



NatWest Markets Group 2021 Annual Results

Financial review

NWM Group reported a loss for the year ended 31 December 2021 of £491 million compared with a loss of £327 million for the year ended 31 December 2020. Lower income reflected under-performance in Fixed Income in 2021 and the exceptional market activity in the prior year in response to the COVID-19 pandemic. Operating expenses for the current year were lower than in 2020, largely reflecting lower litigation and conduct costs and progress on underlying cost reductions.

Highlights

Financial performance

- Income was £401 million in 2021, compared with £1,158 million in 2020, driven by under-performance in Fixed Income, in contrast to the prior year which benefitted from exceptional levels of market activity generated by the initial spread of the COVID-19 virus.
- Operating expenses of £1,150 million were £281 million lower compared with £1,431 million in 2020. Litigation and conduct costs of £17 million credit reflected progress in closing legacy matters and were £151 million lower than £134 million in 2020. Strategic costs were £248 million, up from £191 million in the prior year, as work continued on the refocusing of NWM Group. Other operating expenses of £919 million were £187 million lower than in 2020, reflecting progress on underlying cost reductions.
- Impairment releases were £35 million in 2021, largely driven by credit improvements and releases on individual IFRS 9 Stage 2 and Stage 3 counterparties, compared with losses of £42 million in the prior year which were largely due to the credit deterioration of an individual counterparty and the impact of expected credit losses recognised following the COVID-19 pandemic.
- NWM Group's total assets and liabilities decreased by £70.1 billion and £68.2 billion to £203.0 billion and £195.6 billion respectively at 31 December 2021, compared with the prior year. The decreases primarily reflect lower derivative fair values, largely driven by increases in interest rates across major currencies during the year.
- Total dividends paid to NatWest Group plc during the year ended 31 December 2021 amounted to £1.0 billion. On 17 February 2022, the NWM Plc Board approved a further interim dividend of £250 million, to be declared and payable to NatWest Group plc on 18 February 2022. There has been no adjustment to the year-end statutory financial statements, however a £250 million foreseeable dividend deduction has been applied to the year-end regulatory capital position.

Capital and leverage

- Total NWM Plc RWAs reduced to £22.7 billion at 31 December 2021 from £25.6 billion at 31 December 2020, reflecting lower levels of credit, counterparty credit, market and operational risk which have trended downwards as the business seeks to reduce RWAs through the execution of capital optimisation actions, including strategic risk reduction transactions and exit activity.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 17.9% at 31 December 2021, compared with 21.7% at 31 December 2020. The decrease in the year reflected the impact of dividends paid to NatWest Group plc and other reserve movements, partly offset by the reduction in RWAs. The CRR leverage ratio decreased to 4.3% from 5.2% at 31 December 2020.
- Total MREL for NWM Plc at 31 December 2021 was £9.6 billion, or 42.1% of RWAs, down from £12.7 billion or 49.6% of RWAs at 31 December 2020. The decrease in the year was largely due to the redemption of a \$1.5 billion internal instrument issued to NatWest Group plc and the reduction in CET1 capital.

Liquidity and funding

- NWM Plc's liquidity portfolio at 31 December 2021 was £16.1 billion with an LCR of 205%, compared with £19.4 billion and an LCR of 268% at 31 December 2020. Stressed coverage ratio was 146% at 31 December 2021, compared with 207% at 31 December 2020.
- NWM Plc issued £4.3 billion of term senior unsecured debt securities during 2021, including two benchmark transactions under the US MTN programme amounting to \$2.55 billion of notes, two benchmark transactions under the EMTN programme amounting to €2.25 billion of notes, and other private placements.

Financial review continued

Outlook^(1,5)

We aim to generate sustainable and attractive returns over the medium term, with efficient capital usage.

2022 outlook

NWM Plc 2022 funding plan targets £4-5 billion of public benchmark issuance.

Medium-term outlook:

Metric ⁽²⁾	Estimate
CET1 ratio ⁽³⁾	~ 14%
MREL ratio ⁽⁴⁾	> 30%
Leverage ratio	> 4%

(1) This supersedes all prior guidance.

(2) All metrics presented relate to NWM Plc.

(3) NWM Plc expects to run above the 15% target on a solo basis in 2022.

(4) Includes total regulatory capital, non-eligible capital plus downstreamed internal MREL.

(5) The 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 on pages 179 to 200 of NatWest Markets Plc 2021 Annual Report and Accounts. These statements constitute forward-looking statements. Refer to 'Forward-looking statements' in this announcement.

Chief Executive's statement

Financial performance

Our total income was £401 million and the operating loss for the year was £714 million. This reflected a weak performance in Fixed Income, contrasting with the exceptional levels of market activity in the prior period caused by the pandemic, and ongoing strategic costs associated with restructuring the business and strengthening the balance sheet. We continued to reduce operating costs in line with the strategic announcement in February 2020 and progressed in closing legacy matters.

We returned £1 billion capital to NatWest Group via dividends during the year up to 31 December 2021, with a further £250 million to be declared and payable to NatWest Group plc on 18 February. We have also made significant progress in rightsizing our cost and capital base to support a sustainable and profitable future business. Our risk-weighted asset (RWA) reduction is largely complete with a decrease of c£2.9 billion during the year reflected in a strong CET1 ratio of 17.9% and leverage ratio of 4.3%. Performance in Capital Markets and Currencies was in line with expectations, but the under-performance in Fixed Income was driven by the continued reshaping of the business as well as an unfavourable market environment.

Supporting our customers

Our clear growth plans, with increased collaboration across NatWest Group, have already started to deliver benefits. We have strengthened our overall foreign exchange (FX) and international payments proposition so that more customers can benefit from our market-leading service. We collaborated across RBSI, NatWest Markets and Commercial Banking to establish a team to grow our offering to the investment management sector enabling us to provide a more integrated experience for our funds and sponsors customer base. Our business in Europe, which is in collaboration with Commercial Banking, is strong and primed for growth.

Simplifying our business, innovating and working with partners

Following the announcement of our plans in February 2020, the transformation of NatWest Markets is largely complete. I believe this is a great achievement against the backdrop of a global pandemic and is testament to the expertise and dedication of our colleagues. To enable becoming a more sustainable business, we have leveraged NatWest Group investment in technology both for colleagues and customers. I'm pleased that our first API (application programming interface) product, Indicative FX Rates, has been added to the NatWest bank of APIs, enhancing our ability to connect with our customers and partners. We also progressed the development of our digital bond capability, completing a pilot trade of a 'blockchain bond' in the secondary market. To build on this progress and support the growth of the business will require continued significant investment in our technology transformation. This investment is expected to have an impact on our 2022 results, as will the incurrence of further costs, if any, associated with litigation and regulatory matters.

