This borrowed collateral may be used by NWM N.V. Group to finance parts of its balance sheet, either in its repo financing business, derivatives portfolio or more generally across its balance sheet. If such 'fee based borrow' transactions are unwound whilst used to support the financing of parts of NWM N.V. Group balance sheet, then unsecured funding from other sources would be required to replace such financing. There is a risk that NWM N.V. Group would be unable to replace such financing on acceptable terms or at all, which may have an adverse effect on its liquidity position and may adversely affect NWM N.V. Group. In addition, because 'fee base borrow' transactions are conducted off-balance sheet (due to the collateral being borrowed) investors may find it more difficult to gauge NWM N.V. Group's creditworthiness, which may be affected if these transactions were to be unwound in a stress scenario. Any lack of, or perceived lack of, creditworthiness may adversely affect NWM N.V. Group.

Macroeconomic developments, political uncertainty, changes in interest rates, and market volatility could affect NWM N.V. Group's ability to access sources of liquidity and funding 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, NWM N.V. Group and its subsidiaries could be required to change their funding plans and/or their operations. This could exacerbate funding and liquidity risk, which could have a negative effect on NWM N.V. Group.

As at 31 December 2024, NWM N.V. Group reported a liquidity coverage ratio of 247% on a consolidated basis. If its liquidity position were to come under stress and if NWM N.V. Group is unable to raise funds through deposits, wholesale funding sources, or other reliable funding sources, on acceptable terms or at all, its liquidity position would likely be adversely affected. This would mean that NWM N.V. Group might be unable to: meet deposit withdrawals on demand or satisfy buy back requests, repay borrowings as they mature, meet its obligations under committed financing facilities, comply with regulatory funding requirements, undertake certain capital and/or debt management activities, or fund new loans, investments and businesses.

If, under a stress scenario, the level of liquidity falls outside of NWM N.V. Group's risk appetite, there are a range of recovery management actions that NWM N.V. Group could take to manage its liquidity levels, but any such actions may not be sufficient to restore adequate liquidity levels. NWM N.V. Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM N.V. Group's applicable liquidity requirements would trigger consideration of NWM N.V.'s recovery actions. This in turn may prompt consideration of NatWest Group's recovery plan to attempt to remediate a deficient liquidity position.

NWM N.V. Group may need to liquidate assets to meet its liabilities, including disposals of assets not previously identified for disposal to reduce its funding or payment commitments or trigger the execution of certain management actions or recovery options. This could also lead to higher funding costs and/or changes to NWM N.V. Group's funding plans or its operations. In a time of reduced liquidity or market stress, NWM N.V. Group may be unable to sell some of its assets or may need to sell assets at depressed prices, which in either case may adversely affect NWM N.V. Group.

NWM N.V. Group independently manages liquidity risk on a stand-alone basis, including through holding its own liquidity portfolio. It has restricted access to liquidity or funding from other NatWest Group entities. As a result, NWM N.V.'s liquidity position could be adversely affected, which may also require assets to be liquidated or may result in higher funding costs which may adversely affect NWM N.V. Group's margins and profitability. NWM N.V.'s management of its own liquidity portfolio and the structure of capital support are subject to operational and execution risk, as NWM N.V. is required to meet its own liquidity and capital requirements.

Continuing market volatility may have a negative effect on NWM N.V. Group's access to liquidity and funding, which could mean that NWM N.V. Group is required to adapt its funding plan or change its operations in order to satisfy its liquidity and funding requirements, which could have an adverse effect on NWM N.V. Group. Market volatility may also result in increases to leverage exposure.

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

NWM N.V. Group is reliant on access to the capital markets to meet its funding requirements. The inability to do so may adversely affect NWM N.V. Group.

NWM N.V.'s funding requirements are based on its current and anticipated business activities, and may increase in the future (including as a result of changes to NatWest Group's and NWM Group's (including NWM N.V. Group) EU operating model). Therefore, NWM N.V. Group is reliant on frequent access to the capital markets for funding, at a cost that can be passed through to its customers.

This access entails execution risk, regulatory risk, risk of reduced commercial activity, risk of loss of market confidence in NWM N.V. Group if it cannot finance its activities and risk of a ratings downgrade, which could be influenced by a number of internal or external factors, including, those summarised in 'NWM N.V. Group, its customers and its counterparties face continued economic and political risks and uncertainty in the UK, European and global markets, including as a result of inflation and interest rates, supply chain disruption and geopolitical developments' and 'NWM N.V. Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM N.V. Group.'

In addition, NWM N.V. receives capital directly or indirectly from NWM Group plc and NWM N.V. is therefore reliant on the willingness of NWM Group plc to fund its internal capital targets. NWM N.V. Group has set target levels for different tiers of capital as percentages of its RWAs. The level of capital and funding required for NWM N.V. to meet its internal targets is therefore a function of the level of RWAs and its leverage exposure in NWM N.V. and this may vary over time.

Any inability of NWM N.V. Group to adequately access the capital markets, to manage its balance sheet in line with assumptions in its funding plans, may adversely affect NWM N.V. Group, such that NWM N.V. Group may not constitute a viable banking business and/or NWM N.V. may fail to meet its regulatory capital requirements (at present, NWM N.V. does not yet have its own MREL).

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

NWM N.V. may not manage its capital, liquidity or funding effectively which could trigger the execution of certain management actions or recovery options.

Under the EU Bank Recovery and Resolution Directives I and II ('BRRD'), as implemented in the Netherlands, NatWest N.V. Group must maintain a recovery plan acceptable to its regulator, such that a breach of NWM N.V.'s applicable capital or leverage, liquidity or funding requirements would trigger consideration of NWM N.V.'s recovery action, and in turn may prompt consideration of NatWest Group's recovery actions. If, under stressed conditions, the liquidity, capital or leverage ratio were to decline, there are a range of recovery management actions (focused on risk reduction and mitigation) that NWM N.V. could undertake that may or may not be sufficient to restore adequate liquidity, capital and leverage ratios. Additional management options relating to existing capital issuances, asset or business disposals, capital payments and dividends from NWM Plc to its parent, could also be undertaken to support NWM N.V.'s capital and leverage requirements.

NatWest Group may also address a shortage of capital in NWM N.V. by providing parental support to NWM N.V., subject to evidence that the conditions set out in Article 23 of the BRRD, as implemented into Dutch law article 3:301 and 3:305 of the Dutch Financial Markets Supervision Act ('FMSA') have been met. NatWest Group's and/or NWM N.V.'s regulator may also request that NWM N.V. Group carry out additional capital management actions. The Bank of England ('BoE') has identified single point-of-entry at NatWest Group plc, as the preferred resolution strategy for NatWest Group.

However, under certain conditions set forth in the BRRD, as implemented by the FMSA, De Nederlandsche Bank ('DNB') or the Single EU Resolution Board ('SRB'), also have the power to execute the 'bail-in' of certain securities of NWM N.V. without further action at NatWest Group level.

Any capital management actions taken under a stress scenario may, in turn affect: NWM N.V. Group's product offering, credit ratings, ability to operate its businesses and pursue its strategy as well as negatively impacting investor confidence and the value of NWM N.V. Group's securities. See also, 'NatWest Group (including NWM N.V.) may become subject to the application of statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of certain Eligible Liabilities (including NWM N.V.'s Eligible Liabilities)'. In addition, if NWM N.V.'s liquidity position was to be adversely affected, this may require assets to be liquidated or may result in higher funding costs, which may adversely affect NWM N.V. Group's operating performance.

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

Any reduction in the credit rating and/or outlooks assigned to NatWest Group plc, any of its subsidiaries (including NWM Plc or NWM N.V.) or any of their respective debt securities could adversely affect the availability of funding for NWM N.V. Group, reduce NWM N.V. Group's liquidity and funding position and increase the cost of funding.

Rating agencies regularly review NatWest Group plc, NWM Plc, NWM N.V. and other NatWest Group entities' credit ratings and outlooks. NWM N.V. Group entities' credit ratings and outlooks, could be negatively affected (directly and indirectly) by a number of factors that can change over time, including without limitation: credit rating agencies' assessment of NWM N.V. Group's strategy and management's capability; its financial condition including in respect of profitability, asset quality, capital, funding and liquidity, and risk management practices; the level of political support for the sectors and regions in which NWM N.V. Group operates; the legal and regulatory frameworks applicable to NWM N.V. Group's legal structure; business activities and the rights of its creditors; changes in rating methodologies; changes in the relative size of the loss-absorbing buffers protecting bondholders and depositors; the competitive environment, political, geopolitical and economic conditions in NWM N.V. Group's key markets (including inflation and interest rates, supply chain disruptions and geopolitical developments); any reduction of the UK's sovereign credit rating and market uncertainty.

In addition, credit rating agencies are increasingly taking into account sustainability-related factors, including climate, environmental, social and governance related risk, as part of the credit ratings analysis, as are investors in their investment decisions.

Any reductions in the credit ratings of NatWest Group plc, NWM Plc, NWM N.V. or of certain other NatWest Group entities could significantly affect NWM N.V. Group. Adverse consequences for NWM N.V. Group from downgrades could include, without limitation, a reduction in the access to capital markets or in the size of NWM N.V.'s deposit base, and trigger additional collateral or other requirements in its funding arrangements or the need to amend such arrangements, which could adversely affect NWM Group's liquidity and funding position and cost of funding, which could in turn limit the range of counterparties willing to enter into transactions with NWM N.V. Group on favourable terms, or at all. This may in turn adversely affect NWM N.V. Group's competitive position and threaten its prospects.

