



NatWest
Group

NatWest Holdings Group

2024 Pillar 3 Report

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Forward-looking statements

This document may include forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements with respect to NatWest Holdings Group's financial condition, results of operations and business, including its strategic priorities, financial, investment and capital targets, and climate and sustainability related targets, commitments and ambitions described herein. Statements that are not historical facts, including statements about NatWest Holdings Group's beliefs and expectations, are forward-looking statements. Words such as 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'target', 'goal', 'objective', 'may', 'outlook', 'prospects' and similar expressions or variations on these expressions are intended to identify forward-looking statements. In particular, this document may include forward-looking statements relating, but not limited to: NatWest Holdings Group's credit risk; its regulatory capital position and related requirements, its financial position, profitability and financial performance, its liquidity and funding risk and non-traded market risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions and uncertainties, the exposure to third party risk, operational risk, pension risk, compliance and conduct risk, cyber, data and IT risk, financial crime risk, key person risk, credit rating risk, model risk, reputational risk and the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Holdings Group's actual results are discussed in NatWest Holdings Limited's 2024 Annual Report and Accounts, and its other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NatWest Holdings Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

Attestation statement

We confirm that the 2024 Pillar 3 Report meets the relevant requirements for Pillar 3 disclosures and has been prepared in line with internal controls agreed by the Board.

As set out in the Compliance report of the 2024 Annual Report and Accounts, the Board is responsible for the system of internal controls that is designed to maintain effective and efficient operations, compliant with applicable laws and regulations. The system of internal control is designed to manage risk or mitigate it to an acceptable residual level rather than eliminate it entirely. Systems of internal control can only provide reasonable and not absolute assurance against misstatement, fraud or loss.

The 2024 Pillar 3 Report was approved by the Board on 13 February 2025.

Katie Murray
Group Chief Financial Officer
Executive Director, NatWest Group Board

Keiran Foad
Group Chief Risk Officer
Member, Executive Committee

Disclosure framework

As of the date of this report, NatWest Holdings Limited (“NWH Ltd”) is regulated under the UK Capital Requirements Regulation (CRR) and the associated onshored binding technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by a number of statutory instruments and is currently split across primary legislation and the PRA rulebook.

NWH Ltd is a wholly owned subsidiary of NatWest Group plc (“NWG plc”) and its ring-fenced bank (RFB) sub-group. NatWest Group plc is ‘the ultimate holding company’.

The Pillar 3 disclosures made by NWH Ltd and its consolidated subsidiaries (together “NatWest Holdings Group” or “NWH Group”) are designed to comply with the Disclosure (CRR) Part of the PRA Rulebook. Where applicable, additional disclosures are made in accordance with supervisory expectations mainly relating to the IFRS 9 transitional relief in respect to ECL provisions.

Under the PRA disclosure framework, UK large subsidiaries of NatWest Group plc are also required to complete a reduced set of disclosures depending on their listed/non-listed status. NatWest Group plc primarily determines its large subsidiaries, in accordance with the UK CRR requirements, as those designated as an O-SII firm by the PRA or with a value of total assets equal to or greater than €30 billion.

NWH Ltd’s large subsidiaries as at 31 December 2024 were:

- National Westminster Bank Plc (NWB Plc)
- The Royal Bank of Scotland plc (RBS plc)
- Coutts & Company (Coutts & Co)

Disclosure roadmap

Based on current disclosure rules, all the information required under Title I (General Principles), Titles II (Technical Criteria on Transparency & Disclosure) and III (Qualifying Requirements for the Use of Particular Instruments or Methodologies) in the Disclosure (CRR) Part of the PRA Rulebook is contained in this document. The detailed capital instruments disclosure (UK CCA) is provided in a supplement which is published in the same location alongside this report.

The CRR roadmap included in Appendix 1 of this document details how regulatory disclosure requirements have been met.

It is noted that this document should be read in conjunction with the 2024 NWH Group ARA. The Pillar 3 disclosures provide information over and above that contained in the 2024 NWH Group Annual Report and Accounts (ARA) in accordance with the current disclosure requirements.

The NWH Group Pillar 3 and ARA are published in the same location.

Disclosure framework continued

Presentation of information

The consolidated disclosures for NWH Group in this document are calculated under the UK CRR rules as described above.

The following Pillar 3 templates were not applicable to NWH Group at 31 December 2024. The table below references the excluded templates together with a summary of the reason for exclusion:

PRA template reference	Template name	Reasons for exclusion
UK CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Published as supplement alongside this report
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
UK CQ2	Quality of forbearance	Threshold for disclosure not met
UK CQ6	Collateral valuation - loans and advances	Threshold for disclosure not met
UK CQ7	Collateral obtained by taking possession and execution processes	No reportable exposures
UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	No reportable exposures
UK CCR5	Composition of collateral for CCR exposures	Threshold for disclosure not met
UK CCR7	RWA flow statements of CCR exposures under the IMM	No reportable exposures
UK SEC2	Securitisation exposures in the trading book	No reportable exposures
UK INS1	Insurance participations	No reportable exposures
UK INS2	Financial conglomerates information on own funds and capital adequacy ratio	No reportable exposures
UK MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	The entity does not have IMA permission for market risk
UK MR2-A	Market risk under the internal Model Approach (IMA)	No reportable exposures
UK MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures
UK MR3	IMA values for trading portfolios	No reportable exposures
UK MR4	Comparison of VaR estimates with gains/losses	No reportable exposures
UK CR10.3	Specialised lending: Object Finance (slotting approach)	No reportable exposures
UK CR10.4	Specialised lending: Commodities Finance (slotting approach)	No reportable exposures
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	No reportable exposures

The Pillar 3 disclosures for NWH Ltd's large subsidiaries are provided in separate documents alongside the respective entity's annual financial statements. These are also published in the same location and are available on the NatWest Group website, located at: investors.natwestgroup.com/reports-archive/2024.

Where applicable, the liquidity disclosures in this supplement are completed for the consolidated NWH Group and the UK Domestic Liquidity Subgroup (UK DoLSub). The UK DoLSub waiver allows NWH Plc, RBS plc and Coutts & Co to manage liquidity as a single subgroup rather than at an entity level.

Where appropriate, certain narrative disclosures required at a large subsidiary level are available only in this report or in the NatWest Group Pillar 3 report.

Row and column references are based on those prescribed in the PRA templates. The IFRS 9-FL disclosures have been prepared using the uniform format published by the EBA.

Certain fixed-format disclosure tables include bespoke requirements for comparatives. Where the requirements do not prescribe a particular comparative, the comparative selected is 31 December 2023.

In this report, in line with the regulatory framework, the term credit risk excludes counterparty credit risk, unless specifically indicated otherwise.

The Pillar 3 disclosures in this document are presented in pounds sterling (£).

For definitions of terms, refer to the Glossary and Acronyms document available on investors.natwestgroup.com/reports-archive/2024.

Disclosure framework continued

Regulatory disclosure developments in 2024

NWH Group monitors developments with respect to prudential disclosure requirements on an ongoing basis.

During 2024, the PRA published two policy statements (PS14/24 & PS17/24) which introduced minor amendments to certain disclosure requirements in the Disclosure (CRR) part of PRA Rulebook and in SS45/15 – The UK leverage framework. Those did not impact the disclosures provided by NWH Group and its large subsidiaries.

As noted later in the prudential regulation changes section of this report, the PRA's Basel 3.1 near-final rules relating to Pillar 3 are now published. Those will be effective in the UK from 1 January 2027; therefore, the first applicable date of any new and/or amended disclosure templates is 31 March 2027. The PRA Basel 3.1 changes to the disclosure requirements will impact the consolidated disclosures provided by NWH Group as well as those required for its UK large subsidiaries. The revised disclosure rules relate to credit risk, market risk, credit valuation adjustment risk, counterparty credit risk, operational risk and the output floor, as well as capital and risk management summaries. These changes will align the Pillar 3 disclosures of UK banks to the revised Basel disclosure standards.

In July 2024, the Basel Committee for Banking Supervision finalised its disclosure requirements for banks' exposures to cryptoassets which will be effective from 1 January 2026. The timing of adoption and implementation of these requirements in the Disclosure (CRR) part of the PRA Rulebook is currently unknown.

Independent review

The information presented in this Pillar 3 Report is not required to be, and has not been, subject to external audit.

Internal Audit includes within the scope of its assurance work, the modelling and management of the organisation's capital and liquidity risks. Internal Audit is independent from the risk management function, and therefore from those responsible for the development and independent validation activity. Any material gaps in control identified by Internal Audit are escalated through standard reporting and action plans agreed.

Capital, liquidity and funding framework

Basel framework

The Basel framework is based on three pillars:

- **Pillar 1** - Minimum capital requirements: defines rules for the determination of the capital requirement relating to credit, counterparty credit, market and operational risk;
- **Pillar 2** - Supervisory review process: requires banks to undertake an internal capital adequacy assessment process for risks not included in Pillar 1; and
- **Pillar 3** - Market discipline: requires individual banks to disclose key information which allows investors and other market participants to understand their risk profiles.

Pillar 1 - Minimum capital requirements

The CRR determines minimum capital requirements predominantly by calculating RWAs for credit, counterparty credit, market and operational risks. Various RWA calculation approaches are available to banks, with differing levels of sophistication.

NatWest Group uses the following approaches to calculate RWAs:

- **Credit risk:** The advanced internal ratings based (IRB) approach is used for most exposures. The standardised (STD) approach is used for exposures in certain portfolios.
- **Counterparty credit risk:** The exposure amount is calculated using either the standardised approach for counterparty credit risk (SA-CCR) or the internal model method (IMM) for derivative transactions dependent on product type. The financial collateral comprehensive method using supervisory volatility adjustments is used for securities financing transactions. The resultant Exposure at Default (EAD) is risk-weighted as for credit risk.
- **Market risk:** The internal model approach (IMA) is predominantly used for market risk in the trading book. Some positions are capitalised under the standardised approach.
- **Operational risk:** The standardised approach is used.

The minimum capital requirement is calculated as a percentage of RWAs depending on the capital ratio being calculated. On top of the minimum capital requirement, a number of buffers are required to address capital conservation, countercyclicality and systemic importance. Further details on the constituents of capital and the various buffers can be found in the detailed quantitative capital disclosures provided in this document

Pillar 2 - Supervisory review process

Pillar 2 comprises (i) the internal capital adequacy assessment process (ICAAP) for NWH Group and its key subsidiaries and (ii) a supervisory review and evaluation process which is undertaken annually and focuses on the amounts, types and distribution of capital that NatWest Group considers adequate to cover the risks to which it is or may be exposed.

NWH Group undertakes a risk assessment to ensure all material risks are identified, adequately managed and capitalised where appropriate.

Within Pillar 2A, NWH Group assesses credit concentration risk, certain aspects of traded market risk that are not fully captured in Pillar 1, interest rate risk in the banking book (IRRBB), pension risk and operational risk to compensate for shortcomings of the Pillar 1 standardised approach. NWH Group uses economic capital models to estimate Pillar 2A capital charges for operational and credit concentration risk.

Pillar 3 - Market discipline

NWH Group is committed to delivering risk and capital disclosures that ensure stakeholders understand the risks faced by NWH Group and how they are measured and capitalised. The Pillar 3 disclosures are designed to encourage and

promote market transparency and stability; they represent a component of NWH Group's broader disclosure framework.

Certain of NWH Group's subsidiaries in Europe publish capital and RWA data externally through an appropriate mechanism (such as websites and annual reports), thereby satisfying the supervisory requirements for disclosures in the EU member states.

It is possible that disclosures made by other banks, especially outside the UK, are not directly comparable with those in this report. Notes are included with the data tables to ensure transparency regarding the approaches used for the disclosures. At EU and global levels, different definitions and assumptions adopted by other banks can make direct comparison difficult.

Capital

Capital consists of reserves and own-funds instruments that have a degree of permanency and are capable of absorbing losses. A number of strict conditions set by regulators must be satisfied to be eligible to count as capital.

Capital adequacy risk is the risk that there is or will be insufficient capital and other loss-absorbing debt instruments to operate effectively including meeting minimum regulatory requirements, operating within Board-approved Group risk appetite and supporting its strategic goals.

Capital management is the process by which NWH Group ensures that it has sufficient capital and other loss-absorbing instruments to operate effectively, including meeting minimum regulatory requirements, operating within Board-approved risk appetite, maintaining its credit rating and supporting its strategic goals. Capital management is critical in supporting NWH Group's business and is enacted through an end to end framework across NWH Group, its businesses and the legal entities through which it operates.

NWH Group manages capital having regard to its regulatory requirements. For large subsidiaries, regulatory capital is monitored and reported on an individual regulated legal entity basis, as relevant in each jurisdiction. NWH Group regulatory capital is monitored and reported on a consolidated basis.

Determination of capital sufficiency

In determining whether NWH Group holds sufficient capital and other loss-absorbing debt instruments, NWH Group assesses the amount and type of capital under a number of different bases:

Going concern vs. gone concern view

Going concern: This determination of capital sufficiency is made on the basis that there is sufficient capital to absorb losses and remain a viable going concern. NWH Group is considered a going concern if it can operate in the foreseeable future to carry out its objectives and commitments without the need or intention on the part of management to liquidate.

Gone concern: This determination of capital sufficiency is made on the basis that there is sufficient capital and other loss-absorbing instruments to enable an orderly resolution in the event of failure. Gone concern would apply if NWH Group had been deemed to fail, or likely to fail by the Bank of England (BoE).

Capital, liquidity and funding framework continued

Spot vs. forward-looking view

Spot view: This determination of capital sufficiency is made on the basis of prevailing actual positions and exposures.

Forward-looking view: This determination of capital sufficiency is made on the basis of positions, balance and exposures under a forward-looking view of the balance sheet in line with NWH Group's planning horizons and parameters. This analysis examines both base and stress views.

Regulatory vs. risk appetite view

Regulatory requirements: This determination of capital sufficiency is an assessment of whether NWH Group has sufficient capital and other loss-absorbing debt instruments to meet the requirements of prudential regulation.

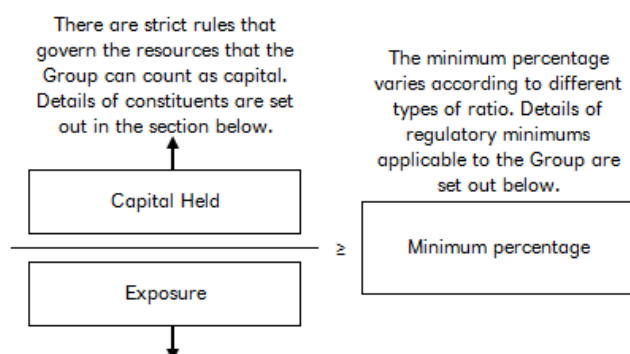
Risk appetite: This determination of capital sufficiency is an assessment of whether NWH Group has sufficient capital and other loss-absorbing debt instruments to meet risk appetite limits. NWH Group's risk appetite framework establishes quantitative and qualitative targets and limits within which NWH Group operates to achieve its strategic objectives.

Capital sufficiency: going concern view

There are two types of capital ratios based on different exposure types:

Ratio	Exposure type	Description
Capital adequacy ratio	Risk-weighted assets	Assesses capital held against both size and inherent riskiness of on and off-balance sheet exposures.
Leverage ratio	Leverage exposure	Assesses capital held against the size of on and off-balance sheet exposure (largely based on accounting value with some adjustments).

The regulatory requirement for going concern capital typically takes the form of a ratio of capital compared to a defined exposure amount having to exceed a minimum percentage:



Constituents of capital held

The determination of which instruments and financial resources are eligible to be counted as capital is laid down by applicable regulation.

Capital is categorised by the CRR under two tiers (Tier 1 and Tier 2) according to the ability to absorb losses, degree of permanency and the ranking of absorbing losses. There are three broad categories of capital across these two tiers

- **CET1 capital.** Common Equity Tier (CET1) capital must be perpetual and capable of unrestricted and immediate use to cover risks or losses as soon as these occur. This includes ordinary shares issued and retained earnings. CET1 capital absorbs losses before other types of capital and any loss-absorbing instruments.
- **AT1 capital.** This is loss-absorbing capital that ranks behind CET1 capital but before Tier 2 capital. It must be capable of absorbing losses on a going concern basis. These instruments are either written down or converted into CET1 capital when a pre-specified CET1 ratio is reached. Coupons on Additional Tier 1 (AT1) issuances are discretionary and may be cancelled at the discretion of the issuer at any time. AT1 capital may not be called, redeemed or repurchased for five years from issuance.
- **Tier 2 capital.** Tier 2 capital is supplementary capital and provides loss absorption on a gone concern basis. Tier 2 capital absorbs losses after CET1 and AT1 capital. It typically consists of subordinated debt which must have a minimum of five years to maturity at all times to be fully recognised for regulatory purposes.

In addition to capital, other specific loss-absorbing instruments including senior notes issued by NatWest Group may be used to cover certain gone concern capital requirements which is referred to as minimum requirement for own funds and eligible liabilities (MREL). In order for liabilities to be eligible for MREL, a number of conditions must be met including the BoE being able to apply its stabilisation powers to them.

Capital, liquidity and funding framework continued

Capital adequacy

NHW Group has to hold a minimum amount and quality of capital to satisfy capital adequacy regulatory requirements.

Risk-weighted assets (RWAs)

Capital adequacy ratios compare the amount of capital held to RWAs. RWAs are a measure of NWH Group's assets and off-balance sheet exposures that capture both the size and risks inherent in those positions.

RWAs are grouped into four categories:

Risk	Description
Credit	Risk of loss from a borrower failing to repay amounts due by the due date.
Counterparty credit	The risk that a counterparty to a transaction could default before the final settlement of the transaction's cash flows, being related to derivatives, repurchase agreements and similar transactions. In contrast to non-counterparty credit risk, the exposure to counterparty credit risk varies by reference to a market factor (e.g. interest rate, exchange rate, asset price).
Market	Risk of loss arising from fluctuations in market prices.
Operational	Risk of loss from inadequate or failed internal processes, people and systems or from external events.

Capital adequacy ratios

Regulation defines a minimum percentage of capital compared to RWAs. The percentage comprises system-wide requirements that apply to all banks and a component where the percentage is specific to NWH Group. This is summarised as follows:

Type	Name	Description
System-wide	Pillar 1	Standard minimum percentages applicable to all banks. Must be held at all times.
	Capital conservation, countercyclical and Systemic buffers	Includes capital to absorb losses in times of stress, capital built up in response to credit conditions in the macro economic environment and for institutions of systemic importance.
Bank-specific	Pillar 2A	Captures risks that apply to individual banks that are either not adequately captured or not captured at all under Pillar 1. For example, pension risk is not captured in Pillar 1; therefore, capital that may need to be held against the risk is assessed under Pillar 2A. Must be held at all times.
	PRA buffer	Captures forward-looking risks and potential losses under a severe stress scenario. The PRA buffer is a capital buffer that is designed to ensure that NatWest Group can continue to meet minimum requirements (Pillar 1 and Pillar 2A) during a stressed period. The buffer also accommodates add-ons which may be applied by the regulator to cover Group Risk (subsidiary/sub-group capital requirements in excess of their share of NatWest Group) and Risk Management and Governance scalars (which may be levied where Risk Management and Governance deficiencies have been identified by the regulator).

Capital, liquidity and funding framework continued

Leverage ratios

NWH Group has to hold a minimum amount and quality of capital to satisfy leverage ratio regulatory requirements. Unlike capital adequacy ratios, leverage ratio requirements do not consider the riskiness of NWH Group's positions.

The leverage exposure is broadly aligned to the accounting value of NWH Group's on and off-balance sheet exposures but subject to certain adjustments for derivatives, securities financing transactions and off-balance sheet exposures.

In common with capital adequacy ratios, the leverage ratio requirement for NWH Group consists of a minimum requirement and a leverage ratio buffer.

MREL: capital sufficiency under the gone concern view

NWH Group is required to hold sufficient capital and other loss-absorbing instruments such that, in the event of failure, there can be an orderly resolution that minimises any adverse impact on financial stability whilst preventing public funds being exposed to loss.

Internal MREL

In order that there is sufficient loss-absorbing capacity pre-positioned across NatWest Group, the proceeds of externally issued MREL will be allocated to material operating subsidiaries in the form of capital or other subordinated claims. This ensures that internal MREL will absorb losses before operating liabilities within operating subsidiaries.

The framework requires that ring-fence bank sub-groups, such as NWH Group, meet MREL requirements equivalent of up to 90% of the equivalent NWH Group requirement, whilst other material legal entities are required to meet 75% of the equivalent NWH Group requirement. The BoE published its revised MREL Policy Statement in December 2021, effective 1 January 2022. The framework remains unchanged for internal MREL.

UK ring-fence bank sub-groups are required to meet an internal MREL equivalent to 90% of the higher of:

- two times the sum of Pillar 1 and Pillar 2A, i.e. 2x (Pillar 1 plus Pillar 2A); or
- if subject to a leverage ratio requirement, two times the applicable requirement.

MREL may consist of capital and other loss-absorbing instruments. To qualify as eligible for MREL, liabilities have to comply with a number of strict conditions as set by the BoE including the ability for the BoE to apply its stabilisation powers to those liabilities. In addition, liabilities must have an effective remaining maturity (taking account of any rights of early repayment to investors) of greater than one year.

Liquidity and funding

Definition

Liquidity consists of assets that can be readily converted to cash within a short timeframe at a reliable value. Liquidity risk is defined as the risk that the Group or any of its subsidiaries or branches cannot meet its actual or potential financial obligations in a timely manner as they fall due in the short term.

Funding consists of on-balance sheet liabilities that are used to fund assets and off-balance sheet activities. Funding risk is the current or prospective risk that the Group or its subsidiaries or branches cannot meet financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably.

Regulatory oversight and liquidity framework

NatWest Group operates across different jurisdictions and is subject to a number of regulatory regimes, with the key metrics being:

Ratio	Profile type	Description
Liquidity Coverage Ratio (LCR)	Liquidity profile	Coverage of 30 calendar days net outflows in stress. The binding LCR minimum requirement is 100%.
Net Stable Funding Ratio (NSFR)	Structural funding profile	Helps maintain a stable funding profile in relation to the composition of assets and off-balance sheet activities. The binding LCR minimum requirement is 100%.

The principal regulator, the PRA, implements the CRR liquidity regime in the UK. To comply with the regulatory framework, NatWest Group undertakes the following:

Activity	Description
Individual Liquidity Adequacy Assessment Process (ILAAP)	This is NatWest Group's annual assessment of its key liquidity and funding vulnerabilities including control frameworks to measure and manage the risks.
Liquidity Supervisory Review and Evaluation Process (L-SREP)	An annual exercise with the PRA that involves a comprehensive review of the NatWest Group ILAAP, liquidity policies and risk management framework. This results in the setting of the Individual Liquidity Guidance, which influences the size of the liquidity portfolio.

Asset encumbrance

NWH Group evaluates the extent to which assets can be financed in a secured form (encumbrance), but certain asset types lend themselves more readily to encumbrance. The typical characteristics that support encumbrance are an ability to pledge those assets to another counterparty or entity through operation of law without necessarily requiring prior notification, homogeneity, predictable and measurable cash flows, and a consistent and uniform underwriting and collection process. Retail assets including residential mortgages, credit card receivables and personal loans display many of these features.

Prudential regulation changes that may impact capital requirements

NWH Group faces numerous changes in prudential regulation that may impact the minimum amount of capital it must hold and consequently may increase funding costs and reduce return on equity.

Regulatory changes are actively monitored by NWH Group, including engagement with industry associations and regulators and participation in quantitative impact studies. Monitoring the changing regulatory landscape forms a fundamental part of capital planning and management of its business.

NatWest Group believes that its strategy to focus on simpler, lower-risk activities within a more resilient recovery and resolution framework will enable it to manage the impact of these.

UK and EU implementation of Basel framework

The Basel framework is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision (BCBS). The Basel III standards are minimum requirements which apply to internationally active banks, which ensure a global level playing field on financial regulation. Individual jurisdictions must decide how to implement the standards.

From 1 January 2021, NatWest Group has been regulated under the on-shored CRR and associated on-shored binding technical standards which were created by the European Union (Withdrawal) Act 2018 and amending statutory instruments. As the Withdrawal Act applied to the CRR in place as of 31 December 2020, changes to the CRR in the EU are not reflected in the UK CRR unless separately legislated and amended by statutory instruments. The Financial Services Bill gives the PRA the power to write prudential rules directly into the PRA rulebook and it will co-ordinate with HM Treasury to implement any required changes to the UK CRR.

On 1 January 2022, PRA implemented changes to the UK CRR to align to the Basel III standards which included the introduction of a new standardised approach for counterparty credit risk (SA-CCR), amendments to the LCR and NSFR rules as well as new regulation applicable to internal ratings (IRB) models. Changes were also introduced to the UK Leverage Ratio framework. Equivalent reforms were implemented in the EU in June 2021, known as CRR2.

On 30 November 2022, the PRA published its consultation paper CP16/22 setting out its proposed rules and expectations with respect to the remaining Basel III standards to be implemented in the UK, also referred to as “Basel 3.1 standards”. This will complete the implementation of post-global financial crisis prudential reforms, which were designed to i) increase the quantity of capital in the system, per unit of risk; ii) increase the quality of capital held by firms; and iii) improve the accuracy of risk-management firms, reducing the variability of risk-weighted assets (RWAs).

The Basel 3.1 changes mainly impact capital requirements for STD and IRB Credit Risk, Market Risk, Credit Valuation

Adjustment (CVA) Risk, Counterparty Credit Risk (CCR) and Operational Risk. An aggregate “output floor” is also being introduced to ensure that total RWAs for firms using advanced or internally modelled methods and subject to the floor cannot fall below 72.5% of RWAs under the standardised approach. The B3.1 proposal did not include further changes to the Leverage Ratio, Large Exposures and Liquidity Risk frameworks.

The consultation paper has been followed up with the publication of the PRA’s policy statement PS17/23 Implementation of the Basel 3.1 standards near-final part 1. That contains the near-final rules on Market Risk, CVA, CCR and Operational Risk sections, along with some Pillar 2 guidance relating to these topics. Part 2, PS9/24, containing rules on the remaining Basel 3.1 changes was published in September 2024. This covered primarily Credit Risk, Credit Risk Mitigation, Output Floor and Disclosures & Reporting.

Following PRA’s announcement on 17 January 2024, the PRA B3.1 rules are to be implemented from 1 January 2027.

Equivalent changes relating to the Basel II standards will be implemented in the EU by the new Banking Package (CRR II/ CRD VI) for which the European Commission issued a proposal in October 2021, with the final rules published in the Official Journal in June 2024. The EU implementation date was 1 January 2025, except for the Market Risk rules which will be implemented on 1 January 2026. Their impact will be limited to NWH Group’s EU subsidiaries.

Other developments in 2024

The IFRS 9 transitional capital rules in respect of ECL provisions were effective until 31 December 2024. The transitional factor reduced further from 50 % to 25% in January 2024.