Sharpening our capital allocation

Our Capital Management unit has actively managed capital allocation and optimisation across our businesses. We have reduced market-risk RWAs and counterparty-risk RWAs across the trading businesses, allowing for reallocation of capital to support our growth priorities and we have returned capital to NatWest Group via dividends.

Climate and ESG

We've had a strong year supporting our customers' climate and ESG-related finance needs, with product innovation across bonds, FX, interest rate derivatives and private finance. In 2021, we completed £9.7 billion of Climate and Sustainable Funding and Financing, including £3.3 billion in H2 2021 which will contribute towards the new NatWest Group target of £100 billion between 1 July 2021 and the end of 2025. A great example of our support for renewables is on Vineyard Wind 1, the first commercial scale offshore wind farm in the US where our regional expertise supported other NatWest Group teams. And we've also been able to tap into the Asia investor base, supporting Hitachi Capital (UK) Plc with its first green bond.

With NatWest Group a principal partner for COP26, I was delighted to attend the conference and be involved in industry events such as the International Emissions Trading Association (IETA) CEO Roundtable and Global Financial Alliance for Zero (GFANZ) events. Our thought leadership in this area, as well as our commitment to customers, ensures we remain a leading underwriter for green, social and sustainability (GSS) bonds issued by UK corporates and sterling-denominated GSS bonds across all sectors.

Chief Executive's statement continued

Colleagues and ways of working

I'm proud of the way colleagues have adapted to the changes in ways of working, while also keeping our culture front of mind. Our purpose is helping to drive our culture and we've been running a dedicated programme for colleagues to explore and understand the role they play in delivering Purpose and how it shapes our business. This engagement and connection to our purpose is vital to the success of our growth ambition and strategy. This year, we have also stepped up our focus on developing a culture that champions diversity and creates an inclusive workplace that gives all of our people the best opportunity to succeed and grow their careers. I look forward to seeing more progress in this crucial area of diversity, equity and inclusion in the coming months.

As I reflect on the year, I'm delighted by how we've progressed our transformation to a sustainable business. I believe that the creation of the new Commercial and Institutional franchise will further enhance our plans for sustainable growth and enable us to deepen our relationships with customers and support their growth ambitions – helping them, as ever, to thrive.

Robert Begbie
CEO, NatWest Markets

Business performance summary

The table below presents a segmental analysis of key lines of NWM Group's income statement for the quarter ended 31 December 2021. Commentary refers to the table below as well as the consolidated income statement shown on page 10.

	Q4 2021			Q3 2021			Q4 2020		
	NatWest Markets £m	Central items & other £m	Total £m	NatWest Markets £m	Central items & other £m	Total £m	NatWest Markets £m	Central items & other £m	Total £m
Income statement									
Net interest income	13	-	13	(1)	-	(1)	(3)	-	(3)
Non-interest income	11	(11)	-	96	(3)	93	76	1	77
Total income	24	(11)	13	95	(3)	92	73	1	74
Strategic costs	(95)	(4)	(99)	(52)	(2)	(54)	(43)	(4)	(47)
Litigation and conduct costs	-	(24)	(24)	(2)	(25)	(27)	-	(7)	(7)
Other operating expenses	(252)	2	(250)	(214)	(2)	(216)	(272)	(27)	(299)
Operating expenses	(347)	(26)	(373)	(268)	(29)	(297)	(315)	(38)	(353)
Operating loss before impairments	(323)	(37)	(360)	(173)	(32)	(205)	(242)	(37)	(279)
Impairment releases/(losses)	16	-	16	3	-	3	(2)	2	-
Operating loss before tax	(307)	(37)	(344)	(170)	(32)	(202)	(244)	(35)	(279)
Tax credit			136			38			46
Loss for the period			(208)			(164)			(233)
Income (5)									
Fixed Income (1,2)	(69)	-	(69)	(38)	-	(38)	(17)	-	(17)
Currencies	121	-	121	101	-	101	121	-	121
Capital Markets	80	-	80	90	-	90	90	-	90
Capital Management Unit & other (1,2,3)	(55)	(11)	(66)	7	(3)	4	(17)	1	(16)
Income before Revenue share paid, Asset disposals and OCA	77	(11)	66	160	(3)	157	177	1	178
Revenue share with other NatWest Group segments	(44)	-	(44)	(55)	-	(55)	(53)	-	(53)
Income excluding Asset disposals and OCA	33	(11)	22	105	(3)	102	124	1	125
Asset disposals/Strategic risk reduction (4)	(12)	-	(12)	(12)	-	(12)	(8)	-	(8)
Own credit adjustments (OCA)	3	-	3	2	-	2	(43)	-	(43)
Total income	24	(11)	13	95	(3)	92	73	1	74

(1) Income of £(21) million relating to business previously within Fixed Income has been reallocated to Capital Management Unit in Q4 2021. Comparatives have not been restated. The equivalent amounts were £(12) million in Q3 2021 and nil in Q4 2020.

(2) Fixed Income for Q4 2020 includes income of £(11) million relating to miscellaneous balances that from Q2 2021 have been included in Capital Management Unit & other.

(3) Capital Management Unit was set up in Q3 2020 to manage capital usage and optimisation across all parts of NatWest Markets. The income shown here relates to legacy assets and other miscellaneous balances.

(4) Asset disposals/Strategic risk reduction relates to the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into, in respect of the strategic announcements of 14 February 2020.

(5) Product performance includes gross income earned on a NatWest group-wide basis, including amounts contributed to other segments.

- **Net interest income** was £13 million in Q4 2021 compared with net expense of £1 million in Q3 2021 and net expense of £3 million in Q4 2020.
- **Non-interest income** was nil for Q4 2021, compared with £93 million in Q3 2021 and £77 million in Q4 2020, largely reflecting continued under-performance in Fixed Income which was impacted by the re-shaping of the business.
- **Operating expenses** of £373 million in Q4 2021 were up compared with £297 million in Q3 2021 and £353 million in Q4 2020. Strategic costs of £99 million were up by £45 million from £54 million in Q3 2021 and by £52 million compared with £47 million in Q4 2020, as work continued on the refocusing of NWM Group. Other operating expenses of £250 million increased by £34 million from £216 million in Q3 2021, partly due to one-off costs including the annual bank levy charge, but decreased by £49 million from £299 million in Q4 2020, reflecting ongoing progress on underlying cost reductions.
- **NatWest Markets** operating loss before tax was £307 million in Q4 2021, compared with £170 million in Q3 2021 and £244 million in Q4 2020. Income excluding asset disposals and own credit adjustments of £33 million was down compared with £105 million in Q3 2021 and £124 million in Q4 2020, largely reflecting continued under-performance in Fixed Income which was impacted by the re-shaping of the business. Operating expenses of £347 million in Q4 2021 were £79 million higher than £268 million in Q3 2021, reflecting higher strategic costs and one-off expenses including the annual bank levy charge, and £32 million higher than £315 million in Q4 2020, driven by higher strategic costs.
- **Central items & other** operating loss before tax was £37 million, compared with £32 million in Q3 2021 and £35 million in Q4 2020.