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

NWM N.V. Group operates in markets that are highly competitive, with competitive pressures and technology disruption.

NWM N.V. Group expects competition to continue and intensify in response to various trends including: evolving customer behaviour, technological changes (including digital currencies, stablecoins, and the growth of digital banking), competitor behaviour, new market entrants, competitive foreign exchange offerings, industry trends resulting in increased disaggregation or unbundling of financial services, or, conversely the re-intermediation of

traditional banking services, and the impact of regulatory actions, among others. In particular, NWM N.V. Group may be unable to grow or retain its market share due to new or (more competitive) banking, lending, and payment products and services that are offered by rapidly evolving incumbents and challengers (including shadow banks, alternative or direct lenders and new entrants). These competitive pressures and the introduction of disruptive technology may result in a shift in customer behaviour and impact NWM N.V. Group's revenues and profitability. Moreover, innovations in biometrics, artificial intelligence, automation, cloud services, blockchain, cryptocurrencies and quantum computing may rapidly facilitate industry transformation.

Increasingly, many of NWM N.V. Group's products and services are, and will become, more technology intensive, including through digitalisation, automation and the use of artificial intelligence, while needing to continue complying with applicable and evolving regulations. NWM N.V. Group's ability to develop or acquire digital solutions and their integration into NWM N.V. Group's structures, systems and controls has become increasingly important for retaining and growing NWM N.V. Group's market share and customer-facing businesses. NWM N.V. Group's innovation strategy (which includes investments in its IT capability intended to improve its core infrastructure and customer interface capabilities as well as investments and strategic partnerships with third party technology providers) may not be successful or may not result in NWM N.V. Group offering innovative products and services in the future.

Furthermore, current or future competitors may be more successful than NWM N.V. Group in implementing technologies for delivering products or services to their customers, which may adversely affect its competitive position. In addition, continued consolidation and/or technological developments in the financial services industry could result in the emergence of new competitors or NWM N.V. Group's competitors gaining greater capital and other resources, including the ability to offer a broader and more attractive or better value range of products and services and geographic diversity. For example, new market entrants, including non-traditional financial services providers, such as technology conglomerates, may have competitive advantages in scale, and technology and may be able to develop and deliver financial services at a lower cost base.

NWM Group and NWM N.V. Group may also fail to identify future opportunities or fail to derive benefits from technological innovation, changing customer behaviour and changing regulatory demands. Competitors may be better able to attract and retain customers and key employees, have more effective IT systems, and have access to lower cost funding and/or be able to attract deposits or provide investment-banking services on more favourable terms than NWM N.V. Group. Although NWM Group invests in new technologies and participates in industry and research-led technology development initiatives, such investments may be insufficient or ineffective, especially given NWM Group's focus on business simplification and cost efficiencies. This could affect NWM N.V. Group's ability to offer innovative products or technologies to customers.

If NWM N.V. Group is unable to offer competitive, attractive and innovative products that are also profitable and released in a timely manner, it will lose market share, incur losses on some or all of its initiatives and possibly lose growth opportunities. For example, NWM N.V. Group is investing in the automation of certain solutions and interactions within its customer-facing businesses, including through artificial intelligence. There can be no certainty that such initiatives will allow NWM N.V. Group to compete effectively or will deliver the expected cost savings for NWM N.V. Group. In addition, the implementation of NatWest Group's strategy, delivery on its climate ambition and cost-controlling measures may also have an impact on NWM N.V. Group's ability to compete effectively and provide satisfactory returns.

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

NWM N.V. Group may be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests.

NatWest Group is subject to annual and other stress tests by its regulator in the UK and NWM N.V. Group is subject to stress testing by the ECB. Stress tests are designed to assess the resilience of banks to potential adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. If the stress tests reveal that a bank's existing regulatory capital buffers are not sufficient to absorb the impact of the stress, then it is possible that NatWest Group and/or NWM Group may need to take action to strengthen their capital positions.

Failure by NatWest Group (or NWM N.V. Group) to meet its quantitative and qualitative requirements of the stress tests set forth by its UK regulators or the ECB, as applicable, may result in: NatWest Group's (and/or NWM N.V. Group's) regulators requiring NatWest Group (or NWM N.V. Group) to generate additional capital, reputational damage, increased supervision and/or regulatory sanctions and/or loss of investor confidence.

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

NWM N.V. Group has significant exposure to counterparty and borrower risk including credit losses, which may have an adverse effect on NWM N.V. Group.

NWM N.V., a subsidiary of NWM Plc, has a portfolio of loans and loan commitments to Western European corporate customers. As a result, NWM N.V. Group has exposure to many different sectors, customers and counterparties with a range of various credit quality. Risks arising from actual or perceived changes in credit quality and the recoverability of monies due from borrowers and other counterparties are inherent in a wide range of NWM N.V. Group's businesses. These risks may be concentrated for those businesses for which customer income is heavily weighted towards a specific geographic region, industry or customer base.

Furthermore, these risks are likely to increase due to the expected transfer of NatWest Group's Transfer Business. See 'The transfer of NatWest Group's Western European corporate portfolio involves certain risks'.

Credit risk may arise from a variety of business activities, including, but not limited to: extending credit to customers through various lending commitments; entering into swap or other derivative contracts under which counterparties have obligations to make payments to NWM N.V. Group (including un-collateralised derivatives); providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools, whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans. See also, 'Risk and Capital Management — Credit Risk'.

Any negative developments in the activities listed above may negatively impact NWM N.V. Group's customers and credit exposures, which may, in turn, adversely affect NWM N.V. Group's profitability.

The credit quality of NWM N.V. Group's borrowers and other counterparties may be affected by global macroeconomic and political uncertainties, as well as prevailing economic and market conditions. See 'NWM N.V. Group, its customers and its counterparties face continued economic and

political risks and uncertainties in the UK, European and global markets, including as a result of inflation and interest rates, supply chain disruption and geopolitical developments'. Any further deterioration in these conditions or changes to legal or regulatory landscapes could worsen borrower and counterparty credit quality or impact the enforcement of contractual rights, increasing credit risk.

NWM N.V. Group is exposed to the financial sector, including sovereign debt securities, financial institutions, financial intermediation providers (including providing facilities to financial sponsors and funds, backed by assets or investor commitments) and securitised products (typically senior lending to special purpose vehicles backed by pools of financial assets). Concerns about, or a default by, a financial institution or intermediary could lead to significant liquidity problems and losses or defaults by other financial institutions or intermediaries, since the commercial and financial soundness of many financial institutions and intermediaries is closely related and interdependent as a result of credit, trading, clearing and other relationships. Any perceived lack of creditworthiness of a counterparty or borrower may lead to market-wide liquidity problems and losses for NWM N.V. Group. In addition, the value of collateral may be correlated with the probability of default by the relevant counterparty ('wrong way risk'), which would increase NWM N.V. Group's potential loss. This systemic risk may also adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which NWM N.V. Group interacts on a regular basis. See also, 'NWM N.V. Group is reliant on access to the capital markets to meet its funding requirements. The inability to do so may adversely affect NWM N.V. Group', and 'NWM N.V. Group may not meet the prudential regulatory requirements for liquidity and funding or may not be able to adequately access sources of liquidity and funding, which could trigger the execution of certain management actions or recovery options'. As a result, adverse changes in borrower and counterparty credit risk may cause additional impairment charges under IFRS 9, increased repurchase demands, higher costs, additional write-downs and losses for NWM N.V. Group and an inability to engage in routine funding transactions.

NWM N.V. 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 judgment 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.

Going forward, NWM N.V. Group anticipates observable credit deterioration of a proportion of assets resulting in a systematic uplift in defaults, which is mitigated by those economic assumption scenarios being reflected in the Stage 2 ECL across portfolios, along with a combination of post model overlays in both wholesale and retail portfolios reflecting the uncertainty of credit outcomes. See also, 'Risk and Capital Management — Credit Risk'. A credit deterioration would also lead to RWA increases. Furthermore, the assumptions and judgments used in the MES and ECL assessment at 31 December 2024 may not prove to be adequate resulting in incremental ECL provisions for NWM N.V. Group.

Due to NWM N.V. Group's exposure to the financial industry, it also has exposure to shadow banking entities (i.e., entities which carry out activities of a similar nature to banks without the same regulatory oversight). NWM N.V. Group is required to identify and monitor its exposure to shadow banking entities, implement and maintain an internal framework for the identification, management, control and mitigation of the risks associated with exposure to shadow banking entities, and/or ensure effective reporting and governance in respect of such exposure. If NWM N.V. Group is unable to properly identify and monitor its shadow banking exposure, maintain an adequate framework, or ensure effective reporting and governance in respect of shadow banking exposure.

Any of the above may adversely affect NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group could incur losses or be required to maintain higher levels of capital as a result of limitations or failure of various models.

Given the complexity of NWM N.V. Group's business, strategy and capital requirements, NWM N.V. Group relies on models for a wide range of purposes, including to manage its business, assess the value of its assets and its risk exposure, as well as to anticipate capital and funding requirements (including to facilitate NatWest Group's mandated stress testing). In addition, NWM N.V. Group utilises models for valuations, credit approvals, calculation of loan impairment charges on an IFRS 9 basis, financial reporting and for financial crime (criminal activities in the form of money laundering, terrorist financing, bribery and corruption, tax evasion and sanctions as well as external or internal fraud (collectively, 'financial crime')). NWM N.V. Group's models, and the parameters and assumptions on which they are based, are periodically reviewed.