On 29 November 2024, the PRA announced its 2024 list of O-SIIs (Other Systemically Important Institutions) as well as the 2024 O-SII buffers for ring-fenced banks (RFBs). The PRA is required to identify O-SIIs on an annual basis. NatWest Group Plc is part of the PRA’s O-SII list and the O-SII buffer for its ring-fenced subgroup (i.e. NatWest Holdings Group) was kept at 1.5%. An O-SII buffer can apply to O-SIIs, or parts of an O-SII that are ring-fenced banks. The 2024 O-SII rates will apply from 1 January 2026 however the PRA is expected to re-issue its 2024 O-SII buffer rates in mid-2025 to reflect methodological changes introduced by the Financial Policy Committee (FPC).

Summary of future changes to prudential regulation in UK that may impact NWH Group

The table below covers expected future changes to prudential regulation in the UK which may impact NWH Group at a sub-consolidated level. Certain entities within the group will be exposed to changes in prudential regulation from other legislative bodies and/or local supervisory authorities where NatWest Holdings Group’s entities are authorised on a solo basis and these changes may be different in substance, scope and timing from those highlighted below.

Prudential regulation changes that may impact capital requirements continued

Area of development	Key changes	Status /Implementation date
Updates to the UK policy framework for capital buffers	<ul style="list-style-type: none"> – PRA proposal to streamline some of its policy materials on capital buffers. – In parallel, HMT published its proposal to make amendments to other parts of the CBR (Capital Buffers Regulation), including the CCyB (Countercyclical Capital Buffer), CCoB (Capital Conservation Buffer) and SRB (Systemic Risk Buffer). 	<ul style="list-style-type: none"> – PRA consultation under CP10/24 closed on 12 December 2024; awaiting Policy Statement – Expected implementation: Q2 2025
Large Exposures Framework	<ul style="list-style-type: none"> – PRA proposal to change to large exposure limits for trading book exposures, both to third parties & intragroup. – PRA proposal to introduce substitution rules when calculating the effect of credit risk mitigation techniques. 	<ul style="list-style-type: none"> – PRA consultation under CP 14/24 closed on 17 January 2025 – Implementation: 1 July 2025
Streamlining the Pillar 2A capital framework and the capital communications process	<ul style="list-style-type: none"> – PRA proposal to retire the refined methodology to Pillar 2A as implemented in 2018. – PRA proposal to streamline firm-specific capital communications. – PRA proposal to make minor amendments for IRRBB and pension obligation risk in P2A. 	<ul style="list-style-type: none"> – PRA consultation under CP9/24 closed on 12 December 2024; awaiting Policy Statement – Implementation: 1 January 2026
Remainder of CRR: Restatement of assimilated law	<ul style="list-style-type: none"> – PRA proposals to restate the relevant provisions in the assimilated CRR in the PRA Rulebook and other policy material. – Key proposed changes are to the securitisation capital framework, including substantive changes to the SEC-SA calculation, capital requirements for the Mortgage Guarantee Scheme and supervisory expectations relating to the use of unfunded credit protection in synthetic significant risk transfer (SRT) securitisations 	<ul style="list-style-type: none"> – PRA consultation under CP 13/24 closed on 15 January 2025 – Implementation: 1 January 2026
Amendments to the approach to setting a minimum requirement for own funds and eligible liabilities (MREL)	<ul style="list-style-type: none"> – Consultation that brings together proposals relating to the BoE's statement of policy on its approach to setting a minimum requirement for own funds and eligible liabilities. – It clarifies BoE's supervisory expectations for the measurement of non-CET1 instruments. 	<ul style="list-style-type: none"> – BoE consultation closed on 24 January 2025 – Implementation: 1 January 2026 (certain provisions will apply earlier soon after policy is finalised but not before July 2025)
Identification and management of step-in risk, shadow banking entities and groups of connected clients	<ul style="list-style-type: none"> – PRA proposal to implement Basel guidelines for step-in risk in the PRA Rulebook. – PRA proposal to adopt EBA guidelines for limits on exposures to shadow banking entities and connected clients in the Large Exposures (CRR) part of the PRA Rulebook. 	<ul style="list-style-type: none"> – PRA consultation under CP23/23 closed on 5 March 2024; awaiting Policy Statement – Implementation: 1 January 2026
PRA Basel 3.1 implementation: Capital – Output floor	<ul style="list-style-type: none"> – Applies at highest level of consolidation for UK Groups (e.g., NatWest Group) and sub-consolidated level for Ring Fenced sub-groups (e.g. NatWest Holdings Group). – Applies to full capital stack including capital buffers. – Transitional period for the application; starting with 60% on 1 January 2027 through to 72.5% at 1 January 2030. 	<ul style="list-style-type: none"> – Near final rules published in PRA PS9/24 – Implementation: 1 January 2027

Prudential regulation changes that may impact capital requirements continued

Area of development	Key changes	Status /Implementation date
PRA Basel 3.1 implementation: Credit Risk (STD, IRB, FIRB)	<ul style="list-style-type: none"> – Significant revisions to standardised credit risk, including to unrated corporates, exposures to SMEs, specialised lending, mortgages & equity exposures. – Changes to IRB; restrictions on IRB modelling (switch to standardised on central governments and equities, switch to FIRB on financial institutions and large corporates), inclusion of input floors and other modelling changes. – Removal of SME & Infrastructure supporting factors (IRB & standardised). – Amendments to credit risk mitigation, including the withdrawal of some internal modelling approaches, the removal of double default and a new risk-weight substitution approach on some exposures. 	<ul style="list-style-type: none"> – Near final rules published in PRA PS9/24 – Implementation: 1 January 2027
PRA Basel 3.1 implementation: Market Risk	<ul style="list-style-type: none"> – Implementation of FRTB (Fundamental Review of Trading Book) - new standardised approaches – Revised banking/trading book boundary. 	<ul style="list-style-type: none"> – Near final rules published in PRA PS17/23 – Implementation: 1 January 2027
PRA Basel 3.1 implementation: Capitalisation of foreign exchange positions for market risk	<ul style="list-style-type: none"> – PRA proposal to clarify that items held at historical FX rates, which only re-value in certain circumstances, are not included in Pillar 1 FX risk requirements as their sensitivity to FX rates is generally zero. 	<ul style="list-style-type: none"> – PRA consultation under CP17/23 closed on 31 January 2024; awaiting Policy Statement – Expected implementation: 1 January 2027
PRA Basel 3.1 implementation: CVA & Counterparty Credit Risk	<ul style="list-style-type: none"> – Removal of modelled approach for CVA and introduction of new methodologies (SA-CV, BA-CVA) – New standardised approach, aligned to Basel framework, including the removal of CVA exemptions on sovereigns, non-financial counterparties, and pension funds. – Reduced SA-CCR alpha factor from 1.4 to 1 for non-financial counterparties and pension funds. 	<ul style="list-style-type: none"> – Near final rules published in PRA PS17/23 – Implementation: 1 January 2027
PRA Basel 3.1 implementation: Operational Risk	<ul style="list-style-type: none"> – New standardised approach. – Internal Loss Multiplier (ILM) set to 1. – Changes to the income requirements in scope of the business indicator. 	<ul style="list-style-type: none"> – Near final rules published in PRA PS17/23 – Implementation: 1 January 2027
PRA Basel 3.1 implementation: Disclosures & Reporting	<ul style="list-style-type: none"> – PRA adopts disclosure templates without material deviations from the Basel disclosure standard. – PRA updates supervisory reporting requirements to reflect changes introduced under the B3.1 rules. 	<ul style="list-style-type: none"> – Near final rules published in PRA PS9/24 – Implementation: 1 January 2027
PRA Basel 3.1 implementation: Pillar 2	<ul style="list-style-type: none"> – PRA updates to the Pillar 2 requirements, necessary for the implementation of Basel 3.1 changes in the UK Pillar 1 framework. 	<ul style="list-style-type: none"> – Feedback published in PRA PS9/24 – Implementation: 1 January 2027
Definition of Capital: restatement of CRR requirements in PRA Rulebook	<ul style="list-style-type: none"> – HM Treasury announced its intention to bring into force the revocation of CRR requirements relating to the definition of own funds. – PRA proposal to restate, and in some cases modify, these requirements in the PRA Rulebook. 	<ul style="list-style-type: none"> – PRA consultation under CP8/24 closed on 12 December 2024 – Implementation date to be confirmed under another consultation paper

Annex I: Key metrics and overview of risk-weighted assets

NatWest Holdings Group - Key points

CET1 ratio

12.6%

(Q3 2024 – 13.5%)

The CET1 ratio decreased by 90 basis points to 12.6%. The decrease in the CET1 ratio was due to a £0.9 billion decrease in CET1 and a £2.6 billion increase in RWAs. The CET1 capital decrease was due to a foreseeable dividend accrual and regulatory adjustments partially offset by the profit in the period.

RWAs

£152.2 bn

(Q3 2024 – £149.6 billion)

Total RWAs increased by £2.6 billion to £152.2 billion mainly reflecting:

- An increase in credit risk RWAs of £2.3 billion primarily reflecting an increase in drawdowns, new facilities, and securitisations within Commercial & Institutional, increased lending within Retail Banking, and an uplift in IRB Temporary Model Adjustment's. A further increase in RWAs from foreign exchange movements was due to sterling weakening against the US dollar and strengthening against the euro. These movements were partially offset by active RWA management.
- An increase in counterparty credit risk RWAs of £0.1 billion primarily driven by over-the-counter exposures.

UK leverage ratio

5.0%

(Q3 2024 – 5.4%)

The leverage ratio decreased by 40 basis points to 5.0%. The decrease was due to a £0.9 billion reduction in Tier 1 capital and a £13.3 billion increase in leverage exposure. The key drivers in the leverage exposure were an increase in other financial assets and off balance sheet items.

UK average leverage ratio

5.2%

(Q3 2024 – 5.3%)

The average leverage ratio decreased by 10 basis points to 5.2%. There was a £0.4 billion increase in 3-month average Tier 1 capital offset by a £11.7 billion increase in average leverage exposure. The key drivers in the average leverage exposure were an increase in other financial assets and off balance sheet items.

LCR average

143%

(Q3 2024 – 141%)

The average Liquidity Coverage Ratio (LCR) increased 2% compared to Q3 2024 from 141% to 143%. This was driven by growth in customer deposits partially offset by increased lending.

NSFR average

136%

(Q3 2024 – 135%)

The average Net Stable Funding Ratio (NSFR) increased by 1% compared to Q3 2024 from 135% to 136%. The increase was due to higher deposits partially offset by higher lending.

UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. NWH Group has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transition amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

	31 December 2024	30 September 2024	30 June 2024	31 March 2024	31 December 2023
	£m	£m	£m	£m	£m
Available own funds (amounts)					
1 Common equity tier 1 (CET1) capital	19,227	20,154	19,041	19,852	19,063
2 Tier 1 capital	23,152	24,080	22,967	22,978	22,745
3 Total capital	27,656	28,551	28,216	28,379	27,671
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	152,199	149,636	149,276	153,505	150,428
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common equity tier 1 ratio (%)	12.6	13.5	12.8	12.9	12.7
6 Tier 1 ratio (%)	15.2	16.1	15.4	15.0	15.1
7 Total capital ratio (%)	18.2	19.1	18.9	18.5	18.4
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a Additional CET1 SREP requirements (%)	1.5	1.5	1.6	1.6	1.6
UK 7b Additional AT1 SREP requirements (%)	0.5	0.5	0.5	0.5	0.5
UK 7c Additional Tier 2 SREP requirements (%)	0.7	0.7	0.7	0.7	0.7
UK 7d Total SREP own funds requirements (%)	10.7	10.7	10.8	10.8	10.8
Combined buffer requirement (as a percentage of risk-weighted exposure amount) (1)					
8 Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9 Institution specific countercyclical capital buffer (%) (2)	1.8	1.9	1.9	1.8	1.8
UK 10a Other Systemically Important Institution buffer (%)	1.5	1.5	1.5	1.5	1.5
11 Combined buffer requirement (%)	5.8	5.9	5.9	5.8	5.8
UK 11a Overall capital requirements (%)	16.5	16.6	16.7	16.6	16.6
12 CET1 available after meeting the total SREP own funds requirements (%)	6.6	7.5	6.7	6.9	6.6
Leverage ratio					
13 Total exposure measure excluding claims on central banks	462,127	448,844	434,015	424,648	431,113
14 Leverage ratio excluding claims on central banks (%)	5.0	5.4	5.3	5.4	5.3
Additional leverage ratio disclosure requirements					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.0	5.4	5.3	5.4	5.2
UK 14b Leverage ratio including claims on central banks (%)	4.4	4.6	4.5	4.6	4.6
UK 14c Average leverage ratio excluding claims on central banks (%)	5.2	5.3	5.4	5.3	5.3
UK 14d Average leverage ratio including claims on central banks (%)	4.6	4.6	4.7	4.6	4.6
UK 14e Countercyclical leverage ratio buffer (%) (2)	0.6	0.6	0.7	0.6	0.6
Liquidity coverage ratio					
15 Total high-quality liquid assets (HQLA) (weighted value-average)	110,348	108,277	107,230	105,927	106,798
UK 16a Cash outflows - Total weighted value	83,494	82,994	83,805	85,499	88,473
UK 16b Cash inflows - Total weighted value	6,096	6,069	5,897	5,968	6,040
16 Total net cash outflows (adjusted value)	77,398	76,925	77,908	79,531	82,433
17 Liquidity coverage ratio (%) (3)	143	141	138	133	130
Net stable funding ratio					
18 Total available stable funding	361,171	357,947	354,869	352,300	352,155
19 Total required stable funding	266,482	265,409	264,324	264,270	262,310
20 NSFR ratio (%) (4)	136	135	134	133	134

(1) The following rows are not presented in the table above because they are not applicable: UK8a, UK9a and 10.

(2) The institution specific countercyclical capital buffer (CCyB) requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures. The UK CCyB rate is currently being maintained at 2%. The countercyclical leverage ratio buffer is set at 35% of NWH Group CCyB.

(3) The Liquidity Coverage Ratio (LCR) is calculated as the average of the preceding 12 months.

(4) The Net Stable Funding Ratio (NSFR) is calculated as the average of the preceding four quarters. The prior period comparatives for HQLA within required stable funding have been restated for March 2024 and December 2023.

IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL

The table below shows key prudential regulation ratios and measures with and without the application of IFRS 9 transitional relief. NWH Group has elected to take advantage of the transitional capital rules in respect of ECL provisions. Following the adoption of IFRS 9 from 1 January 2018, the CRR introduced transitional rules to phase in the full CET1 effect over a five-year period. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024. Capital measures in this table are presented in line with table UK KM1.

		31 December 2024 £m	30 September 2024 £m	30 June 2024 £m	31 March 2024 £m	31 December 2023 £m
Available capital (amounts) – transitional						
1	Common equity tier 1	19,227	20,154	19,041	19,852	19,063
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	19,189	20,108	18,998	19,774	18,856
3	Tier 1 capital	23,152	24,080	22,967	22,978	22,745
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	23,114	24,034	22,924	22,900	22,538
5	Total capital	27,656	28,551	28,216	28,379	27,671
6	Total capital as if IFRS 9 transitional arrangements had not been applied	27,622	28,515	28,173	28,404	27,728
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	152,199	149,636	149,276	153,505	150,428
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	152,195	149,633	149,275	153,501	150,411
Capital ratios						
		%	%	%	%	%
9	Common equity tier 1 ratio	12.6	13.5	12.8	12.9	12.7
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	12.6	13.4	12.7	12.9	12.5
11	Tier 1 ratio	15.2	16.1	15.4	15.0	15.1
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.2	16.1	15.4	14.9	15.0
13	Total capital ratio	18.2	19.1	18.9	18.5	18.4
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	18.1	19.1	18.9	18.5	18.4
Leverage ratio						
15	Leverage ratio exposure measure (£m)	462,127	448,844	434,015	424,648	431,113
16	Leverage ratio (%)	5.0	5.4	5.3	5.4	5.3
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.0	5.4	5.3	5.4	5.2

UK OV1: Overview of risk-weighted exposure amounts

The table below shows RWAs and total own funds requirements by risk type. Total own funds requirements are calculated as 8% of RWAs.

		a		b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements	
		31 December 2024	30 September 2024	31 December 2024	
		£m	£m	£m	
1	Credit risk (excluding counterparty credit risk)	129,907	127,741	10,392	
2	Of which: standardised approach	16,429	16,161	1,314	
3	Of which: the foundation IRB (FIRB) approach	-	-	-	
4	Of which: slotting approach	12,010	11,269	961	
UK 4a	Of which: equities under the simple risk-weighted approach	-	-	-	
5	Of which: the advanced IRB (AIRB) approach (1)	101,468	100,311	8,117	
5a	Of which: non-credit obligation assets (3)	3,894	3,930	312	
6	Counterparty credit risk	677	536	54	
7	Of which: standardised approach	254	178	20	
8	Of which: internal model method (IMM)	-	-	-	
UK 8a	Of which: exposures to a CCP	23	23	2	
UK 8b	Of which: credit valuation adjustment (CVA)	168	140	13	
9	Of which: other counterparty credit risk	232	195	19	
15	Settlement risk	-	-	-	
16	Securitisation exposures in the non-trading book (after the cap)	1,932	1,777	155	
17	Of which: SEC-IRBA approach	1,500	1,397	120	
18	Of which: SEC-ERBA (including IAA)	44	45	4	
19	Of which: SEC-SA approach	388	335	31	
UK 19a	Of which: 1,250%/deduction	-	-	-	
20	Position, foreign exchange and commodities risk (market risk)	238	137	19	
21	Of which: standardised approach	238	137	19	
22	Of which: IMA	-	-	-	
UK 22a	Large exposures	-	-	-	
23	Operational risk	19,445	19,445	1,556	
UK 23a	Of which: basic indicator approach	-	-	-	
UK 23b	Of which: standardised approach	19,445	19,445	1,556	
UK 23c	Of which: advanced measurement approach	-	-	-	
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	999	894	80	
29	Total	152,199	149,636	12,176	

(1) The amount is shown for information only, as these exposures are already included in rows 1 and 2.

(2) 5a is subset of total IRB RWAs disclosed in Row 5.

UK OVC - ICAAP information

An internal assessment of material risks is carried out annually to enable an evaluation of the amount, type and distribution of capital required to cover these risks. This is referred to as the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP consists of a point-in-time assessment of exposures and risks at the end of the financial year together with a forward-looking stress capital assessment. The ICAAP is approved by the NWH governing body and submitted to the PRA.

UK CR8: RWA flow statement of credit risk exposures under the IRB approach

The table below shows movements in RWAs for credit risk exposures under the internal ratings based (IRB) approach. It excludes counterparty credit risk, securitisations and non-credit obligation assets.

	a
	RWAs
	£m
1 At 31 December 2023	110,147
2 Asset size	1,152
3 Asset quality	81
4 Model updates	222
7 Foreign exchange movements	(72)
9 At 31 March 2024	111,530
2 Asset size	(1,234)
3 Asset quality	(3)
4 Model updates	(359)
7 Foreign exchange movements	(49)
8 Other	(1,890)
9 At 30 June 2024	107,995
2 Asset size	2,032
3 Asset quality	(517)
4 Model updates	186
7 Foreign exchange movements	(451)
8 Other	(1,599)
9 At 30 September 2024	107,646
2 Asset size	1,659
3 Asset quality	133
4 Model updates	421
7 Foreign exchange movements	392
8 Other	(667)
9 At 31 December 2024	109,584

(1) The following rows are not presented because they have zero values during the year: (5) methodology and policy and (6) acquisitions and disposals.

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- The increase in RWAs related to asset size was driven by drawdowns and new facilities within both Commercial & Institutional and Retail Banking.
- The increase in RWAs relating to asset quality was primarily driven by PD deterioration and partially offset by a decrease due to customers moving into default within Commercial & Institutional.
- The increase in RWAs for model updates was primarily due to an increase in the IRB Temporary Model Adjustment, mainly relating to mortgages within Retail Banking.
- The increase in foreign exchange movements was mainly a result of sterling weakening against the US dollar and strengthening against the euro during the period.
- The decrease in RWAs in other reflects capital management activity in Commercial & Institutional.

Annex III: Risk management – objectives and policies

UK OVA: Institution risk management approach

Risk management framework

The strategy of NatWest Group is supported by strategic priorities and bank-wide financial targets, setting out how value will be created, and sustainable financial returns delivered. All risk-taking activities should support NatWest Group's strategy; champion potential, helping people, families and businesses to thrive.

NWH follows NatWest Group's approach to strategy setting and aligns activities with NatWest Group's strategic principles.

Strategy is informed and shaped by an understanding of the risk profile. NWH's current strategy must also take in to account a range of threats, risks and uncertainties in the external economic, political and regulatory environment. Identifying these and understanding how they affect NWH informs risk appetite setting and risk management practices.

The NatWest Group enterprise-wide risk management framework (EWRMF)

The NatWest Group EWRMF sets out NatWest Group's approach to managing risk. It applies to all subsidiary legal entities, businesses and functions and explains how each component of the framework helps to deliver strategy in a safe and sustainable way, in line with the Group's values and the Group Chief Risk Officer's strategic vision. NatWest Group's EWRMF is owned and implemented by the NatWest Group Chief Risk Officer (CRO). It is approved annually by the NatWest Group Board.

It is the responsibility of the NatWest Group Chief Executive Officer, NatWest Group CRO and Senior Executives to ensure that there is a consistent adoption of the EWRMF throughout NatWest Group. The NatWest Group CEO delegates authority to the NatWest Group CRO to establish and maintain the EWRMF and ensure it is effective in its design and operation. The NatWest Group CRO is responsible for ensuring that the EWRMF is consistently adopted and proportionate with the scale, nature and complexity of NatWest Group and its subsidiary legal entities, businesses and functions, and is compliant with prevailing regulatory requirements and sound practices.

All employees throughout NatWest Group need to understand through learning and development programs, the requirements of the EWRMF as it relates to their role and support its adoption and integration into the way risk is managed. In this way the EWRMF makes a positive contribution to the attainment of sustainable outcomes, consistent with NatWest Group Board approved strategy.

The EWRMF sets out the requirements for how risk appetite is implemented through risk policies and standards and translated into operational procedures. This consistent approach must be followed by all principal risks, frameworks, tools and techniques to support efficient and effective consolidation and interpretation.

The objective of NatWest Group's EWRMF and its component parts is to ensure that NatWest Group's risk profile is kept within agreed risk appetite, and where breaches occur, that there is a defined process to escalate and respond appropriately.

The risk appetite framework (RAF) is a component of the EWRMF and establishes the extent of permissible risk taking to support business outcomes and provides a qualitative and quantitative set of arrangements that delegates and empowers the Executive.

Any exceptions to NatWest Group's EWRMF by any subsidiary legal entity, business or function must be approved by the Group CRO and NatWest Group Board as part of the annual EWRMF approval process. Exception requests must be approved by the relevant legal entity CRO and Board prior to submission. There is an expectation that exceptions to NatWest Group's EWRMF are kept to a minimum, whilst recognising that different regulatory requirements and expectations may exist across the jurisdictions in which NatWest Group operates.

Where existing arrangements are not aligned to the intent of the EWRMF, the approach is to describe what is in place. Where arrangements are less easily documented, the approach is to describe what is expected to be in place with any deviations requiring formal agreement via the exceptions process.

The NWH risk management framework (RMF)

The NWH RMF has been developed in line with the size, scale and complexity of the entity and with recognition of all ring-fencing requirements. It is owned by the NWH CRO and approved on an annual basis by the NWH Board.

NWH Group has opted, where possible, to align the NWH RMF to NatWest Group's EWRMF. Exceptions are proportionate with the scale, nature and complexity of the NWH Group and notified to the NatWest Group and NatWest Board.

Should the adoption of NatWest Group approved risk governance arrangements conflict or contravene regulatory or legal requirements, this matter must be disclosed when identified and a proportionate variation to NatWest Group's approach determined and documented in accordance with Section 9 of the NatWest Group EWRMF and the NWH RMF.

Adequacy of the RMF

The NWH RMF is owned and implemented by the NWH Chief Risk Officer (NWH CRO) who provides an attestation of compliance with NatWest Group's EWRMF to the NatWest Group Board as part of the annual approval process. The NWH Group CRO is also the CRO for NatWest Group. The NWH RMF is reviewed and approved annually by the NWH Board.

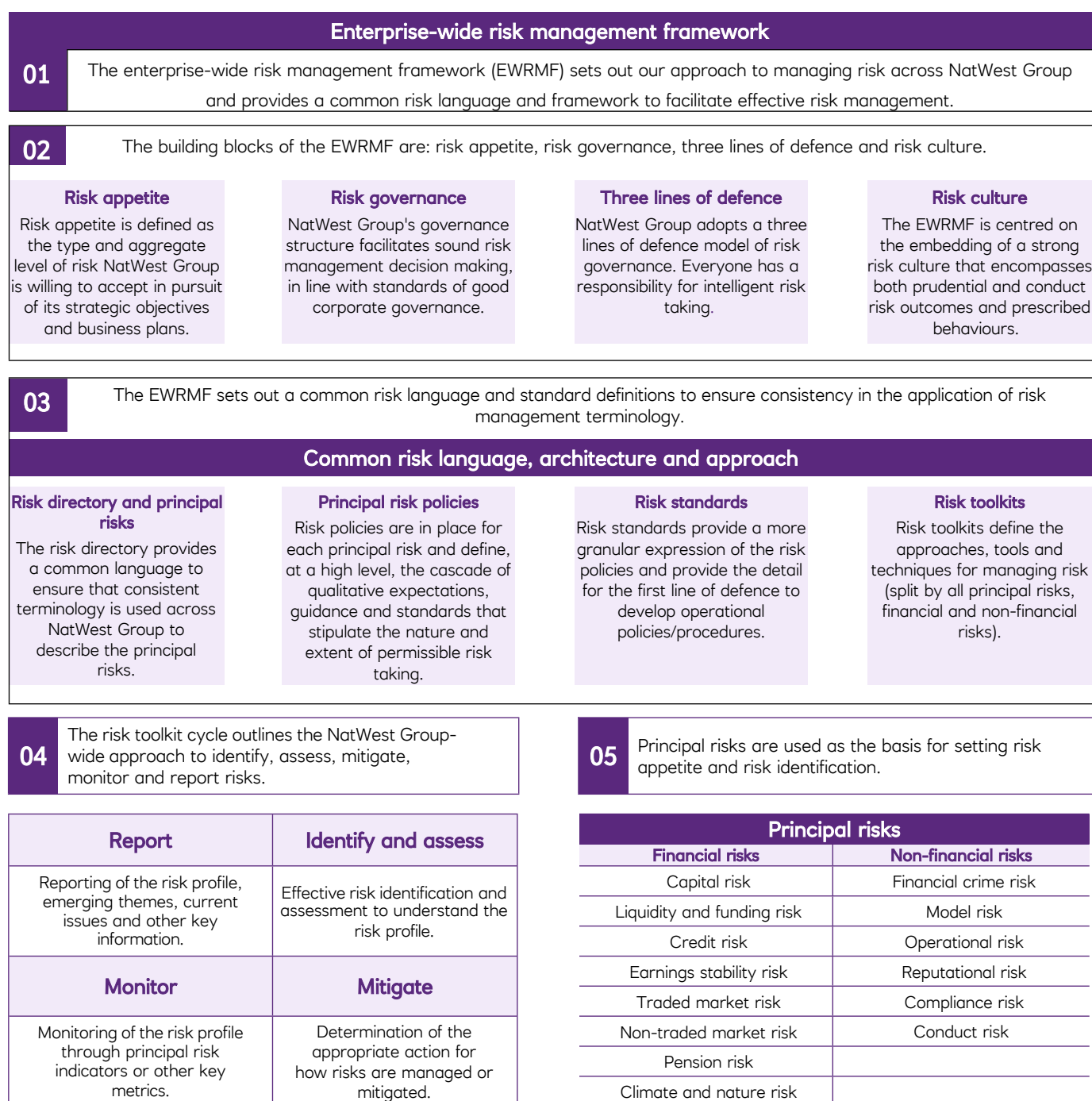
The NWH RMF incorporates risk governance by utilising NatWest Group's three lines of defence operating model and the Risk function's mandate. It is deemed to be adequate for the scope and nature of the institution and aligned with NWH's risk profile and overall strategic objectives.

