



NatWest Markets Group

Q1 2024

Interim Management Statement

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NatWest Markets Group (NWM Group)

Results for Q1 2024

Q1 Overview

We have focused on our strengths in supporting our customers' evolving needs with financing and risk solutions in the first quarter of 2024 and will continue to do so as economic policy changes to reflect declining inflation and anticipated changes in interest rates. As part of the NatWest Group Commercial & Institutional segment, we are committed to collaboration, aiming to unlock additional growth opportunities and further strengthen our relationships with NatWest Group customers.

Financial review

NWM Group maintained its robust capital and liquidity position in Q1 2024 and reported a profit of £82 million, compared with a profit of £107 million in Q4 2023 and a loss of £10 million in Q1 2023. Total income decreased to £327 million in Q1 2024 compared with the previous quarter, mainly due to the profit share arrangement with fellow NatWest Group subsidiaries which was recognised for the full year 2023 in Q4 2023. Operating expenses decreased in the quarter to £255 million compared with Q4 2023 due to lower litigation and conduct costs, and other operating expenses, largely driven by a credit recognised in the current period in relation to property charges.

Financial performance

- Total income of £327 million in Q1 2024 was down by £97 million compared with £424 million in Q4 2023, mainly due to the profit share arrangement with fellow NatWest Group subsidiaries where the full year 2023 amount of £177 million was recognised in Q4 2023 compared with £45 million in the current quarter. Overall product performance improved, with higher income in the current quarter from Fixed Income and Capital Markets, partially offset by a weaker performance in Currencies reflecting lower customer activity and FX volatility levels. Total income was up by £62 million compared with £265 million in Q1 2023, mainly driven by the profit share arrangement with fellow NatWest Group subsidiaries, and a stronger performance in Capital Markets.
- Operating expenses of £255 million in Q1 2024 were down by £59 million compared with £314 million in Q4 2023 and by £30 million compared with £285 million in Q1 2023. Litigation and conduct costs of £1 million credit reflected ongoing progress in closing legacy matters and were down by £32 million compared with £31 million in Q4 2023 and by £9 million compared with £8 million in Q1 2023. Other operating expenses of £256 million were down by £27 million compared with £283 million in Q4 2023 and down by £21 million compared with £277 million in Q1 2023, largely driven by a credit recognised in the current period in relation to property charges partially offset by an increase in staff costs.
- NWM Group's total assets and liabilities increased by £1.9 billion to £179.8 billion and £173.4 billion respectively at 31 March 2024, compared with 31 December 2023. Increases in funded assets including trading assets, settlement balances and cash and balances at central banks were offset by lower derivative fair values, largely reflecting market volatility across major currencies including the strengthening of USD and increases in interest rates during the quarter, following contrasting trends in the previous quarter.

Capital and leverage

- Total NWM Plc RWAs were £21.5 billion at 31 March 2024, compared with £22.1 billion at 31 December 2023. The reduction in the quarter was primarily driven by lower counterparty credit risk and a decrease from the annual update to operational risk RWAs.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 18.1% at 31 March 2024, compared with 17.1% at 31 December 2023. The increase in the three months to 31 March 2024 was largely driven by reserve movements and the decrease in RWAs.
- Total MREL for NWM Plc at 31 March 2024 was £8.7 billion, or 40.7% of RWAs, up from £7.6 billion or 34.5% of RWAs at 31 December 2023. The increase in total MREL in the current quarter was largely due to the issuance of two new MREL instruments with NatWest Group plc amounting to \$1.15 billion and two new internal Tier 2 instruments amounting to \$1.16 billion, partially offset by the redemption of an internal €0.95 billion Tier 2 instrument, and other reserve movements.
- NWM Plc's leverage ratio at 31 March 2024 was 5.0%, in line with 31 December 2023.