Business performance summary continued

The table below presents a segmental analysis of key lines of NWM Group's income statement for the year ended 31 December 2021. Commentary refers to the table below as well as the consolidated income statement shown on page 10.

	Year ended					
	31 December 2021			31 December 2020		
	NatWest Markets £m	Central items & other £m	Total £m	NatWest Markets £m	Central items & other £m	Total £m
Income statement						
Net interest income	8	-	8	(62)	2	(60)
Non-interest income	401	(8)	393	1,180	38	1,218
Total income	409	(8)	401	1,118	40	1,158
Strategic costs	(236)	(12)	(248)	(207)	16	(191)
Litigation and conduct costs	-	17	17	(4)	(130)	(134)
Other operating expenses	(921)	2	(919)	(1,106)	-	(1,106)
Operating expenses	(1,157)	7	(1,150)	(1,317)	(114)	(1,431)
Operating loss before impairments	(748)	(1)	(749)	(199)	(74)	(273)
Impairment releases/(losses)	35	-	35	(40)	(2)	(42)
Operating loss before tax	(713)	(1)	(714)	(239)	(76)	(315)
Tax credit/(charge)			223			(12)
Loss for the year			(491)			(327)
Income (8)						
Fixed Income (1,2,3,4,5)	(64)	-	(64)	511	-	511
Currencies (2,4)	427	-	427	583	-	583
Capital Markets (2,3,4)	336	-	336	384	-	384
Capital Management Unit & other (1,2,5,6)	(35)	(8)	(43)	(60)	40	(20)
Income before Revenue share paid, Asset disposals and OCA	664	(8)	656	1,418	40	1,458
Revenue share with other NatWest Group segments	(197)	-	(197)	(193)	-	(193)
Income excluding Asset disposals and OCA	467	(8)	459	1,225	40	1,265
Asset disposals/Strategic risk reduction (7)	(64)	-	(64)	(83)	-	(83)
Own credit adjustments (OCA)	6	-	6	(24)	-	(24)
Total income	409	(8)	401	1,118	40	1,158

- (1) Income of £(12) million reported within Fixed Income relates to business subsequently reallocated to Capital Management Unit during 2021. Comparatives have not been restated. The full year equivalent amount for 2020 was £1 million.
- (2) Income of £(42) million, £(8) million and £(14) million reported within Fixed Income, Currencies and Capital Markets respectively in 2020 relates to business that was subsequently reallocated to Capital Management Unit during 2020.
- (3) Income of £33 million reported within Capital Markets in 2020 relates to business that was subsequently transferred to Fixed Income during 2020.
- (4) Income of £59 million and £8 million reported within Fixed Income in 2020 relates to business that was subsequently transferred to Currencies and Capital Markets respectively during 2020.
- (5) Fixed Income includes income of £(7) million (2020: £37 million) relating to miscellaneous balances that from Q2 2021 have been included in Capital Management Unit & other.
- (6) Capital Management Unit was set up in Q3 2020 to manage capital usage and optimisation across all parts of NatWest Markets. The income shown here relates to legacy assets and other miscellaneous balances.
- (7) Asset disposals/Strategic risk reduction relates to the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into, in respect of the strategic announcements of 14 February 2020.
- (8) Product performance includes gross income earned on a NatWest group-wide basis, including amounts contributed to other segments.

Business performance summary continued

- **Net interest income** was £8 million for 2021, compared with net interest expense of £60 million in 2020. 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 movement in the year primarily reflected reduced funding costs for the business driven by the ongoing repayment of legacy debt.
- **Non-interest income** decreased by £825 million to £393 million, compared with £1,218 million in 2020. Income from trading activities decreased to £263 million from £1,088 million in 2020, reflecting under-performance in Fixed Income which was impacted by the re-shaping of the business, in contrast to the prior year which benefitted from the exceptional market activity generated by the initial spread of the COVID-19 virus. Asset disposals/Strategic risk reduction was a £64 million loss for the year, compared with a £83 million loss in the prior year following the strategic announcements in February 2020.
- **Operating expenses** of £1,150 million in the current year were £281 million lower than £1,431 million in 2020. Litigation and conduct costs credit of £17 million for the year reflected continued progress in closing legacy matters and were down £151 million from £134 million in 2020. Strategic costs were £248 million in 2021 compared with £191 million in 2020, as work continued on the refocusing of NWM Group. Other operating expenses decreased to £919 million from £1,106 million in 2020, primarily reflecting ongoing progress on underlying cost reductions.
- **Impairment releases** were £35 million in 2021, largely driven by credit improvements and releases on individual IFRS 9 Stage 2 and Stage 3 exposures, compared with losses of £42 million in 2020, which were largely due to the credit deterioration of an individual counterparty and the increased expected credit losses recognised following the COVID-19 pandemic.
- **NatWest Markets** operating loss before tax was £713 million compared with a loss of £239 million in 2020. Income excluding asset disposals and own credit adjustments of £467 million was £758 million lower than in 2020, reflecting under-performance in Fixed Income which was impacted by the re-shaping of the business, and the increased customer activity in the prior year as the market reacted to COVID-19. Operating expenses of £1,157 million were £160 million lower than £1,317 million in 2020, largely driven by a decrease in other operating expenses reflecting continued progress on underlying cost reductions.
- **Central items & other** operating loss before tax was £1 million compared with a loss of £76 million in 2020. Litigation and conduct costs of £17 million credit reflected progress in closing legacy matters and were down £147 million from £130 million in 2020.

Business performance summary continued

Balance sheet profile as at 31 December 2021

NWM Group's balance sheet profile is summarised below. Commentary refers to the tables below as well as the consolidated balance sheet on page 11.