Model outputs are inherently uncertain, because they are imperfect representations of real-world phenomena or simplifications of complex real-world systems and processes, and are based on a limited set of observations. NWM N.V. Group may face adverse consequences as a result of actions or decisions based on models that are poorly developed, incorrectly implemented, non-compliant, outdated or used inappropriately. This includes models that are based on inaccurate or non-representative data (for example, where there have been changes in the micro or macroeconomic environment in which NWM N.V. Group operates) or as a result of the modelled outcome being misunderstood, or used for purposes for which it was not designed. This could result in findings of deficiencies by NatWest Group's (and in particular, NWM Group's or NWM N.V. Group's) regulators (including as part of NatWest Group's mandated stress testing), increased capital requirements, may render some business lines non-viable, may require management action or may subject NWM N.V. Group to regulatory sanction, any of which in turn may also have an adverse effect on NWM N.V. Group and its customers. Any of the above may have a material adverse effect on NWM Group's future results, financial condition, prospects, and/or reputation.

NWM N.V. Group's financial statements are sensitive to underlying accounting policies, judgments, estimates and assumptions.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, exposures and RWAs. While estimates, judgments 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, judgments and assumptions (particularly those involving the use of complex models).

Further, accounting policy and financial statement reporting requirements increasingly require management to adjust existing judgments, estimates and assumptions for the effects of climate-related, sustainability and other matters that are inherently uncertain and for which there is little historical experience which may affect the comparability of NWM N.V. 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, judgments and assumptions.

Accounting policies deemed critical to NWM N.V. Group's results and financial position, based upon materiality and significant judgments and estimates, involve a high degree of uncertainty and may have a material impact on its results. For 2024, these include fair value and deferred tax. These are set out in the section 'Critical accounting policies'.

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

Changes in accounting standards may materially impact NWM N.V. Group's financial results.

NWM N.V. Group prepares its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board. Changes in accounting standards or guidance by accounting bodies or in the timing of their implementation, whether immediate or foreseeable, could result in NWM N.V. Group having to recognise additional liabilities on its balance sheet, or in further write-downs or impairments to its assets and may also adversely affect NWM N.V. Group.

NWM N.V. Group's trading assets amounted to €6.7 million as at 31 December 2024. The valuation of financial instruments, including derivatives, measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Generally, to establish the fair value of these instruments, NWM N.V. Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently credible, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to prevailing market conditions. In these circumstances, NWM N.V. Group's internal valuation models require NWM N.V. Group to make assumptions, judgments and estimates to establish fair value, which are complex and often relate to matters that are inherently uncertain.

Any of these factors could require NWM N.V. Group to recognise fair value losses which may adversely affect NWM N.V. Group's income generation and financial position.

From time to time, the International Accounting Standards Board may issue new accounting standards or interpretations that could materially impact how NWM N.V. Group calculates, reports and discloses its financial results and financial condition, and which may affect NWM N.V. Group capital ratios, including the CET1 ratio and the required levels of regulatory capital. New accounting standards and interpretations that have been issued by the International Accounting Standards Board but which have not yet been adopted by NWM N.V. Group are discussed in 'Future accounting developments'.

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

NatWest Group (including NWM N.V.) may become subject to the application of statutory stabilisation or resolution powers which may result in, for example, the write-down or conversion of certain Eligible Liabilities (including NWM N.V.'s Eligible Liabilities).

The BRRD establishes a common approach within the EU for the recovery and resolution of banks. In the UK and the Netherlands, the BRRD has been implemented via national legislation which grants powers to a national resolution authority (the 'NRA'). The UK implementation of the BRRD remains in force now that the transition following the UK's withdrawal from the EU has ended.

In the EU the BRRD is also (partly) implemented by a directly binding regulation which established a Single Resolution Mechanism ('SRM') and the SRB with powers which exceed the powers of the EU NRAs.

United Kingdom – NatWest Group plc and its UK subsidiaries

The BoE, the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA'), and HM Treasury (together, the 'UK Authorities') are granted substantial powers to resolve and stabilise UK-incorporated financial institutions. Five stabilisation options exist: (i) transfer of all of the business of a relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a 'bridge bank' wholly or partially-owned by the BoE; (iii) transfer of part of the assets, rights or liabilities of the relevant entity to one or more asset management vehicles for management of the transferor's assets, rights or liabilities; (iv) the write-down, conversion, transfer, modification, or suspension of the relevant entity's equity, capital instruments and liabilities; and (v) temporary public ownership of the relevant entity. These options may be applied to NatWest Group plc as the parent company or to NWM Group, as a subsidiary, where certain conditions are met (such as, whether the firm is failing or likely to fail, or whether it is reasonably likely that action will be taken (outside of resolution) that will result in the firm no longer failing or being likely to fail). Moreover, there are modified insolvency and administration procedures for relevant entities within NatWest Group, and the Authorities have the power to modify or override certain contractual arrangements in certain circumstances and amend the law for the purpose of enabling their powers to be used effectively and may promulgate provisions with retrospective applicability. Similar powers may also be exercised with respect to NWM N.V. in the Netherlands by the relevant Dutch regulatory authorities.

Under the UK Banking Act 2009, the Authorities are generally required to have regard to specified objectives in exercising the powers provided for by the UK Banking Act 2009. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the UK.

Moreover, the 'no creditor worse off' safeguard provides that where certain resolution actions are taken, the Authorities are required to ensure that no creditor is in a worse position than if the bank had entered into normal insolvency proceedings. Although, this safeguard may not apply in relation to an application of the separate write-down and conversion power relating to capital instruments under the UK Banking Act 2009, in circumstances where a stabilisation power is not also used, the UK Banking Act 2009 still requires the Authorities to respect the hierarchy on insolvency when using the write-down and conversion power. Further, holders of debt instruments which are subject to the power may, however, have ordinary shares transferred to or issued to them by way of compensation.

Uncertainty exists as to how the Authorities may exercise their powers including the determination of actions to be undertaken in relation to the ordinary shares and other securities issued by NatWest Group (including NWM Group), which may depend on factors outside of NWM Group's control. Moreover, the UK Banking Act 2009 provisions remain largely untested in practice, particularly in respect of resolutions of large financial institutions and groups.

The Netherlands – NWM N.V.

The BRRD and the SRM provide the SRB and DNB (the 'N.V. Authorities', and together with the UK Authorities, the 'Authorities') with substantial powers to resolve and stabilise financial institutions incorporated in the Netherlands. The N.V. Authorities are responsible for resolution in relation to RBS Holdings N.V. and its subsidiaries (including NWM N.V.).

As a result, the SRB assumes direct resolution responsibility for NWM N.V. Group, while DNB participates in the planning and execution of resolution measures in coordination with the SRB within the SRM framework. The N.V. Authorities have broad powers to implement resolution measures with respect to financial institutions incorporated in the Netherlands which meet the conditions for resolution, which may include (without limitation) measures analogous to the Resolution Stabilisation Tools (options set out at points (i) to (iv) above under the UK Banking Act 2009). These powers and tools are designed to be used prior to the point at which any insolvency proceedings with respect to NWM N.V. could have been initiated.

In addition to the resolution powers of the N.V. Authorities described above, the Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets and liabilities of, claims against or securities issued by or with the consent of NWM N.V., if in the Minister of Finance's opinion, the stability of the financial systems is in serious and immediate danger as a result of the situation in which the firm finds itself (the 'Minister of Finance Powers').

There remains uncertainty regarding the ultimate nature and scope of these powers, and any exercise of the resolution regime powers by the N.V. Authorities or the Minister of Finance Powers may adversely affect holders of NWM N.V.'s Eligible Liabilities that fall within the scope of such powers.

If NatWest Group is at or is approaching the point such that regulatory intervention is required, there may correspondingly be a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation.

NatWest Group is subject to regulatory oversight in respect of resolution, and NWM N.V. Group could be adversely affected should the BoE in the future deem NatWest Group's preparations to be inadequate.

NatWest Group is subject to regulatory oversight by the BoE and the PRA, and is required (under the PRA rulebook) to carry out an assessment of its preparations for resolution, submit a report of the assessment to the PRA, and disclose a summary of this report. In August 2024 the BoE's assessment of NatWest Group's preparations did not identify any areas for further enhancement, shortcomings, deficiencies or substantive impediments. NatWest Group could be adversely affected should future BoE assessments deem NatWest Group's preparations to be inadequate.

If any future BoE assessment identifies any areas for further enhancement, shortcomings, deficiencies or substantive impediments in NatWest Group's ability to achieve the resolvability outcomes, or reveals that NatWest Group is not adequately prepared to be resolved, or does not have adequate plans in place to meet resolvability requirements, NatWest Group may be required to take action to enhance its preparations to be resolvable, resulting in additional cost and the dedication of additional resources. These actions may have an impact on NatWest Group (and NWM N.V. Group) as, depending on the BoE's assessment, potential action may include, but is not limited to, resulting in restrictions on maximum individual and aggregate exposures, a requirement to dispose of specified assets, a requirement to change legal or operational structure, a requirement to cease carrying out certain activities and/or to maintain a specified amount of MREL. This may also impact NatWest Group's (and NWM N.V. Group's) strategic plans and may lead to a loss of investor confidence. Additionally, DNB and the SRB may exercise similar powers if the recovery and resolution plans of NWM N.V. Group are not satisfactory.

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

Operational and IT resilience risk

Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in NWM N.V. 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, including legal and regulatory risks, third party processes, procedures, people or systems. NWM N.V. Group operates in several countries, offering a diverse range of products and services supported directly or indirectly by third party suppliers. As a result, operational risks or losses can arise from a number of internal or external factors (including, for example, payment errors or financial crime and fraud), for which there is continued scrutiny by third parties on NWM Group's compliance with financial crime requirements; see 'NWM N.V. Group and NWM Plc are exposed to the risk of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM N.V. Group'.