While all NWH colleagues are responsible for managing risk, the Risk function provides oversight and monitoring of risk management activities, including the implementation of the framework and adherence to its supporting policies, standards and operational procedures. The NWH CRO plays an integral role in providing the Board with advice on NWH's risk profile, the performance of its controls and in providing challenge where a proposed business strategy may exceed risk tolerance.

In addition, there is a process to identify and manage top risks, which are those that could have a significant negative impact on NWH's ability to meet its strategic objectives. A complementary process operates to identify emerging risks. Both top and emerging risks may incorporate aspects of – or correlate to – a number of principal risks and are reported alongside them to the Board on a regular basis.

UK OVA: Institution risk management approach continued

The following diagram illustrates NatWest Group's EWRMF;



Further information on the risk governance structure is provided later in this section. An outline of principal risks is contained in the Risk and Capital management section of the 2024 Annual Report and Accounts.

Note: NWH Group does not set separate risk appetites to those by NatWest Group for climate, reputational and traded market risk but applies NatWest Group EWRMF components to ensure effective management of these risks where relevant.

UK OVA: Institution risk management approach continued

Risk appetite

NWH follows NatWest Group's approach to risk appetite and aligns activities with NatWest Group's RAF as a component of NatWest Group's EWRMF. The NWH risk appetite statement sets the total level of risk that NWH is willing to assume within its risk capacity to achieve its strategic objectives and business plan. Risk appetite is allocated to principal risks, legal entities and businesses using a cascade of risk appetite measures. These measures are designed to prevent NWH from unknowingly exceeding risk capacity as market conditions change and to prevent or detect excessive risk-taking.

Risk appetite measures are:

- Expressed relative to quantitative factors such as financial metrics, risk concentrations or customer outcomes.
- Set at a level to constrain risk-taking within risk appetite.
- Specific and sensitive to the shape of actual portfolios, frequency-based and reportable.
- Initially set for each principal risk at NatWest Group level and then, where appropriate, allocated to businesses and legal entities based on strategic planning assumptions.
- Appropriate to reflect material risk concentrations at NatWest Group, legal entity and principal risk level as relevant.

Risk appetite measures take into account the interaction between principal risks within and across businesses and legal entities and their correlated or compounding impact on exposures and outcomes.

Risk appetite, supported by a robust set of principles, policies and practices, defines the levels of tolerance for a variety of risks and provides a structured approach to risk-taking within agreed boundaries. RAF supports effective risk management by promoting sound risk-taking through a structured approach, within agreed boundaries. It also ensures emerging risks and risk-taking activities that might be out of appetite are identified, assessed, escalated and addressed in a timely manner.

To facilitate this, a detailed review of the RAF is carried out annually. The review includes:

- Assessing the adequacy of the RAF when compared to internal and external expectations.
- Ensuring the RAF remains effective and acts as a strong control environment for risk appetite.
- Assessing the level of embedding of risk appetite across the organisation. The Board approves the RAF and associated measures at least annually.

Risk appetite limits – and their associated trigger levels – are initially set for NatWest Group. To ensure subsidiary legal entities operate within the parameters of the parent legal entity, parent entities can propose an allocation of risk appetite limits and triggers to subsidiary entities where relevant. Legal entities may also create supplementary limits where they are required to provide their Board and Executive with visibility of specific measures, aligned to the achievement of entity-specific strategic objectives.

Risk appetite is managed such that measures remain aligned with principal risks including capital, liquidity, funding and earnings stability and are calibrated to a level where full utilisation of operational limits does not result in a breach of appetite. This alignment is evaluated and tested by the application of a mix of tools, tests and limits:

- Stress-testing the current and future risk profile across a range of scenarios provides evidence that risk-taking across the range of principal risks is within overall risk appetite.
- Sensitivity analysis explores how the risk profile changes when one or more principal risks move from current levels to full

utilisation of risk appetite and is used to confirm that NatWest Group will remain within overall risk appetite even if utilisation moves to the limits.

- Scenario analysis explores how the risk profile reacts to specific changes in the economic environment and is a useful supplement to stress testing.
- Where a direct linkage is possible, measures are used to calibrate risk appetite with capital, liquidity, funding and earnings stability requirements.

The NWH Board approved strategy and budget is reviewed for alignment with risk appetite. These may be adjusted as required as opportunities and strategic objectives change.

Such adjustments require NWH Board approval.

Operational limits are set by each principal risk aligned to how the risk is managed on a day-to-day basis to achieve strategy and one of the primary tools used to monitor compliance with risk appetite and operational limits is a range of scenarios that are run on a regular basis. The scenarios are revised at a minimum annually or where there are significant changes in the risk environment and outlook. Any changes to the scenario portfolio require Board Risk Committee (BRC) approval.

Material transactions in 2024

During 2024, the material transactions within NWH Group, affiliates or related parties considered to have had a material impact on the risk profile of the institution were the following:

- In May 2024, NatWest Group announced an off-market purchase under the Directed Buyback Contract with HM Treasury of 392,448,233 ordinary shares for a total consideration of £1,240,921,313. The purchased ordinary shares represented 4.50% of the company's issued ordinary share capital at the time (excluding treasury shares).
- In November 2024, NatWest Group announced an off-market purchase under the Direct Buyback Scheme with HM Treasury of 262,605,042 ordinary shares for a total consideration of £1,000,000,000. The purchased ordinary shares represented 3.16% of the company's issued ordinary share capital at the time (excluding treasury shares).
- In June 2024, NatWest Group plc announced an agreement with Sainsbury's Bank plc to acquire the retail banking assets and liabilities of Sainsbury's Bank plc, subject to court and regulatory approvals. We expect to acquire approximately £2.5 billion of gross customer assets, comprising £1.4 billion of unsecured personal loans and £1.1 billion of credit cards balances, together with approximately £2.6 billion of customer deposits. The transaction is expected to complete during the first half of 2025 and have a 20 basis point impact on NatWest Group's CET1 ratio upon completion and be EPS and RoTE accretive upon completion.
- In July 2024, NatWest Group plc also agreed to acquire a £2.3 billion portfolio of prime UK residential mortgages from Metro Bank plc, with a weighted average current loan to value of c.62%. The acquisition increased RWAs by £0.9 billion, which equates to a reduction of less than 10 basis points on NatWest Group's CET1 ratio.

Relevant transactions are reviewed by the Acquisition and Disposal Committee to assess their risk profile with oversight by the risk function.

Risk governance structure

The main purposes and responsibilities of each of NWH Group's risk committees are outlined below;

NWH Board

Provides leadership of NWH Group. Sets and oversees the strategic direction of NWH Group. Considers material risks and approves, as appropriate, actions recommended by the NWH BRC

It monitors performance against risk appetite. It reviews and approves the RMF (including the Risk Appetite Framework) and risk appetite for principal risks.

NWH Board Risk Committee

Provides oversight and advice to the Board on current and future risk exposures and future risk profile, including risk appetite; considers and recommends the NatWest Holdings RMF for approval by the NWH Board. Oversees its effectiveness, including the internal controls required to manage risk. Approves key risk policies specific to NWH Group; reviews and approves the ring-fencing exceptions policy and any exceptions escalated to the committee; reviews and approves the ring-fencing arm's length policy.

NWH Executive Risk Committee (ERC)

Supports the NWH Group CRO and other accountable individuals in discharging their risk management accountabilities. Reviews, challenges and debates all material risk and control matters across NWH Group including but not limited to all principal risks.

NWH Executive Committee

Supports the NWH Group CEO in discharging their individual accountabilities delegated to them by the NWH Board, including matters relating to strategy, financials, capital, and operational issues affecting NWH Group.

NWH Asset & Liability Management Committee

Supports the Chief Financial Officer (CFO) in overseeing the effective balance sheet management of each of the NWH Sub-Group legal entities, ensuring that they operate within NatWest Group and NWH Group risk appetites, policies and chosen business strategy, and comply with regulatory and legal requirements (including ring-fencing requirements) on a forward-looking basis. Supports the CFO in discharging their individual accountabilities in relation to treasury and balance sheet management.

NWH Executive Disclosure Committee

Supports the CFO in discharging their accountabilities, relating to the production and integrity of NWH Group's financial information, Pillar 3 Supplement, and other material disclosures.

The NWH Group CRO leads the NWH Group risk function. He defines and delivers the risk, conduct, compliance and financial crime strategies. He defines the overall risk service provision requirements to enable delivery of NatWest Group strategies, including policies, governance, frameworks, oversight and challenge, risk culture and risk reporting. He contributes to the development of strategy, transformation and culture as a member of the Executive Committee.

The Directors of Risk within the NWH Group receive delegated accountability from the NWH Group CRO to oversee business segments and functions. They primarily set operational limits in line with the delegated authority and the relevant legal entity, business or function Executive to enable the monitoring and management of principal risks at a business level in line with risk appetite. Operational limits of significant importance to the

management of principal risks within risk appetite may be approved by the relevant CEO and CRO following recommendation by the relevant ERC to ensure appropriate visibility and oversight operational limits should align to and support the risk appetite measures and associated risk appetite limits set for each principal risk to provide a comprehensive top down and bottom-up view to ensure that each business segment and legal entity is operating within the parameters set by the Board. This alignment is validated via independent review and verification.

Heads of internal control

During 2024, the following changes to the heads of internal control, risk management, compliance and internal audit took place:

- In February 2024, Paul Thwaite was formally appointed as NatWest Group CEO.
- In March 2024, Robert Begbie was appointed as CEO of NatWest Commercial & Institutional.
- In April 2024, Jen Tippin took on an expanded remit as Group Chief Operating Officer
- In April 2024, Solange Chamberlain was appointed NatWest's Group Director of Strategic Development
- In July 2024, Jon Peberdy was appointed as CEO for NatWest Markets
- In December 2024, it was announced that David Lindberg CEO Retail banking will be leaving NatWest Group in Q1 2025.

Other changes to internal control, risk management, compliance and internal audit below the level of CEO-1 took place.

Risk culture

The approach to risk culture under the banner of intelligent risk taking, ensures a focus on robust risk management behaviours and practices. This underpins our strategy and our values across all three lines of defence, enables us to support better customer outcomes, develop a stronger and more sustainable business, and deliver an improved cost base.

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

- Consistently role-model the values and behaviours in Our Code, based on strong ethical standards.
- Empower others to take risks aligned to NatWest Group's strategy, explore issues from a fresh perspective, and tackle challenges in new and better ways across organisational boundaries.
- Manage risk in line with appropriate risk appetite.
- Ensure each decision made keeps NatWest Group, colleagues, customers, communities and shareholders safe and secure..
- Understand their role in managing risk, remaining clear and capable, grounded in knowledge of regulatory obligations.
- Consider risk in all actions and decisions.
- Escalate risks and issues early; taking action to mitigate risks and learning from mistakes and near-misses, reporting and communicating these transparently.
- Challenge others' attitudes, ideas and actions.

The target Intelligent risk-taking behaviours are embedded in NatWest Group's Critical People Capabilities and are clearly aligned to the core values of inclusive, curious, robust, sustainable and ambitious.

These aim to act as an effective basis for a strong risk culture because the Critical People Capabilities form the basis of all recruitment and selection processes.

Disclosure on the scope and nature of risk disclosure and/or measurement systems

NWH’s RMF ensures that NWH’s principal risks are appropriately controlled and managed. It seeks to ensure a consistent approach to risk management across NWH and its subsidiaries. Risk appetite measures are in place for all principal risks, with performance against these measured on a regular basis. The NWH Group CRO provides regular reporting to the NWH Group ERC, the NWH BRC and the NWH Board. This includes an outline of performance against risk appetite measures for all principal risks and details of mitigants and management actions in place to address any areas of concern. The NWH CRO⁽¹⁾ also undertakes regular engagement with the Chair of the NWH BRC⁽²⁾, including before and after each scheduled meeting of the NWH BRC.

A review of the effectiveness of controls is undertaken through the Control Environment Certification (CEC) process. This is a half-yearly self-assessment by the CEOs of NatWest Group’s businesses, as well as the heads of the bank’s support functions. It provides a consistent and comparable view on the adequacy and effectiveness of the internal control environment. During 2024, NatWest Group’s and NWH’s Executive Risk and Board Risk Committees received updates on the CEC assessment for all of NatWest Group’s and NWH Group’s businesses and support functions. . The committees also reviewed a proposal to change the existing approach to the CEC certification process from 2025 to align it with industry best practice. This was approved by the NWG and NWH Boards in December 2024.

⁽¹⁾The NWH Group CRO also performs the role of NatWest Group CRO. ⁽²⁾ The NWH BRC Chair also chairs the NatWest Group BRC.

Risk disclosure and measurement systems

The Enterprise-wide Risk Management Strategy is set over a three year time horizon and defines the target state for risk management, taking the requirements and ambitions of NatWest Group strategy and identifying the risk capabilities that NatWest Group needs to retain, develop and invest in order to deliver NatWest Group’s business strategy, consistent with the following criteria:

- The strategic principles which articulate the high-level NatWest Group wide risk perimeter or “guard rails” set by NatWest Group Board.
- The NWH Board’s Risk Appetite, as expressed across the 14 principal risks.
- The target control environment rating (CE2).

NWH’s risk profile is reviewed and monitored on a regular basis. Management focus covers all principal risks as well as the top and emerging risks which may impact them. Risk profile relative to risk appetite is reported regularly to senior management and the NWH Board.

CEC covers material risks and the underlying key controls, including financial, operational and compliance controls, as well as their supporting risk management frameworks.

An enhanced approach to risk and control performance assessment has been developed and tested during 2024. This will replace the current Control Environment Certification (CEC) approach from 2025.

Risk and control self-assessments are used across all businesses and support functions to identify and assess material operational risks, conduct risks and key controls. All risks and controls are mapped to NatWest Group’s risk directory. Risk assessments are refreshed at least annually to ensure they remain relevant and that they capture any emerging risks and also ensure that these risks are reassessed.

The process is designed to confirm that risks are effectively managed in line with risk appetite. Controls are tested at the

appropriate frequency to verify that they remain fit-for-purpose and operate effectively to reduce the identified risks.

Strategies and processes to manage risks

Stress testing

Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of NatWest Group’s approach to capital management. It is used to quantify and evaluate the potential impact of specified changes to risk factors on the financial strength of NatWest Group, including its capital position.

Stress testing includes:

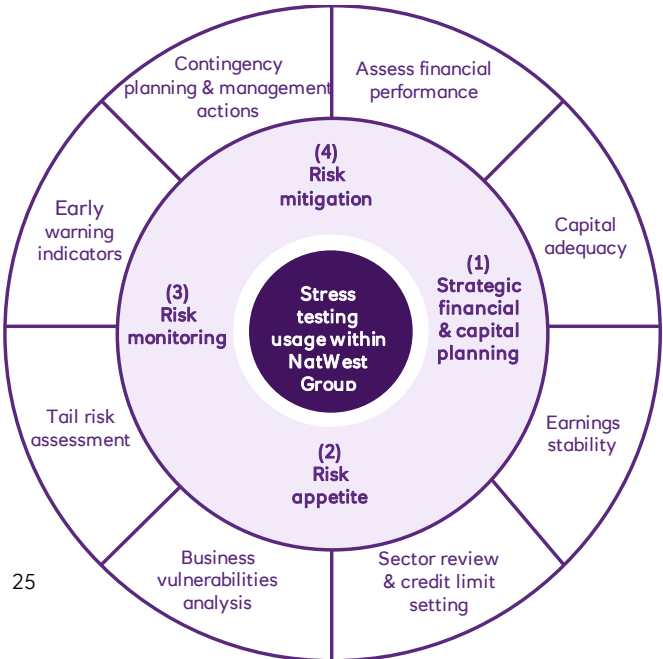
- Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.
- Sensitivity testing, which examines the impact of an incremental change to one or more risk factors.

The process for stress testing consists of four broad stages:

Define scenarios	<ul style="list-style-type: none">– Identify macro and NatWest Group-specific vulnerabilities and risks.– Define and calibrate scenarios to examine risks and vulnerabilities.– Formal governance process to agree scenarios.
Assess impact	<ul style="list-style-type: none">– Translate scenarios into risk drivers.– Assess impact to current and projected profit and loss and balance sheet across NatWest Group.
Calculate results and assess implications	<ul style="list-style-type: none">– Aggregate impacts into overall results.– Results form part of the risk management process.– Scenario results are used to inform NatWest Group’s business and capital plans.
Develop and agree management actions	<ul style="list-style-type: none">– Stress scenario results are analysed by subject matter experts. Appropriate management actions are then developed.– Scenario results and management actions are reviewed by the NWH Asset & Liability Management Committee and NWH Board Risk Committee and recommended to the NWH Group Board for approval.

Specific areas that involve capital management include:

- **Strategic financial and capital planning** – by assessing the impact of sensitivities and scenarios on the capital plan and capital ratios.
- **Risk appetite** – by gaining a better understanding of the



drivers of, and the underlying risks associated with, risk appetite.

- **Risk monitoring** – by monitoring the risks and horizon-scanning events that could potentially affect NatWest Group's financial strength and capital position.
- **Risk mitigation** – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment. Principal risk mitigating actions are documented in NatWest Group's recovery plan.

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

Capital sufficiency – going concern forward-looking view

Going concern capital requirements are examined on a forward-looking basis – including as part of the annual budgeting process – by assessing the resilience of capital adequacy and leverage ratios under hypothetical future states. These assessments include assumptions about regulatory and accounting factors (such as IFRS 9). They incorporate economic variables and key assumptions on balance sheet and profit and loss drivers, such as impairments, to demonstrate that NatWest Group and its operating subsidiaries maintain sufficient capital. A range of future states are tested. In particular, capital requirements are assessed:

- Based on a forecast of future business performance, given expectations of economic and market conditions over the forecast period.
- Based on a forecast of future business performance under adverse economic and market conditions over the forecast period. Scenarios of different severity may be examined.

The examination of capital requirements under both normal and adverse economic and market conditions enables NatWest Group to determine whether its projected business performance meets internal plans and regulatory capital requirements.

The potential impact of normal and adverse economic and market conditions on capital requirements is assessed through stress testing, the results of which are not only used widely across NatWest Group but also by the regulators to set specific capital buffers. NatWest Group takes part in stress tests run by regulatory authorities to test industry-wide vulnerabilities under crystallising global and domestic systemic risks.

Stress and peak-to-trough movements are used to help assess the amount of capital NatWest Group needs to hold in stress conditions in accordance with the capital risk appetite framework.

Internal assessment of capital adequacy

An internal assessment of material risks is carried out annually to enable an evaluation of the amount, type and distribution of capital required to cover these risks. This is referred to as the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP consists of a point-in-time assessment of exposures and risks at the end of the financial year together with a forward-looking stress capital assessment. The ICAAP is approved by the Board and submitted to the PRA.

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

Capital allocation

NatWest Group has mechanisms to allocate capital across its legal entities and businesses. These aim to optimise the use of capital resources taking into account applicable regulatory requirements, strategic and business objectives and risk appetite. The framework for allocating capital is approved by the CFO with support from the Asset & Liability Management Committee.

Governance

Capital management is subject to substantial review and governance. The Board approves the capital plans, including those for key legal entities and businesses as well as the results of the stress tests relating to those capital plans.

Stress testing – liquidity

Liquidity risk monitoring and contingency planning

A suite of tools is used to monitor, limit and stress test the liquidity and funding risks on the balance sheet. Limit frameworks are in place to control the level of liquidity risk, asset and liability mismatches and funding concentrations. Liquidity and funding risks are reviewed at significant legal entity and business levels daily, with performance reported to the Asset & Liability Management Committee on a regular basis. Liquidity Condition Indicators are monitored daily. This ensures any build-up of stress is detected early and the response escalated appropriately through recovery planning.

Internal assessment of liquidity

Under the liquidity risk management framework, NatWest Group maintains the Internal Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios.

Each scenario evaluates either an idiosyncratic, market-wide or combined stress event as described in the table below.

Type	Description
Idiosyncratic scenario	The market perceives NatWest Group to be suffering from a severe stress event, which results in an immediate assumption of increased credit risk or concerns over solvency.
Market-wide scenario	A market stress event affecting all participants in a market through contagion, potential counterparty failure and other market risks. NatWest Group is affected under this scenario but no more severely than any other participants with equivalent exposure.
Combined scenario	This scenario models the combined impact of an idiosyncratic and market stress occurring at once, severely affecting funding markets and the liquidity of some assets.

NatWest Group uses the most severe outcome to set the internal stress testing scenario which underpins its internal liquidity risk appetite. This complements the regulatory liquidity coverage ratio requirement.

Stress testing – recovery and resolution planning

The NatWest Group recovery plan explains how NatWest Group and its subsidiaries – as a consolidated group – would identify and respond to a financial stress event and restore its financial position so that it remains viable on an ongoing basis.

The recovery plan ensures risks that could delay the implementation of a recovery strategy are highlighted and preparations are made to minimise the impact of these risks. Preparations include:

- Developing a series of recovery indicators to provide early warning of potential stress events.
- Clarifying roles, responsibilities and escalation routes to minimise uncertainty or delay.
- Developing a recovery playbook to provide a concise description of the actions required during recovery.
- Detailing a range of options to address different stress conditions.
- Appointing dedicated option owners to reduce the risk of delay and capacity concerns.

The plan is intended to enable NatWest Group to maintain critical services and products it provides to its customers, maintain its core businesses and operate while restoring NatWest Group's financial health. It is assessed for appropriateness on an ongoing basis and reviewed and approved by the Board prior to submission to the PRA on a biennial basis. Individual recovery plans are also prepared for NatWest Holdings Limited, NatWest Markets Plc, RBS International Limited and NatWest Markets N.V.. These plans detail the recovery options, recovery indicators and escalation routes for each entity.

Fire drill simulations of possible recovery events are used to test the effectiveness of NatWest Group and individual legal entity recovery plans. The fire drills are designed to replicate possible financial stress conditions and allow senior management to rehearse the responses and decisions that may be required in an actual stress event. The results and lessons learnt from the fire drills are used to enhance NatWest Group's approach to recovery planning.

Under the resolution assessment part of the PRA rulebook, NatWest Group is required to carry out an assessment of its preparations for resolution, submit a report of the assessment to the PRA and publish a summary of this report.

Resolution would be implemented if NatWest Group was assessed by the UK authorities to have failed and the appropriate regulator put it into resolution. The process of resolution is owned and implemented by the Bank of England (as the UK resolution authority). NatWest Group ensures ongoing maintenance and enhancements of its resolution capabilities, in line with regulatory requirements.

Stress testing – market risk

Non-traded market risk

Non-traded exposures are reported to the PRA on a quarterly basis. This provides the regulator with an overview of NatWest Group's banking book interest rate exposure. The report includes detailed product information analysed by interest rate driver and other characteristics, including accounting classification, currency and counterparty type.

Scenario analysis based on hypothetical adverse scenarios is performed on non-traded exposures as part of the Bank of England and European Banking Authority stress test exercises. NatWest Group also produces an internal scenario analysis as part of its financial planning cycles. Non-traded exposures are capitalised through the ICAAP. This covers gap risk, basis risk, credit spread risk, pipeline risk, structural foreign exchange risk, prepayment risk, equity risk and accounting volatility risk. The ICAAP is completed with a combination of value and earnings measures. The total non-traded market risk capital requirement is determined by adding the different charges for each sub risk type. The ICAAP methodology captures at least ten years of historical volatility, produced with a 99% confidence level. Methodologies are reviewed by NatWest Group Model Risk and the results are approved by the NatWest Group Technical Asset & Liability Management Committee.

Non-traded market risk stress results are combined with those for other risks into the capital plan presented to the Board. The cross-risk capital planning process is conducted once a year, with a planning horizon of five years. The scenario narratives cover both regulatory scenarios and macroeconomic scenarios identified by NatWest Group.

Vulnerability-based stress testing begins with the analysis of a portfolio and expresses its key vulnerabilities in terms of plausible vulnerability scenarios under which the portfolio would suffer material losses. These scenarios can be historical, macroeconomic or forward-looking/hypothetical. Vulnerability-based stress testing is used for internal management information and is not subject to limits. The results for relevant scenarios are reported to senior management.

Internal scenarios

In 2023, NatWest Group deployed a new in-house corporate transition risk model, as part of an internal scenario analysis exercise, to assess climate transition related credit risks to corporate counterparties.

This involved running the following two climate scenarios:

- A disruptive transition scenario, where the onset of climate policy from the Network for Greening the Financial System (NGFS) delayed transition scenario is accelerated from 2031 to 2025, which could result in an accompanying macro-economic shock.
- The orderly transition scenario, which explores a rapid increase in carbon prices, based on the NGFS net zero 2050 scenario, but no accompanying macro-economic shock.

These scenarios tested NatWest Group's resilience to alternative transition pathways, including a disruptive transition, and to identify losses that are sensitive to scenario policy and technology assumptions.

The corporate transition risk model and internal exercise builds on the learnings from the Climate Biennial Exploratory Scenario and NatWest Group's first-generation deployment in 2023. It also supports the processes for integration of climate into ICAAP and credit risk business use-cases. The model is capable of accounting for sector specific exposure to climate-related transition risks and counterparty specific response to a limited set of demand shocks and rising carbon prices, by mitigating emissions and passing costs through to customers.

Regulatory stress testing

In October 2023, the Bank of England undertook round one of its system-wide exploratory scenario (SWES) to enhance understanding of the behaviours of banks and non-bank financial institutions under a scenario informed by the liability driven investment and 'dash for cash' crises.

NatWest Group submitted its response to round one during H1 2024. The Bank of England subsequently published the anonymised results in the June Financial Stability Report providing a narrative account of the market-wide response.

Round two commenced in June 2024. Participants were asked to reconsider their assumptions and in light of round one results, and submit revised actions if applicable. The overall results of the SWES exercise were published in November 2024.

Further details can be found at:

- <https://www.bankofengland.co.uk/stress-testing/2024/stress-testing-uk-banking-system-scenarios-2024-desk-based>
- <https://www.bankofengland.co.uk/financial-stability/boe-system-wide-exploratory-scenario-exercise>
- <https://www.bankofengland.co.uk/financial-stability-report/2024/june-2024#chapter-8>

Risk management, mitigation, hedging and monitoring

Mitigation is a critical aspect of ensuring that the risk profile remains within risk appetite. Risk mitigation strategies are discussed and agreed within NatWest Group.