Assets			Liabilities		
	2021 £bn	2020 £bn	2021 £bn	2020 £bn	
Cash and balances at central banks	16.6	15.8			
Securities	25.0	29.2	25.0	26.8	Short positions
Reverse repos (1)	20.7	19.4	19.4	19.0	Repos (2)
Derivative cash collateral posted (3)	12.0	18.5	17.6	23.2	Derivative cash collateral received (4)
Other trading assets	1.4	1.6	2.5	3.3	Other trading liabilities
Total trading assets	59.1	68.7	64.5	72.3	Total trading liabilities
Loans - amortised cost	8.4	9.4	4.1	4.4	Deposits - amortised cost
Settlement balances	2.1	2.3	2.1	2.2	Settlement balances
Amounts due from holding company and fellow subsidiaries	1.5	1.6	6.1	8.1	Amounts due to holding company and fellow subsidiaries
Other financial assets	8.8	9.0	19.3	18.2	Other financial liabilities
Other assets	0.9	0.7	1.0	1.3	Other liabilities
Funded assets	97.4	107.5	97.1	106.5	Liabilities excluding derivatives
Derivative assets	105.6	165.6	98.5	157.3	Derivative liabilities
Total assets	203.0	273.1	195.6	263.8	Total liabilities
					of which:
			21.1	20.6	wholesale funding (5)
			9.2	9.5	short-term wholesale funding (5)
Net derivative assets	3.6	4.7	2.9	3.6	Net derivative liabilities

(1) Comprises bank reverse repos of £3.9 billion (2020 - £2.2 billion) and customer reverse repos of £16.8 billion (2020 - £17.2 billion).

(2) Comprises bank repos of £0.8 billion (2020 - £1.0 billion) and customer repos of £18.6 billion (2020 - £18.0 billion).

(3) Comprises derivative cash collateral posted relating to banks of £4.3 billion (2020 - £7.5 billion) and customers of £7.7 billion (2020 - £11.0 billion).

(4) Comprises derivative cash collateral received relating to banks of £8.1 billion (2020 - £11.8 billion) and customers of £9.5 billion (2020 - £11.4 billion).

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

- **Total assets and liabilities** decreased by £70.1 billion and £68.2 billion to £203.0 billion and £195.6 billion respectively at 31 December 2021, compared with £273.1 billion and £263.8 billion at 31 December 2020. The decreases primarily reflect lower derivative fair values, largely driven by increases in interest rates across major currencies. Funded assets, which exclude derivatives, decreased by £10.1 billion to £97.4 billion at 31 December 2021.
- **Trading assets**, which primarily relate to client-led activity as well as derivative cash collateral posted, decreased to £59.1 billion at 31 December 2021 from £68.7 billion at 31 December 2020, driven by decreases in derivative cash collateral posted and securities, partially offset by an increase in reverse repos as the balance sheet was managed within limits. **Trading liabilities** decreased by £7.8 billion to £64.5 billion at 31 December 2021 (2020 - £72.3 billion), driven largely by a reduction in derivative cash collateral received.
- **Derivative assets and derivative liabilities** were down £60.0 billion to £105.6 billion and £58.8 billion to £98.5 billion respectively compared with year end 2020. The decreases in mark-to-market were largely driven by increases in interest rates across major currencies during the year.
- **Other financial liabilities** increased to £19.3 billion from £18.2 billion at 31 December 2020, driven by new issuance partially offset by maturities, and includes £12.4 billion of medium term notes issued.

Capital, liquidity and funding risk

Capital, RWAs and leverage

Capital resources, RWAs and leverage based on the PRA transitional arrangements for NWM Plc are set out below. Regulatory capital is monitored and reported at legal entity level for large subsidiaries of NatWest Group.

	31 December 2021	30 September 2021	31 December 2020
	%	%	%
Capital adequacy ratios			
CET1	17.9	19.4	21.7
Tier 1	21.0	22.3	25.2
Total	25.9	27.6	30.3
Total MREL	42.1	43.5	49.6
Capital (1)	£m	£m	£m
CET1 (2)	4,072	4,553	5,547
Tier 1	4,755	5,231	6,433
Total	5,870	6,463	7,753
Total MREL (3)	9,555	10,191	12,679
Risk-weighted assets			
Credit risk	6,878	7,111	6,902
Counterparty credit risk	6,854	7,395	8,130
Market risk	6,934	6,919	8,150
Operational risk	2,020	2,020	2,382
Total RWAs	22,686	23,445	25,564
Leverage (4)			
CRR leverage exposure (£m)	110,603	122,124	123,927
Tier 1 capital (£m)	4,755	5,231	6,433
CRR leverage ratio (%)	4.3	4.3	5.2

Liquidity and funding

	31 December 2021	30 September 2021	31 December 2020
Liquidity coverage ratio (LCR) (%)	205	241	268
Liquidity portfolio (£bn)	16.1	16.2	19.4
Total wholesale funding (£bn) (5)	21.1	20.1	20.6
Total funding including repo (£bn)	68.8	70.0	75.9

(1) CRR end-point for UK banks set by the PRA is 10.5% minimum total capital ratio, with a minimum CET1 ratio of 7.0%.

(2) CET1 includes £250 million foreseeable ordinary dividend deduction.

(3) Includes senior internal debt instruments issued to NatWest Group plc with a regulatory value of £3.7 billion (30 September 2021 - £3.8 billion, 31 December 2020 - £4.9 billion).

(4) 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.

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

Consolidated income statement for the period ended 31 December 2021

	Year ended		Quarter ended		
	31 December	31 December	31 December	30 September	31 December
	2021	2020	2021	2021	2020
	£m	£m	£m	£m	£m
Interest receivable	343	531	85	79	103
Interest payable	(335)	(591)	(72)	(80)	(106)
Net interest income	8	(60)	13	(1)	(3)
Fees and commissions receivable	262	386	68	48	(25)
Fees and commissions payable	(104)	(287)	(23)	(19)	61
Income from trading activities	263	1,088	(37)	74	62
Other operating income	(28)	31	(8)	(10)	(21)
Non-interest income	393	1,218	-	93	77
Total income	401	1,158	13	92	74
Staff costs	(498)	(670)	(128)	(118)	(151)
Premises and equipment	(110)	(107)	(51)	(22)	(19)
Other administrative expenses	(522)	(629)	(189)	(152)	(175)
Depreciation and amortisation	(20)	(25)	(5)	(5)	(8)
Operating expenses	(1,150)	(1,431)	(373)	(297)	(353)
Operating loss before impairments	(749)	(273)	(360)	(205)	(279)
Impairment releases/(losses)	35	(42)	16	3	-
Operating loss before tax	(714)	(315)	(344)	(202)	(279)
Tax credit/(charge)	223	(12)	136	38	46
Loss for the period	(491)	(327)	(208)	(164)	(233)
Attributable to:					
Ordinary shareholders	(593)	(328)	(224)	(180)	(249)
Paid-in equity holders	63	68	16	16	17
Non-controlling interests	39	(67)	-	-	(1)
	(491)	(327)	(208)	(164)	(233)