These risks are also present when NWM N.V. Group relies on NatWest Group, NWM Group, critical service providers (suppliers) or vendors to provide services to it or its customers, as is increasingly the case as NWM N.V. Group outsources certain activities, including with respect to the implementation of technologies, innovation (such as cloud services and artificial intelligence) and responding to regulatory and market changes. Furthermore, NWM N.V. is subject to the European Banking Authority's ('EBA') guidelines on outsourcing arrangements. If the systems and services provided by NatWest Group, NWM Group or any third party do not comply with such EBA requirements, there is a risk of increase in operational and compliance costs, which may negatively affect NWM N.V. Group's business continuity and reputation.

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

In recent years, NWM Group (including NWM N.V. Group) has materially increased its dependence on NatWest Bank Plc for numerous critical services and operations, including without limitation, property, technology, finance, accounting, treasury, legal, risk, regulatory compliance and reporting, financial crime, human resources, and certain other support and administrative functions. In addition, NWM N.V. Group has materially increased its dependence on NWM Plc for numerous critical services similar to those outlined above and for certain sales activities, which due to their complexities could potentially trigger regulatory, tax, reputational, financial crime and conduct risks. A failure by NatWest Bank Plc or NWM Plc to adequately supply these services may expose NWM N.V. Group to critical business failure risk, increased costs, regulatory sanctions, and other liabilities. These and any increases in the cost of these services may adversely affect NWM N.V. Group.

NWM N.V. Group also faces operational risks as it continues to invest in automation of certain solutions and customer interactions, including through artificial intelligence. Such initiatives may result in operational, reputational and conduct risks if the technology is not used appropriately, is defective, or inadequate or is not fully integrated into NWM N.V. Group's current solutions, systems, and controls.

The effective management of operational risks is critical to meeting customer service expectations and retaining and attracting customer business. Although NWM N.V. Group has implemented risk controls and mitigation actions, with resources and planning having been devoted to mitigate operational risk, such measures may not be effective in controlling each of the operational risks faced by NWM N.V. Group. Ineffective management of such risks may adversely affect NWM N.V. Group.

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

NWM N.V. Group is subject to sophisticated and frequent cyberattacks, and compliance with cybersecurity and data protection regulations is becoming increasingly complex.

NWM N.V. Group experiences a constant threat from cyberattacks across the entire NatWest Group (including NWM N.V. Group) and against NatWest Group and NWM N.V. Group's supply chain networks, reinforcing the importance of due diligence of, ongoing risk management of and close working relationships with, the third parties on which NWM N.V. Group relies. NWM N.V. 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. As cyberattacks evolve and become more sophisticated (including through the use of artificial intelligence), NWM Group (which includes NWM N.V. Group) is required to continue to invest significant resources in additional capability designed to defend against emerging threats. Third parties continue to make hostile attempts to gain access to, introduce malware (including ransomware) into, and exploit potential vulnerabilities of, financial services institutions' IT systems, including those of NWM Group. For example, in 2024, NatWest Group and its supply chain were subjected to a small number of attempted Distributed Denial of Service and ransomware attacks. These hostile attempts were addressed without material impact on NatWest Group or its customers by deploying cybersecurity capabilities and controls that seek to manage the impact of any such attacks, and sustain availability of services for NWM Group's customers. Consequently, NWM N.V. Group continues to invest significant resources in developing and evolving cybersecurity capabilities and controls that are designed to mitigate the potential effect of such attacks.

However, given the nature of the threat, there can be no assurance that these capabilities and controls will prevent the potential adverse effect of any attack from occurring. See also, 'NWM N.V. Group's operations are highly dependent on its complex IT systems, and any IT failure could adversely affect NWM N.V. Group'.

Any failure in NWM Group's (including NWM N.V. 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 costs relating to notification of, or compensation for customers and credit monitoring), result in regulatory investigations or sanctions being imposed or may affect NWM N.V. Group's ability to retain and attract customers.

Regulators in the UK, US, Europe and Asia continue to recognise cybersecurity as an important systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyberattacks, and to provide timely reporting or notification of them, as appropriate (including the EU Digital Operational Resilience Act ('DORA')). Furthermore, cyberattacks on NWM N.V. Group's counterparties may also have an adverse effect on NWM N.V. Group's operations.

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

NWM N.V. Group expects greater regulatory engagement, supervision and enforcement by the ECB to continue in relation to its overall resilience to withstand IT and IT-related disruption, either through a cyberattack or some other disruptive event. Such increased regulatory engagement, supervision and enforcement is uncertain in relation to the scope, cost, consequence and the pace of change, which may have an adverse effect on NWM N.V. Group. Due to NWM N.V. Group's reliance on technology, the adoption of innovative solutions, the integration of automated processes and artificial intelligence in its business, and the increasing sophistication, frequency and impact of cyberattacks, such attacks may adversely affect NWM N.V. Group.

In accordance with applicable UK, Dutch and EU data protection, and cybersecurity laws and regulations (including the EU General Data Protection Regulation ('EU GDPR')), NWM N.V. Group is required to ensure it implements timely appropriate and effective organisational and technological safeguards against unauthorised or unlawful access to the data of NWM N.V. Group, its customers and its employees. In order to meet this requirement, NWM N.V. Group relies on the effectiveness of its internal policies, controls and procedures to protect the confidentiality, integrity and availability of information held on its IT systems, networks and devices as well as with third parties with whom NWM N.V. Group interacts. A failure to monitor and manage data in accordance with applicable requirements may result in financial losses, regulatory fines and investigations and associated reputational damage.

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

NWM N.V. Group operations and strategy are highly dependent on the accuracy and effective use of data.

NWM N.V. Group relies on the availability, sourcing, and effective use of accurate and high quality data to support, monitor, evaluate, manage and enhance its operations, innovate its products offering, meet its regulatory obligations, and deliver its strategy. Investment is being made in data tools and analytics, including raising awareness around ethical data usage (for example, in relation to the use of artificial intelligence) and privacy across NWM N.V. Group.

The availability and accessibility of current, complete, detailed, accurate and, wherever possible, machine-readable customer segment and sub-sector data, together with appropriate governance and accountability for data, is fast becoming a critical strategic asset, which is subject to increased regulatory focus. Failure to have or be able to access that data or the ineffective use or governance of that data could result in a failure to manage and report important risks and opportunities or satisfy customers' expectations including the inability to deliver products and services. This could also place NWM N.V. Group at a competitive disadvantage by increasing its costs, inhibiting its efforts to reduce costs or its ability to improve its systems, controls and processes. Any of the above could result in a failure to deliver NWM N.V. Group's strategy.

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

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

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

NWM N.V. Group's success depends on its ability to attract, retain (through creating an inclusive environment), and develop highly skilled and qualified diverse personnel, including senior management, directors, and key employees (including for client-facing, technology and data focused roles), in a highly competitive market, and under internal cost efficiency pressures.

The inability to compensate employees competitively and/or any reduction of compensation, heightened regulatory oversight of banks and the increasing scrutiny of, and (in some cases) restrictions placed upon, employee compensation arrangements, negative economic developments or other factors, may adversely affect NWM N.V. Group's ability to hire, retain and engage well qualified employees, especially at a senior level, which could adversely affect NWM N.V. Group.

This increases the cost of hiring, training and retaining diverse skilled personnel. In addition, certain economic, market and regulatory conditions and political developments may reduce the pool of candidates for key management and non-executive roles, including non-executive directors with the right skills, knowledge and experience, or may increase the number of departures of existing employees. Moreover, a failure to foster a diverse and inclusive workforce may adversely affect NWM N.V. Group's employee engagement and the formulation and execution of its strategy and could also have a negative effect on its reputation with customers, investors and regulators.

Some of NWM N.V. Group's employees are represented by employee representative bodies, including works councils. Engagement with its employees and such bodies is important to NWM N.V. Group in maintaining good employee relations. Any breakdown of these relationships may adversely affect NWM N.V. Group.

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

NWM N.V. Group's operations are highly dependent on its complex IT systems, and any IT failure could adversely affect NWM N.V. Group.

NWM N.V. 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 (including DORA). The proper functioning of NatWest Group's (including NWM N.V. Group's) transactional and payment systems, financial crime, and fraud detection systems and controls, risk management, credit analysis and reporting, accounting, customer service and other IT systems, including cloud services providers (some of which are owned and operated by other entities in NatWest Group or third parties), is critical to NWM N.V. Group's operations.

Individually or collectively, any system failure, loss of service availability (including defective or inadequate automated processes or artificial intelligence based solutions), or breach of data security could potentially cause significant damage to (i) important business services across NWM N.V. Group; and (ii) NWM N.V. Group's ability to provide services to its customers, which could result in reputational damage, significant compensation costs and regulatory sanctions (including fines resulting from regulatory investigations) or a breach of applicable regulations and could affect NWM N.V. Group's regulatory approvals, competitive position, business and brands, which could undermine its ability to attract and retain customers and talent. NWM N.V. Group outsources certain functions as it innovates and offers new digital solutions to its customers. Outsourcing, alongside remote working, heightens the above risks.

NWM N.V. Group uses IT systems that enable remote working interface with third-party systems, and NWM N.V. Group could experience service denials or disruptions if such systems exceed capacity or if 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.