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that arise from risk mitigation actions themselves) are also considered. Monitoring and review processes are in place to evaluate results. Early identification, and effective management of changes in legislation and regulation are critical to the successful mitigation of compliance and conduct risk. The effects of all changes are managed to ensure the timely achievement of compliance.

Those changes assessed as having a high or medium-high impact are managed more closely. Emerging threats that could affect future results and performance are also closely monitored. Action is taken to mitigate potential risks as and when required. Further in-depth analysis, including the stress testing of exposures (see above), is also carried out.

Some key areas of risk mitigation are highlighted below.

Mitigation techniques, as set out in the appropriate credit risk toolkits and transactional acceptance standards, are used in the management of credit portfolios across NatWest Group. These techniques mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset, the use of credit derivatives including credit default swaps, credit-linked debt instruments and securitisation structures, and the use of guarantees and similar instruments (for example, credit insurance) from related and third parties. Counterparty credit risk is mitigated through collateralisation and netting agreements, which allow amounts owed by NatWest Group to a counterparty to be netted against amounts the counterparty owes NatWest Group. Property is used to mitigate credit risk across a number of portfolios, in particular residential mortgage lending and commercial real estate (CRE).

Key to the mitigation of NatWest Group's non-traded market risk is its structural hedging programme. NatWest Group has a significant pool of stable, non and low interest-bearing liabilities, principally comprising current accounts and savings, in addition to its equity and reserves. A proportion of these balances are hedged, either by offsetting the positions against fixed-rate assets (such as fixed-rate mortgages) or by hedging positions externally using interest rate swaps, which are generally booked as cash-flow hedges of floating-rate assets, in order to reduce income volatility and provide a revenue stream in net interest income.

Testing & Monitoring is undertaken by the Risk function, across the Businesses and Functions, in relation to compliance and conduct, credit and financial crime risks. This confirms to both internal and external stakeholders – including the Board, senior management, the businesses, Internal Audit and NatWest Group's regulators – that risk policies and procedures are being correctly implemented and that they are operating adequately and effectively. Selected key controls are also reviewed for adequacy and effectiveness. Thematic reviews and targeted reviews are also carried out where appropriate to ensure appropriate customer outcomes.

Testing is also completed on principal NWH Risk processes – including controls within the scope of Section 404 of the Sarbanes-Oxley Act 2002.

The Testing & Monitoring Forum assesses and validates the annual plan as well as the ongoing programme of reviews.

– UK OVB: Disclosure on governance arrangements

Number of directorships held by members of the Board of NatWest Holdings Limited (“NWH Ltd”) as at 31 December 2024 (1)

Name	No. of directorships
Rick Haythornthwaite	2
Paul Thwaite	1
Katie Murray	2
Francesca Barnes	3
Ian Cormack	1
Roisin Donnelly	3
Patrick Flynn	2
Geeta Gopalan	4
Yasmin Jetha	3
Stuart Lewis	2
Mark Rennison	2
Mark Seligman	2
Lena Wilson	2

(1) Directorships counted in line with the Capital Requirements Directive. In this table, multiple directorships in the same group of companies have been counted as one directorship.

Number of directorships “effectively held” by members of the Board as at 31 December 2024 (2):-

Name	No. of directorships
Rick Haythornthwaite	2
Paul Thwaite	2
Katie Murray	2
Francesca Barnes	5
Ian Cormack	2
Roisin Donnelly	4
Patrick Flynn	2
Geeta Gopalan	5
Yasmin Jetha	3
Stuart Lewis	2
Mark Rennison	2
Mark Seligman	5
Lena Wilson	2

(2) Includes directorships listed in the table above and directorships of entities which do not pursue predominantly commercial objectives or are charitable in nature. In this table, multiple directorships in the same group of companies have been counted as one directorship

Recruitment policy

The NWH Ltd Nominations Committee (the committee) supports the Chair in keeping the composition of the Board and its committees under regular review.

The committee reviews and recommends to the Board a skills matrix which is used to map the skills and experience of individual directors and ensure that the Board's collective skill set remains appropriately balanced and aligned to current and future strategic priorities.

In December 2024, the committee, in conjunction with the Group Nominations and Governance Committee (the committees), reviewed and the Board approved, an enhanced version of the Board skills matrix for NatWest Group plc and the NWH Sub Group (NWH Ltd, National Westminster Bank Plc (NWB Plc) and The Royal Bank of Scotland plc (RBS plc)).

The NatWest Group plc and NWH Sub Group Boards conducted a comprehensive Board skills assessment in 2024 using a technology platform. This process evaluated the collective expertise and capabilities of the Boards against the organisation's strategic priorities and governance needs, and the resulting data and analysis underpins the succession planning process.

By identifying critical and general skills areas, this enhanced skills assessment approach has provided valuable insights into the Boards' strengths and opportunities for consideration by the committee, Group Nominations and Governance Committee (Group N&G) and the Boards. The findings will help to ensure that the NWH Ltd Board remains well-equipped to navigate complex challenges, deliver on long-term value creation and uphold the highest standards of governance.

Following the committee's review of the 2023 Board skills matrix, Board recruitment continued to be a principal area of focus in 2024. Paul Thwaite became permanent CEO on 16 February 2024 and Rick Haythornthwaite, having joined the Board as a non-executive director on 8 January 2024, assumed the Chair role on 15 April 2024 after Howard Davies stepped down. The Board approved the appointment of Geeta Gopalan in February 2024 and she joined on 1 July 2024. During 2024 the committee's membership supported comprehensive candidate searches with diversity and inclusion considerations factored into all search criteria. During the search processes, the committee held several discussions on potential candidates, assessing the credentials of each candidate against the qualities and capabilities set out in the role specifications agreed by the committee. Following a rigorous process, the committee, in conjunction with Group N&G, recommended and the Board approved Gill Whitehead's appointment as a non-executive director with effect from 8 January 2025. The committee, in conjunction with Group N&G, continues to oversee further recruitment activity in respect of the Board of NWH Ltd.

Policy on diversity

The Board operates a boardroom inclusion policy which reflects NatWest Group's values, its inclusion guidelines and relevant legal or voluntary code requirements. The boardroom inclusion policy aims to promote diversity and inclusion in the composition of the Boards and Board committees of NatWest Group plc, NWH Ltd, NWB Plc and RBS plc and in the nominations and appointments process. A copy of the policy is available at natwestgroup.com.

The boardroom inclusion policy's objectives ensure that the Board, and any committee to which it delegates nomination responsibilities, follows an inclusive process when making nomination decisions. That includes ensuring that the nomination process is based on the principles of fairness, respect and inclusion, that all nominations and appointments are made on the basis of individual competence, skills and expertise measured against identified objective criteria without bias, prejudice or discrimination and that searches for Board candidates are

conducted with due regard to the benefits of diversity and inclusion.

The policy includes targets which aspire to meet those set out in the UK Listing Rules along with the recommendations of the FTSE Women Leaders Review and the Parker Review.

As at 31 December 2024:-

- NWH Ltd met the FTSE Women Leaders Review voluntary target of 40% women's representation on boards by the end of 2025, with 46% of the Board being women; and
- With a woman as CFO, NWH Ltd met the FTSE Women Leaders Review recommendation that companies should have at least one woman in the Chair or Senior Independent Director roles on the board and/or one woman in the CEO or Finance Director role by the end of 2025.
- NWH Ltd met the recommendation of the Parker Review with two members of the Board being from an ethnic minority background.

Changes since 1 January 2025: Gill Whitehead joined the Board on 8 January 2025 as an independent non-executive director. Gill's appointment to the Board means women's representation as at the date of this report is 50%.

The boardroom inclusion policy also acknowledges NatWest Group's ambition to have gender balance in the global top three levels (CEO-3 and above) by 2030, and progress against this ambition is set out on page 42 of the NatWest Group plc 2024 Annual Report and Accounts (Strategic report).

Board Risk Committee

The NWH Ltd Board has an established Board Risk Committee, which held eight scheduled meetings during 2024.

Description on the information flow on risk to the management body.

NWH Group's RMF ensures that NWH Group's principal risks are appropriately controlled and managed. It seeks to ensure a consistent approach to risk management across NWH Group and its subsidiaries.

Risk appetite measures are in place for all principal risks, with performance against these measured on a regular basis.

The NWH Group CRO provides regular reporting to the NWH Group Executive Risk Committee, the NWH Board Risk Committee and the NWH Board. This includes an outline of performance against risk appetite measures for all principal risks and details of mitigants and management actions in place to address any areas of concern.

The NWH Group CRO⁽¹⁾ also undertakes regular engagement with the Chair of the NWH Board Risk Committee (BRC)⁽²⁾, including before and after each scheduled meeting of the NWH Board Risk Committee.

⁽¹⁾The NWH Group CRO also performs the role of NatWest Group CRO. ⁽²⁾ The NWH BRC Chair also chairs the NatWest Group BRC.

Annex V: Scope of application

UK LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The table below shows both the NWH Group's consolidated balance sheet as at 31 December 2024 on an accounting consolidated basis and under the regulatory scope of consolidation. The differences between the accounting scope of consolidation and the regulatory scope of consolidation are further explained in template UK LI3. Detailed information relating to the consolidated balance sheet is available in NWH Group's ARA.

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying value of items:				
	£m	£m	Subject to credit risk framework	Subject to securitisation framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
31 December 2024	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances at central banks	62,501	62,529	62,529	-	-	-	-
Trading assets	-	-	-	-	-	-	-
Derivatives	1,369	1,369	-	-	1,369	1,369	-
Settlement balances	-	-	-	-	-	-	-
Loans to banks - amortised cost	3,923	3,980	2,585	-	1,395	-	-
Loans to customers - amortised cost	366,865	366,861	334,728	399	31,734	-	-
Other financial assets	39,821	39,548	35,949	3,599	-	-	-
Intangible assets	7,024	7,024	-	-	-	-	7,024
Other assets	6,859	6,877	5,812	-	-	-	1,065
Assets of disposal groups	-	-	-	-	-	-	-
Amounts due from holding company and fellow subsidiaries	646	646	635	-	-	-	-
Total assets	489,008	488,834	442,238	3,998	34,498	1,369	8,089
Liabilities							
Bank deposits	25,701	26,606	-	-	9,479	-	17,127
Customer deposits	396,360	396,434	-	-	842	-	395,592
Settlement balances	-	-	-	-	-	-	-
Trading liabilities	-	-	-	-	-	-	-
Derivatives	830	830	-	-	830	830	-
Other financial liabilities	4,999	3,824	-	-	-	-	3,824
Subordinated liabilities	122	119	-	-	-	-	119
Notes in circulation	3,316	3,316	-	-	-	-	3,316
Other liabilities	4,011	4,036	-	-	-	-	4,036
Liabilities of disposal groups	-	-	-	-	-	-	-
Amounts due to holding company and fellow subsidiaries	20,975	20,975	-	-	-	-	20,975
Total liabilities	456,314	456,140	-	-	11,151	830	444,989

(1) The table provides the breakdown of how the amounts reported in the consolidated regulatory balance sheet correspond to regulatory risk framework categories. Certain items included in these columns are subject to more than one risk framework and therefore the sum of all the risk framework categories may not equal the value reported in the "Carrying values under scope of regulatory consolidation" column.

UK LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The table below provides information on the main sources of differences between the financial statements' carrying value amounts and the exposure amounts considered for regulatory purposes for NWH Group.

	a	b	c	d	e
	Items subject to:				
	Total ⁽¹⁾ £m	Credit risk framework £m	Securitisation framework £m	CCR framework £m	Market risk framework £m
31 December 2024					
1 Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	480,734	442,238	3,998	34,498	1,369
2 Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	(11,151)	-	-	(11,151)	(830)
3 Total net amount under regulatory scope of consolidation	469,583	442,238	3,998	23,347	539
4 Off-balance sheet amounts	159,165	159,081	84	-	
5 Differences in valuations	-	-	-	-	
6 Differences due to different netting rules, other than those already included above	(29,524)	(8,966)	-	(20,558)	
7 Differences due to consideration of provisions	2,992	2,992	-	-	
8 Differences due to the use of credit risk mitigation techniques (CRMs)	-	-	-	-	
9 Differences due to credit conversion factors	(91,635)	(91,635)	-	-	
10 Differences due to Securitisation with risk transfer	(2,099)	(11,023)	8,924	-	
11 Other differences	(3,160)	(2,613)	-	(547)	
12 Exposure amounts considered for regulatory purposes	505,322	490,074	13,006	2,242	239

(1) The Total column above (column a) represents the sum of columns b, c and d.

(2) For Market Risk the exposure is only considered for positions treated under the standardised approach. The remaining exposure is considered under the internally developed market risk models.

UK LI3: Outline of the differences in the scopes of consolidation (entity by entity)

The table below provides information on NWH Group entities which are treated differently under the accounting and regulatory scope of consolidation.

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Full consolidation	Method of regulatory consolidation			Deducted	Description of the entity
			Proportional consolidation	Equity method	Neither consolidated nor deducted		
Gatehouse Way Developments Ltd	Full consolidation				X		Other / non financial
German Biogas Holdco Limited	Full consolidation				X		Financial institution
GWNW City Developments Limited	Equity Accounting - Joint Venture				X		Other / non financial
KUC Properties Limited	Full consolidation				X		Other / non financial
Land Options (West) Limited	Full consolidation				X		Other / non financial
London Rail Leasing Limited	Equity Accounting - Joint Venture		X				Financial institution
Natwest Covered Bonds (LM) Limited	Investment Accounting		X				Financial institution
Natwest Property Investments Limited	Full consolidation				X		Other / non financial
Nightingale 2024-1 Limited	Full consolidation				X		Financial institution
Nightingale 2024-2 Limited	Full consolidation				X		Financial institution
Nightingale 2024-3 Limited	Full consolidation				X		Financial institution
Nightingale CRE 2018-1 Limited	Full consolidation				X		Financial institution
Nightingale LF 2021-1 Ltdā,	Full consolidation				X		Other
Nightingale Project Finance 2019 1 Limited	Full consolidation				X		Financial institution
Nightingale Project Finance II 2023-1 Limited	Full consolidation				X		Financial institution
Nightingale Securities 2017-1 Limited	Full consolidation				X		Financial institution
Nightingale UK Corp 2020 2 Ltd	Full consolidation				X		Financial institution
Pharos Estates Limited	Equity Accounting - Associate				X		Other / non financial
Pollinate Networks Limited	Investment Accounting				X		Other / non financial
Ulster Bank Pension Trustees (RI) Limited	Full consolidation				X		Other / non financial
Ulster Bank Pension Trustees Limited	Full consolidation				X		Other / non financial
Walton Lake Developments Ltd	Full consolidation				X		Other / non financial

UK LIA: Explanations of differences between accounting and regulatory exposure amounts

NWH Ltd is the parent entity of the ring-fenced bank (RFB) subgroup established to meet the requirements of ring-fencing legislation and PRA rules. The PRA has exercised the discretion contained in the CRR to require the ring-fenced bodies to meet prudential requirements on a sub-consolidated basis, in respect of its RFB sub-group. Therefore, NWH Group is subject to consolidated regulatory requirements in addition to the application of requirements at an individual bank level and on a consolidated basis for NatWest Group. Inclusion of an entity in the statutory consolidation is driven by NWH Ltd's ability to exercise control over that entity.

The regulatory consolidation applies a comparable test, but consolidation is restricted to certain categories of entities. In accordance with PRA rules, non-financial and certain structured entities are excluded from the regulatory sub-consolidation.

Where NWH Ltd does not have control of an entity but has significant influence or more than 20% of the voting rights or capital of that entity, then it must be included in the regulatory sub-consolidation on a pro-rata basis, unless it falls into one of the excluded categories or NatWest Group has agreed a different treatment with the PRA. Where NatWest Group has joint control, such entities will only be included in the statutory consolidation on a pro-rata basis. Entities where NatWest Group has significant influence will be equity accounted in the statutory consolidation.

Both the statutory and regulatory consolidated amounts are shown in table UK LI1 above.

The regulatory consolidation amounts are subject to a number of adjustments in order to reach the regulatory exposure amount which is shown in table UK LI2 above. The main regulatory adjustments relate to:

- Off-balance sheet amounts which principally consist of undrawn credit facilities after the application of credit conversion factors (CCF)
- Differences due to different netting rules which reflects the effects of master netting agreements in addition to the netting permitted under International Accounting Standards (IAS) framework
- Differences due to consideration of provisions which relates to the impairment loss provisions on loans and advances and securities, and credit valuation adjustments on derivatives
- Other differences which include regulatory consolidation differences, the IFRS 9 transition adjustment and adjustments due to exposures being calculated by prescribed risk factors which are not considered in financial statement carrying values.

UK LIB: Other qualitative information on the scope of application

All NatWest Group companies are subject to policies, governance and controls set centrally. Aside from regulatory requirements, there are no current or foreseen material, practical or legal impediments to the transfer of capital or prompt repayments of liabilities when due. Entities outside the scope of consolidation are appropriately capitalised.

UK PV1⁽¹⁾: Prudent valuation adjustments (PVA)

Prudential valuation is a regulatory provision that requires additional valuation adjustments (AVAs) of fair-valued financial instruments. The purpose of these adjustments is to achieve an appropriate degree of certainty that the valuation is sufficiently prudent. Prudential valuation adjustments (PVAs) result in a deduction to CET1 capital.

31 December 2024										
a	b	c	d	e	UK e1	UK e2	f	g	h	
Risk category					Category level AVA - Valuation uncertainty					
					Unearned credit spreads	Investment and funding costs	Total category level post-diversification	Of which: Total core in approach the trading book	Of which: Total core in approach the banking book	
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	AVA	AVA			
1 Market price uncertainty	1	12	-	12	-	-	-	13	-	13
3 Close-out cost	-	-	-	-	-	-	-	-	-	-
4 Concentrated positions	2	-	-	-	-	-	-	3	-	3
5 Early termination	-	-	-	-	-	-	-	-	-	-
6 Model risk	-	4	-	14	-	-	-	9	-	9
7 Operational risk	-	1	-	1	-	-	-	2	-	2
10 Future administrative costs	-	-	-	1	-	-	-	1	-	1
12 Total additional valuation adjustments (AVAs)								28	-	28

31 December 2023										
a	b	c	d	e	UK e1	UK e2	f	g	h	
Risk category					Category level AVA - Valuation uncertainty					
					Unearned credit spreads	Investment and funding costs	Total category level post-diversification	Of which: Total core in approach the trading book	Of which: Total core in approach the banking book	
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	AVA	AVA			
1 Market price uncertainty	-	40	-	19	-	-	-	30	-	30
3 Close-out cost	-	3	-	-	-	-	-	1	-	1
4 Concentrated positions	-	1	-	-	-	-	-	1	-	1
5 Early termination	-	-	-	-	-	-	-	-	-	-
6 Model risk	-	30	-	14	-	-	-	22	-	22
7 Operational risk	-	2	-	2	-	-	-	4	-	4
10 Future administrative costs	-	1	-	1	-	-	-	2	-	2
12 Total additional valuation adjustments (AVAs)								60	-	60

(1) For more information regarding valuation methodologies of modelled and non-modelled products, the independent price verification process and the control and governance framework, please refer to the 2024 NatWest Group ARA Financial instruments – valuation (Note 10).

Annex VII: Capital

UK CC1: Composition of regulatory own funds

The table below sets out the capital resources on a transitional basis. Regulatory adjustments comprise deductions from own funds and prudential filters. The table also includes a cross reference to the corresponding rows in template UK CC2 to facilitate full reconciliation of accounting and regulatory own funds.

		31 December 2024 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2023 £m
CET1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts <i>of which: ordinary shares</i>	3,263		3,263
2	Retained earnings	35,770	(a)	34,451
3	Accumulated other comprehensive income (and other reserves)	(12,580)	(b)	(12,834)
UK-3a	Funds for general banking risk	-	(c)	-
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-		-
5	Minority interests (amount allowed in consolidated CET1)	-		-
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	353	(b)	1,232
6	CET1 capital before regulatory adjustments	26,806		26,112
CET1 capital: regulatory adjustments				
7	(-) Additional value adjustments	(28)		(60)
8	(-) Intangible assets (net of related tax liability)	(6,980)	(d)	(7,060)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met)	(1,001)	(e)	(924)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	793	(i)	1,192
12	(-) Negative amounts resulting from the calculation of expected loss amounts	-		-
13	(-) Any increase in equity that results from securitised assets	-		-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-		-
15	(-) Defined-benefit pension fund assets (1)	(401)	(f) & (g)	(404)
16	(-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments	-		-
17	(-) Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-		-
18	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	-		-
19	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-		-
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-		-
UK-20b	(-) of which: qualifying holdings outside the financial sector	-		-
UK-20c	(-) of which: securitisation positions	-		-
UK-20d	(-) of which: free deliveries	-		-

UK CC1: Composition of regulatory own funds continued

		31 December 2024 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2023 £m
CET1 capital: regulatory adjustments				
21	(-) Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-		-
22	(-) Amount exceeding the 17.65% threshold	-		-
23	(-) of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-		-
25	(-) of which: deferred tax assets arising from temporary differences	-		-
UK-25a	(-) Losses for the current financial year	-	(b)	-
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses	-		-
27	(-) Qualifying AT1 deductions that exceed the AT1 items of the institution	-		-
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	38		207
28	Total regulatory adjustments to CET1	(7,579)		(7,049)
29	CET1 capital	19,227		19,063
AT1 capital: instruments				
30	Capital instruments and the related share premium accounts	3,925	(h)	3,682
31	of which: classified as equity under applicable accounting standards	3,925		3,682
32	of which: classified as liabilities under applicable accounting standards	-		-
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	(j)	-
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-		-
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-		-
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	(j)	-
35	of which: instruments issued by subsidiaries subject to phase out	-		-
36	AT1 capital before regulatory adjustments	3,925		3,682
AT1 capital: regulatory adjustments				
37	(-) Direct, indirect and synthetic holdings by an institution of own AT1 instruments	-		-
38	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-		-
39	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-		-
40	(-) Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-		-

UK CC1: Composition of regulatory own funds continued

	31 December 2024 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2023 £m
AT1 capital: regulatory adjustments			
42 (-) Qualifying T2 deductions that exceed the T2 items of the institution	-		-
42a Other regulatory adjustments to AT1 capital	-		-
43 Total regulatory adjustments to AT1 capital	-		-
44 AT1 capital	3,925		3,682
45 T1 capital (T1 = CET1 + AT1)	23,152		22,745
T2 capital: instruments			
46 Capital instruments and the related share premium accounts	4,504	(j)	4,805
47 Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	(j)	-
UK-47a Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-		-
UK-47b Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-		-
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	(i)	-
49 of which: instruments issued by subsidiaries subject to phase out	-		-
50 Credit risk adjustments	-		121
51 T2 capital before regulatory adjustments	4,504		4,926
T2 capital: regulatory adjustments			
52 (-) Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans	-		-
53 (-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-		-
54 (-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-		-
55 (-) Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-		-
UK-56a (-) Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution	-		-
UK-56b Other regulatory adjustments to T2 capital	-		-
57 Total regulatory adjustments to T2 capital	-		-
58 T2 capital	4,504		4,926
59 Total capital (TC = T1 + T2)	27,656		27,671
60 Total risk exposure amount	152,199		150,428
Capital ratios and buffers			
61 CET1 (as a percentage of total risk exposure amount)	12.6%		12.7%
62 T1 (as a percentage of total risk exposure amount)	15.2%		15.1%
63 Total capital (as a percentage of total risk exposure amount)	18.2%		18.4%

UK CC1: Composition of regulatory own funds continued

		31 December 2024 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2023 £m
Amounts below the thresholds for deduction (before risk weighting)				
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	11.8%		11.9%
65	of which: capital conservation buffer requirement	2.5%		2.5%
66	of which: counter cyclical buffer requirement	1.8%		1.8%
67	of which: systemic risk buffer requirement			
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.5%		1.5%
68	CET1 available to meet buffers (as a percentage of risk exposure amount) (2)	6.6%		6.6%
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4		4
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	-		-
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	399		382
Applicable caps on the inclusion of provisions in T2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	205		199
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	-		121
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	692		691
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

(1) FY2023, it also includes a prudent deduction in respect of agreement with the pension fund to establish legal structure to remove dividend linked contribution.

(2) Row 68: represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).

(3) The references (a) to (j) identify balance sheet components in table UK CC2 that are used in the calculation of regulatory capital in table UK CC1. Amounts between UK CC2 and UK CC1 are not always directly comparable due to differences in definitions and application of Capital Requirements Directive for the calculation of regulatory capital.

(4) The following lines are not presented as they are not applicable under the UK disclosure requirements: 9, 20, 24, 26, 41, 54a, 56, 69, 70, 71 and 74.

UK CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table below shows the reconciliation between the accounting and regulatory consolidation with references showing the linkage between this table and UK CC1.

	As at period end 31 December 2024		References
	a	b	
	Balance sheet as in published financial statements as at period end £m	Under regulatory scope of consolidation as at period end £m	
Assets			
Cash and balances at central banks	62,501	62,529	
Derivatives	1,369	1,369	
Loans to banks - amortised cost	3,923	3,980	
Loans to customers - amortised cost	366,865	366,861	
Amounts due from holding company and fellow subsidiaries	646	646	
Other financial assets	39,821	39,548	
Intangible assets	7,024	7,024	(d)
Property, plant and equipment	3,643	3,643	
Current and deferred tax assets	1,686	1,686	
<i>of which: DTAs that rely on future profitability and do not arise from temporary differences</i>	1,001	1,001	(e)
Prepayments, accrued income and other assets	1,530	1,548	
<i>of which: defined benefit pension fund assets</i>	42	42	(f)
Total assets	489,008	488,834	
Liabilities			
Bank deposits	25,701	26,606	
Customer deposits	396,360	396,434	
Amounts due to holding company and fellow subsidiaries	20,975	20,975	(j)
Derivatives	830	830	
Other financial liabilities	4,999	3,824	
Subordinated liabilities	122	119	(j)
Notes in circulation	3,316	3,316	
Provisions, deferred income and other liabilities	3,585	3,610	
Current and deferred tax liabilities	426	426	
<i>of which: defined benefit pension scheme assets</i>	6	6	(g)
Total liabilities	456,314	456,140	
Shareholders' Equity			
Owners' equity			
Called up share capital	3,263	3,263	(a)
Reserves	29,406	29,406	
<i>of which: amount eligible for retained earnings</i>	38,061	38,061	(b)
<i>of which: amount eligible for accumulated OCI and other reserves</i>	(12,580)	(12,580)	(c) & (i)
<i>of which: amount of other equity instruments</i>	3,925	3,925	(h)
Non-controlling interests	25	25	-
Total shareholders' equity	32,694	32,694	

(1) The references (a) to (j) identify balance sheet components in table UK CC2 that are used in the calculation of regulatory capital in table UK CC1. Amounts between tables UK CC2 and UK CC1 are not always directly comparable due to differences in definitions and application of Capital Requirements Directive for the calculation of regulatory capital.