Consolidated statement of comprehensive income for the period ended 31 December 2021

	Year ended		Quarter ended		
	31 December	31 December	31 December	30 September	31 December
	2021	2020	2021	2021	2020
	£m	£m	£m	£m	£m
(Loss) for the period	(491)	(327)	(208)	(164)	(233)
Items that do not qualify for reclassification					
Remeasurement of retirement benefit schemes	36	(21)	36	1	(18)
(Loss) on fair value of credit in financial liabilities designated as at fair value through profit or loss (FVTPL) due to own credit risk	(29)	(52)	-	(4)	(72)
Fair value through other comprehensive income (FVOCI) financial assets	2	(210)	4	(1)	(58)
Tax	(10)	42	(15)	1	25
	(1)	(241)	25	(3)	(123)
Items that do qualify for reclassification					
FVOCI financial assets	(2)	2	1	5	9
Cash flow hedges	(206)	92	(49)	(54)	(40)
Currency translation	(124)	62	(31)	19	(112)
Tax	45	(28)	24	14	10
	(287)	128	(55)	(16)	(133)
Other comprehensive loss after tax	(288)	(113)	(30)	(19)	(256)
Total comprehensive loss for the period	(779)	(440)	(238)	(183)	(489)
Attributable to:					
Ordinary shareholders	(885)	(459)	(254)	(199)	(508)
Paid-in equity holders	63	68	16	16	17
Non-controlling interests	43	(49)	-	-	2
	(779)	(440)	(238)	(183)	(489)

Consolidated balance sheet as at 31 December 2021

	31 December 2021 £m	30 September 2021 £m	31 December 2020 £m
Assets			
Cash and balances at central banks	16,645	15,743	15,771
Trading assets	59,101	66,299	68,689
Derivatives	105,550	103,026	165,619
Settlement balances	2,139	8,138	2,296
Loans to banks - amortised cost	962	1,877	1,003
Loans to customers - amortised cost	7,471	7,074	8,444
Amounts due from holding company and fellow subsidiaries	1,479	1,585	1,587
Other financial assets	8,786	8,150	9,041
Other assets	878	769	688
Total assets	203,011	212,661	273,138
Liabilities			
Bank deposits	1,808	2,156	1,808
Customer deposits	2,268	2,214	2,618
Amounts due to holding company and fellow subsidiaries	6,126	6,120	8,134
Settlement balances	2,068	7,792	2,248
Trading liabilities	64,482	70,696	72,252
Derivatives	98,497	96,651	157,332
Other financial liabilities	19,255	18,042	18,170
Other liabilities	1,055	1,042	1,234
Total liabilities	195,559	204,713	263,796
Equity			
Owners' equity	7,455	7,951	9,388
Non-controlling interests	(3)	(3)	(46)
Total equity	7,452	7,948	9,342
Total liabilities and equity	203,011	212,661	273,138

Consolidated statement of changes in equity for the period ended 31 December 2021

	Year ended		Quarter ended		
	31 December 2021 £m	31 December 2020 £m	31 December 2021 £m	30 September 2021 £m	31 December 2020 £m
Called up share capital - at beginning and end of period	400	400	400	400	400
Share premium account - at 1 January	1,759	1,759	1,946	1,759	1,759
Redemption of Preference Shares	187	-	-	187	-
At 31 December	1,946	1,759	1,946	1,946	1,759
Paid-in equity - at beginning and end of period	904	904	904	904	904
FVOCI reserve - at 1 January	34	(134)	29	27	(228)
Unrealised (losses)/gains	(1)	(221)	5	4	(53)
Realised losses/(gains)	1	389	-	(1)	315
Tax	(1)	-	(1)	(1)	-
At 31 December	33	34	33	29	34
Cash flow hedging reserve - at 1 January	201	137	71	110	230
Amount recognised in equity	(207)	18	(45)	(44)	(52)
Amount transferred from equity to earnings	1	74	(4)	(10)	12
Tax	52	(28)	25	15	11
At 31 December	47	201	47	71	201
Foreign exchange reserve - at 1 January	121	77	18	(1)	236
Retranslation of net assets	(158)	98	(49)	22	(117)
Foreign currency gains/(losses) on hedges of net assets	20	(31)	8	(3)	2
Tax	(6)	-	-	-	-
Recycled to profit or loss on disposal of businesses	10	(23)	10	-	-
At 31 December	(13)	121	(13)	18	121
Retained earnings - at 1 January	5,969	6,764	4,583	4,945	6,573
(Loss) attributable to ordinary shareholders and other equity owners	(530)	(260)	(208)	(164)	(232)
Ordinary dividends paid	(1,000)	-	(250)	-	-
Paid-in equity dividends paid	(63)	(68)	(16)	(16)	(17)
Redemption of Preference Shares	(188)	-	-	(188)	-
Remeasurement of the retirement benefit schemes					
- gross	36	(21)	36	1	(18)
- tax	(13)	(1)	(15)	-	(12)
Realised (losses)/gains on FVOCI equity shares (1)					
- gross	-	(376)	-	1	(311)
- tax	-	35	-	-	27
Changes in fair value of credit in financial liabilities designated at FVTPL					
- gross	(29)	(52)	-	(4)	(72)
- tax	3	8	-	1	9
Share based payments (2)	(47)	(42)	8	7	22
Distribution	-	(40)	-	-	-
Capital contribution	-	22	-	-	-
At 31 December	4,138	5,969	4,138	4,583	5,969

Consolidated statement of changes in equity for the period ended 31 December 2021

	Year ended		Quarter ended		
	31 December 2021 £m	31 December 2020 £m	31 December 2021 £m	30 September 2021 £m	31 December 2020 £m
Owners' equity at 31 December	7,455	9,388	7,455	7,951	9,388
Non-controlling interests - at 1 January	(46)	3	(3)	(3)	(48)
Currency translation adjustments and other movements	4	18	-	-	3
Gain/(Loss) attributable to non-controlling interests	39	(67)	-	-	(1)
At 31 December	(3)	(46)	(3)	(3)	(46)
Total equity at 31 December	7,452	9,342	7,452	7,948	9,342
Attributable to:					
Ordinary shareholders	6,551	8,484	6,551	7,047	8,484
Paid-in equity holders	904	904	904	904	904
Non-controlling interests	(3)	(46)	(3)	(3)	(46)
	7,452	9,342	7,452	7,948	9,342

(1) During 2020 NWM Plc sold its entire equity holding in Saudi British Bank (SABB) leading to a realised loss of £337 million after tax which was recognised through other comprehensive income and reclassified to retained earnings.