In 2024, NWM N.V. Group continued to make considerable investments to further simplify, upgrade and improve its IT and technology capabilities (including migration of certain services to cloud platforms). As part of NWM's strategy, NWM Group, including NWM N.V. Group, also continues to develop and enhance digital services for its customers and seeks to improve its competitive position through enhancing controls and procedures and strengthening the resilience of services including cyber security.

Any failure of these investment and rationalisation initiatives to achieve the expected results, due to cost challenges, poor implementation, defects, or otherwise, may adversely affect NWM Group's operations, its reputation and ability to retain or grow its customer business or adversely affect its competitive position, thereby negatively impacting NWM N.V. Group. See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change'.

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

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

Risk management is an integral part of all of NWM N.V. Group's activities and delivery of its long-term strategy. NatWest Group's Enterprise- Wide Risk Management Framework sets out NWM Group's (including NWM N.V. Group) approach for managing risk within NWM N.V. Group including in relation to risk governance and risk appetite. A failure to adhere to this framework and agreed risk appetite statements, or any material weaknesses or deficiencies in the framework's controls and procedures, may adversely affect NWM N.V. Group's financial condition and strategic delivery as well as accurate reporting of risk exposures.

Financial risk management is highly dependent on the use and effectiveness of internal stress tests and models and ineffective risk management may arise from a wide variety of factors, including lack of transparency or incomplete risk reporting, manual processes and controls, inaccurate data, inadequate IT systems, unidentified conflicts or misaligned incentives, lack of accountability control and governance, incomplete risk monitoring (including trade surveillance) and failures of systems to properly process all relevant data, risks related to unanticipated behaviour or performance in algorithmic trading and management, insufficient challenges or assurance processes, or a failure to commence or timely complete risk remediation projects. Failure to manage risks effectively, or within regulatory expectations, could adversely affect NWM N.V. Group's reputation or its relationship with its regulators, customers, shareholders or other stakeholders.

In addition, financial crime risk management is dependent on the use and effectiveness of financial crime assessment, systems and controls. Weak or ineffective financial crime processes and controls may risk NatWest Group inadvertently facilitating financial crime which may result in regulatory investigation, sanction, litigation, fines and reputational damage. Financial crime continues to evolve, whether through fraud, scams, cyber-attacks or other criminal activity (including through the use of artificial intelligence). These risks are exacerbated as NWM N.V. Group continues to innovate its product offering and increasingly offers digital solutions to its customers. NatWest Group (including NWM N.V. Group) has made and continues

to make significant, multi-year investments to strengthen and improve its overall financial crime control framework with prevention systems and capabilities. A number of NWM N.V. Group's financial crime controls are operated by NatWest Group on behalf of NWM N.V. Group.

NWM N.V. Group's operations are inherently exposed to conduct risks, which include business decisions, actions or reward mechanisms that are not responsive to or aligned with NWM N.V. Group's regulatory obligations, customer needs or do not reflect NWM N.V. Group's strategy, ineffective product management, unethical or inappropriate use of data, information asymmetry, implementation and utilisation of new technologies, outsourcing of customer service and product delivery, inappropriate behaviour towards customers, customer outcomes, the possibility of mis-selling of financial products and mishandling of customer complaints. Some of these risks have materialised in the past and ineffective management and oversight of conduct risks may lead to further remediation and regulatory intervention or enforcement.

NWM N.V. Group's businesses are also exposed to risks from employee, contractor, service provider misconduct including non-compliance with policies and regulations, negligence or fraud (including financial crimes and fraud), any of which could result in regulatory fines or sanctions and serious reputational or financial harm to NWM N.V. Group. Remote working arrangements for NWM N.V. Group employees place heavy reliance on the IT systems that enable remote working and may place additional pressure on NWM N.V. Group's ability to maintain effective internal controls, governance frameworks, and increase operational risk.

Remote working arrangements are also subject to regulatory scrutiny to ensure adequate recording, surveillance and supervision of regulated activities and compliance with regulatory requirements and expectations, including requirements to: meet threshold conditions for regulated activities; ensure the ability to oversee functions (including any outsourced functions); ensure no detriment is caused to customers; and ensure no increased risk of financial crime.

NWM N.V. Group seeks to embed a risk awareness culture across the organisation and has implemented policies and allocated new resources across all levels of the organisation to manage and mitigate conduct risk and expects to continue to invest in risk management, including the ongoing development of a NatWest Group risk management strategy in line with regulatory expectations. However, such efforts may not insulate NWM N.V. Group from instances of misconduct and no assurance can be given that NWM N.V. Group's strategy and control framework will be effective. See also, 'NWM Group (including NWM N.V. Group) has been in a period of, and may continue to be subject to, significant structural and other change'. Any failure in NWM N.V. Group's risk management framework may adversely affect NWM N.V. Group and its financial condition through reputational and financial harm and may result in the inability to achieve its strategic objectives for its customers, employees and wider stakeholders.

Furthermore, NWM N.V. has policies and controls in place to prevent and detect financial crime and has invested in technology and capability to enhance financial crime controls. Although NWM N.V. head office is located in Amsterdam (where NWM N.V. risk management function is based), it also operates branches in France, Germany, Italy, and Sweden. Should such risk policies and controls be inadequate to combat financial crime, particularly in NWM N.V. branches (where there is less direct supervision), there could be an adverse effect on NWM N.V.

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

NWM N.V. Group's operations are subject to inherent reputational risk.

Reputational risk relates to stakeholder and public perceptions of NWM N.V. Group arising from an actual or perceived failure to meet stakeholder or the public's expectations, including with respect to NatWest Group's strategy and related targets, NWM Group's strategy, or due to any events, behaviour, action or inaction by NWM N.V. Group, its employees or those with whom NWM N.V. Group is associated. See also, 'NWM N.V. Group's businesses are subject to substantial regulation and oversight, which are constantly evolving and may adversely affect NWM N.V. Group.' This includes harm to its brand, which may be detrimental to NWM N.V. 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 and may adversely affect NWM N.V. Group's ability to attract and retain customers. In particular, NWM N.V. Group's ability to attract and retain customers and talent, and engage with counterparties may be adversely affected by factors including: negative public opinion resulting from the actual or perceived manner in which NWM N.V. Group or any other member of NatWest Group conducts or modifies its business activities and operations, media coverage (whether accurate or otherwise), employee misconduct, NWM N.V. Group's financial performance, IT systems failures or cyberattacks, data breaches, financial crime and fraud, the level of direct and indirect government support for NatWest Group plc, or the actual or perceived practices in the banking and financial industry in general, or a wide variety of other factors.

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

Although NWM N.V. Group has a Reputational Risk Policy and framework to identify, measure and manage material reputational risk exposures, NWM N.V. Group cannot be certain that it will be successful in avoiding damage to its business from reputational risk.

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

Legal, regulatory and conduct risk

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

NWM N.V. 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. NWM Group (NWM N.V. Group's parent) expects government and regulatory intervention in the financial services industry to remain high for the foreseeable future.

In particular, NWM N.V. Group is subject to (i) direct prudential supervision by the ECB; (ii) direct market conduct supervision by the Dutch Authority for the Financial Markets in the Netherlands (Stichting Autoriteit Financiële Markten ('AFM')) and indirect market conduct supervision by the European Securities and Markets Authority; and (iii) supervision by DNB, as home state supervisor, in respect of NWM N.V. Group's branch offices in the Netherlands, France, Germany, Italy, and Sweden, and to supervision by local regulators in these jurisdictions, as host state supervisors, in respect

of certain regulatory aspects of NWM N.V. Group's branch offices' operations that are subject to home or host state supervision (e.g. anti-money laundering laws). NWM N.V. Group expects government and regulatory intervention in the financial services industry to remain high for the foreseeable future.

Prudential regulatory requirements:

Regulators and governments continue to focus on reforming the prudential regulation of the financial services industry and the manner in which the business of financial services is conducted. Measures have included: enhanced capital, liquidity and funding requirements through initiatives such as the Basel 3.1 standards implementation (and any resulting effect on RWAs and models), the UK ring-fencing regime, the strengthening of the recovery and resolution framework applicable to financial institutions in the Netherlands, the EU proposed reform of bank crisis management and deposit insurance framework, the UK, the EU and the US, financial industry reforms (such as the FSMA 2023), corporate governance requirements, rules relating to the compensation of senior management and other employees, enhanced data protection and IT resilience requirements (such as DORA), financial market infrastructure reforms, enhanced regulations in respect of the provision of 'investment services and activities'.

There is also increased regulatory focus in certain areas, including conduct, model risk governance, consumer protection in retail or other financial markets, competition and disputes regimes, anti-money laundering, anti-corruption, anti-bribery, anti-tax evasion, payment systems, sanctions and anti-terrorism laws and regulations. This has resulted in NWM N.V. Group facing greater regulation and scrutiny in the Netherlands and the other countries in which it operates.

In addition, there is significant oversight by competition authorities of the jurisdictions in which NWM N.V. Group operates. The competitive landscape for banks and other financial institutions in Europe, the UK and the US is rapidly changing. Recent regulatory and legal changes have and may continue to result in new market participants and changed competitive dynamics in certain key areas. Regulatory and competition authorities, including the CMA, are also looking at and focusing more on how they can support competition and innovation in digital and other markets.

Recent regulatory changes and heightened levels of public and regulatory scrutiny in Europe, the UK, Asia and the US have resulted in increased capital, funding and liquidity requirements, changes in the competitive landscape, changes in other regulatory requirements and increased operating costs, and have impacted, and will continue to impact, product offerings and business models.

Regulatory requirements:

Recent regulatory changes and heightened levels of public and regulatory scrutiny in the EU have resulted in increased capital, funding and liquidity requirements, changes in the competitive landscape, changes in other regulatory requirements and increased operating costs, and have impacted, and will continue to impact, product offering and business models.