Liquidity and funding

- NWM Plc's liquidity portfolio at 31 March 2024 was £18.8 billion with an LCR of 186% (31 December 2023 - £14.7 billion with LCR 183%).
- NWM Plc issued public benchmark transactions under the EMTN programme of €2.5 billion of notes in Q1 2024. NWM Plc also raised funding in other formats throughout the quarter including, but not limited to, structured note issuance.

ESG highlights

Climate and sustainable funding and financing have continued to perform well, and as at the end of Q1 2024 we had delivered £34.2 billion towards the NatWest Group climate and sustainable funding and financing target⁽¹⁾ of £100 billion between 1 July 2021 and the end of 2025.

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

Outlook ⁽¹⁾

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

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

Financial review

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

	Quarter ended		
	31 March 2024 £m	31 December 2023 £m	31 March 2023 £m
Income statement			
Net interest income	121	154	35
Non-interest income	206	270	230
Total income	327	424	265
Litigation and conduct costs	1	(31)	(8)
Other operating expenses	(256)	(283)	(277)
Operating expenses	(255)	(314)	(285)
Operating profit/(loss) before impairment releases/losses	72	110	(20)
Impairment releases/(losses)	8	(5)	2
Operating profit/(loss) before tax	80	105	(18)
Tax credit	2	2	8
Profit/(loss) for the period	82	107	(10)
Income (1)			
Fixed Income	63	16	70
Currencies	112	145	118
Capital Markets	165	131	111
Capital Management Unit & other (2)	-	19	8
Income including shared revenue before OCA	340	311	307
Transfer pricing arrangements with fellow NatWest Group subsidiaries (3)	(8)	118	(48)
Income excluding OCA	332	429	259
Own credit adjustments (OCA)	(5)	(5)	6
Total income	327	424	265

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

Q1 2024 performance

- **Net interest income** largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The decrease of £33 million compared to Q4 2023 primarily reflects one-off items recognised in the previous quarter, and the increase of £86 million compared to Q1 2023 primarily reflects growth in lending activity.
- **Non-interest income** decreased by £64 million compared with Q4 2023, mainly due to the profit share arrangement with fellow NatWest Group subsidiaries where the full year 2023 amount of £177 million was recognised in Q4 2023 compared with £45 million in the current quarter, in addition to a weaker performance in Currencies reflecting lower customer activity and FX volatility levels. This was partially offset by an improved performance in Fixed Income and Capital Markets, and the impact of one-off items recognised in the previous quarter. Non-interest income decreased by £24 million compared with Q1 2023, largely driven by lower trading revenues and own credit adjustments, partially offset by the profit share arrangement with fellow NatWest Group subsidiaries.
- **Operating expenses** in Q1 2024 decreased by £59 million compared with Q4 2023 and by £30 million compared with Q1 2023. Litigation and conduct costs in Q1 2024 reflected ongoing progress on closing legacy matters and were down by £32 million compared with Q4 2023 and by £9 million compared with Q1 2023. Other operating expenses in Q1 2024 decreased by £27 million compared with Q4 2023 and by £21 million compared with Q1 2023, largely driven by a credit recognised in the current period in relation to property charges partially offset by an increase in staff costs.

Financial review

Balance sheet profile as at 31 March 2024

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

Assets			Liabilities		
	31 March 2024 £bn	31 December 2023 £bn		31 March 2024 £bn	31 December 2023 £bn
Cash and balances at central banks	16.5	13.8			
Securities	19.6	12.0		14.0	9.8 Short positions
Reverse repos (1)	22.2	23.7		27.3	26.9 Repos (2)
Derivative cash collateral given (3)	7.9	8.9		13.6	15.1 Derivative cash collateral received (4)
Other trading assets	0.5	0.7		1.7	1.8 Other trading liabilities
Total trading assets	50.2	45.3		56.6	53.6 Total trading liabilities
Loans - amortised cost	16.0	14.2		9.6	9.3 Deposits - amortised cost
Settlement balances	10.8	7.2		10.6	6.6 Settlement balances
Amounts due from holding company and fellow subsidiaries	0.7	1.7		6.4	Amounts due to holding company and fellow subsidiaries
Other financial assets	16.7	15.7		28.1	23.6 Other financial liabilities
Other assets	0.6	0.7		0.5	0.6 Other liabilities
Funded assets	111.5	98.6		111.8	99.5 Liabilities excluding derivatives
Derivative assets	68.3	79.3		61.6	72.0 Derivative liabilities
Total assets	179.8	177.9		173.4	171.5 Total liabilities
				29.8	of which:
				13.4	25.1 Wholesale funding (5)
					9.9 Short-term wholesale funding (5)