(2) Share based payments includes a tax credit of £4 million.

Consolidated cash flow statement for the period ended 31 December 2021

	31 December 2021 £m	31 December 2020 £m
Operating activities		
Operating loss before tax	(714)	(315)
Adjustments for non-cash items	725	(354)
Net cash flows from trading activities	11	(669)
Changes in operating assets and liabilities	2,460	(3,248)
Net cash flows from operating activities before tax	2,471	(3,917)
Income taxes received/(paid)	28	(73)
Net cash flows from operating activities	2,499	(3,990)
Net cash flows from investing activities	40	3,271
Net cash flows from financing activities	(2,675)	(785)
Effects of exchange rate changes on cash and cash equivalents	(994)	841
Net decrease in cash and cash equivalents	(1,130)	(663)
Cash and cash equivalents at 1 January	26,380	27,043
Cash and cash equivalents at 31 December	25,250	26,380

Notes

1. Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Markets Plc's 2021 Annual Report and Accounts which were prepared in accordance with UK adopted International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the European Union.

Going concern

Having reviewed NWM Group's principal risks, forecasts, projections, the potential impact of COVID-19 and other relevant evidence, the directors have a reasonable expectation that NWM Group will continue in operational existence for a period of twelve months from the date the financial statements are approved. Accordingly, the results for the year ended 31 December 2021 have been prepared on a going concern basis (see the Report of the directors, page 89, NatWest Markets plc 2021 Annual Report and Accounts).

2. Accounting policies

NWM Group's principal accounting policies are as set out on pages 110 to 114 of the NatWest Markets Plc 2021 Annual Report and Accounts.

Critical accounting policies and key sources of estimation uncertainty

The judgements and assumptions that are considered to be the most important to the portrayal of NWM Group's financial condition are those relating to deferred tax, fair value of financial instruments, loan impairment provisions and provisions for liabilities and charges. These critical accounting policies and judgements are noted on pages 113 and 114 of the NatWest Markets Plc's 2021 Annual Report and Accounts. Estimation uncertainty continues to be affected by the COVID-19 pandemic.

Information used for significant estimates

The COVID-19 pandemic continued to cause significant economic and social disruption during the year ended 31 December 2021. Key financial estimates are based on management's latest five-year revenue and cost forecasts. Measurement of deferred tax and expected credit losses are highly sensitive to reasonably possible changes in those anticipated conditions. Other reasonably possible assumptions about the future include a prolonged financial effect of the COVID-19 pandemic on the economy of the UK and other countries or greater economic effect as countries and companies implement plans to counter climate risks. Changes in judgements and assumptions could result in a material adjustment to those estimates in the next reporting periods. (Refer to the NatWest Markets Plc Risk factors in the 2021 Annual Report and Accounts).

Notes

3. Trading assets and liabilities

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

	31 December 2021 £m	31 December 2020 £m
Assets		
Loans		
- Reverse repos	20,742	19,404
- Collateral given	11,990	18,459
- other loans	1,414	1,611
Total loans	34,146	39,474
Securities		
Central and local government		
- UK	6,919	4,184
- US	3,329	5,149
- other	10,929	16,436
Financial institutions and Corporate	3,778	3,446
Total securities	24,955	29,215
Total	59,101	68,689
Liabilities		
Deposits		
- Repos	19,389	19,036
- Collateral received	17,619	23,226
- other deposits	1,536	1,803
Total deposits	38,544	44,065
Debt securities in issue	974	1,408
Short positions	24,964	26,779
Total	64,482	72,252

4. Other financial liabilities

	31 December 2021 £m	31 December 2020 £m
Customer deposits - designated as at fair value through profit or loss	568	796
Debt securities in issue		
- designated as at fair value through profit or loss	1,103	1,607
- amortised cost	16,621	14,662
Subordinated liabilities		
- designated as at fair value through profit or loss	703	793
- amortised cost	260	312
Total	19,255	18,170

5. Amounts due to holding company and fellow subsidiaries

	31 December 2021 £m	31 December 2020 £m
Liabilities		
Bank deposits - amortised cost	120	145
Customer deposits - amortised cost	155	144
Trading liabilities	348	636
Other financial liabilities - subordinated liabilities	1,464	1,753
MREL instruments issued to NatWest Group plc	3,858	5,181
Other liabilities	181	275
Total	6,126	8,134

Notes

6. Related parties

UK Government

The UK Government, bodies controlled or jointly controlled by the UK Government and bodies over which it has significant influence are related parties of NWM Group. NWM Group enters into transactions with many of these bodies. NWM Group's other transactions with the UK Government include the payment of taxes, principally UK corporation tax and value added tax; national insurance contributions; local authority rates; and regulatory fees and levies (including the bank levy and FSCS levies).

Bank of England facilities

In the ordinary course of business, NWM Group may from time to time access market-wide facilities provided by the Bank of England.

Other related parties

- (a) In their roles as providers of finance, NWM Group companies provide development and other types of capital support to businesses. These investments are made in the normal course of business. In some instances, the investment may extend to ownership or control over 20% or more of the voting rights of the investee company.
- (b) In accordance with IAS 24, transactions or balances between NWM Group entities that have been eliminated on consolidation are not reported.
- (c) NWM Group is recharged from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.
- (d) The captions in the primary financial statements of the parent company include amounts attributable to subsidiaries. These amounts have been disclosed in aggregate in the relevant notes to the financial statements. Other net income/(expenses) represents the share of post-tax results of associates and joint ventures, profit (or loss) on disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.

Full details of NWM Group's related party transactions for year ended 31 December 2021 are included in NatWest Markets Plc 2021 Annual Report and Accounts.

7. Litigation and regulatory matters

NWM Plc and certain members of NWM Group are party to legal proceedings and involved in regulatory matters, including as the subject of investigations and other regulatory and governmental action (Matters) in the United Kingdom (UK), the United States (US), the European Union (EU) and other jurisdictions. Note 25 in the NatWest Markets Plc 2021 Annual Report and Accounts, issued on 18 February 2022 and available at nwm.com (Note 25), discusses the Matters in which NWM Group is currently involved and material developments. Other than the Matters discussed in Note 25, no member of NWM Group is or has been involved in governmental, legal, or regulatory proceedings (including those which are pending or threatened) that are expected to be material, individually or in aggregate. Recent developments in the Matters identified in Note 25 that have occurred since the Q3 2021 Interim Management Statement was issued on 29 October 2021, include, but are not limited to, those set out below.