For example, NWM N.V. Group is required to ensure operational continuity in resolution; the steps required to ensure such compliance entail significant costs, and also impose significant operational, legal and execution risk. Material consequences could arise should NWM N.V. Group be found to be non-compliant with these regulatory requirements.

As the ECB replaced DNB as the prudential regulator of NWM N.V. due to NWM N.V. becoming a 'significant institution', this may result in changes to supervision and regulations applicable to NWM N.V. Should NWM N.V. not meet certain supervisory criteria, remedial action or changes to the business may be required. Any such actions or changes may harm the reputation of NWM N.V. Group and may also require additional resources and funds which may need to be diverted from other parts of the business which may, in turn, adversely affect NWM N.V. Group.

Such changes may also result in an increased number of regulatory investigations and proceedings and have increased the risks relating to NWM N.V. Group's ability to comply with the applicable body of rules and regulations in the manner and within the timeframes required.

Moreover, uncertainties remain as to the extent to which EU/EEA laws will diverge from UK law. For example, bank regulation in the UK may diverge from European bank regulation following the enactment of the Financial Services and Markets Act 2023 ('FSMA 2023') and the Retained EU Law (Revocation and Reform) Act 2023. In particular, FSMA 2023 provides for the revocation of retained EU laws relating to financial services regulation, but sets out that this process will likely take a number of years and that the intention is that specific retained EU laws will not be revoked until such time as replacement regulatory rules are in place. Significant uncertainties remain as to whether and what equivalence determinations will be made by the various regulators, whether the proposed EEA licenced subsidiary is granted a banking licence, whether banking services will be harmonised across the EEA and, therefore, what the respective legal and regulatory arrangements will be, under which NWM Group and its subsidiaries (including NWM N.V. Group) will operate. This divergence could lead to further market fragmentation. The actions taken by regulators in response to any new or revised bank regulation and other rules affecting financial services, may adversely affect NWM Group, including its business, non-UK operations, group structure (including NWM N.V. Group), 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 adversely affect (some of which could be material) on NWM N.V. Group include, but are not limited to, the following:

- 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 NWM N.V. Group operates;
- rules relating to foreign ownership, expropriation, nationalisation and confiscation or appropriation of assets;
- new or increased regulations relating to customer data protection as well as IT controls and resilience, such as the India Digital Personal Data Protection Act 2023;
- the introduction of, and changes to, taxes, levies or fees applicable to NWM N.V. Group's operations, which may require increased payments of tax, changes in tax rates, increases in the bank corporation tax surcharge in the UK, restrictions on the tax deductibility of interest payments or further restrictions on the set-off of carry-forward tax losses;
- the potential introduction by the BoE of a Central Bank Digital Currency which could result in deposit outflows, higher funding costs, and/or other implications for banks including NatWest Group (including impact on NWM N.V. Group);
- recent or proposed US regulations around cybersecurity incidents, climate disclosures, and other climate and sustainability-related rules;
- increased risk of legal action against NWM Group for financing or contributing to climate change and nature-related degradation, or greenwashing;
- new or increased regulations relating to financial crime; and
- any regulatory requirements relating to the use of artificial intelligence and large language models across the financial services industry (such as the European Union Artificial Intelligence Act).

Any of these developments (including any failure to comply with, or correctly interpret, new rules and regulations) could also have a significant impact on NWM N.V. Group's authorisations and licences, the products and services that NWM N.V. Group may offer, its reputation and the value of its assets, NWM N.V. Group's operations or legal entity structure, and the manner in which NWM N.V. Group conducts its business. Material consequences could arise should NWM N.V. 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 NWM N.V. 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, or failure by NWM N.V. Group to comply with such laws, rules and regulations, may adversely affect NWM N.V. Group's business, results of operations and outlook. In addition, uncertainty and insufficient international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect NWM N.V. Group's reputation, ability to engage in effective business, capital and risk management planning.

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

NWM N.V. Group and NWM Plc are exposed to the risk of various litigation matters, regulatory and governmental actions and investigations as well as remedial undertakings, the outcomes of which are inherently difficult to predict, and which could have an adverse effect on NWM N.V. Group.

NWM N.V. Group's operations are diverse and complex and it operates in legal and regulatory environments that expose it to potentially significant civil actions (including those following on from regulatory sanction), as well as criminal, regulatory and governmental proceedings. NWM N.V. Group and NWM Plc have resolved a number of legal and regulatory actions over the past several years but continues to be, and may in the future be, involved in such actions in the US, the UK, Europe and other jurisdictions.

NWM N.V. Group and/or NWM Plc are, have recently been and will likely be involved in a number of significant legal and regulatory actions, including investigations, proceedings and ongoing reviews (both formal and informal) by governmental law enforcement and other agencies and litigation proceedings, including in relation to the offering of securities, conduct in the foreign exchange market, the setting of benchmark rates such as LIBOR and related derivatives trading, the issuance, underwriting, and sales and trading of fixed-income securities (including government securities), product mis-selling, customer mistreatment, anti-money laundering, antitrust, VAT recovery, record keeping, reporting, and various other issues. There is also an increasing risk of activist actions, particularly relating to climate change and sustainability-related matters. Legal and regulatory actions are subject to many uncertainties, and their outcomes, including the timing, amount of fines, damages or settlements or the form of any settlements, which may be material and in excess of any related provisions, are often difficult to predict, particularly in the early stages of a case or investigation. NWM N.V. Group's expectation for resolution may change and substantial additional provisions and costs may be recognised in respect of any matter.

The resolution of significant investigations include NWM Plc's December 2021 spoofing-related guilty plea in the United States, which involves a multi-year period of probation, an independent corporate monitor, and commitments to compliance programme reviews and improvements and reporting obligations. In the event that NWM Plc does not meet its obligations to the US Department of Justice, this may lead to adverse consequences including for NWM N.V. Group. Significant ongoing matters include the implementation of recommendations made by the independent corporate monitor aforementioned. For additional information relating to this and other legal and regulatory proceedings and matters to which NWM Group is exposed, see 'Litigation and regulatory matters' at Note 25 to the NWM Group consolidated accounts.

Recently resolved matters or adverse outcomes or resolution of current or future legal or regulatory matters, could increase the risk of greater regulatory and third-party scrutiny and could have material financial, reputational, or collateral consequences for NWM Group's (including NWM N.V. Group's) business and result in restrictions or limitations on NWM Group's (including NWM N.V. Group's) operations.

These may include the effective or actual disqualification from carrying on certain regulated activities and consequences resulting from the need to reapply for various important licences or obtain waivers to conduct certain existing activities of NWM N.V. Group, particularly but not solely in the US, which may take a significant period of time and the results and implications of which are uncertain. Disqualification from carrying on any activities, whether automatically as a result of the resolution of a particular matter or as a result of the failure to obtain such licences or waivers could adversely affect NWM N.V. Group's business, in particular in the US. This in turn and/or any fines, settlement payments or penalties may have an adverse effect on NWM N.V. Group. Similar consequences could result from legal or regulatory actions relating to other parts of NatWest Group.

Failure to comply with undertakings made by NWM N.V. Group to its regulators, or the conditions of probation resulting from the spoofing-related guilty plea may result in additional measures or penalties being taken against NWM N.V. Group. In addition, any failure to administer conduct redress processes adequately, or to handle individual complaints fairly or appropriately, could result in further claims as well as the imposition of additional measures or limitations on NWM N.V. Group's operations, additional supervision by NWM N.V. Group's regulators, and loss of investor confidence.

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

Climate and sustainability-related risks

NWM N.V. Group and its value chain face climate and sustainability-related risks that may adversely affect NWM N.V. Group.

Climate change has been identified as a source of systemic risk, with potentially severe consequences for financial institutions. The financial impacts of climate and sustainability-related risks are expected to be widespread and may disrupt the orderly functioning of financial markets and have an adverse effect on financial institutions, including NWM N.V. Group.

Financial and non-financial risks from climate change can arise through physical and transition risks. In addition, physical and transition risks can trigger further losses, stemming directly or indirectly from legal claims, litigation and conduct liability (referred to as 'liability risk').

Whilst there are significant uncertainties relating to the location, magnitude and timing of climate-related physical risks, scientific research suggests physical risks may occur in increasing frequency and severity. Climate-related events like flood, wildfires and climatic changes can damage assets and disrupt operations, leading to increased costs, changes in asset values and loan defaults.

Damage or disruption to NWM N.V. Group customers' and counterparties' (including suppliers') properties, premises and operations could disrupt business, result in the deterioration of the value of collateral or insurance shortfalls, impair asset values and negatively impact the creditworthiness of customers and their ability and/or willingness to pay fees, afford new products or repay their debts, leading to increased default rates,

delinquencies, write-offs and impairment charges in NWM N.V. Group's portfolios. In addition, NWM N.V. Group's premises and operations, or those of its critical outsourced functions may experience damage or disruption leading to increased costs for NWM N.V. Group.

To meet the goals of the 2015 Paris Agreement, the EU's and the Netherlands' climate policy and the UK's Net Zero Strategy by 2050 will require a net-zero transition across all sectors of the economy and markets in which NWM N.V. Group operates. The timing and pace of the transition to a net-zero economy will depend on many factors and uncertainties and may be near-term, gradual and orderly, or delayed, rapid and disorderly, or a combination of these. A transition to a net-zero economy requires significant and timely policy and regulatory changes, immediate actions from national and regional governments, new technological innovations and changes to supply and demand systems within industries. The transition to a net-zero economy may also trigger changes in consumer behaviour and market sentiment. In addition, there is significant uncertainty about how climate change and the world's transition to a net-zero economy will unfold over time and how and when climate and other sustainability-related risks will manifest. These timeframes are considerably longer than NWM N.V. Group's historical and current strategic, financial, resilience and investment planning horizons.