(1) Comprises bank reverse repos of £6.1 billion (31 December 2023 – £6.3 billion) and customer reverse repos of £16.1 billion (31 December 2023 – £17.4 billion).

(2) Comprises bank repos of £4.8 billion (31 December 2023 – £4.0 billion) and customer repos of £22.5 billion (31 December 2023 – £22.9 billion).

(3) Comprises derivative cash collateral given relating to banks of £3.5 billion (31 December 2023 – £4.3 billion) and customers of £4.4 billion (31 December 2023 – £4.6 billion).

(4) Comprises derivative cash collateral received relating to banks of £5.8 billion (31 December 2023 – £6.8 billion) and customers of £7.8 billion (31 December 2023 – £8.3 billion).

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

- **Total assets and liabilities** increased by £1.9 billion respectively as at 31 March 2024. Funded assets, which exclude derivatives, increased by £12.9 billion, largely driven by higher trading assets, cash and balances at central banks and settlement balances. Derivative fair values decreased in the period, largely driven by market volatility across major currencies and movements in interest rates.
- **Cash and balances at central banks** increased by £2.7 billion, largely driven by an increase in funding partially offset by banking book activity.
- **Trading assets** were up by £4.9 billion, driven by an increase in securities partially offset by decreases in reverse repos and derivative cash collateral posted. **Trading liabilities** increased by £3.0 billion, driven by increases in short positions and repos, partially offset by a decrease in derivative cash collateral received.
- **Loans – amortised cost** increased by £1.8 billion, driven by higher loans to customers reflecting growth in private financing and liquidity management actions in response to market conditions.
- **Derivative assets and derivative liabilities** were down by £11.0 billion and £10.4 billion respectively at 31 March 2024. The decreases in fair values largely reflected market volatility across major currencies including the strengthening of USD and increases in interest rates during the quarter, following contrasting trends in the previous quarter.
- **Settlement balance assets and liabilities** were up by £3.6 billion and £4.0 billion respectively, largely due to increased trading compared with the seasonally lower levels of customer activity leading up to 31 December 2023.
- **Other financial liabilities** increased by £4.5 billion, driven by new issuance in the period, partially offset by maturities. The balance as at 31 March 2024 includes £19.5 billion of medium-term notes issued.

Non-IFRS measures

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

Capital, liquidity and funding risk

Introduction

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

Capital, RWAs and leverage

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

	31 March 2024	31 December 2023
	%	%
Capital adequacy ratios (1,2)		
CET1	18.1	17.1
Tier 1	21.3	20.2
Total	24.5	23.0
Total MREL	40.7	34.5
	£m	£m
Capital (1,2)		
CET1	3,901	3,776
Tier 1	4,580	4,455
Total	5,274	5,072
Total MREL (3)	8,748	7,627
Risk-weighted assets		
Credit risk	8,154	7,895
Counterparty credit risk	6,138	6,516
Market risk	6,212	6,366
Operational risk	1,002	1,322
Total RWAs	21,506	22,099

(1) NWM Plc's total capital ratio requirement is 11.5%, comprising the minimum capital requirement of 8.0%, supplemented with the capital conservation buffer of 2.5% and the institution specific countercyclical buffer (CCyB) of 1%. The minimum CET1 ratio is 8%, including the minimum capital requirement of 4.5%. The CCyB is based on the weighted average of NWM Plc's geographical exposures.