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 several class actions, as well as more than two dozen non-class actions, relating to alleged historical artificial suppression of USD LIBOR, each of which is part of a co-ordinated proceeding in the United States District Court for the Southern District of New York (SDNY). In December 2021, the United States Court of Appeals for the Second Circuit (US Court of Appeals), reversing a December 2016 decision of the SDNY, held that plaintiffs in these cases have adequately alleged the court's personal jurisdiction over NWM Plc and other non-US banks, including with respect to antitrust class action claims on behalf of over-the-counter plaintiffs and exchange-based purchaser plaintiffs. In the same decision, the appellate court affirmed the SDNY's prior decision that plaintiffs who purchased LIBOR-based instruments from third parties (as opposed to the defendants) lack antitrust standing to pursue such claims. The appellate court remanded these matters to the SDNY for further proceedings in light of its rulings.

In January 2019, a class action antitrust complaint was filed in the SDNY alleging that the defendants (USD ICE LIBOR panel banks and affiliates) have conspired to suppress USD ICE LIBOR from 2014 to the present by submitting incorrect information to ICE about their borrowing costs. The defendants include NatWest Group plc, NWM Plc, NWMSI and NWB Plc. The defendants made a motion to dismiss this case, which was granted by the court in March 2020. One plaintiff sought to appeal the dismissal, but on 14 February 2022, the US Court of Appeals dismissed the appeal because that plaintiff lacks standing to maintain the appeal.

FX litigation

NWM Plc, NWMSI and / or NatWest Group plc are defendants in several cases relating to NWM Plc's foreign exchange (FX) business. In December 2021, a claim was issued in the Netherlands against NatWest Group plc, NWM Plc and NWM N.V. by Stichting FX Claims, seeking a declaration from the court that anti-competitive FX market conduct described in decisions of the European Commission of 16 May 2019 is unlawful, along with unspecified damages. The claimant has indicated that it may seek to amend its claim to also refer to the December 2021 decision by the EC (described below under "Foreign exchange related investigations"). A hearing is scheduled for June 2022.

Spoofing litigation

In December 2021, three substantially similar class actions complaints were filed in federal court in the United States against NWM Plc and NWMSI alleging Commodity Exchange Act and common law unjust enrichment claims arising from manipulative trading known as spoofing. The complaints refer to NWM Plc's December 2021 spoofing-related guilty plea (described below under "US investigations relating to fixed-income securities") and purport to assert claims on behalf of those who transacted in US Treasury securities and futures and options on US Treasury securities between 2008 and 2018. The three complaints are pending in the United States District Court for the Northern District of Illinois.

Notes

7. Litigation and regulatory matters continued

Regulatory matters

US investigations relating to fixed-income securities

In December 2021, NWM Plc pled guilty in United States District Court for the District of Connecticut to one count of wire fraud and one count of securities fraud in connection with historical spoofing conduct by former employees in US Treasuries markets between January 2008 and May 2014 and, separately, during approximately three months in 2018.

The 2018 trading occurred during the term of a non-prosecution agreement (NPA) between NWMSI and the United States Attorney's Office for the District of Connecticut (USAO CT), under which non-prosecution was conditioned on NWMSI and affiliated companies not engaging in criminal conduct during the term of the NPA. The relevant trading in 2018 was conducted by two NWM traders in Singapore and breached that NPA.

The plea agreement reached with the US Department of Justice and the USAO CT resolves both the spoofing conduct and the breach of the NPA.

As required by the resolution and sentence imposed by the court, NWM Plc is subject to a three-year period of probation and has paid a US\$25.2 million criminal fine, approximately US\$2.8 million in criminal forfeiture and approximately US\$6.8 million in restitution out of existing provisions. The plea agreement also imposes an independent corporate monitor. In addition, NWM Plc has committed to compliance programme reviews and improvements and agreed to reporting and co-operation obligations.

Other material adverse collateral consequences may occur as a result of this matter, as further described in the Risk Factor relating to legal, regulatory and governmental actions and investigations set out on page 198 of the NatWest Markets Plc 2021 Annual Report and Accounts.

Foreign exchange related investigations

In recent years, NWM Plc paid significant penalties to resolve investigations into its FX business by the FCA, the Commodity Futures Trading Commission, the US Department of Justice, the Board of Governors of the Federal Reserve System, the European Commission (EC) and others. In December 2021, the EC announced that a settlement had been reached with NatWest Group plc, NWM Plc and other banks in relation to its investigation into past breaches of competition law regarding spot foreign exchange trading. NatWest Group plc and NWM Plc were fined EUR 32.5 million in total relating to conduct that took place between 2011 and 2012. The fine was covered by existing provisions. This concludes the EC's investigations into NatWest Group's past spot foreign exchange trading activity.

FCA investigation into NatWest Group's compliance with the Money Laundering Regulations 2007

Following an FCA investigation, commenced in 2017, into potential breaches of the UK Money Laundering Regulations 2007 ('MLR 2007'), NWM Plc pled guilty in October 2021 to three offences under regulation 45(1) of the MLR 2007 for failure to comply with regulation 8(1) between 7 November 2013 and 23 June 2016, and regulations 8(3) and 14(1) between 8 November 2012 and 23 June 2016. These regulations required the firm to determine, conduct and demonstrate risk sensitive due diligence and ongoing monitoring of its relationships with its customers for the purposes of preventing money laundering. The offences relate to operational weaknesses between 2012 and 2016, during which period NWM Plc did not adequately monitor the accounts of a UK incorporated customer. In December 2021, NWM Plc was fined £264.8 million, incurred a confiscation order and was ordered to pay costs. This was met by NWM Plc from existing provisions, with a small additional provision taken in Q4 2021.

Systematic Anti-Money Laundering Programme assessment

In December 2018, the FCA commenced a Systematic Anti-Money Laundering Programme assessment of NatWest Group. In August 2019, the FCA instructed NatWest Group to appoint a Skilled Person under section 166 of the Financial Services and Markets Act 2000 to provide assurance on financial crime governance arrangements in relation to two financial crime change programmes. The Skilled Person's final report was received in January 2022.

8. Post balance sheet events

On 17 February 2022, the NWM Plc Board approved an interim dividend of £250 million, or £0.625 per share, to be declared and payable to NatWest Group plc on 18 February 2022. There has been no adjustment to the 31 December 2021 statutory financial statements. For regulatory reporting purposes, a £250 million foreseeable dividend deduction has been applied to the year-end regulatory capital position.

Other than as disclosed in the accounts, there have been no other significant events between 31 December 2021 and the date of approval of these accounts which would require a change to or additional disclosure.