Annex IX: Countercyclical capital buffers

UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

As part of the banking reforms introduced by Basel III, a countercyclical capital buffer is required to ensure banks take account of the macro-financial environment when assessing adequate capital requirements. The buffer is to help protect banks during periods of excess aggregate credit growth that have often been associated with the build-up of system wide risk. This regime is intended to help reduce the risk that the supply of credit will be constrained during a period of economic downturn which in turn could undermine the performance of the real economy and consequently result in additional credit losses in the banking system.

The table below summarises NWH Group's total exposures and own funds requirements based on country of economic operation of the customer. Where applicable, a countercyclical capital buffer rate is applied to the own funds requirement for the geographic region to capture an additional countercyclical requirement.

General credit and trading book exposures exclude those with central governments/banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions. The exposures below therefore differ from those presented in the Credit and Counterparty credit risk sections.

	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -												
	General credit exposures		Market risk		Own fund requirements								
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures - exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit risk exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
31 December 2024													
Breakdown by country (with existing CCyB rates) (1)													
Norway	19	371	-	-	-	390	15	-	-	15	182	0.14%	2.50%
Denmark	-	230	-	-	-	230	6	-	-	6	69	0.05%	2.50%
United Kingdom	25,197	335,825	-	-	12,175	373,197	9,011	-	144	9,155	114,443	89.80%	2.00%
Netherlands	316	1,324	-	-	296	1,936	73	-	4	77	957	0.75%	2.00%
Sweden	76	1,435	-	-	1	1,512	50	-	-	50	631	0.49%	2.00%
Bulgaria	-	1	-	-	-	1	-	-	-	-	-	-	2.00%
Ireland	117	1,398	-	-	4	1,519	65	-	-	65	807	0.63%	1.50%
Slovakia	-	1	-	-	-	1	-	-	-	-	-	-	1.50%
Czech Republic	-	2	-	-	-	2	-	-	-	-	1	-	1.25%
France	108	1,051	-	-	213	1,372	51	-	2	53	656	0.51%	1.00%
Belgium	43	486	-	-	-	529	24	-	-	24	301	0.24%	1.00%
Australia	1	138	-	-	-	139	3	-	-	3	34	0.03%	1.00%
Cyprus	-	8	-	-	-	8	-	-	-	-	1	-	1.00%
Romania	-	1	-	-	-	1	-	-	-	-	-	-	1.00%
Korea, Republic of	-	1	-	-	-	1	-	-	-	-	-	-	1.00%
Lithuania	-	1	-	-	-	1	-	-	-	-	-	-	1.00%
Germany	203	1,509	-	-	54	1,766	80	-	1	81	1,015	0.81%	0.75%
Luxembourg	13	318	-	-	-	331	20	-	-	20	255	0.20%	0.50%
Hong Kong	-	73	-	-	-	73	1	-	-	1	17	0.01%	0.50%
Hungary	-	3	-	-	-	3	-	-	-	-	1	-	0.50%
Chile	-	1	-	-	-	1	-	-	-	-	-	-	0.50%
Total (countries with existing CCyB rates)	26,093	344,177	-	-	12,743	383,013	9,399	-	151	9,550	119,370	93.66%	-

UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer continued

	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -												
	General credit exposures		Market risk		Own fund requirements								
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures - exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
31 December 2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
United States	225	11,731	-	-	44	12,000	319	-	1	320	4,004	3.14%	
Jersey	435	1,284	-	-	-	1,719	109	-	-	109	1,362	1.07%	
Total (Countries with zero CCyB rate and own funds requirement weights 1% and above)	660	13,015	-	-	44	13,719	428	-	1	429	5,366	4.21%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	689	5,104	-	-	219	6,012	214	-	3	217	2,719	2.13%	
Total	27,442	362,296	-	-	13,006	402,744	10,041	-	155	10,196	127,455	100.00%	

UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer continued

	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -												
	General credit exposures		Market risk		Own fund requirements								
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures - exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by country (with existing CCyB rates) (1)													
Norway	19	452	-	-	-	471	14	-	-	14	179	0.14%	2.50%
Denmark	-	385	-	-	-	385	7	-	-	7	92	0.07%	2.50%
United Kingdom	23,182	339,574	-	-	4,698	367,454	8,941	-	67	9,008	112,575	89.45%	2.00%
Sweden	130	1,455	-	-	-	1,585	64	-	-	64	798	0.63%	2.00%
Czech Republic	-	2	-	-	-	2	-	-	-	-	1	-	2.00%
Blugaria	-	2	-	-	-	2	-	-	-	-	-	-	2.00%
Slovakia	-	1	-	-	-	1	-	-	-	-	-	-	1.50%
Ireland	1,270	1,139	-	-	-	2,409	106	-	-	106	1,324	1.05%	1.00%
Netherlands	386	1,296	-	-	-	1,754	84	-	1	85	1,060	0.84%	1.00%
Australia	8	160	-	-	72	168	4	-	-	4	49	0.04%	1.00%
Hong Kong	1	68	-	-	-	71	1	-	-	1	17	0.01%	1.00%
Romania	-	1	-	-	2	1	-	-	-	-	-	-	1.00%
Germany	53	2,001	-	-	258	2,312	101	-	2	103	1,293	1.03%	0.75%
France	97	2,204	-	-	175	2,476	76	-	1	77	958	0.76%	0.50%
Luxembourg	49	270	-	-	-	316	21	-	-	21	268	0.21%	0.50%
Cyprus	-	9	-	-	-	9	-	-	-	-	1	-	0.50%
Total (Countries with existing CCyB rates)	25,195	349,019	-	-	5,205	379,419	9,419	-	71	9,490	118,615	94.23%	

UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer continued

	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -												
	General credit exposures		Market risk		Own fund requirements								
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures - exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
United States	142	9,635	-	-	13	9,790	296	-	-	296	3,696	2.94%	-
Total (Countries with zero CCyB rate and own funds requirement weights 1% and above)	142	9,635	-	-	13	9,790	296	-	-	296	3,696	2.94%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	880	5,830	-	-	24	6,734	283	-	1	284	3,566	2.83%	-
Total	26,217	364,484	-	-	5,242	395,943	9,998	-	72	10,070	125,877	100.00%	

(1) This section of the table excludes countries with no exposures

UK CCyB2: Amount of institution-specific countercyclical capital buffer

	31 December 2024 £m	31 December 2023 £m
1 Total risk exposure amount	152,199	150,428
2 Institution specific countercyclical capital buffer rate	1.85%	1.84%
3 Institution specific countercyclical capital buffer requirement (1)	2,816	2,766

(1) The UK CCyb rate is currently being maintained at 2%. This may vary in either direction in the future depending on how risks develop. Foreign exposures may be subject to different CCyB rates depending on the rate set in those jurisdictions.

Annex XI: Leverage

UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The table below shows a reconciliation between the total assets under IFRS standards and the leverage exposure measure. The leverage metrics are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

		31 December 2024 £m	31 December 2023 £m
1	Total assets as per published financial statements (1)	489,008	480,225
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(174)	(268)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for exemption of exposures to central banks)	(58,818)	(69,208)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (1) of Article 429a(1) of the CRR)	-	-
6	(Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting)	-	(4)
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustment for derivative financial instruments	(1,521)	(2,746)
9	Adjustment for securities financing transactions (SFTs)	1,179	383
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	43,278	34,806
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital (leverage))	(59)	(101)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-	-
12	Other adjustments	(10,766)	(11,974)
13	Total exposure measure	462,127	431,113

(1) NWH Group publishes audited financial statements on an annual basis. For further details, refer to table UK CC2.

UK LR2 - LRCom: Leverage ratio common disclosure

The table below shows the leverage ratio common disclosure on a transitional basis. The leverage metrics are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

		NWH Group	
		31 December 2024	31 December 2023
		£m	£m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	451,914	448,911
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	(2,680)	(3,460)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital (leverage))	(8,372)	(8,241)
7	Total on-balance sheet exposures (excluding derivatives, and SFTs)	440,862	437,210
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	1,565	994
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for PFE associated with SA-CCR derivatives transactions	963	857
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
UK-9b	Exposure determined under the original exposure method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures	2,528	1,851
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	40,595	34,682
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(7,466)	(8,570)
16	Counterparty credit risk exposure for SFT assets	1,179	383
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-	-
UK-17	Agent transaction exposures	-	-
UK-17a	(Exempted CCP leg of client cleared SFT exposures)	-	-
18	Total securities financing transaction exposures	34,308	26,495
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	119,464	106,954
20	(Adjustments for conversion to credit equivalent amounts)	(76,186)	(72,148)
21	(General provisions deducted in determining Tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	(31)	(41)
22	Off-balance sheet exposures	43,247	34,765

UK LR2 - LRCom: Leverage ratio common disclosure continued

	31 December 2024 £m	31 December 2023 £m
Excluded exposures		
UK-22a (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-22b (Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	-	-
UK-22g (Excluded excess collateral deposited at triparty agents)	-	-
UK-22k (Total exempted exposures)	-	-
Capital and total exposure measure		
23 Tier 1 capital (leverage)	23,152	22,745
24 Total exposure measure including claims on central banks	520,945	500,321
UK-24a (-) Claims on central banks excluded	(58,818)	(69,208)
UK-24b Total exposure measure excluding claims on central banks	462,127	431,113
Leverage ratio		
25 Leverage ratio excluding claims on central banks (%)	5.0	5.3
UK-25a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.0	5.2
UK-25b Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.0	5.3
UK-25c Leverage ratio including claims on central banks (%)	4.4	4.6
26 Regulatory minimum leverage ratio requirement (%)	3.25	3.25
Additional leverage ratio disclosure requirements - leverage ratio buffers		
27 Leverage ratio buffer (%)	1.125	1.125
UK-27a Of which: G-SII or O-SII additional leverage ratio buffer (%)	0.525	0.525
UK-27b Of which: countercyclical leverage ratio buffer (%)	0.6	0.6
Additional leverage ratio disclosure requirements - disclosure of mean values		
28 Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	26,940	26,338
29 Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	33,129	26,112
UK-31 Average total exposure measure excluding claims on central banks	454,342	434,536
UK-32 Average total exposure measure including claims on central banks	518,839	500,425
UK-33 Average leverage ratio excluding claims on central banks	5.2	5.3
UK-34 Average leverage ratio including claims on central banks	4.6	4.6

(1) NWH Group is an LREQ firm therefore subject to the additional quarterly disclosures for averaging and countercyclical leverage ratio buffer.

UK LR3 - LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

The table below shows the breakdown of the leverage ratio exposures on a transitional basis.

	31 December 2024 £m	31 December 2023 £m
UK-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	382,044	368,002
UK-2 Trading book exposures	-	-
UK-3 Banking book exposures, of which:	382,044	368,002
UK-4 Covered bonds	3,818	5,495
UK-5 Exposures treated as sovereigns	24,965	20,973
UK-6 Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	9,461	5,729
UK-7 Institutions	3,840	3,934
UK-8 Secured by mortgages of immovable properties	235,723	233,947
UK-9 Retail exposures	22,667	21,863
UK-10 Corporate	62,698	63,958
UK-11 Exposures in default	5,607	5,371
UK-12 Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	13,265	6,732

UK LRA: Disclosure of LR qualitative information

Processes used to manage the risk of excessive leverage

The Group actively manages the risk of excessive leverage through relevant Board approved Risk Appetite measures, operational limits, targets, and recovery indicators. This ensures that the Group and its entities are sufficiently capitalised to meet supervisory leverage requirements in normal business conditions and appropriate requirements for leverage under stress events. The Group embeds its strong focus on leverage in its capital planning, capital allocation, and transfer pricing processes, incentivising businesses to make appropriate decisions with regards to leverage exposure within their portfolios. The Group regularly monitors leverage targets, exposure, and capacity, on an actual and forecast basis, in relevant Governance committees.

Factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

The leverage ratio as at 31 December 2024 is 5.0%. The ratio decreased 30 basis points in the period since 31 December 2023. The decrease in the leverage ratio was driven by a £31.0 billion increase in leverage exposure partially offset by a £0.4 billion increase in Tier 1 capital. The key drivers in the leverage exposure were an increase in other financial assets and other off balance sheet items.

Annex XIII: Liquidity

UK LIQ1: Quantitative information of LCR

The tables below show the breakdown of high-quality liquid assets, cash inflows and cash outflows, on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio for NWH Group and UK DoLSUB. The weightings applied reflect the stress factors applicable under the UK LCR rules. The values presented are the simple average of the preceding monthly periods ending on the quarterly reporting date as specified in the table. LCR outflows do not capture all liquidity risks (e.g. intra-day liquidity). NatWest Group assesses these risks as part of its Individual Liquidity Adequacy Assessment Process and maintains appropriate levels of liquidity.

NWH Group								
	Total unweighted value (average)				Total weighted value (average)			
	31 December	30 September	30 June	31 March	31 December	30 September	30 June	31 March
	2024	2024	2024	2024	2024	2024	2024	2024
	£m	£m	£m	£m	£m	£m	£m	£m
Number of data points used in the calculation of averages								
12								
High-quality liquid assets								
1 Total high-quality liquid assets (HQLA)					110,348	108,277	107,230	105,927
Cash - outflows								
2 Retail deposits and deposits from small business customers	255,047	252,515	250,318	248,215	18,416	18,129	18,038	18,097
of which:								
3 Stable deposits	140,857	141,324	142,543	144,902	7,043	7,066	7,127	7,245
4 Less stable deposits	83,223	82,121	81,868	82,480	10,576	10,401	10,344	10,398
5 Unsecured wholesale funding	122,146	122,105	123,444	126,190	53,848	53,298	53,773	54,841
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	51,556	52,405	53,474	54,662	12,576	12,788	13,056	13,353
7 Non-operational deposits (all counterparties)	68,360	67,383	67,601	69,328	39,042	38,193	38,348	39,288
8 Unsecured debt	2,230	2,317	2,369	2,200	2,230	2,317	2,369	2,200
9 Secured wholesale funding					15	14	8	6
10 Additional requirements	54,391	54,964	55,298	55,600	8,692	9,129	9,333	9,401
11 Outflows related to derivative exposures and other collateral requirements	1,840	2,040	2,154	2,168	1,744	1,944	2,060	2,098
12 Outflows related to loss of funding on debt products	89	172	172	83	89	172	172	83
13 Credit and liquidity facilities	52,462	52,752	52,972	53,349	6,859	7,013	7,101	7,220
14 Other contractual funding obligations	1,758	1,533	1,103	980	92	93	79	136
15 Other contingent funding obligations	50,955	48,092	47,058	46,673	2,431	2,331	2,574	3,018
16 Total cash outflows					83,494	82,994	83,805	85,499
Cash - inflows								
17 Secured lending (e.g. reverse repos)	18,645	17,461	15,493	13,225	223	195	145	62
18 Inflows from fully performing exposures	5,169	5,207	5,067	5,177	3,758	3,786	3,721	3,824
19 Other cash inflows	9,999	9,865	9,712	9,668	2,115	2,088	2,031	2,082
UK-19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b (Excess inflows from a related specialised credit institution)					-	-	-	-
20 Total cash inflows	33,813	32,533	30,272	28,070	6,096	6,069	5,897	5,968
UK-20a Fully exempt inflows								
UK-20b Inflows subject to 90% cap								
UK-20c Inflows subject to 75% cap	33,813	32,533	30,272	28,070	6,096	6,069	5,897	5,968
Total adjusted value								
UK-21 Liquidity buffer					110,348	108,277	107,230	105,927
22 Total net cash outflows					77,398	76,925	77,908	79,531
23 Liquidity coverage ratio (%)					143	141	138	133

UK LIQ1: Quantitative information of LCR continued

		UK DoSub							
		Total unweighted value (average)				Total weighted value (average)			
		31 December	30 September	30 June	31 March	31 December	30 September	30 June	31 March
		2024	2024	2024	2024	2024	2024	2024	2024
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
		£m	£m	£m	£m	£m	£m	£m	£m
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					109,797	107,729	106,596	105,198
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	254,967	252,409	250,180	248,041	18,360	18,076	17,989	18,066
3	Stable deposits	140,837	141,282	142,473	144,793	7,042	7,064	7,124	7,240
4	Less stable deposits	83,217	82,107	81,843	82,437	10,575	10,399	10,342	10,393
5	Unsecured wholesale funding	123,318	123,296	124,645	127,498	55,022	54,491	54,980	56,202
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	51,555	52,405	53,473	54,644	12,576	12,788	13,055	13,348
7	Non-operational deposits (all counterparties)	69,533	68,574	68,803	70,654	40,216	39,386	39,556	40,654
8	Unsecured debt	2,230	2,317	2,369	2,200	2,230	2,317	2,369	2,200
9	Secured wholesale funding					15	14	8	6
10	Additional requirements	51,965	52,870	53,551	54,343	8,545	9,064	9,351	9,587
11	Outflows related to derivative exposures and other collateral requirements	1,795	1,978	2,090	2,104	1,699	1,881	1,996	2,034
12	Outflows related to loss of funding on debt products	89	172	172	83	89	172	172	83
13	Credit and liquidity facilities	50,081	50,720	51,289	52,156	6,757	7,011	7,183	7,470
14	Other contractual funding obligations	1,822	1,580	1,142	1,018	156	140	118	174
15	Other contingent funding obligations	48,636	45,847	44,891	44,475	2,430	2,331	2,574	3,017
16	Total cash outflows					84,528	84,116	85,020	87,052
Cash - inflows									
17	Secured lending (e.g. reverse repos)	18,645	17,461	15,493	13,224	223	195	145	62
18	Inflows from fully performing exposures	5,808	5,863	5,884	6,033	4,617	4,649	4,662	4,793
19	Other cash inflows	10,006	9,875	9,737	9,726	2,122	2,098	2,056	2,140
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	Total cash inflows	34,459	33,199	31,114	28,983	6,962	6,942	6,863	6,995
UK-20a	Fully exempt inflows								
UK-20b	Inflows subject to 90% cap								
UK-20c	Inflows subject to 75% cap	34,459	33,199	31,114	28,983	6,962	6,942	6,863	6,995
Total adjusted value									
UK-21	Liquidity buffer					109,797	107,729	106,596	105,198
22	Total net cash outflows					77,566	77,174	78,157	80,057
23	Liquidity coverage ratio (%)					142	140	137	132

UK LIQ2: Net Stable Funding Ratio (NSFR)

		NWH Group				
31 December 2024		a	b	c	d	e
(In £m)		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	31,595	-	-	4,882	36,477
2	Own funds	31,595	-	-	4,882	36,477
3	Other capital instruments		-	-	-	-
4	Retail Deposits		242,862	10,868	3,628	239,691
5	Stable deposits		147,123	6,988	2,590	148,996
6	Less stable deposits		95,739	3,880	1,038	90,695
7	Wholesale funding		151,774	5,103	25,329	84,811
8	Operational deposits		50,118	-	4	6,742
9	Other wholesale funding		101,656	5,103	25,325	78,069
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	-	6,767	-	192	192
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		6,767	-	192	192
14	Total available stable funding (ASF)					361,171
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					6,172
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		55,606	15,975	287,439	234,857
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		20,977	2,478	375	1,614
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		3,619	708	3,706	4,323
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		25,489	8,145	87,127	95,920
21	With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk		8,585	2,079	25,853	31,185
22	Performing residential mortgages, of which:		5,521	4,644	194,657	131,609
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		5,521	4,644	194,657	131,609
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		-	-	1,574	1,391
25	Interdependent assets		-	-	-	-
26	Other assets:	-	4,505	114	22,699	20,652
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	1,075	914
29	NSFR derivative assets		799	-	-	799
30	NSFR derivative liabilities before deduction of variation margin posted		2,866	-	-	143
31	All other assets not included in the above categories		840	114	21,625	18,796
32	Off-balance sheet items		96,012	-	-	4,801
33	Total RSF					266,482
34	Net Stable Funding Ratio (%)					136

UK LIQ2: Net Stable Funding Ratio (NSFR) continued

31 December 2023

		NWH Group				
		a	b	c	d	e
		Unweighted value by residual maturity (average)				Weighted Value (average)
(In £m)		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	29,854	-	-	5,306	35,160
2	Own funds	29,854	-	-	5,306	35,160
3	Other capital instruments		-	-	-	-
4	Retail Deposits		238,278	6,310	2,685	230,392
5	Stable deposits		148,217	3,362	1,945	145,945
6	Less stable deposits		90,061	2,948	740	84,447
7	Wholesale funding		154,959	6,825	24,455	86,258
8	Operational deposits		51,312	-	5	6,569
9	Other wholesale funding		103,647	6,825	24,450	79,689
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	2,525	6,448	-	345	345
12	NSFR derivative liabilities	2,525				
13	All other liabilities and capital instruments not included in the above categories		6,448	-	345	345
14	Total available stable funding (ASF)					352,155
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					2,940
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		55,640	15,889	286,973	235,046
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		20,127	1,812	116	1,288
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		3,823	304	3,942	4,444
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		25,917	8,704	82,939	93,610
21	With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk		9,113	2,284	24,138	29,837
22	Performing residential mortgages, of which:		5,773	5,069	198,796	134,638
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		5,773	5,069	198,796	134,638
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		-	-	1,180	1,066
25	Interdependent assets		-	-	-	-
26	Other assets:	-	6,043	103	18,933	19,901
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	1,226	1,042
29	NSFR derivative assets		653	-	-	653
30	NSFR derivative liabilities before deduction of variation margin posted		3,356	-	-	168
31	All other assets not included in the above categories		2,034	103	17,706	18,038
32	Off-balance sheet items		88,450	-	-	4,423
33	Total RSF					262,310
34	Net Stable Funding Ratio (%)					134

UK LIQ2: Net Stable Funding Ratio (NSFR) continued

		UK DoSub				
31 December 2024		a	b	c	d	e
(In £m)		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	19,898	-	-	4,172	24,070
2	Own funds	19,898	-	-	4,172	24,070
3	Other capital instruments		-	-	-	-
4	Retail Deposits		242,961	10,868	3,627	239,777
5	Stable deposits		147,113	6,988	2,590	148,985
6	Less stable deposits		95,848	3,880	1,037	90,792
7	Wholesale funding		154,766	7,829	20,567	81,412
8	Operational deposits		50,118	-	4	6,742
9	Other wholesale funding		104,648	7,829	20,563	74,670
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	-	14,631	-	119	119
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		14,631	-	119	119
14	Total available stable funding (ASF)					345,378
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					6,181
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		54,098	15,888	289,667	237,613
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		20,728	2,478	375	1,614
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		7,262	2,170	16,996	18,694
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		20,816	6,631	76,452	84,688
21	With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk		6,752	1,416	21,179	25,263
22	Performing residential mortgages, of which:		5,292	4,609	194,270	131,226
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		5,292	4,609	194,270	131,226
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		-	-	1,574	1,391
25	Interdependent assets		-	-	-	-
26	Other assets:	-	3,974	103	20,338	18,001
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	1,075	914
29	NSFR derivative assets		750	-	-	750
30	NSFR derivative liabilities before deduction of variation margin posted		2,817	-	-	141
31	All other assets not included in the above categories		407	103	19,263	16,197
32	Off-balance sheet items		88,997	-	-	4,450
33	Total RSF					266,245
34	Net Stable Funding Ratio (%)					130

UK LIQ2: Net Stable Funding Ratio (NSFR) continued

31 December 2023

(In £m)

		UK DoSub				
		a	b	c	d	e
		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	19,210	-	-	4,716	23,926
2	Own funds	19,210	-	-	4,716	23,926
3	Other capital instruments		-	-	-	-
4	Retail Deposits		238,162	6,310	2,685	230,280
5	Stable deposits		148,066	3,362	1,945	145,801
6	Less stable deposits		90,096	2,948	740	84,479
7	Wholesale funding		157,302	8,267	20,391	82,766
8	Operational deposits		51,253	-	5	6,564
9	Other wholesale funding		106,049	8,267	20,386	76,202
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	2,491	13,074	-	142	142
12	NSFR derivative liabilities	2,491				
13	All other liabilities and capital instruments not included in the above categories		13,074	-	142	142
14	Total available stable funding (ASF)					337,114
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					3,056
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		53,675	16,310	286,733	236,548
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		20,127	1,812	116	1,288
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		6,631	2,344	17,580	19,369
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		21,320	7,223	72,527	82,596
21	With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk		7,294	1,646	19,635	24,105
22	Performing residential mortgages, of which:		5,597	4,931	195,331	132,229
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		5,597	4,931	195,331	132,229
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		-	-	1,179	1,066
25	Interdependent assets		-	-	-	-
26	Other assets:	-	4,299	86	17,922	17,993
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	1,226	1,042
29	NSFR derivative assets		618	-	-	618
30	NSFR derivative liabilities before deduction of variation margin posted		3,314	-	-	166
31	All other assets not included in the above categories		368	86	16,695	16,167
32	Off-balance sheet items		77,938	-	-	3,897
33	Total RSF					261,494
34	Net Stable Funding Ratio (%)					129

UK LIQA: Liquidity risk management

Strategies and processes in the management of the liquidity risk, including policies on funding

The Internal Liquidity Adequacy Assessment Process (ILAAP) is the key mechanism for assessing the liquidity and funding needs of NWH Group. It is used to comprehensively identify sources and potential sources of liquidity risk. The ILAAP is completed at least annually, and ensures liquidity and funding risks are identified, measured, managed, and monitored across different time horizons and stress scenarios. The annual ILAAP is approved by NatWest Holdings Limited Board and is compliant with regulatory standards. As part of the ILAAP, an annual review of stress assumptions is undertaken to ensure they remain appropriate.

On at least an annual basis NatWest Holdings Limited Board approve the liquidity and funding risk appetites, consisting of qualitative statements and supporting quantitative measures, which define the type and aggregate level of risk we are willing to accept in pursuit of our strategic objectives and business plans. The risk appetites are supported by a series of operational limits. In order to ensure our funding is managed within risk appetite, a 5-year Funding Plan is maintained, subject to at least annual refresh. This is supported by monthly rolling forecasts, which track expected performance against plan.

Structure and organisation of the liquidity risk management function

On an annual basis NatWest Group plc Board review and approve the overall approach to risk management in NatWest Group as laid out in the enterprise-wide risk management framework (EWRMF), as well as key components of liquidity management, including the liquidity and funding risk appetites, the ILAAP and Recovery Plan (bi-annually).

The structure and organisation of liquidity and funding risk management is defined within the Group Liquidity and Funding Risk Policy, which is approved by Group Board Risk Committee. It includes defined roles and responsibilities which are consistent with the Three Lines of Defence Model within the overall EWRMF, which ensures effective oversight and assurance. These are also aligned to the Senior Manager Function (SMF) requirements.

NWH Group's subject to these Group approaches.

Centralisation of liquidity management and interaction between the group's units

NWH Group manages its liquidity to ensure it is always available when and where required, taking into account regulatory, legal and other constraints. The PRA has granted a permission for NWH Plc, RBS plc and Coutts & Co to apply the requirements in the Liquidity Parts of CRR (inc LCR and NSFR) as a single liquidity sub-group (the UK DoLSub). Principal liquidity portfolios in NWH Group are maintained in the UK DoLSub (primarily in NWH Plc). All legal entities within NWH Group are managed to all relevant local regulatory requirements as well as within internally defined risk appetites. All legal entities within NWH Group are subject to the Group Liquidity and Funding Policies.