(2) NWM Plc is subject to Pillar 2A requirements for CET1, AT1 and Tier 2. Refer to the NWM Plc Pillar 3 report for further details on these additional capital requirements.

(3) Includes senior internal debt instruments issued to NatWest Group plc with a regulatory value of £3.5 billion (31 December 2023 - £2.6 billion).

Leverage

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

	31 March 2024	31 December 2023
Tier 1 capital (£m)	4,580	4,455
Leverage exposure (£m) (1)	91,464	89,929
Leverage ratio (%)	5.0	5.0

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

Liquidity and funding

	31 March 2024	31 December 2023
Liquidity coverage ratio (LCR) (%)	186	183
Liquidity portfolio (£bn)	18.8	14.7
Total wholesale funding (£bn) (1)	29.8	25.1
Total funding including repos (£bn)	86.3	82.4

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

Condensed consolidated income statement
for the period ended 31 March 2024 (unaudited)

	Quarter ended		
	31 March 2024 £m	31 December 2023 £m	31 March 2023 £m
Interest receivable	675	677	413
Interest payable	(554)	(523)	(378)
Net interest income	121	154	35
Fees and commissions receivable	122	98	100
Fees and commissions payable	(52)	(56)	(37)
Income from trading activities	106	148	168
Other operating income	30	80	(1)
Non-interest income	206	270	230
Total income	327	424	265
Staff costs	(124)	(102)	(113)
Premises and equipment	(17)	(19)	(15)
Other administrative expenses	(112)	(187)	(154)
Depreciation and amortisation	(2)	(6)	(3)
Operating expenses	(255)	(314)	(285)
Operating profit/(loss) before impairment releases/losses	72	110	(20)
Impairment releases/(losses)	8	(5)	2
Operating profit/(loss) before tax	80	105	(18)
Tax credit	2	2	8
Profit/(loss) for the period	82	107	(10)
Attributable to:			
Ordinary shareholders	55	89	(28)
Paid-in-equity holders	17	18	18
Non-controlling interests	10	-	-
	82	107	(10)

Condensed consolidated statement of comprehensive income
for the period ended 31 March 2024 (unaudited)

	Quarter ended		
	31 March 2024 £m	31 December 2023 £m	31 March 2023 £m
Profit/(loss) for the period	82	107	(10)
Items that do not qualify for reclassification			
Remeasurement of retirement benefit schemes	(1)	(111)	-
Changes in fair value of financial liabilities designated at fair value through profit or loss (FVTPL) due to changes in credit risk	(23)	(13)	(6)
Fair value through other comprehensive income (FVOCI) financial assets	2	(2)	2
Tax	18	40	-
	(4)	(86)	(4)
Items that do qualify for reclassification			
FVOCI financial assets	8	(1)	2
Cash flow hedges	(58)	226	54
Currency translation	(29)	(56)	(53)
Tax	17	(15)	(14)
	(62)	154	(11)
Other comprehensive (loss)/income after tax	(66)	68	(15)
Total comprehensive income/(loss) for the period	16	175	(25)
Attributable to:			
Ordinary shareholders	(11)	157	(43)
Paid-in equity holders	17	18	18
Non-controlling interests	10	-	-
	16	175	(25)

Condensed consolidated balance sheet as at 31 March 2024 (unaudited)

	31 March 2024 £m	31 December 2023 £m
Assets		
Cash and balances at central banks	16,488	13,831
Trading assets	50,242	45,324
Derivatives	68,305	79,332
Settlement balances	10,780	7,227
Loans to banks - amortised cost	1,056	1,246
Loans to customers - amortised cost	14,940	12,986
Amounts due from holding company and fellow subsidiaries	662	1,730
Other financial assets	16,734	15,723
Other assets	593	518
Total assets	179,800	177,917
Liabilities		
Bank deposits	2,613	2,267
Customer deposits	6,942	6,998
Amounts due to holding company and fellow subsidiaries	6,400	5,802
Settlement balances	10,641	6,641
Trading liabilities	56,555	53,623
Derivatives	61,558	71,981
Other financial liabilities	28,122	23,574
Other liabilities	592	653
Total liabilities	173,423	171,539
Owners' equity	6,369	6,380
Non-controlling interests	8	(2)
Total equity	6,377	6,378
Total liabilities and equity	179,800	177,917