Non-IFRS financial measures

NWM Group prepares its financial statements in accordance 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 financial measures are not measures within the scope of IFRS and are not a substitute for IFRS measures. These measures include:

- Management analysis of the operating expenses shows strategic costs and litigation and conduct costs in separate lines on pages 5 and 6. These amounts are included in staff, premises and equipment and other administrative expenses in the statutory analysis. The use of the other expenses performance measure in non-statutory analysis aims to remove more volatile items within strategic costs and litigation and conduct costs.
- 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 before revenue share and excluding own credit adjustments and asset disposals/strategic risk reduction. This measure is used to show underlying income generation in NWM excluding the impact of disposal losses and own credit adjustments.
- Revenue share refers to income generated by NatWest Markets products from customers that have their primary relationship with other NatWest Group segments, a proportion of which is shared between NatWest Markets and those segments.
- Asset disposals/strategic risk reduction includes the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into as part of the optimisation of the entity's capital usage, following the strategic announcements of 14 February 2020.
- 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 analysis

Non-statutory analysis

	Year ended							
	31 December 2021				31 December 2020			
	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
Operating expenses								
Staff costs	135	-	363	498	121	-	549	670
Premises and equipment	40	-	70	110	19	-	88	107
Other administrative expenses	72	(17)	467	522	51	134	444	629
Depreciation and amortisation	1	-	19	20	-	-	25	25
Total	248	(17)	919	1,150	191	134	1,106	1,431

	Quarter ended							
	31 December 2021							
	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
Operating expenses								
Staff costs	38	-	90	128				
Premises and equipment	36	-	15	51				
Other administrative expenses	25	24	140	189				
Depreciation and amortisation	-	-	5	5				
Total	99	24	250	373				

	Quarter ended							
	30 September 2021							
	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
Operating expenses								
Staff costs	32	-	86	118				
Premises and equipment	1	-	21	22				
Other administrative expenses	20	27	105	152				
Depreciation and amortisation	1	-	4	5				
Total	54	27	216	297				

	Quarter ended							
	31 December 2020							
	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses	Strategic costs	Litigation and conduct costs	Other operating expenses	Statutory operating expenses
Operating expenses								
Staff costs	29	-	122	151				
Premises and equipment	1	-	18	19				
Other administrative expenses	17	7	151	175				
Depreciation and amortisation	-	-	8	8				
Total	47	7	299	353				

Statement of directors' responsibilities

The responsibility statement below has been prepared in connection with NWM Group's full Annual Report and Accounts for the year ended 31 December 2021.

We, the directors listed below, confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with UK adopted International Accounting Standards, International Financial Reporting Standards as issued by the International Accounting Standards Board and IFRS as adopted European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of NWM Plc and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report and Report of the directors (incorporating the Financial review) include a fair review of the development and performance of the business and the position of NWM Plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Frank Dangeard
Chairman

Robert Begbie
Chief Executive Officer

David King
Chief Financial Officer

17 February 2022

Board of directors

Chairman

Frank Dangeard

Executive directors

Robert Begbie

David King

Non-executive directors

Vivek Ahuja

Tamsin Rowe

Anne Simpson

Sarah Wilkinson

Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly-owned subsidiary of NatWest Group plc or 'the ultimate holding company'. The NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' or 'we' 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 Plc publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling ('GBP'), respectively, and references to 'pence' represent pence in the United Kingdom ('UK'). 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, and references to 'cents' represent cents in the US. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively, and references to 'cents' represent cents in the European Union ('EU').

NatWest Markets Group legal entity disclosures

There is a distinction between the disclosure of the NatWest Markets operating segment performance in the NatWest Group's Annual Report and Accounts and the NatWest Markets Group's results presented in this document, with differences primarily as follows:

- NatWest Markets Group's results include its part of the Central items & other segment.
- NatWest Group's 2021 results reports the NatWest Markets segment excluding Central items & other.

MAR – Inside Information

This announcement contains information that qualified or may have qualified as inside information for NatWest Markets Plc, for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 for NatWest Markets Plc. This announcement is made by Paul Pybus, Head of Investor Relations for NatWest Markets Plc.

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 2021 will be 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.

Contact

Paul Pybus

NatWest Group Investor Relations

+44 (0) 7769161183

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 ESG-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: the COVID-19 pandemic and its impact on NWM Group; planned cost reductions, disposal losses and strategic costs; implementation of NatWest Group's, NWM Group's strategy and other strategic priorities (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 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: the impact of the COVID-19 pandemic on NWM Group and its customers; political and economic risks and uncertainty in the UK and global markets; uncertainty regarding the effects of Brexit; changes in interest rates and foreign currency exchange rates; and HM Treasury's ownership of NatWest Group plc); strategic risk (including in respect of: the implementation of NatWest Group's and NWM Group's strategy and NWM Group's ability to achieve its targets; the effect of the COVID-19 pandemic on NWM Group's strategic objects and targets); financial resilience risk (including in respect of: NWM Group's ability to meet targets; the competitive environment; counterparty risk; prudential regulatory requirements for capital and MREL; funding and liquidity risk; changes in the credit ratings; the adequacy of NatWest Group's resolution plans; the requirements of regulatory stress tests; model risk; sensitivity to accounting policies, judgments, assumptions and estimates; changes in applicable accounting standards; and the application of UK statutory stabilisation or resolution powers); climate and sustainability risk (including in respect of: risks relating to climate change and the transitioning to a net zero economy; the implementation of NatWest Group's and NWM Group's climate change strategy and climate change resilient systems, controls and procedures; climate-related data and model risk; the failure to adapt to emerging climate, environmental and sustainability risks and opportunities; changes in ESG ratings; increasing levels of climate, environmental and sustainability related regulation and oversight; and climate, environmental and sustainability related litigation, enforcement proceedings and investigations); 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; complex IT systems (including those that enable remote working); attracting, retaining and developing senior management and skilled personnel; NWM Group's risk management framework; and reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; compliance with regulatory requirements; the outcome of legal, regulatory and governmental actions and investigations; the transition of LIBOR other IBOR rates to alternative risk-free rates; and changes in tax legislation or failure to generate future taxable profits).

Caution about climate and sustainable funding and financing (CSFF) information.

Climate and ESG disclosures in this report use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities, than our reporting of historical financial information. These judgements, assumptions and estimates are highly likely to change 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 and net zero strategy remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. As a result, we expect that certain climate and ESG disclosures made in this report are likely to be amended, updated, recalculated or restated in the future. This forward-looking statement should be read together with the 'Climate-related and other forward-looking statements and metrics' of the NatWest Group 2021 Climate-related Disclosures Report.

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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