NWM N.V. Group and its value chain (including its investors, customers, counterparties (including its suppliers), business partners and employees) ('NWM N.V. Group's Value Chain') may face financial and non-financial risks arising from broader (i.e. non-climate-related) sustainability issues such as risks relating to nature loss (such as the loss and/or decline of the state of nature including but not limited to, the reduction of any aspect of biological diversity and other forms of environmental degradation such as air, water and land pollution, soil quality degradation and water stress).

NatWest Group recognises that climate and nature-related risks are interlinked and therefore NatWest Group aims to work towards enhancing processes and capabilities to include assessments of nature-related risks and opportunities within governance, risk management and stakeholder engagement practices.

Climate and nature-related risks may:

- adversely affect the broader economy, influencing interest rates, inflation and growth, impacting profitability and stability;
- adversely affect asset pricing and valuations of NWM N.V. Group's own and other securities and, in turn, the wider financial system;
- adversely affect economic activities directly (for example through lower corporate profitability or the devaluation of assets) or indirectly (for example through macro-financial changes);
- adversely affect the viability or resilience of business models over the medium to longer term, particularly those business models most vulnerable to climate and sustainability-related risks;
- trigger losses stemming directly or indirectly from liability risks and/or reputational damage, including as a result of adverse media coverage, or activists, the public or NWM N.V. Group's Value Chain associating NWM N.V. Group or its customers with adverse climate and sustainability-related issues;
- adversely affect NWM N.V. Group's ability to contribute to deliver on NatWest Group's strategy, including achieving its climate ambitions and targets; and
- exacerbate other risk categories to which NWM N.V. Group is exposed, including credit risk, operational risk (including business continuity), market risk (both traded and non-traded), liquidity and funding risk (for example, net cash outflows or depletion of liquidity buffers), reputational risk, pension risk, regulatory compliance risk and conduct risk.

In addition to nature-related risks, NWM N.V. Group and NWM N.V. Group's Value Chain may face financial and non-financial risks arising from other sustainability-related issues such as (i) risks related to social issues (including human rights), for example, negative impact on people's standard of living and health, political and geopolitical tensions and conflict endangering people's lives and security, displacement of communities, the violation of indigenous people's rights, unjust working conditions and labour rights breaches (including discrimination, lack of diversity and inclusion, inequality, gender/ethnicity pay gap and payments under the minimum wage), modern slavery, accessible banking and financial inclusion, financial crime, data privacy breaches, innovation, digitalisation and AI, and lack of support for the vulnerable; and (ii) governance-related risks (including board diversity, ethical corporate culture, executive compensation and management structure).

There is also growing expectation from customers, investors, policymakers, regulators and society of the need for a 'just transition' – in recognition that the transition to net zero should happen in a way that is as fair and inclusive as possible to everyone concerned. Although NatWest Group (including NWM N.V. Group) continues to evaluate and assess whether and, if so, how it integrates 'just transition' considerations into its strategy and decision-making, a failure (or perception of failure) by NatWest Group (including NWM N.V. Group) to sufficiently factor these considerations into existing products and service offerings may adversely affect NatWest Group (including NWM N.V. Group), including NatWest Group's (including NWM N.V. Group) reputation.

If NWM N.V. Group fails to identify, assess, prioritise, monitor, react to and prevent appropriately: (i) climate and sustainability-related impacts, risks and opportunities; and (ii) changing regulatory and market expectations and societal preferences that NWM N.V. Group and NWM N.V. Group's Value Chain face, in a timely manner or at all, this may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects (including cash flows, access to finance or cost of capital over the short, medium or long term), reputation or the price of its securities.

NatWest Group's strategy relating to climate change, ambitions, targets and transition plan entail significant execution and/or reputational risks and are unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes.

At NatWest Group's Annual General Meeting in April 2022, ordinary shareholders passed an advisory 'Say on Climate' resolution endorsing NatWest Group's previously announced strategic direction on climate change, including its ambitions to at least halve the climate impact of its financing activity by 2030, achieve alignment with the 2015 Paris Agreement and reach net zero across its financed emissions, assets under management and operational value chain by 2050. NatWest Group may also announce other climate and sustainability-related ambitions, targets and initiatives and/or retire or change existing ones.

Making the changes necessary by NWM N.V. Group to contribute to achieve NatWest Group's climate ambitions and targets and executing its transition plan, together with the active management of climate and sustainability-related risks and other regulatory, policy and market changes, is likely to necessitate material changes to NWM N.V. Group's business, operating model, its existing exposures and the products and services NWM N.V. Group provides to its customers (potentially on accelerated timescales). NWM N.V. Group may be required to (i) in the medium and long term significantly reduce its financed emissions and facilitated and its exposure to customers that do not align with a transition to net zero or do not have a credible transition plan in place, and (ii) divest or discontinue certain activities for regulatory or legal reasons or in response to the transition to a

less carbon-dependent economy. Increases in lending and financing activities may wholly or partially offset some or all these reductions, which may increase the extent of changes and reductions necessary.

Making the necessary changes, or failing to make the necessary changes in a timely manner, or at all to achieve NatWest Group's climate ambitions and targets and executing its transition plan, together with the active management of climate and sustainability-related risks and other regulatory, policy and market changes may have an adverse effect on NatWest Group and NatWest Group's ability to achieve its climate and financial ambitions and targets, take advantage of climate change-related opportunities and generate sustainable returns.

NWM N.V. Group's ability to contribute to achieving NatWest Group's strategy, including contributing to achieve NatWest Group's climate ambitions and targets, will significantly depend on many factors and uncertainties beyond NWM N.V. Group's control.

These include (i) the extent and pace of climate change, including the timing and manifestation of physical and transition risks; (ii) the macroeconomic environment; (iii) the effectiveness of actions of governments, legislators, regulators and businesses; (iv) the response of the wider society, NWM N.V. Group's Value Chain and other stakeholders to mitigate the impact of climate and sustainability-related risks; (v) changes in customer behaviour and demand; (vi) appetite for new markets, credit appetite, concentration risk appetite, lending opportunities; (vii) developments in the available technology; (viii) the rollout of low carbon infrastructure; and (ix) the availability of accurate, verifiable, reliable, auditable, consistent and comparable data.

These external factors and other uncertainties will make it challenging for NWM N.V. Group to contribute to achieving NatWest Group's climate ambitions and targets and there is a significant risk that all or some of these ambitions and targets will not be achieved or not achieved within the intended timescales.

NWM N.V. Group's ability to contribute to achieving NatWest Group's climate ambitions and targets depends to a significant extent on the timely implementation and integration of appropriate government policies. The UK Climate Change Committee ('UK CCC') 2024 Progress Report to the UK Parliament states that the UK is not on track to hit its legislated target to reduce emissions in 2030 by 68% compared to 1990 levels and only a third of the emission reductions required to achieve the UK's 2030 target are currently covered by credible plans, with action needed across all sectors of the economy. NatWest Group's climate ambitions are unlikely to be achieved without timely and appropriate government policy and technology developments, as well as supplier, customer and societal response required to support the transition.

The UK CCC is expected to publish its Seventh Carbon Budget on 26 February 2025. NatWest Group expects this to take into account new UK policy initiatives announced by the UK government in November 2024 and NatWest Group plans to review its climate ambitions in the context of the of the UK's Seventh Carbon Budget, once released.

Climate and sustainability matters are also becoming increasingly politicised and polarised. Some of NWM N.V. Group's customers, investors or other stakeholders may decide not to do business with NWM N.V. Group because, according to their own assessment, NatWest Group's (including NWM N.V. Group) strategy, ambitions and targets related to climate and sustainability do not meet their expectations, either for lacking the necessary ambition or progress, or for being perceived as overly concerned about sustainability.

Any delay or failure by NWM N.V. Group in putting into effect, making progress against or meeting NatWest Group's climate and sustainability-related ambitions, targets and plans may have a material adverse effect on NWM N.V. Group's future results, financial condition, prospects, and/or reputation and may increase the climate and sustainability-related risks NWM N.V. Group faces.

Failure to implement effective governance, procedures, systems and controls in compliance with legal, regulatory requirements and societal expectations to manage climate and sustainability-related risks and opportunities could adversely affect NWM N.V. Group.

NWM N.V. Group is subject to European and Dutch legal and regulatory expectations as to how to prudently manage and transparently disclose climate and sustainability-related risks. In November 2020, the ECB published its 'Guide on climate-related and environmental risks' ('ECB Guide') which laid down the ECB's expectations for each supervised entity in relation to climate-related and environmental risks in governance, strategy and risk management. The ECB has expressed its readiness to enforce the abovementioned expectations with all the instruments at its disposal, including imposing periodic penalty payments or bank-specific capital add-ons and in 2024 the ECB has started to issue fine notices to a number of lenders not meeting ECB's long-defined expectations on disclosing and managing climate risk. In January 2022, the EBA published its final draft implementing technical standards on Pillar 3 disclosures on ESG risks which from 28 June 2022 apply to large institutions that have securities traded on a regulated market of an EU member state (including NWM N.V. Group) and require them to disclose information on their exposure to ESG-related risks and the actions they take to mitigate those risks, as well as metrics including their Green Asset Ratio (to be disclosed for the financial year ending 2023) and the Banking Book Taxonomy Alignment Ratio (to be disclosed for the financial year ending 2024). On 9 January 2025, the EBA published its final guidelines on the management of ESG risks, which set out requirements for institutions for the identification, measurement, management and monitoring of ESG risks, including through plans aimed at addressing the risks arising from the transition towards an EU climate-neutral economy. These guidelines will be applicable to NWM N.V. Group from 11 January 2026.