Condensed consolidated statement of changes in equity
for the period ended 31 March 2024 (unaudited)

	Share capital and share premium £m	Paid-in equity £m	Retained earnings £m	Other reserves* £m	Total owners' equity £m	Non controlling interests £m	Total equity £m
At 1 January 2024	2,346	904	3,195	(65)	6,380	(2)	6,378
Profit attributable to ordinary shareholders and paid-in equity holders			72		72	10	82
Other comprehensive income							
- Realised gain in period on FVOCI equity shares			1	(1)	-		-
- Changes in fair value of financial liabilities designated at FVTPL due to changes in credit risk			(23)		(23)		(23)
- Unrealised gains: FVOCI				10	10		10
- Remeasurement of retirement benefit schemes			(1)		(1)		(1)
- Amounts recognised in equity: cash flow hedges				(127)	(127)		(127)
- Foreign exchange reserve movement				(29)	(29)		(29)
- Amounts transferred from equity to earnings				69	69		69
- Tax			16	19	35		35
Paid-in equity dividends paid			(17)		(17)		(17)
Merger reserve amortisation			(1)	1	-		-
At 31 March 2024	2,346	904	3,242	(123)	6,369	8	6,377
							31 March 2024 £m
Attributable to:							
Ordinary shareholders							5,465
Paid-in equity holders							904
Non-controlling interests							8
							6,377
*Other reserves consist of:							
Merger reserve							(13)
FVOCI reserve							22
Cash flow hedging reserve							(203)
Foreign exchange reserve							71
							(123)

Notes

1. Presentation of condensed consolidated financial statements

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

The directors have prepared the condensed consolidated financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date they are approved.

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

2. Trading assets and liabilities

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

	31 March 2024 £m	31 December 2023 £m
Assets		
Loans		
Reverse repos	22,221	23,694
Collateral given	7,869	8,914
Other loans	582	762
Total loans	30,672	33,370
Securities		
Central and local government		
- UK	4,067	2,729
- US	4,357	2,600
- Other	6,779	3,062
Financial institutions and Corporate	4,367	3,563
Total securities	19,570	11,954
Total	50,242	45,324
Liabilities		
Deposits		
Repos	27,323	26,902
Collateral received	13,638	15,062
Other deposits	1,016	1,150
Total deposits	41,977	43,114
Debt securities in issue	546	706
Short positions	14,032	9,803
Total	56,555	53,623

3. Other financial liabilities

	31 March 2024 £m	31 December 2023 £m
Customer deposits - designated as at FVTPL	1,336	1,259
Debt securities in issue		
- Medium-term notes	19,477	17,608
- Commercial paper and certificates of deposit	7,035	4,433
Subordinated liabilities		
- Designated as at FVTPL	238	238
- Amortised cost	36	36
Total	28,122	23,574

4. Amounts due to holding company and fellow subsidiaries

	31 March 2024 £m	31 December 2023 £m
Liabilities		
Bank deposits - amortised cost	544	537
Customer deposits - amortised cost	54	55
Trading liabilities	927	1,028
Settlement balances	214	-
Other financial liabilities - subordinated liabilities	1,104	1,022
MREL instruments issued to NatWest Group plc	3,510	3,070
Other liabilities	47	90
Total	6,400	5,802

Notes continued

5. Litigation and regulatory matters

NatWest Markets Plc's 2023 Annual Report and Accounts, issued on 16 February 2024, included disclosures about NWM Group's litigation and regulatory matters in Note 25. Set out below are the material developments in those matters (all of which have been previously disclosed) since publication of the 2023 Annual Report and Accounts.