Scope and nature of liquidity risk reporting and measurement systems

Regulatory and Risk Reporting and Control has overall accountability for the accurate and timely production of external regulatory liquidity reporting and internal liquidity management reporting.

The liquidity position of NWH Group, UK DoLSub and other material subsidiaries is reported on a daily basis to those Executives with responsibility of the management and control of liquidity risk, and on a regular basis to NWH ALCo and NWH BRC. Defined escalation processes are in place for breach of any liquidity risk appetites or operational limits. Liquidity condition indicators are monitored daily and provide early warning indicators of potential stresses or increased vulnerability to stress.

Policies and processes for hedging and mitigating the liquidity risk

The Group Liquidity and Funding Risk Policy defines the requirements for the identification, assessment, management and mitigation of liquidity and funding risk. These are underpinned by a strong risk culture, risk appetites, policies, and oversight and assurance via the Three Lines of Defence model.

As a key mitigant of liquidity and funding risk, NWH Group maintain liquidity portfolios, which consists of high quality liquid assets that can be monetised in times of stress. We monitor the sufficiency of the liquidity portfolios through the risk appetites. The liquidity portfolios must be managed in line with investment mandates, which are approved at least annually by the Group Treasurer and set out the level of risk we are willing to take within the regulatory and internal framework.

Contingency funding plans

NWH Group maintains integrated liquidity contingency and Recovery plans which ensure that we maintain the capabilities and capacity to identify and respond to potential or actual threats to our liquidity and funding position.

NWH Group's Recovery Plan is regularly reviewed, tested and approved by NWH Limited Board to ensure it remains effective under a variety of scenarios in line with the requirements set out by the PRA.

Key elements of the Recovery Plan include:

- A framework to facilitate early identification, monitoring and escalation of actual or potential threats to our liquidity position.
- A range of credible actions to restore liquidity in stress together with clear implementation plans, execution timelines and valuations.
- Clear procedures and playbooks to support the operational management of a stress, including procedures relating to decision making in stress, provision of management information, communication plans, regulatory engagement, disclosure requirements and the co-ordinated response across subsidiaries of NWH Group.

Stress Testing

NWH Group manages liquidity and funding risk over various time horizons using regulatory and internal measures.

Liquidity stress testing is undertaken to ensure that we hold sufficient liquidity resources, both in terms of size and composition, in the event of a severe but plausible stress event. Stress testing is undertaken on daily basis within the Stress Outflow Coverage (SOC) metric, which complements the regulatory LCR metric. The SOC framework covers an analysis of key vulnerabilities to which we are exposed and assessed against a balanced mix of scenarios including idiosyncratic, market-wide, and combined scenarios over a three month time horizon, referencing both historic and hypothetical stress events. Scenarios, assumptions and methodologies are selected and reviewed at least annually as part of the ILAAP process. All parameters used in the calculations are subject to review and challenge from 2nd line of defence and approved by the appropriate governance committee.

UK LIQA: Liquidity risk management continued

Funding stress testing is undertaken to assess longer term pressures on funding and the stability of the funding base. Scenarios are identified to test the risks and vulnerabilities to the funding plan. The funding plan sets out NWH Group's medium-and long-term obligations to ensure they are adequately met with a range of diverse funding sources.

In addition, horizon risks are assessed on an ongoing basis, in order to proactively identify any changes in customer behaviour and to ensure effective monitoring controls are in place.

Finally, we conduct enterprise-wide stress testing of which liquidity & funding are sub-components. This broad view provides us with an understanding of the full range of impacts and highlights the interplay between risk disciplines including capital and liquidity.

Adequacy of liquidity risk management arrangements

NWH Limited Board confirm the adequacy of our liquidity risk management arrangements, including systems and controls, annually via the ILAAP document. The ILAAP details NWH Group's approach to the identification, measurement and management of liquidity and funding risk and the formulation of the funding plan and is subsequently submitted to the PRA.

Management statement on liquidity risk profile

- NWH Group maintains adequate liquidity sources and a prudent funding profile, to ensure continuity of operations and to support the planned funding and business growth strategy.
- NWH Group's liquidity & funding strategy is to ensure that there is (i) sufficient liquid reserves to cover severe but plausible stresses; (ii) there are credible recovery options to execute in the event of such stresses, (iii) a stable and diversified funding base.
- The liquidity & funding risk appetite qualitative statement supports intelligent risk-taking aligned to NWH Group's strategy and purpose. The qualitative statement articulates the nature and level of liquidity and funding risk the Group is willing to take in order to pursue strategic and business objectives.
- The qualitative statement is underpinned by quantitative limits and triggers against specific liquidity and funding risk appetite measures appetites (including regulatory measures like the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") and supporting operational limits.
- Liquidity risk is further assessed within the Internal Liquidity Adequacy Assessment Process ("ILAAP") which includes a range of internally assessed stress testing scenarios.

UK LIQB: Qualitative information on LCR, which complements template UK LIQ1

LCR inputs & results over time

The LCR aims to ensure that Banks and Banking Groups hold a sufficient reserve of High-Quality Liquid Assets (HQLA) to survive a period of liquidity stress lasting 30 calendar days.

All figures included in the table represent a 12-month rolling average.

NWH Group

The average Liquidity Coverage Ratio (LCR) increased 2% compared to Q3 2024 from 141% to 143%. This was driven by growth in customer deposits partially offset by increased lending.

UK DoLSUB

The average Liquidity Coverage Ratio (LCR) increased 2% compared to Q3 2024 from 140% to 142%. This was driven by growth in customer deposits partially offset by increased lending.

Concentration of funding sources

NWH Group and the DoLSUB both maintain a diversified set of funding sources of which retail, SME and corporate deposits are the biggest contributors. Other sources include wholesale unsecured funding, capital (including equity and MREL-eligible bonds), central banks (TFSME), repos and covered bonds. Wholesale unsecured funding includes a range of products including deposits, commercial paper and certificates of deposit, and is accepted from various corporate counterparties and financial institutions.

Liquidity buffer composition

NWH Group

The NWH Group HQLA is primarily held in Level 1 cash and central bank Reserves (57%) and Level 1 high quality securities (36%). Level 2 securities account for 7%.

UK DoLSUB

The UK DoLSUB HQLA is primarily held in Level 1 cash and central bank Reserves (56%) and Level 1 high quality securities (37%). Level 2 securities account for 7%.

Derivative exposures and potential collateral calls

NWH Group and UK DoLSUB actively manage its derivative exposures and potential calls with derivative outflows under stress captured within the Historical Look Back Approach which considers the impact of an adverse market scenario on derivatives. Potential collateral calls under a 3-notch downgrade of the credit ratings of the entities within NWH Group are also captured.

Currency mismatch in the LCR

The LCR is calculated for euro, US dollar and sterling, which have been identified as significant currencies (having liabilities greater than, or equal to, 5% of total group liabilities excluding regulatory capital and off-balance sheet liabilities) in accordance with the Liquidity Coverage Ratio (CRR) part of the PRA Rulebook (subject to modification). NWH Group and DoLSUB manage currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.

Annex XXXV: Encumbrance

UK AE1: Encumbered and unencumbered assets

The table below provides a view of NWH Group's encumbered and unencumbered assets.

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	Of which notionally eligible EHQLA and HQLA		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which EHQLA and HQLA	
	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2024	010	030	040	050	060	080	090	100
010 Assets of the reporting institution	43,277	13,554			441,691	92,554		
030 Equity instruments	-	-	-	-	13	-	13	-
040 Debt securities	8,502	8,502	8,502	8,502	27,038	23,210	27,038	23,210
050 of which: covered bonds	1	1	1	1	3,578	3,578	3,578	3,578
060 of which: securitisations	40	40	40	40	2,437	2,397	2,437	2,397
070 of which: issued by general governments	7,624	7,624	7,624	7,624	14,668	10,247	14,668	10,247
080 of which: issued by financial corporations	1,062	1,062	1,062	1,062	13,545	12,835	13,545	12,835
090 of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120 Other assets	35,310	5,016			414,639	70,239		

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	Of which notionally eligible EHQLA and HQLA		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which EHQLA and HQLA	
	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2023	010	030	040	050	060	080	090	100
010 Assets of the reporting institution	39,828	11,368			438,329	87,007		
030 Equity instruments	-	-	-	-	5	-	5	-
040 Debt securities	6,220	6,177	6,220	6,177	15,953	12,700	15,953	12,700
050 of which: covered bonds	10	10	10	10	4,950	4,100	4,950	4,100
060 of which: securitisations	78	78	78	78	1,013	1,013	1,013	1,013
070 of which: issued by general governments	6,048	6,048	6,048	6,048	6,645	5,678	6,645	5,678
080 of which: issued by financial corporations	147	144	147	144	9,168	6,614	9,168	6,614
090 of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120 Other assets	32,469	5,191			422,371	74,307		

(1) The values in row 010 reflect the median of the sums of four quarterly end-of-period values over the previous twelve months for rows 030, 040 and 120.

UK AE2: Collateral received and own debt securities issued

The table below provides a view of encumbered collateral received and own debt securities issued.

		31 December 2024				31 December 2023			
		Unencumbered				Unencumbered			
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA	
		£m 010	£m 030	£m 040	£m 060	£m 010	£m 030	£m 040	£m 060
130	Collateral received by the reporting institution	5,842	5,825	20,024	20,024	7,705	7,957	16,695	16,695
140	Loans on demand	-	-	-	-	-	-	-	-
150	Equity instruments	-	-	-	-	-	-	-	-
160	Debt securities	5,842	5,825	20,024	20,024	7,705	7,957	16,695	16,695
170	of which: covered bonds	-	-	2,484	2,484	-	-	-	-
180	of which: securitisations	-	-	455	455	-	-	-	-
190	of which: issued by general governments	5,825	5,825	16,377	16,377	7,705	7,957	16,695	16,695
200	of which: issued by financial corporations	-	-	3,566	3,566	-	-	-	-
210	of which: issued by non-financial corporations	-	-	56	56	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-	-	-	-	-
230	Other collateral received	-	-	-	-	-	-	-	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	-	-	-	-	-	-
241	Own covered bonds and securitisationssecurities issued and not yet pledged			-	-			-	-
250	Total assets, collateral received and own debt securities issued	50,139	19,791	-	-	47,533	20,452	-	-

(1) The total collateral received as shown in row 130 is the median of the sums of four quarterly end of period values over the previous twelve months for rows 140 to 160, 220 and 230.

(2) The total in row 250 is the median of the sums of four quarterly end-of-period values over the previous twelve months for row 010 in Template UK AE1 and rows 130 and 240 in Template UK AE2.

UK AE3: Sources of encumbrance

The table below provides a view of financial liabilities associated with encumbered assets.

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	£m	£m
31 December 2024	010	030
010 Carrying amount of selected financial liabilities	14,492	42,692

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	£m	£m
31 December 2023	010	030
010 Carrying amount of selected financial liabilities	24,192	40,727

UK AE4: Accompanying narrative information

The asset encumbrance disclosures present median values, which are rolling medians over the previous quarter ends. They cannot be used in direct comparison with the Asset Encumbrance presented in the Group's Annual Accounts as this is a point in time.

NWH Group evaluates the extent to which assets can be financed in a secured form (encumbrance), with certain asset types lending themselves more readily to encumbrance. The typical characteristics that support encumbrance are i) an ability to pledge those assets to another counterparty or entity through operation of law without necessarily requiring prior notification, ii) homogeneity, iii) predictable and measurable cash flows, iv) a consistent and uniform underwriting and collection process. Retail assets including residential mortgages, credit card receivables and personal loans display many of these features.

Following the implementation of ring-fencing legislation, liquidity is no longer considered fully fungible across NWH Group and principal liquidity portfolios are maintained in the UK DoLSub (primarily in NWB Plc). All NWH Group legal entities are managed within relevant local regulatory requirements, internally defined risk appetites and are subject to the Group Liquidity and Funding Policies.

NWH Group has a regulated covered bond programme comprising residential mortgages. The covered bond pool has sufficient headroom over the four bonds it has in issue. These mature from June 2026 to March 2029.

NWH Group predominately operates its encumbrance through GBP, USD and EUR currencies.

NWH Group would not consider it normal business to encumber the assets held in 030 Equity instruments and 120 Other assets.

The cover pool total was £8.2 billion as at year end 2024 based on the latest investor report.

Row 120 "Other assets" of Template UK AE1 is predominately made up of loans and advances containing mortgages, credit cards and personal loans. Of these, some are ring fenced for the central bank secured borrowing scheme or liquidity portfolio. Other assets include derivative assets and intangible assets.

Annex XV: Credit risk quality

UK CQ1: Credit quality of forborne exposures

The table below shows gross carrying amount of forborne exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk and collateral and financial guarantees received by portfolio and exposure class.

	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
	Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures		
31 December 2024	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	3,571	2,420	2,305	2,321	(103)	(692)	4,140	1,475
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	18	18	18	-	(5)	13	13
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	50	51	51	51	(1)	(37)	20	12
060 Non-financial corporations	2,674	1,045	1,004	1,005	(94)	(374)	2,323	485
070 Households	847	1,306	1,232	1,247	(8)	(276)	1,784	965
080 Debt securities	-	-	-	-	-	-	-	-
090 Loan commitments given	514	82	78	78	(1)	-	183	20
100 Total	4,085	2,502	2,383	2,399	(104)	(692)	4,323	1,495

UK CQ1: Credit quality of forborne exposures continued

	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Collateral received and financial guarantees received on forborne exposures	Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	3,557	2,001	1,850	1,864	(119)	(492)	3,778	1,335
020 <i>Central banks</i>	-	-	-	-	-	-	-	-
030 <i>General governments</i>	14	22	22	22	-	(2)	34	20
040 <i>Credit institutions</i>	-	-	-	-	-	-	-	-
050 <i>Other financial corporations</i>	125	3	3	3	(3)	(2)	40	-
060 <i>Non-financial corporations</i>	2,691	841	777	773	(107)	(264)	2,159	458
070 <i>Households</i>	727	1,135	1,048	1,066	(9)	(224)	1,545	857
080 Debt securities	-	-	-	-	-	-	-	-
090 Loan commitments given	620	85	74	74	(2)	-	149	31
100 Total	4,177	2,086	1,924	1,938	(121)	(492)	3,927	1,366

(1) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions.

UK CQ3: Credit quality of performing and non-performing exposures by past due days

The table below shows the gross carrying amount/nominal amount (including accrued interest) of performing and non-performing exposures according to the scope of regulatory consolidation. For the on-balance sheet exposures, the template shows the breakdown by past-due band.

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non-performing exposures	Of which: Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
31 December 2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	63,679	63,679	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	366,671	366,121	550	6,023	3,169	712	614	710	648	104	66	5,752
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	2,863	2,863	-	21	21	-	-	-	-	-	-	21
040 Credit institutions	1,711	1,711	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	37,467	37,466	1	59	6	49	-	1	1	2	-	59
060 Non-financial corporations	99,934	99,657	277	1,977	1,202	131	102	207	277	30	28	1,924
070 Of which: SMEs	25,312	25,171	141	1,158	589	44	89	167	228	17	24	1,128
080 Households	224,696	224,424	272	3,966	1,940	532	512	502	370	72	38	3,748
090 Debt securities	38,711	38,711	-	-	-	-	-	-	-	-	-	-
100 Central banks	47	47	-	-	-	-	-	-	-	-	-	-
110 General governments	22,356	22,356	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	11,030	11,030	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	5,278	5,278	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	113,354			645								624
160 Central banks	-			-								-
170 General governments	720			-								-
180 Credit institutions	1,047			-								-
190 Other financial corporations	3,993			49								49
200 Non-financial corporations	65,339			195								191
210 Households	42,255			401								384
220 Total	582,415	468,511	550	6,668	3,169	712	614	710	648	104	66	6,376

UK CQ3: Credit quality of performing and non-performing exposures by past due days continued

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Of which:											
		Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non performing exposures	Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	73,823	73,823	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	354,765	354,093	672	5,691	2,780	669	683	699	671	123	66	5,388
020	Central banks	1,404	1,404	-	-	-	-	-	-	-	-	-	-
030	General governments	2,738	2,733	5	23	23	-	-	-	-	-	-	23
040	Credit institutions	785	785	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	31,098	31,097	1	16	8	2	1	2	1	2	-	15
060	Non-financial corporations	95,619	95,276	343	1,810	1,114	88	104	211	208	49	36	1,733
070	Of which: SMEs	24,489	24,309	180	922	364	71	94	158	192	16	27	884
080	Households	223,121	222,798	323	3,842	1,635	579	578	486	462	72	30	3,617
090	Debt securities	31,131	31,131	-	-	-	-	-	-	-	-	-	-
100	Central banks	97	97	-	-	-	-	-	-	-	-	-	-
110	General governments	16,455	16,455	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	8,572	8,572	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	6,007	6,007	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	104,618			526								487
160	Central banks	-			-								-
170	General governments	790			17								17
180	Credit institutions	644			-								-
190	Other financial corporations	4,359			4								4
200	Non-financial corporations	62,814			132								110
210	Households	36,011			373								356
220	Total	564,337	459,047	672	6,217	2,780	669	683	699	671	123	66	5,875

(1) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions.

UK CQ4: Quality of non-performing exposures by geography

The table below shows gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions and accumulated change in fair value due to credit risk by geography. Geographical analysis is based on the country of operation of the customer.

	a	b	c	d	e	f	g
	Gross carrying/	Of which:	Of which:	Of which:	Accumulated	Provisions on off-balance-sheet	Accumulated negative changes
	nominal	non performing	defaulted	subject to	impairment	commitments and financial	in fair value due to credit risk
	amount			impairment		guarantees given	on non-performing exposures
31 December 2024	£m	£m	£m	£m	£m	£m	£m
010 On-balance sheet exposures	411,405	6,023	5,752	410,612	(3,259)	-	(4)
020 UK	369,091	5,761	5,490	368,521	(3,068)	-	-
030 RoI	1,890	9	9	1,851	(3)	-	(4)
040 Other Western Europe	16,226	150	150	16,093	(94)	-	-
050 US	9,476	-	-	9,425	(15)	-	-
060 Other countries	14,722	103	103	14,722	(79)	-	-
070 Off-balance sheet exposures	113,999	645	624	-	-	(50)	-
080 UK	92,426	613	592	-	-	(44)	-
090 RoI	980	-	-	-	-	-	-
100 Other Western Europe	8,213	19	19	-	-	(4)	-
110 US	10,401	-	-	-	-	(2)	-
120 Other countries	1,979	13	13	-	-	-	-
130 Total	525,404	6,668	6,376	410,612	(3,259)	(50)	(4)

UK CQ4: Quality of non-performing exposures by geography continued

	a	b	c	d	e	f	g
	Gross carrying/ nominal amount £m	Of which: non-performing £m	Of which: defaulted £m	Of which: subject to impairment £m	Accumulated impairment £m	Provisions on off-balance-sheet commitments and financial guarantees given £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
31 December 2023							
010 On-balance sheet exposures	391,587	5,691	5,388	390,927	(3,443)	-	(2)
020 <i>UK</i>	358,671	5,466	5,164	358,322	(3,228)	-	-
030 <i>Rol</i>	1,273	23	22	1,007	(21)	-	(2)
040 <i>Other Western Europe</i>	12,287	144	144	12,242	(139)	-	-
050 <i>US</i>	9,056	-	-	9,056	(12)	-	-
060 <i>Other countries</i>	10,300	58	58	10,300	(43)	-	-
070 Off-balance sheet exposures	105,144	526	487	-	-	(70)	-
080 <i>UK</i>	85,734	464	439	-	-	(62)	-
090 <i>Rol</i>	830	6	6	-	-	(1)	-
100 <i>Other Western Europe</i>	8,383	36	22	-	-	(3)	-
110 <i>US</i>	8,632	-	-	-	-	(4)	-
120 <i>Other countries</i>	1,565	20	20	-	-	-	-
130 Total	496,731	6,217	5,875	390,927	(3,443)	(70)	(2)

(1) The geographical breakdown disclosed is based on combined on and off-balance sheet exposures and represent 97% (31 December 2023 – 98%) of total exposure.

(2) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions. Cash balances at central banks and other demand deposits are also excluded.

UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

The table below shows gross carrying amount of performing and non-performing exposures to non-financial corporations and the related accumulated impairment, provisions and accumulated change in fair value due to credit risk by industry.

		a	b	c	d	e	f
		Gross carrying amount	Of which: non-performing	Of which: defaulted	Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m	£m	£m
31 December 2024							
010	Agriculture, forestry and fishing	3,791	81	77	3,791	(49)	-
020	Mining and quarrying	576	54	54	447	(52)	-
030	Manufacturing	8,476	132	123	8,465	(103)	-
040	Electricity, gas, steam and air conditioning supply	7,146	80	80	7,091	(61)	-
050	Water supply	3,948	25	25	3,948	(12)	-
060	Construction	5,073	165	159	5,073	(119)	-
070	Wholesale and retail trade	13,678	196	195	13,652	(149)	-
080	Transport and storage	5,970	85	85	5,969	(66)	-
090	Accommodation and food service activities	4,853	207	183	4,853	(126)	-
100	Information and communication	6,126	108	108	6,011	(78)	-
110	Financial and insurance activities	13	-	-	13	-	-
120	Real estate activities	24,545	319	312	24,541	(194)	-
130	Professional, scientific and technical activities	3,093	53	52	3,093	(48)	-
140	Administrative and support service activities	7,872	210	210	7,823	(71)	-
150	Public administration and defence, compulsory social security	37	1	1	37	-	-
160	Education	481	21	21	481	(7)	-
170	Human health services and social work activities	4,352	94	94	4,352	(62)	-
180	Arts, entertainment and recreation	1,155	33	33	1,155	(23)	-
190	Other services	726	113	112	726	(39)	-
200	Total	101,911	1,977	1,924	101,521	(1,259)	-

UK CQ5: Credit quality of loans and advances to non-financial corporations by industry continued

	a	b	c	d	e	f
	Gross carrying amount	Of which: non-performing	Of which: defaulted	Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
31 December 2023	£m	£m	£m	£m	£m	£m
010 Agriculture, forestry and fishing	3,855	69	63	3,855	(57)	-
020 Mining and quarrying	585	25	25	585	(28)	-
030 Manufacturing	8,189	139	125	8,189	(113)	-
040 Electricity, gas, steam and air conditioning supply	5,945	40	39	5,945	(48)	-
050 Water supply	3,649	12	12	3,649	(11)	-
060 Construction	5,032	248	239	5,032	(130)	-
070 Wholesale and retail trade	14,032	260	260	13,745	(216)	-
080 Transport and storage	5,747	66	66	5,747	(51)	-
090 Accommodation and food service activities	5,038	230	202	5,038	(137)	-
100 Information and communication	5,209	36	36	5,209	(54)	-
110 Financial and insurance activities	13	1	1	13	-	-
120 Real estate activities	22,473	253	244	22,473	(187)	-
130 Professional, scientific and technical activities	3,296	56	54	3,296	(60)	-
140 Administrative and support service activities	7,518	93	92	7,518	(68)	-
150 Public administration and defence, compulsory social security	90	1	1	90	(1)	-
160 Education	485	13	9	485	(9)	-
170 Human health services and social work activities	4,310	109	106	4,310	(81)	-
180 Arts, entertainment and recreation	1,223	27	27	1,223	(22)	-
190 Other services	740	132	132	740	(30)	-
200 Total	97,429	1,810	1,733	97,142	(1,303)	-

(1) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions.

UK CR1: Performing and non-performing exposures and related provisions

The table below shows gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, accumulated partial write-off and collateral and financial guarantees received by portfolio and exposure class.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	Collateral and financial guarantees received		
	Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3			On performing exposures	On non-performing exposures
31 December 2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	63,679	63,581	98	-	-	-	(9)	(9)	-	-	-	-	-	3	-
010 Loans and advances	366,671	326,473	39,471	6,023	243	5,730	(1,252)	(523)	(729)	(2,004)	(21)	(1,979)	(164)	313,159	3,495
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	2,863	2,652	173	21	-	21	(1)	-	(1)	(5)	-	(5)	-	2,515	13
040 Credit institutions	1,711	1,711	-	-	-	-	-	-	-	-	-	-	-	1,531	-
050 Other financial corporations	37,467	36,299	918	59	-	59	(17)	(9)	(8)	(40)	-	(40)	-	33,680	15
060 Non-financial corporations	99,934	86,343	13,202	1,977	67	1,903	(515)	(221)	(294)	(744)	(3)	(741)	-	66,996	1,019
070 Of which: SMEs	25,312	21,165	4,144	1,158	35	1,117	(191)	(67)	(124)	(387)	(2)	(385)	-	22,265	679
080 Households	224,696	199,468	25,178	3,966	176	3,747	(719)	(293)	(426)	(1,215)	(18)	(1,193)	(164)	208,437	2,448
090 Debt securities	38,711	38,213	498	-	-	-	(7)	(6)	(1)	-	-	-	-	84	-
100 Central banks	47	47	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	22,356	21,858	498	-	-	-	(2)	(1)	(1)	-	-	-	-	-	-
120 Credit institutions	11,030	11,030	-	-	-	-	(3)	(3)	-	-	-	-	-	84	-
130 Other financial corporations	5,278	5,278	-	-	-	-	(2)	(2)	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	113,354	104,485	8,869	645	10	623	(48)	(23)	(25)	(2)	-	(2)		19,496	53
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	720	657	63	-	-	-	-	-	-	-	-	-		71	-
180 Credit institutions	1,047	1,047	-	-	-	-	-	-	-	-	-	-		222	-
190 Other financial corporations	3,993	3,964	29	49	-	49	(1)	(1)	-	-	-	-		309	3
200 Non-financial corporations	65,339	59,906	5,433	195	4	191	(25)	(14)	(11)	(2)	-	(2)		14,253	30
210 Households	42,255	38,911	3,344	401	6	383	(22)	(8)	(14)	-	-	-		4,641	20
220 Total	582,415	532,752	48,936	6,668	253	6,353	(1,316)	(561)	(755)	(2,006)	(21)	(1,981)	(164)	332,742	3,548

UK CR1: Performing and non-performing exposures and related provisions continued

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				Collateral and financial guarantees received		
	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3		Of which: Stage 1	Of which: Stage 2	Of which: Stage 2	Of which: Stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures		
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	73,823	73,823	-	-	-	-	(10)	(10)	-	-	-	-	5	-	-
010 Loans and advances	354,765	317,676	36,447	5,691	240	5,402	(1,511)	(621)	(890)	(1,918)	(20)	(1,895)	(203)	297,855	3,301
020 Central banks	1,404	1,404	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	2,738	2,621	72	23	-	23	(2)	-	(2)	(2)	-	(2)	-	2,568	20
040 Credit institutions	785	784	1	-	-	-	(2)	(2)	-	-	-	-	-	531	-
050 Other financial corporations	31,098	30,903	195	16	-	16	(15)	(10)	(5)	(6)	-	(6)	-	27,849	5
060 Non-financial corporations	95,619	81,751	13,581	1,810	82	1,726	(649)	(280)	(369)	(654)	(5)	(649)	(24)	59,071	987
070 Of which: SMEs	24,489	19,536	4,953	922	43	877	(255)	(88)	(167)	(359)	(3)	(356)	-	20,117	490
080 Households	223,121	200,213	22,598	3,842	158	3,637	(843)	(329)	(514)	(1,256)	(15)	(1,238)	(179)	207,836	2,289
090 Debt securities	31,131	30,396	735	-	-	-	(16)	(12)	(4)	-	-	-	-	-	-
100 Central banks	97	97	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	16,455	15,973	482	-	-	-	(2)	(1)	(1)	-	-	-	-	-	-
120 Credit institutions	8,572	8,366	206	-	-	-	(7)	(6)	(1)	-	-	-	-	-	-
130 Other financial corporations	6,007	5,960	47	-	-	-	(7)	(5)	(2)	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	104,618	94,817	9,801	526	33	484	(68)	(28)	(40)	(2)	-	(2)		16,697	76
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	790	790	-	17	-	17	-	-	-	-	-	-		83	8
180 Credit institutions	644	637	7	-	-	-	-	-	-	-	-	-		87	-
190 Other financial corporations	4,359	4,223	136	4	-	4	(1)	(1)	-	-	-	-		354	1
200 Non-financial corporations	62,814	57,093	5,721	132	27	105	(37)	(16)	(21)	(2)	-	(2)		11,287	45
210 Households	36,011	32,074	3,937	373	6	358	(30)	(11)	(19)	-	-	-		4,886	22
220 Total	564,337	516,712	46,983	6,217	273	5,886	(1,605)	(671)	(934)	(1,920)	(20)	(1,897)	(203)	314,557	3,377

(1) The gross non performing loan ratio for NWH Group is 1.62% (31 December 2023 – 1.66%). Loans and advances classified as held-for-sale, cash balances at central banks and other demand deposits were excluded from the ratio calculation.