In March 2023, DNB published its 'Guide to managing climate and environmental risks' which provided financial undertakings with focal points and best practices for managing climate-related and environmental risks, including considerations for integrated risk management in areas such as business models, strategies, governance, risk management and information dissemination.

In June 2020, the AFM published its position paper on sustainability where it described what it expected from market parties when it comes to sustainability and how the AFM would be supervising this. The AFM confirmed, amongst others, that: - a sustainable economy and society is a supervisory priority of the AFM and is increasingly becoming an integral part of its supervision strategy; and - it expects market participants to integrate sustainability aspects in a responsible and careful manner in their financial products and services.

Any failure of NWM N.V. Group to fully and timely embed climate and other sustainability-related risks into its risk management practices and framework to appropriately identify, assess, prioritise and monitor the various climate-related physical and transition risks and other sustainability-related risks and apply the appropriate product governance process in line with applicable legal and regulatory requirements and expectations, may have a material adverse effect on NWM N.V. Group's regulatory compliance, prudential capital requirements, and this may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects, reputation or the price of its securities.

There are significant limitations related to accessing accurate, reliable, verifiable, auditable, consistent and comparable climate and other sustainability-related data that contribute to substantial uncertainties in accurately modelling and reporting on climate and sustainability information, as well as making appropriate important internal decisions.

Accurate assessment and reporting of climate and sustainability-related impacts, risks, opportunities and other climate and sustainability-related matters, and related metrics depends on access to accurate, reliable, verifiable, auditable, consistent and comparable data from counterparties (including suppliers), customers, or other third parties. Data of adequate quality may not be generally available or, if available, may not be accurate, reliable, verifiable, auditable, consistent, or comparable.

In the absence of other sources, reporting on climate and sustainability-related matters (including reporting on NatWest Group's (including NWM N.V. Group) financed and facilitated emissions) may be based on estimated or aggregated information developed by third parties (including customers) that may be prepared in an inconsistent way using different methodologies, interpretations, or assumptions that may not be accurate for a given counterparty (including supplier) or customer. There may also be data gaps and limitations that are addressed using estimates based on assumptions about matters that are inherently uncertain or proxy data, such as sectoral averages or use of emissions estimated by a third party, again developed in a variety of ways and in some cases not in a timely manner causing data to be potentially outdated at the time when they are used.

Significant risks, uncertainties and variables are inherent in the assessment, measurement and mitigation of climate and sustainability-related risks. These include data quality gaps and limitations mentioned above, as well as the pace at which climate science, greenhouse gas accounting standards and various emissions reduction solutions develop, which NWM N.V. Group expects to be enhanced through the Corporate Sustainability Reporting Directive (CSRD) affecting NatWest's customers. 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 sustainability-related risks will manifest. These timeframes are considerably longer than NWM N.V. Group's historical and current strategic, financial, resilience and investment planning horizons.

As a result, NWM N.V. Group's assessment of climate and sustainability impacts, risks, opportunities and other climate and sustainability-related matters is likely to evolve and its climate and sustainability-related disclosures may be amended, updated or restated in the future as the quality and completeness of NWM N.V. Group's data and methodologies continue to improve.

These data quality challenges, gaps and limitations may also have a material impact on NWM N.V. Group's ability to make effective business decisions about climate and sustainability-related impacts, risks, opportunities and other climate and sustainability-related matters, including risk management decisions, to comply with disclosure requirements and to monitor and report progress in meeting ambitions, targets and pathways all of which may have an adverse effect on NWM N.V. Group.

Climate-related risks are challenging to model due to their forward-looking nature, the lack of and/or quality of historical testing capabilities, lack of accuracy, standardisation and incompleteness of emissions and other climate and sub-sector related data and the immature nature of risk measurement and modelling methodologies. As a result, it is very difficult to predict and model the impact of climate-related risks into precise financial and economic outcomes. The evaluation of climate-related risk exposure and the development of associated potential risk mitigation techniques also largely depend on the choice of climate scenario modelling methodology and the assumptions made which involves a number of risks and uncertainties.

Accordingly, these risks and uncertainties coupled with significantly long timeframes make the outputs of climate-related risk modelling, climate-related targets (including emission reduction targets) and pathways, inherently more uncertain than outputs modelled for traditional financial planning cycles based on historical financial information.

Capabilities within NWM N.V. Group to appropriately assess, model, report and manage climate and sustainability-related impacts and risks and the suitability of the assumptions required to model and manage climate and sustainability-related risks appropriately continue to develop and mature. Even when those capabilities are appropriately developed, the high level of uncertainty regarding any assumptions modelled, the highly subjective nature of risk measurement and mitigation techniques, incorrect or inadequate assumptions and judgements and data quality gaps and limitations may lead to inadequate risk management information and frameworks, or ineffective business adaptation or mitigation strategies or regulatory non-compliance.

Any of the above may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects, reputation and the price of its securities.

NWM N.V. Group is becoming subject to more extensive, and sophisticated climate and other sustainability-related laws, regulation and oversight and there is an increasing risk of regulatory enforcement, investigation and litigation.

NWM N.V. as well as its subsidiaries are increasingly becoming subject to more extensive, and sophisticated sustainability-related laws and regulations in the EU and in the Netherlands, including in relation to mandatory climate and other sustainability reporting (such as CSRD and Pillar 3 disclosures on ESG risks) and due diligence (such as the Corporate Sustainability Due Diligence Directive), climate transition plan, product labelling and combatting "greenwashing".

Compliance with these complex, evolving and often diverging legal, regulatory and supervisory requirements and voluntary standards and initiatives is likely to require NWM N.V. Group to implement significant changes to its business models, IT systems, products, governance, internal controls over financial and non-financial reporting, disclosure controls and procedures, modelling capability and risk management systems, and the training and development of personnel, which may increase the cost of doing business, result in higher capital requirements, and entail additional change risk and increased compliance, regulatory sanctions, conduct and litigation (including settlements) costs.

The ECB, AFM, EBA and DNB are also increasingly focused on climate change, environmental degradation, social and governance topics and have announced good practices and supervisory expectations relating to some of these topics. There is also an increasing number of laws, regulations and legislative actions, including proposals, guidance, policy and regulatory initiatives many of which have been introduced or amended recently and are subject to further changes, is likely to affect the financial sector and the wider economy.

A failure by NWM N.V. Group or any of its subsidiaries to comply with these climate and sustainability-related legal, regulatory and supervisory requirements and standards and meet expectations of NWM N.V. Group's Value Chain in this respect may result in investigations and regulatory sanction each of which may have an adverse effect on NWM N.V. Group and the successful implementation of NatWest Group's (including NWM N.V. Group) strategy relating to climate and sustainability.

Divergence between UK, EU, US, Dutch and other climate and sustainability-related legal, regulatory and supervisory requirements and their interpretation may increase the cost of doing business (including increased operating costs) and may result in regulatory non-compliance and litigation risk.

Failure by NWM N.V. Group to comply with these divergent legal, regulatory and supervisory requirements (if applicable to NWM Group) may have an adverse effect on NWM N.V. Group's ability to contribute to the successful implementation of NatWest Group's strategy relating to climate change including when contributing to setting up NatWest Group's climate ambitions and targets and to executing NatWest Group's transition plan and may result in NWM N.V. Group and/or its subsidiaries not meeting investors' expectations.

Increasing new climate and sustainability-related jurisprudence, laws and regulations in the EU and the Netherlands (and other jurisdictions), regulatory scrutiny, expose financial institutions, including NWM N.V. Group, to face increasing litigation, conduct, enforcement and contract liability risks related to climate change, nature-related degradation, human rights violations and other social, governance and sustainability-related issues. Furthermore, regulatory and enforcement activity around climate and sustainability initiatives that promote more extensive sustainability-related requirements and those that impose divestment and other sanctions against financial institutions that implement climate and sustainability-related initiatives is becoming increasingly divergent and conflicting between jurisdictions, in particular in the United States.

Any failure of NWM N.V. Group to develop and implement robust and effective governance, controls and procedures over climate and sustainability-related impact assessment, disclosure, reporting and other communications and sustainability-related claims (including in relation to NWM N.V. Group's products, services and strategy) and comply with them in line with applicable legal and regulatory requirements and expectations, may give rise to increased complaints, regulatory enforcement (including sanctions), investigation and litigation and may adversely affect NWM N.V. Group's regulatory compliance, investor base, and reputation.

Furthermore, there is a risk that shareholders, campaign groups, customers and activist groups could seek to take legal action against NWM N.V. Group for financing, facilitating or contributing to actual or perceived harm to the environment or people, climate change, nature-related degradation and human rights violations, failure to implement or follow adequate governance procedures and for not supporting the principles of 'just transition' (i.e. maximising the social benefits of the transition, mitigating the social risks of the transition, empowering those affected by the change, anticipating future shifts to address issues up front and mobilising investments from the public and private sectors).

Any of the above may have a material adverse effect on NWM N.V. Group's business, future results, financial condition, prospects, reputation and the price of its securities

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X3CZP3CK64YBHON1LE12 – NatWest Markets N.V.

724500JWVG886A9RRT57 – RBS Holdings N.V.

2138005O9XJJN4JPN90 – NatWest Group plc

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