Litigation

London Interbank Offered Rate (LIBOR) and other rates litigation

NWM Plc and certain other members of NatWest Group, including NatWest Group plc, are defendants in a number of claims pending in the United States District Court for the Southern District of New York (SDNY) with respect to the setting of USD LIBOR. In March 2024, NatWest Group companies reached an agreement in principle, subject to documentation and court approval, to settle the USD LIBOR class action that asserts claims on behalf of lenders who made LIBOR based loans. In April 2024, NatWest Group companies reached an agreement, subject to court approval, to settle the USD LIBOR class action that asserts claims on behalf of persons who transacted futures and options on exchanges. The settlement amounts are covered in full by existing provisions.

FX litigation

NWM Plc, NatWest Markets Securities Inc. (NWMSI) and/or NatWest Group plc are defendants in several cases relating to NWM Plc's foreign exchange (FX) business. In February 2024, NWM Plc executed an agreement to settle the claim in the Tel Aviv District Court in Israel, subject to court approval. The settlement amount is covered in full by an existing provision.

Government securities antitrust litigation

Class action antitrust claims commenced in March 2019 are pending in the SDNY against NWM Plc, NWMSI and other banks in respect of Euro-denominated bonds issued by various European central banks. In March 2024, NatWest Group companies reached an agreement in principle, subject to final documentation and court approval, to settle the class action. The settlement amount is covered in full by an existing provision.

Swaps antitrust litigation

NWM Plc and other members of NatWest Group, including NatWest Group plc, as well as a number of other interest rate swap dealers, are defendants in several cases pending in the SDNY alleging violations of the US antitrust laws in the market for interest rate swaps. There is a consolidated class action complaint on behalf of persons who entered into interest rate swaps with the defendants, as well as non-class action claims by three swap execution facilities. In March 2024, NatWest Group companies reached an agreement in principle, subject to documentation and court approval, to settle the class action. The settlement amount is covered in full by an existing provision.

1MDB litigation

A Malaysian court claim was served in Switzerland in November 2022 by 1MDB, a sovereign wealth fund, in which Coutts & Co Ltd was named, along with six others, as a defendant in respect of losses allegedly incurred by 1MDB. It is claimed that Coutts & Co Ltd is liable as a constructive trustee for having dishonestly assisted the directors of 1MDB in the breach of their fiduciary duties by failing (amongst other alleged claims) to undertake due diligence in relation to a customer of Coutts & Co Ltd, through which funds totalling c.US\$1 billion were received and paid out between 2009 and 2011. The claimant seeks the return of that amount plus interest. Coutts & Co Ltd filed an application in January 2023 challenging the validity of service and the Malaysian court's jurisdiction to hear the claim, and a hearing took place in February 2024. In March 2024, the court granted that application. The claimant has filed a Notice of Appeal.

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

6. Post balance sheet events

Other than as disclosed in this document, there have been no other significant events between 31 March 2024 and the date of approval of these accounts that would require a change to or additional disclosure in the condensed consolidated financial statements.

Non-IFRS measures

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

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

Operating expenses – management view

	Quarter ended		
	31 March 2024		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m
Staff costs	6	118	124
Premises and equipment	-	17	17
Depreciation and amortisation	-	2	2
Other administrative expenses	(7)	119	112
Total	(1)	256	255

	Quarter ended		
	31 December 2023		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m
Staff costs	4	98	102
Premises and equipment	-	19	19
Depreciation and amortisation	-	6	6
Other administrative expenses	27	160	187
Total	31	283	314

	Quarter ended		
	31 March 2023		
	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
	£m	£m	£m
Staff costs	1	112	113
Premises and equipment	-	15	15
Depreciation and amortisation	-	3	3
Other administrative expenses	7	147	154
Total	8	277	285

Additional information

Presentation of information

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

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

Statutory results

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

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Forward-looking statements

Cautionary statement regarding forward-looking statements

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

Limitations inherent to forward-looking statements

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

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

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

Forward-looking statements continued

Climate and sustainability-related disclosures

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

Cautionary statement regarding Non-IFRS financial measures and APMs

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

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

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