(2) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions.

UK CR1-A: Maturity of exposures

The table below shows the maturity breakdown of gross carrying amount net of related accumulated impairment, provisions and accumulated change in fair value due to credit risk.

	a	b	c	d	e	f
	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
	£m	£m	£m	£m	£m	£m
31 December 2024						
010 Loans and advances	20,446	22,123	97,487	229,382	-	369,438
020 Debt securities	-	9,929	20,295	8,480	-	38,704
030 Total	20,446	32,052	117,782	237,862	-	408,142
	a	b	c	d	e	f
	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
	£m	£m	£m	£m	£m	£m
31 December 2023						
010 Loans and advances	20,345	21,021	86,800	228,861	-	357,027
020 Debt securities	-	7,311	16,189	7,615	-	31,115
030 Total	20,345	28,332	102,989	236,476	-	388,142

(1) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions. Cash balances at central banks and other demand deposits are also excluded.

UK CR2: Changes in the stock of non-performing loans and advances

The table below shows movements of gross carrying amounts of non-performing loans and advances during the period.

	a
	Gross carrying amount £m
010 Initial stock of non-performing loans and advances at 1 January 2024	5,691
020 Inflows to non-performing portfolios	3,520
030 Outflows from non-performing portfolios	(3,188)
040 Outflows due to write-offs	(649)
050 Outflow due to other situations	(2,539)
060 Final stock of non-performing loans and advances at 31 December 2024	6,023

(1) Outflow due to other situations in the table above primarily includes outflow due to loan repayment, transfer to performing portfolio and reclassification as held-for-sale.
 (2) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions.

UK CRA: General qualitative information about credit risk

Definition

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

Sources of risk

The principal sources of credit risk for NWH Group are lending, off-balance sheet products, derivatives and securities financing, and debt securities. NWH Group is also exposed to settlement risk through foreign exchange, trade finance and payments activities.

Governance

The Credit Risk function provides oversight and challenge of frontline credit risk management activities. Governance activities include:

- Defining and proposing credit risk appetite measures for Board approval.
- Establishing credit risk policy, standards and toolkits which set out the mandatory limits and parameters required to ensure that credit risk is managed within risk appetite and which provide the minimum standards for the identification, assessment, management, monitoring and reporting of credit risk.
- Oversight of the first line of defence to ensure that credit risk remains within the appetite set by the Board and that it is being managed adequately and effectively.
- Assessing the adequacy of expected credit loss (ECL) provisions including approving key IFRS 9 inputs (such as significant increase in credit risk (SICR) thresholds) and any necessary in-model and post model adjustments through NWH Group and business unit provisions and model committees.
- Development and approval of credit grading models.
- Providing regular reporting on credit risk to the Board Risk Committee and Board.

Risk appetite

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

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

Risk appetite framework

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

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

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

Establishing risk appetite

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

Risk appetite statements consist of qualitative statements of appetite supported by risk limits and triggers that operate as a defence against excessive risk-taking. Risk measures and their associated limits are an integral part of the risk appetite approach and a key part of embedding risk appetite in day-to-day risk management decisions. A clear tolerance for each principal risk is set in alignment with business activities.

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

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

Risk appetite statements and associated measures are reviewed at least annually by the Board on the Board Risk Committee's recommendation to ensure they remain appropriate and aligned to strategy.

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

NWH Group policies directly support the qualitative aspects of risk appetite. They define the qualitative expectations, guidance and standards that stipulate the nature and extent of permissible risk-taking and are consistently applied across NWH Group and its subsidiaries.

Credit risk appetite is approved by the Board and is set and monitored through risk appetite frameworks tailored to NatWest Group's Personal and Non-Personal segments. Risk appetite statements and associated measures are reviewed at least annually by the Board on the Board Risk Committee's recommendation to ensure they remain appropriate and aligned to strategy.

Personal

The Personal credit risk appetite framework sets limits that control the quality and concentration of both existing and new business for each relevant business segment. These risk appetite measures consider the segments' ability to grow sustainably and the level of losses expected under stress. Credit risk is further controlled through operational limits specific to customer or product characteristics.

Non-Personal

For Non-Personal credit, the framework has been designed to reflect factors that influence the ability to operate within risk appetite. Tools such as stress testing and economic capital are used to measure credit risk volatility and develop links between the framework and risk appetite limits.

The framework is used to manage concentrations of risk which may arise across four lenses – single name, sector, country and product and asset classes.

The framework is supported by a suite of transactional acceptance standards that set out the risk parameters within which businesses should operate.

UK CRA: General qualitative information about credit risk continued

Identification and measurement

Identification and measurement within the risk management process comprises:

- Regular assessment of the overall risk profile, incorporating market developments and trends, as well as external and internal factors.
- Monitoring of the risks associated with lending and credit exposures.
- Assessment of trading and non-trading portfolios.
- Review of potential risks in new business activities and processes.
- Analysis of potential risks in any complex and unusual business transactions.

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

For credit risk, risks are identified through relationship management and credit stewardship of customers and portfolios. Credit stewardship takes place throughout the customer relationship, beginning with the initial approval. It includes the application of credit assessment standards, credit risk mitigation and collateral, ensuring that credit documentation is complete and appropriate, carrying out regular portfolio or customer reviews and problem debt identification and management.

Three lines of defence

NWH Group uses the industry-standard three lines of defence model to articulate accountabilities and responsibilities for managing risk, including credit risk. This supports the embedding of effective risk management throughout the organisation.

First line of defence

The first line of defence incorporates most roles in NWH Group, including those in the customer-facing businesses. The first line of defence is empowered to take credit risk within the constraints of the risk management framework, policies, risk appetite statements and measures set by the Board. The first line of defence is responsible for managing its direct risks, and with the support of specialist functions, it is also responsible for managing its consequential risks, by identifying, assessing, mitigating, monitoring and reporting risks.

Second line of defence

The second line of defence comprises the Risk function and is independent of the first line. The credit risk function, as a second line of defence function, is empowered to design and maintain the credit risk management framework and its components. It undertakes proactive credit risk oversight and continuous monitoring activities to confirm that NWH Group engages in permissible and sustainable credit risk-taking activities. The second line of defence advises on, monitors, challenges, approves and escalates where required and reports on the risk-taking activities of the first line, ensuring that these are within the constraints of the risk management framework, policies, risk appetite statements and measures set by the Board.

Third line of defence

The third line of defence is the Internal Audit function and is independent of the first and second lines. The third line of defence is responsible for providing independent assurance to the Board, its subsidiary legal entity boards and executive management on the overall design and operating effectiveness of the risk management framework and its components. This includes the adequacy and effectiveness of key internal controls, governance and the risk management in place to monitor, manage and mitigate the principal risks, including credit risk, to NWH Group and its subsidiary companies. The third line of defence executes its duties freely and objectively in accordance with the Chartered Institute of Internal Auditors' Code of Ethics and International Standards on independence and objectivity.

Assessment and monitoring

Practices for credit stewardship – including credit assessment, approval and monitoring as well as the identification and management of problem debts – differ between the Personal and Non-Personal portfolios.

Personal

Personal customers are served through a lending approach that entails offering a large number of small-value loans. To ensure that these lending decisions are made consistently, NWH Group analyses internal credit information as well as external data supplied by credit reference agencies (including historical debt servicing behaviour of customers with respect to both NWH Group and other lenders). NWH Group then sets its lending rules accordingly, developing different rules for different products.

The process is then largely automated, with each customer receiving an individual credit score that reflects both internal and external behaviours and this score is compared with the lending rules set. For relatively high-value, complex personal loans, including some residential mortgage lending, specialist credit managers make the final lending decisions. These decisions are made within specified delegated authority limits that are issued dependent on the experience of the individual.

Underwriting standards and portfolio performance are monitored on an ongoing basis to ensure they remain adequate in the current market environment and are not weakened materially to sustain growth. The actual performance of each portfolio is tracked relative to operational limits. The limits apply to a range of credit risk-related measures including projected credit default rates across products and the loan-to-value (LTV) ratio of the mortgage portfolios. Where operational limits identify areas of concern management action is taken to adjust credit or business strategy.

UK CRA: General qualitative information about credit risk continued

Non-Personal

Non-Personal customers, including corporates, banks and other financial institutions are typically managed on an individual basis. Customers are aggregated as a single risk when sufficiently interconnected to the extent that a failure of one could lead to the failure of another.

A credit assessment is carried out before credit facilities are made available to customers. The assessment process is dependent on the complexity of the transaction. Credit approvals are subject to environmental, social and governance risk policies which restrict exposure to certain highly carbon intensive industries as well as those with potentially heightened reputational impacts. Customer-specific climate risk commentary is now mandatory.

For lower risk transactions below specific thresholds, credit decisions can be approved through a combination of fully automated or relationship manager self-sanctioning within the business. This process is facilitated through an auto-decision making system, which utilises scorecards, strategies and policy rules.

For other transactions, both business approval and credit approval is required. The joint business and credit approvers act within a delegated approval authority under the Wholesale Credit Authorities Policy. The level of delegated authority held by approvers is dependent on their experience and expertise with only a small number of senior executives holding the highest approval authority.

Transactional acceptance standards provide detailed transactional lending and risk acceptance metrics and structuring guidance. As such, these standards provide a mechanism to manage risk appetite at the customer/transaction level and are supplementary to the established credit risk appetite.

UK CRB: Additional disclosure related to the credit quality of assets

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel probability of defaults (PDs). Performing loans are defined as AQ1-AQ9 (where the PD is less than 100%) and defaulted non-performing loans as AQ10 or Stage 3 under IFRS 9 (where the PD is 100%). Loans are defined as defaulted when the payment status becomes 90 days past due, or earlier if there is clear evidence that the borrower is unlikely to repay, for example bankruptcy or insolvency.

Impairment, provisioning and write-offs

In the overall assessment of credit risk, impairment provisioning and write-offs are used as key indicators of credit quality. NWH Group's IFRS 9 provisioning models, which use existing internal ratings based (IRB) models as a starting point, incorporate term structures and economic forecasts. Regulatory conservatism within the IRB models has been removed as appropriate to comply with the IFRS 9 requirement for unbiased ECL estimates.

Five key areas may materially influence the measurement of credit impairment under IFRS 9 – two of these relate to model build and three relate to model application.

Model build

- The determination of economic indicators that have most influence on credit loss for each portfolio and the severity of impact (this leverages existing stress testing models which are reviewed annually).
- The build of term structures to extend the determination of the risk of loss beyond 12 months that will influence the impact of lifetime loss for exposures in Stage 2.

Model application

- The assessment of the SICR and the formation of a framework capable of consistent application.
- The determination of asset lifetimes that reflect behavioural characteristics while also representing management actions and processes (using historical data and experience).
- The choice of forward-looking economic scenarios and their respective probability weights.

IFRS 9 ECL model design principles

Modelling of ECL for IFRS 9 follows the conventional approach to divide the estimation of credit losses into its component parts of PD, LGD and EAD.

To meet IFRS 9 requirements, the PD, LGD and EAD parameters differ from their Pillar 1 IRB counterparts in the following aspects:

- **Unbiased** – conservatism has been removed from IFRS 9 parameters to produce unbiased estimates.
- **Point-in-time** – IFRS 9 parameters reflect actual economic conditions at the reporting date instead of long-run average or downturn conditions.
- **Economic forecasts** – IFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflect forward-looking economic conditions.
- **Lifetime measurement** – IFRS 9 PD, LGD and EAD are provided as multi-period term structures up to exposure lifetimes instead of over a fixed one-year horizon.

IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the PD over the remaining lifetime at the reporting date) and the equivalent lifetime PD as determined at the date of initial recognition. For assets originated before IFRS 9 was introduced, comparable lifetime origination PDs did not exist. These have been retrospectively created using the relevant model inputs applicable at initial recognition.

PD estimates

Personal models

Personal PD models follow a discrete multi-horizon survival approach, predicting quarterly PDs up to lifetime at account level, with a key driver being scores from related IRB PD models. Forward-looking economic information is brought in by economic response models, which leverage the existing stress test model suite. The current suite of PD models was introduced in 2022 replacing the previous, first-generation models to remediate a range of model weaknesses.

Non-Personal models

Non-Personal PD models use a point-in-time/through-the-cycle framework to convert one-year regulatory PDs into point-in-time estimates that reflect economic conditions at the reporting date. The framework utilises credit cycle indices (CCIs) for a comprehensive set of region/industry segments. One year PDs are extended to lifetime PDs using a conditional transition matrix approach and economic forecasts.

UK CRB: Additional disclosure related to the credit quality of assets continued

LGD estimates

The general approach for the IFRS 9 LGD models is to leverage corresponding IRB LGD models with bespoke adjustments to ensure estimates are unbiased and, where relevant, include economic forecasts.

Personal

Economic forecasts are incorporated for the secured portfolios, where changes in property prices can be readily accommodated. Analysis has shown minimal impact of economic conditions on LGDs for the other Personal portfolios.

Non-Personal

Economic forecasts are incorporated into LGD estimates using the existing point-in-time/through-the-cycle framework. For low default portfolios, including sovereigns and banks, loss data is too scarce to substantiate estimates that vary with economic conditions. Consequently, for these portfolios, LGD estimates are assumed to be constant throughout the projection horizon.

EAD estimates

Personal

The IFRS 9 Personal modelling approach for EAD is dependent on product type.

- Revolving products use the existing IRB models as a basis, with appropriate adjustments incorporating a term structure based on time to default.
- Amortising products use an amortising schedule, where a formula is used to calculate the expected balance based on remaining terms and interest rates.

Analysis has indicated that there is minimal impact on EAD arising from changes in the economy for all Personal portfolios except mortgages. Therefore, forward-looking information is only incorporated in the mortgage EAD model (through forecast changes in interest rates).

Non-Personal

For Non-Personal, EAD values are projected using product specific credit conversion factors (CCFs), closely following the product segmentation and approach of the respective IRB model. The CCFs are estimated over multi-year time horizons and contain no regulatory conservatism or downturn assumptions.

No explicit economic forecasts are incorporated, on the basis of analysis showing the movement in CCFs is mainly attributable to changes in exposure management practices rather than economic conditions.

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to NatWest Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Various post model adjustments were applied where management judged they were necessary to ensure an adequate level of overall ECL provision. All post model adjustments were subject to review, challenge and approval through model or provisioning committees.

Post model adjustments will remain a key focus area of NWH Group's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends with a particular focus on segments of the portfolio (both Personal and Non-Personal) that are likely to be more susceptible to high inflation, high interest rates and supply chain disruption.

SICR

Exposures that are considered significantly credit deteriorated since initial recognition are classified in Stage 2 and assessed for lifetime ECL measurement (exposures not considered deteriorated carry a 12 month ECL). NWH Group has adopted a framework to identify deterioration based primarily on relative movements in lifetime PD supported by additional qualitative backstops. The principles applied are consistent across NWH Group and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

- **IFRS 9 lifetime PD assessment (the primary driver)** – on modelled portfolios, the assessment is based on the relative deterioration in forward-looking lifetime PD and is assessed monthly. To assess whether credit deterioration has occurred, the residual lifetime PD at balance sheet date (which PD is established at date of initial recognition (DOIR)) is compared to the current PD. If the current lifetime PD exceeds the residual origination PD by more than a threshold amount, deterioration is assumed to have occurred and the exposure transferred into Stage 2 for a lifetime loss assessment. For Non-Personal, a doubling of PD would indicate a SICR subject to a minimum PD uplift of 0.1%. For Personal portfolios, the criteria vary by risk band, with lower risk exposures needing to deteriorate more than higher risk exposures.
- **Qualitative high-risk backstops** – the PD assessment is complemented with the use of qualitative high-risk backstops to further inform whether significant deterioration in lifetime risk of default has occurred. The qualitative high-risk backstop assessment includes the use of the mandatory 30+ days past due backstop, as prescribed by IFRS 9 guidance, and other features such as forbearance support, Non-Personal exposures managed within the Wholesale Problem Debt Management framework, and adverse credit bureau results for Personal customers.
- **Persistence (Personal and business banking customers only)** – the persistence rule ensures that accounts which have met the criteria for PD-driven deterioration are still considered to be significantly deteriorated for three months thereafter. This additional rule enhances the timeliness of capture in Stage 2. The persistence rule is applied to PD-driven deterioration only.

The criteria are based on a significant amount of empirical analysis and seek to meet three key objectives:

- **Criteria effectiveness** – the criteria should be effective in identifying significant credit deterioration and prospective default population.
- **Stage 2 stability** – the criteria should not introduce unnecessary volatility in the Stage 2 population.
- **Portfolio analysis** – the criteria should produce results which are intuitive when reported as part of the wider credit portfolio.

Annex XVII: Credit risk mitigation

UK CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

The table below shows net carrying values of credit risk exposures analysed by use of different credit risk mitigation techniques as recognised under the applicable accounting framework regardless of whether these techniques are recognised under CRR. The credit risk exposures in scope of this template are presented irrespective of whether the standardised approach or the IRB approach is used for RWA calculation. Counterparty credit risk exposures are excluded.

		a	b	c	d	e
		Unsecured carrying amount £m	Secured carrying amount £m	Of which: secured by collateral £m	Of which: secured by financial guarantees £m	Of which: secured by credit derivatives £m
31 December 2024						
1	Loans and advances	106,070	327,038	308,634	8,023	-
2	Debt securities	38,620	84	-	84	-
3	Total	144,690	327,122	308,634	8,107	-
4	Of which: non-performing exposures	410	3,609	3,257	238	-
5	Of which: defaulted	370	3,407	3,063	234	-

		a	b	c	d	e
		Unsecured carrying amount £m	Secured carrying amount £m	Of which: secured by collateral £m	Of which: secured by financial guarantees £m	Of which: secured by credit derivatives £m
31 December 2023						
1	Loans and advances	120,039	310,801	293,445	7,716	-
2	Debt securities	31,115	-	-	-	-
3	Total	151,154	310,801	293,445	7,716	-
4	Of which: non-performing exposures	387	3,386	2,980	321	-
5	Of which: defaulted	355	3,143	2,751	316	-

(1) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions and Basel disclosure requirements.

UK CRC: Qualitative disclosure requirements related to CRM techniques

Credit risk mitigation

Credit risk mitigation (CRM) is defined as the use of collateral or guarantees to reduce potential loss if a customer fails to settle all or part of its obligations to NWH Group. The application of CRM depends on which approach (standardised or IRB) is used to calculate RWAs related to a credit exposure.

Recognition of CRM under the standardised approach is carried out in accordance with regulatory requirements and entails the reduction of EAD (netting and financial collateral) or the adjustment of risk-weights (in the case of real estate), third-party guarantees and/or credit derivatives. Under the IRB approach, a wider scope of collateral can be recognised.

NWH Group uses a number of credit risk mitigation approaches. These differ for Non-Personal and Personal customers.

Mitigation techniques, as set out in the appropriate credit risk toolkits and transactional acceptance standards, are used in the management of credit portfolios across NWH Group. These techniques mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset, the use of credit derivatives including credit default swaps, credit-linked debt instruments and securitisation structures, and the use of guarantees and similar instruments (for example, credit insurance) from related and third parties. When seeking to mitigate risk, at a minimum NWH Group considers the following:

- Suitability of the proposed risk mitigation, particularly if restrictions apply.
- The means by which legal certainty is to be established, including required documentation, supportive legal opinions and the steps needed to establish legal rights.
- Acceptability of the methodologies to be used for initial and subsequent valuation of collateral, the frequency of valuations.
- Actions which can be taken if the value of collateral or other mitigants is less than needed.
- The risk that the value of mitigants and counterparty credit quality will deteriorate simultaneously.
- The need to manage concentration risks arising from collateral types.
- The need to ensure that any risk mitigation remains legally effective and enforceable.

The business and credit teams are supported by specialist in-house documentation teams. NWH Group uses industry-standard loan and security documentation wherever possible. However, when non-standard documentation is used, external lawyers are employed to review the documentation on a case-by-case basis. Mitigants (including any associated insurance) are monitored throughout the life of the transaction to ensure they perform as anticipated. Similarly, documentation is also monitored to ensure it remains enforceable.

Non-Personal

NWH Group mitigates credit risk relating to Non-Personal customers through the use of netting, collateral and market standard documentation, depending on the nature of the counterparty and its assets. The most common types of mitigation are:

- **Commercial real estate.**
- **Other physical assets** – Including stock, plant, equipment, machinery, vehicles, ships and aircraft. Such assets are suitable collateral only if NWH Group can identify, locate, and segregate them from other assets on which it does not have a claim. NWH Group values physical assets in a variety of ways, depending on the type of asset and may rely on balance sheet valuations in certain cases.
- **Receivables** – These are amounts owed to NWH Group's counterparties by their own customers. Valuation takes into account the quality of the counterparty's receivable management processes and excludes any that are past due.

All collateral is assessed, case by case, independently of the provider to ensure that it is suitable security for the proposed loan. NWH Group monitors the value of the collateral and, if there is a shortfall, will review the position, which may lead to seeking additional collateral.

Property is used to mitigate credit risk across a number of portfolios, in particular commercial real estate (CRE).

For CRE valuations, NWH Group has an actively managed panel of chartered surveying firms that cover the spectrum of geography and property sectors in which NWH Group takes collateral. Suitable Royal Institution of Chartered Surveyors (RICS) registered valuers for particular assets are contracted through a service agreement to ensure consistency of quality and advice. Valuations are generally commissioned when an asset is taken as security; a material increase in a facility is requested; or a default event is anticipated or has occurred. In the UK, an independent third-party market indexation is applied to update external valuations for commercial property once they are more than a year old and every three years, a formal independent valuation review is commissioned.

Personal

NWH Group takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. NWH Group values residential property individually during the loan underwriting process, either by obtaining an appraisal by a suitably qualified appraiser (for example, (RICS) or using a statistically valid model. In both cases, a sample of the valuation outputs are periodically reviewed by an independent RICS qualified appraiser. NWH Group updates Retail Banking UK residential property values quarterly using country (Scotland, Wales and Northern Ireland) or English regional specific Office for National Statistics House Price indices.

Annex XIX: Credit risk – standardised approach

UK CR4: standardised approach – credit risk exposure and CRM effects

The table below shows the effect of CRM techniques on credit risk exposures under the standardised approach. It shows exposures both pre and post CRM and CCFs as well as associated RWAs and RWA density, split by exposure class. It excludes counterparty credit risk and securitisations.

Exposure classes	a		b		c		d		e		f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density		
	On-balance	Off-balance	On-balance	Off-balance	On-balance	Off-balance	On-balance	Off-balance	RWA	RWA	
	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet	density	density	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	
31 December 2024											
1 Central governments or central banks	69,770	583	70,716	356	998	1					
2 Regional governments or local authorities	217	31	206	-	4	2					
3 Public sector entities	-	-	-	-	-	-					
4 Multilateral development banks	5,321	-	5,321	-	-	-					
5 International organisations	-	-	-	-	-	-					
6 Institutions	659	454	522	-	151	29					
7 Corporates	5,046	2,039	3,905	662	3,908	86					
8 Retail	3,328	4,070	3,205	35	1,674	52					
9 Secured by mortgages on immovable property	18,583	1,794	18,420	297	8,842	47					
10 Exposures in default	435	26	394	1	436	110					
11 Items associated with particularly high risk	-	-	-	-	-	-					
12 Covered bonds	-	-	-	-	-	-					
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-					
14 Collective investment undertakings	-	-	-	-	-	-					
15 Equity	4	-	4	-	5	117					
16 Other items	441	-	441	-	411	93					
17 Total	103,804	8,997	103,134	1,351	16,429	16					

Exposure classes	a		b		c		d		e		f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density		
	On-balance	Off-balance	On-balance	Off-balance	On-balance	Off-balance	On-balance	Off-balance	RWA	RWA	
	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet	density	density	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	
31 December 2023											
1 Central governments or central banks	75,424	617	76,163	213	1,030	1					
2 Regional governments or local authorities	202	41	201	-	4	2					
3 Public sector entities	-	-	-	-	-	-					
4 Multilateral development banks	1,964	-	1,964	-	-	-					
5 International organisations	-	-	-	-	-	-					
6 Institutions	398	184	398	2	127	32					
7 Corporates	4,666	1,905	3,538	647	3,861	92					
8 Retail	3,756	3,918	3,623	26	1,799	49					
9 Secured by mortgages on immovable property	17,334	1,616	17,207	308	8,322	48					
10 Exposures in default	562	50	518	3	574	110					
11 Items associated with particularly high risk	-	-	-	-	-	-					
12 Covered bonds	-	-	-	-	-	-					
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-					
14 Collective investment undertakings	-	-	-	-	-	-					
15 Equity	4	-	4	-	5	117					
16 Other items	223	-	223	-	184	83					
17 Total	104,533	8,331	103,839	1,199	15,906	15					

- The increase in RWAs in Secured by mortgages on immovable property primarily driven by the £0.9 billion Metro Bank mortgage portfolio acquisition offset by a reduction in the mortgage portfolio within Ulster ROL relating to the phased withdrawal from the Republic of Ireland.
- The increased exposures in Multilateral Development Bank is primarily attributed to increase in Bonds during the period.

UK CR5: standardised approach

The table below shows credit risk EAD post CRM under the standardised approach by risk-weight, split by exposure class. It excludes counterparty credit risk and securitisations.

Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk-weight																Of which: unrated
	0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% £m	250% £m	370% £m	1,250% £m	Others £m	Total £m	
31 December 2024																	
1 Central governments or central banks	70,673	-	-	-	-	-	-	-	-	-	-	399	-	-	-	71,072	6,601
2 Regional governments or local authorities	188	-	-	-	18	-	-	-	-	-	-	-	-	-	-	206	18
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	5,321	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,321	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	369	-	153	-	-	-	-	-	-	-	-	522	5
7 Corporates	103	-	-	-	149	-	476	-	-	3,819	-	-	-	-	-	4,547	1,196
8 Retail exposures	-	-	-	-	293	1,016	-	-	1,931	-	-	-	-	-	-	3,240	-
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	14,718	-	-	14	3,870	-	-	-	-	-	18,602	18,602
10 Exposures in default	-	-	-	-	-	-	-	-	-	313	82	-	-	-	-	395	395
11 Exposure associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	135	-	-	-	-	135	116
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	4	-
16 Other items	3	-	-	-	6	-	11	-	-	398	-	-	-	-	23	441	441
17 Total	76,288	-	-	-	835	15,734	640	-	1,945	8,404	217	399	-	-	23	104,485	27,374

UK CR5: standardised approach continued

Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk-weight																Of which: unrated
	0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% £m	250% £m	370% £m	1,250% £m	Others £m	Total £m	
31 December 2023																	
1 Central governments or central banks	75,629	-	-	-	364	-	-	-	-	-	-	383	-	-	-	76,376	5,248
2 Regional governments or local authorities	182	-	-	-	19	-	-	-	-	-	-	-	-	-	-	201	19
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	1,964	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,964	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	243	-	157	-	-	-	-	-	-	-	-	400	7
7 Corporates	56	-	-	-	159	-	31	-	-	3,914	25	-	-	-	-	4,185	1,156
8 Retail exposures	-	-	-	-	349	1,362	-	-	1,937	-	1	-	-	-	-	3,649	-
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	13,853	-	-	84	3,533	45	-	-	-	-	17,515	17,515
10 Exposures in default	-	-	-	-	-	-	-	-	-	413	108	-	-	-	-	521	518
11 Exposure associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	4	-
15 Other items	3	-	-	-	-	-	14	-	-	171	-	-	-	-	35	223	223
17 Total	77,834	-	-	-	1,134	15,215	202	-	2,021	8,035	179	383	-	-	35	105,038	24,686

UK CRD: Qualitative disclosure requirements related to standardised model

Under the standardised approach, risk-weights are assigned to exposures in accordance with the CRR. For corporates, sovereigns and financial institutions, NWH Group uses risk-weights based on credit quality steps that are mapped from issuer level credit ratings issued by external rating agencies, namely Standard & Poor's (S&P), Moody's, Fitch and ARC.

NWH Group uses credit quality steps (CQS) to calculate the RWAs associated with credit risk exposures. Each rated exposure in the STD portfolio is assigned to one of six CQS. The CQS map to the rating of the four external rating agencies, as shown in the table below. Each CQS is associated with a particular risk-weighting. Each exposure is multiplied by the appropriate risk-weighting to calculate the relevant RWA amount. If no external rating is available, NWH Group assigns the exposure a risk-weighting in line with the CRR.

Credit quality step	Standard & Poor's	Moody's	Fitch	ARC
Step 1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-
Step 2	A+ to A-	A1 to A3	A+ to A-	A+ to A-
Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-
Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB+ to BB-
Step 5	B+ to B-	B1 to B3	B+ to B-	B+ to B-
Step 6	CCC+ and below	Caa1 and below	CCC and below	CCC+ and below

Annex XXI: Credit risk - IRB approach

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range

The table below shows the key parameters used for the calculation of capital requirements for credit risk exposures under the advanced IRB approach, split by PD range. The table excludes counterparty credit risk, securitisations, equity and non-credit obligation exposures.

a	b	c	d	e	f	g	h	i	j	k	l	m
	Central governments and central banks											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range												
31 December 2024												
0.00 to <0.15	15,102	36	85	15,073	0.02	34	47	1.44	1,171	8	1	1
0.00 to <0.10	15,102	36	85	15,073	0.02	34	47	1.44	1,171	8	1	1
0.10 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
1.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	2.50	1	50	1.00	-	122	-	-
2.50 to < 5.00	-	-	-	-	2.50	1	50	1.00	-	122	-	-
5.00 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <20.00	-	-	-	-	-	-	-	-	-	-	-	-
20.00 to <30.00	-	-	-	-	-	-	-	-	-	-	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal (exposure class)	15,102	36	85	15,073	0.02	35	47	1.44	1,171	8	1	1
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Central governments and central banks												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	15,743	36	85	15,724	0.01	34	45	1.50	987	6	1	1
0.00 to <0.10	15,743	36	85	15,724	0.01	34	45	1.50	987	6	1	1
0.10 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	0.30	1	50	1.00	-	48	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
1.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to < 5.00	-	-	-	-	-	-	-	-	-	-	-	-
5.00 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <20.00	-	-	-	-	-	-	-	-	-	-	-	-
20.00 to <30.00	-	-	-	-	-	-	-	-	-	-	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal (exposure class)	15,743	36	85	15,724	0.01	35	45	1.50	987	6	1	1
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Institutions											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range												
31 December 2024												
0.00 to <0.15	5,502	202	64	5,537	0.07	204	45	1.70	1,199	22	2	1
0.00 to <0.10	3,405	116	70	3,387	0.04	102	45	2.62	769	23	1	1
0.10 to <0.15	2,097	86	57	2,150	0.11	102	45	0.24	430	20	1	-
0.15 to <0.25	2,393	464	39	2,568	0.20	110	24	2.06	674	26	1	2
0.25 to <0.50	811	53	54	843	0.32	32	27	2.72	280	33	1	-
0.50 to <0.75	4	2	30	5	0.64	7	54	0.04	4	79	-	-
0.75 to <2.50	149	7	35	154	1.62	21	38	0.82	112	73	1	-
0.75 to <1.75	51	7	35	53	1.27	19	14	2.38	17	32	-	-
1.75 to <2.50	98	-	20	101	1.81	2	50	-	95	94	1	-
2.50 to <10.00	4	2	77	3	3.14	86	69	0.45	6	188	-	-
2.50 to < 5.00	4	2	77	3	2.90	84	69	0.48	6	181	-	-
5.00 to < 10.00	-	-	-	-	7.24	2	75	-	-	296	-	-
10.00 to <100.00	-	-	-	-	14.19	3	75	-	1	346	-	-
10.00 to <20.00	-	-	-	-	10.24	1	75	-	1	293	-	-
20.00 to <30.00	-	-	-	-	20.48	2	75	-	-	429	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	100.00	1	50	1.00	-	-	-	-
Subtotal (exposure class)	8,863	730	47	9,110	0.16	464	37	1.88	2,276	25	5	3
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Institutions											
	On-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors	Density of risk- weighted exposure amount	Expected loss amount	Value adjustments and provisions
PD range	£m	£m	%	£m	%		%		£m	%	£m	£m
31 December 2023												
0.00 to <0.15	5,500	206	48	5,502	0.07	220	45	2.14	1,400	25	2	3
0.00 to <0.10	3,919	106	53	3,862	0.05	129	45	2.88	1,033	27	1	3
0.10 to <0.15	1,581	100	43	1,640	0.11	91	45	0.42	367	22	1	-
0.15 to <0.25	4,285	384	52	4,493	0.19	102	35	2.30	1,771	39	2	6
0.25 to <0.50	711	28	35	722	0.36	47	23	3.35	256	35	1	-
0.50 to <0.75	2	3	41	3	0.64	9	51	0.99	2	76	-	-
0.75 to <2.50	20	14	28	24	1.11	20	47	1.61	27	112	-	-
0.75 to <1.75	20	13	27	24	1.10	16	47	1.62	27	112	-	-
1.75 to <2.50	-	1	41	-	1.81	4	67	0.76	-	166	-	-
2.50 to <10.00	4	2	30	2	4.88	87	73	0.98	6	248	-	-
2.50 to < 5.00	4	-	100	1	3.30	79	72	0.92	3	220	-	-
5.00 to < 10.00	-	2	28	1	7.24	8	75	1.07	3	290	-	-
10.00 to <100.00	-	-	-	-	16.32	3	75	1.00	2	398	-	-
10.00 to <20.00	-	-	-	-	10.24	1	75	1.00	1	366	-	-
20.00 to <30.00	-	-	-	-	28.96	2	75	1.00	1	464	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (default)	5	-	-	-	100.00	1	35	1.00	-	-	-	-
Subtotal (exposure class)	10,527	637	49	10,746	0.01	489	39	2.29	3,464	32	5	9
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Exposures to corporates – SME											
	On-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors	Density of risk- weighted exposure amount	Expected loss amount	Value adjustments and provisions
PD range	£m	£m	%	£m	%		%		£m	%	£m	£m
31 December 2024												
0.00 to <0.15	2,034	613	56	2,384	0.08	142	37	4.23	665	28	1	1
0.00 to <0.10	1,137	502	58	1,436	0.07	79	37	4.52	387	27	1	-
0.10 to <0.15	897	111	45	948	0.11	63	36	3.79	278	29	-	1
0.15 to <0.25	569	326	53	741	0.20	1,336	35	3.58	306	41	1	1
0.25 to <0.50	2,195	1,081	47	2,692	0.40	5,182	24	2.88	795	30	3	7
0.50 to <0.75	2,034	813	42	2,378	0.64	3,290	23	2.67	808	34	4	9
0.75 to <2.50	4,613	1,736	41	5,332	1.20	6,280	23	2.45	2,303	43	17	31
0.75 to <1.75	3,715	1,378	41	4,276	1.06	4,917	23	2.42	1,771	41	12	21
1.75 to <2.50	898	358	43	1,056	1.81	1,364	22	2.56	532	50	5	10
2.50 to <10.00	1,561	447	42	1,759	3.54	2,183	22	2.37	952	54	16	42
2.50 to < 5.00	1,232	376	42	1,398	2.89	1,730	22	2.33	706	51	11	29
5.00 to < 10.00	329	71	41	361	6.05	454	23	2.51	246	68	5	13
10.00 to <100.00	330	52	37	353	14.14	465	24	2.41	310	88	12	27
10.00 to <20.00	286	43	36	305	12.60	375	25	2.40	273	90	9	23
20.00 to <30.00	39	9	43	43	21.74	75	16	2.58	30	69	2	4
30.00 to <100.00	5	-	76	5	40.96	17	31	1.64	7	134	1	-
100.00 (default)	494	47	22	507	100.00	1,037	37	1.68	805	159	179	171
Subtotal (exposure class)	13,830	5,115	45	16,146	4.41	19,908	26	2.83	6,944	43	233	289
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures to corporates – SME												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2024												
0.00 to <0.15	4	3	74	7	0.10	35	42	2.66	117	1,779	-	-
0.00 to <0.10	1	-	77	1	0.05	2	45	4.32	77	7,744	-	-
0.10 to <0.15	3	3	74	6	0.11	33	41	2.36	40	714	-	-
0.15 to <0.25	515	255	50	646	0.21	1,505	24	3.04	198	31	1	1
0.25 to <0.50	3,173	1,105	47	3,707	0.40	5,828	22	3.08	1,040	28	4	10
0.50 to <0.75	2,367	864	44	2,756	0.64	3,427	21	2.78	839	30	4	11
0.75 to <2.50	5,851	1,759	42	6,617	1.22	6,799	23	2.61	2,906	44	21	56
0.75 to <1.75	4,650	1,395	42	5,262	1.07	5,301	23	2.64	2,193	42	14	38
1.75 to <2.50	1,201	364	40	1,355	1.81	1,498	23	2.50	713	53	7	18
2.50 to <10.00	1,774	477	46	2,010	3.26	2,355	23	2.55	1,139	57	17	62
2.50 to < 5.00	1,536	428	46	1,746	2.83	1,930	23	2.53	944	54	13	46
5.00 to < 10.00	238	49	50	264	6.08	425	24	2.69	195	74	4	16
10.00 to <100.00	314	47	37	334	14.63	438	21	2.36	257	77	12	28
10.00 to <20.00	248	40	38	265	12.05	320	19	2.50	174	65	7	20
20.00 to <30.00	55	4	52	57	21.18	95	32	1.71	72	126	4	7
30.00 to <100.00	11	3	19	12	40.96	23	22	2.38	11	93	1	1
100.00 (default)	409	44	13	417	100.00	927	36	2.01	486	117	162	158
Subtotal (exposure class)	14,407	4,554	44	16,494	3.91	21,313	23	2.73	6,982	42	221	326
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Exposures to corporates - other											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range												
31 December 2024												
0.00 to <0.15	19,618	26,094	42	30,681	0.07	1,391	39	3.09	6,909	23	8	8
0.00 to <0.10	16,232	21,419	42	25,354	0.06	898	39	3.06	5,215	21	6	5
0.10 to <0.15	3,386	4,675	42	5,327	0.11	494	39	3.19	1,694	32	2	3
0.15 to <0.25	7,061	7,940	43	10,378	0.19	1,086	37	2.90	4,028	39	7	14
0.25 to <0.50	5,903	5,651	43	8,287	0.40	1,902	36	2.57	4,440	54	12	14
0.50 to <0.75	3,769	2,817	47	5,058	0.64	1,283	32	2.28	3,011	60	10	13
0.75 to <2.50	11,449	6,614	43	14,214	1.33	4,683	28	2.44	9,422	66	51	79
0.75 to <1.75	7,918	4,249	44	9,764	1.11	3,130	29	2.52	6,444	66	31	45
1.75 to <2.50	3,531	2,365	41	4,450	1.81	1,554	25	2.27	2,978	67	20	34
2.50 to <10.00	3,915	2,406	39	4,813	3.54	2,753	24	2.16	3,605	75	39	84
2.50 to < 5.00	3,000	2,033	39	3,749	2.86	2,286	25	2.20	2,836	76	26	58
5.00 to < 10.00	915	373	41	1,064	5.94	468	20	2.03	769	72	13	26
10.00 to <100.00	454	100	36	490	13.20	343	22	1.73	505	103	15	20
10.00 to <20.00	394	98	35	429	11.70	264	20	1.69	405	94	11	15
20.00 to <30.00	52	1	70	52	20.50	46	30	1.72	86	164	3	4
30.00 to <100.00	8	1	54	9	41.70	33	30	3.76	14	169	1	1
100.00 (default)	511	192	48	605	100.00	577	42	1.64	142	24	249	239
Subtotal (exposure class)	52,680	51,814	43	74,526	1.52	14,011	35	2.75	32,062	43	391	471
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

— The reduction in overall RWAs in Corporate other is mainly driven by active RWA management.

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures to corporates – other												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	22,655	27,453	45	35,097	0.06	1,429	40	3.38	8,491	24	9	10
0.00 to <0.10	19,014	22,176	45	29,167	0.05	1,003	40	3.38	6,450	22	6	7
0.10 to <0.15	3,641	5,277	44	5,930	0.11	426	41	3.40	2,041	34	3	3
0.15 to <0.25	6,433	8,203	42	9,805	0.19	1,072	40	2.73	3,999	41	7	10
0.25 to <0.50	5,699	6,175	45	8,456	0.39	1,912	38	2.68	4,857	57	12	20
0.50 to <0.75	3,563	2,706	44	4,746	0.64	1,094	31	2.39	2,691	57	9	24
0.75 to <2.50	12,442	6,675	46	15,472	1.32	4,774	29	2.39	10,850	70	59	128
0.75 to <1.75	8,923	4,609	47	11,146	1.13	3,288	29	2.38	7,508	67	37	81
1.75 to <2.50	3,519	2,066	43	4,326	1.81	1,486	29	2.40	3,342	77	22	47
2.50 to <10.00	3,794	2,110	40	4,574	3.51	2,768	25	2.23	3,571	78	40	90
2.50 to < 5.00	2,966	1,802	40	3,623	2.88	2,396	25	2.30	2,747	76	26	62
5.00 to < 10.00	828	308	41	951	5.93	372	24	1.97	824	87	14	28
10.00 to <100.00	295	54	38	315	12.95	284	24	1.88	356	113	11	17
10.00 to <20.00	244	51	35	261	11.08	213	22	1.95	264	101	7	13
20.00 to <30.00	47	3	75	50	20.72	56	29	1.37	80	158	3	4
30.00 to <100.00	4	-	59	4	37.50	15	50	3.58	12	305	1	-
100.00 (default)	499	69	34	507	100.00	531	34	2.11	149	29	165	193
Subtotal (exposure class)	55,380	53,445	44	78,972	1.29	13,864	36	2.89	34,964	44	312	492
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Retail exposures – SME secured by immovable property collateral											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range	£m	£m	%	£m	%		%	(years)	£m	%	£m	£m
31 December 2024												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	1	100	-	0.17	54	60		-	17	-	-
0.25 to <0.50	-	60	100	40	0.30	4,019	62		11	27	-	-
0.50 to <0.75	52	1	100	53	0.63	963	34		13	25	-	-
0.75 to <2.50	529	32	100	549	1.21	6,925	30		197	36	2	3
0.75 to <1.75	446	9	100	452	1.03	4,942	26		123	27	1	2
1.75 to <2.50	83	23	100	97	2.02	1,984	48		74	76	1	1
2.50 to <10.00	150	2	100	151	4.62	1,730	31		116	77	2	1
2.50 to < 5.00	97	1	100	97	3.57	1,142	32		68	70	1	1
5.00 to < 10.00	53	1	100	54	6.53	588	29		48	89	1	-
10.00 to <100.00	27	-	100	28	23.70	332	26		32	115	2	1
10.00 to <20.00	14	-	100	15	14.00	201	29		18	122	1	-
20.00 to <30.00	1	-	-	1	29.70	6	46		2	218	-	-
30.00 to <100.00	12	-	100	12	35.00	125	21		12	99	1	1
100.00 (default)	40	-	100	43	100.00	686	17		7	17	7	15
Subtotal (exposure class)	798	96	100	864	7.40	14,706	31		376	44	13	20
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – SME secured by immovable property												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	1	100	-	0.17	70	60		-	17	-	-
0.25 to <0.50	-	65	100	43	0.31	4,372	62		12	27	-	-
0.50 to <0.75	56	1	100	58	0.63	1,066	31		13	23	-	-
0.75 to <2.50	581	37	100	604	1.19	7,835	26		191	32	3	5
0.75 to <1.75	496	10	100	502	1.03	5,592	23		117	23	2	3
1.75 to <2.50	85	27	100	102	2.01	2,243	46		74	73	1	2
2.50 to <10.00	184	2	100	186	4.76	2,062	28		133	71	2	2
2.50 to < 5.00	112	1	100	113	3.57	1,320	28		72	63	1	1
5.00 to < 10.00	72	1	100	73	6.62	742	27		61	84	1	1
10.00 to <100.00	39	-	100	39	22.84	428	23		40	101	2	2
10.00 to <20.00	23	-	100	23	14.23	263	26		26	109	1	1
20.00 to <30.00	-	-	-	-	-	-	-		-	-	-	-
30.00 to <100.00	16	-	100	16	35.39	165	19		14	89	1	1
100.00 (default)	39	-	100	42	100.00	660	16		7	17	6	13
Subtotal (exposure class)	899	106	100	972	6.99	16,489	28		396	41	13	22
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Retail exposures – non-SME secured by immovable property collateral											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %		Exposure weighted amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range												
31 December 2024												
0.00 to <0.15	2,465	1,856	100	4,354	0.08	33,359	10		176	4	-	-
0.00 to <0.10	1,913	806	100	2,738	0.05	16,416	11		112	4	-	-
0.10 to <0.15	552	1,050	100	1,616	0.13	16,943	8		64	4	-	-
0.15 to <0.25	31,744	47	100	31,824	0.15	284,312	9		2,293	7	7	8
0.25 to <0.50	124,242	10,314	100	132,175	0.34	794,007	9		17,753	13	59	76
0.50 to <0.75	20,795	67	100	20,885	0.66	105,542	17		8,052	39	31	22
0.75 to <2.50	7,118	63	100	7,191	1.18	42,449	12		2,800	39	14	11
0.75 to <1.75	6,394	54	100	6,457	1.08	37,773	12		2,428	38	12	10
1.75 to <2.50	724	9	100	734	2.06	4,676	10		372	51	2	1
2.50 to <10.00	1,457	5	100	1,464	5.45	10,083	11		1,034	71	10	4
2.50 to < 5.00	697	4	100	702	3.54	4,664	12		432	62	4	1
5.00 to < 10.00	760	1	100	762	7.21	5,419	9		602	79	6	3
10.00 to <100.00	1,380	1	100	1,383	30.80	10,281	9		1,910	138	54	8
10.00 to <20.00	482	1	100	484	14.90	4,180	9		778	161	10	2
20.00 to <30.00	10	-	100	10	22.70	92	11		20	202	-	-
30.00 to <100.00	888	-	100	889	39.50	6,009	9		1,112	125	44	6
100.00 (default)	2,354	15	100	2,473	100.00	19,354	12		1,279	52	344	294
Subtotal (exposure class)	191,555	12,368	100	201,749	1.84	1,299,387	10		35,297	18	519	423
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – non-SME secured by immovable property												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	2,597	2,128	100	4,764	0.08	37,532	11		216	5	1	1
0.00 to <0.10	1,925	952	100	2,899	0.05	18,248	12		125	4	1	1
0.10 to <0.15	672	1,176	100	1,865	0.13	19,284	10		91	5	-	-
0.15 to <0.25	34,223	124	100	34,383	0.16	299,187	9		2,738	8	8	16
0.25 to <0.50	104,944	6,175	100	110,621	0.32	696,830	9		16,898	15	52	76
0.50 to <0.75	38,106	83	100	38,229	0.57	195,954	13		7,701	20	36	31
0.75 to <2.50	6,910	73	100	6,994	1.18	44,349	11		2,538	36	13	13
0.75 to <1.75	6,200	63	100	6,272	1.08	38,788	11		2,181	35	11	11
1.75 to <2.50	710	10	100	722	2.10	5,561	10		357	50	2	2
2.50 to <10.00	1,259	6	100	1,268	5.36	9,279	10		1,061	84	10	4
2.50 to < 5.00	545	5	100	552	3.48	4,195	11		350	64	3	2
5.00 to < 10.00	714	1	100	716	6.81	5,084	10		711	99	7	2
10.00 to <100.00	1,254	2	100	1,258	29.39	9,779	9		1,559	124	48	7
10.00 to <20.00	497	2	100	499	14.45	4,157	9		609	122	10	2
20.00 to <30.00	14	-	100	15	24.11	141	11		30	202	1	-
30.00 to <100.00	743	-	100	744	39.52	5,481	9		920	124	37	5
100.00 (default)	2,138	16	100	2,257	100.00	18,712	12		983	44	323	243
Subtotal (exposure class)	191,431	8,607	100	199,774	1.71	1,311,622	10		33,694	17	491	391
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Retail exposures – qualifying revolving											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range												
31 December 2024												
0.00 to <0.15	75	5,522	100	10,944	0.04	10,312,621	53		174	2	3	8
0.00 to <0.10	6	4,712	100	9,526	0.03	8,692,680	52		116	1	2	4
0.10 to <0.15	69	810	100	1,418	0.12	1,619,941	57		58	4	1	4
0.15 to <0.25	164	213	100	478	0.17	159,621	64		30	6	1	5
0.25 to <0.50	299	1,271	100	1,502	0.36	1,549,004	60		163	11	3	10
0.50 to <0.75	927	7,244	100	1,895	0.60	1,684,388	68		367	19	8	18
0.75 to <2.50	2,424	9,618	100	4,960	1.49	3,370,009	71		2,007	41	56	80
0.75 to <1.75	1,129	6,104	100	2,541	1.08	2,132,672	70		795	31	20	31
1.75 to <2.50	1,295	3,514	100	2,419	1.91	1,237,337	73		1,212	50	36	49
2.50 to <10.00	3,157	1,196	100	3,871	4.60	1,368,915	75		3,642	94	141	162
2.50 to < 5.00	2,026	985	100	2,583	3.57	1,012,550	74		2,011	78	70	77
5.00 to < 10.00	1,131	211	100	1,288	6.66	356,366	77		1,631	127	71	85
10.00 to <100.00	343	51	100	408	21.30	184,576	72		796	195	66	47
10.00 to <20.00	218	39	100	267	13.40	114,916	74		473	177	28	25
20.00 to <30.00	20	2	100	25	27.30	17,155	44		34	137	3	2
30.00 to <100.00	105	10	100	116	38.00	52,506	74		289	248	35	20
100.00 (default)	390	351	100	401	100.00	367,627	83		510	127	306	278
Subtotal (exposure class)	7,779	25,466	100	24,459	3.11	18,996,756	63		7,689	31	584	608
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – qualifying revolving												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	69	6,020	100	11,018	0.04	10,194,312	53		185	2	3	13
0.00 to <0.10	5	5,161	100	9,570	0.03	8,572,052	52		123	1	2	7
0.10 to <0.15	64	859	100	1,448	0.12	1,622,260	57		62	4	1	6
0.15 to <0.25	172	232	100	486	0.17	160,944	64		32	7	1	9
0.25 to <0.50	294	1,268	100	1,474	0.35	1,517,599	60		168	11	3	15
0.50 to <0.75	887	6,494	100	1,794	0.60	1,580,968	68		350	19	8	23
0.75 to <2.50	2,118	7,906	100	4,034	1.44	3,091,325	71		1,596	40	44	87
0.75 to <1.75	1,004	5,263	100	2,307	1.08	2,034,221	70		728	32	19	40
1.75 to <2.50	1,114	2,643	100	1,727	1.93	1,057,105	72		868	50	25	47
2.50 to <10.00	2,589	1,001	100	3,212	4.54	1,232,769	75		2,999	93	115	182
2.50 to < 5.00	1,701	817	100	2,193	3.56	921,414	74		1,708	78	59	93
5.00 to < 10.00	888	184	100	1,019	6.64	311,356	76		1,291	127	56	89
10.00 to <100.00	257	38	100	314	21.55	160,913	72		621	198	51	46
10.00 to <20.00	164	29	100	205	13.40	100,602	74		371	180	22	25
20.00 to <30.00	14	2	100	18	26.96	13,349	44		25	142	2	2
30.00 to <100.00	79	7	100	91	38.98	46,963	73		225	249	27	19
100.00 (default)	380	327	100	392	100.00	365,731	78		506	129	281	283
Subtotal (exposure class)	6,766	23,286	100	22,724	3.01	18,304,556	62		6,457	28	506	658
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Retail exposures – SME other											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range												
31 December 2024												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	11	100	9	0.17	4,338	60		2	18	-	-
0.25 to <0.50	-	706	100	774	0.32	374,836	63		214	28	2	3
0.50 to <0.75	638	32	100	736	0.63	90,113	37		177	24	2	2
0.75 to <2.50	4,995	358	100	5,490	1.27	487,179	34		1,675	31	25	34
0.75 to <1.75	4,026	131	100	4,257	1.05	315,387	30		1,078	25	13	17
1.75 to <2.50	969	227	100	1,233	2.02	171,794	47		597	48	12	17
2.50 to <10.00	1,890	43	100	2,073	4.43	260,141	35		850	41	32	19
2.50 to < 5.00	1,252	24	100	1,396	3.38	204,201	35		553	40	16	7
5.00 to < 10.00	638	19	100	677	6.59	55,940	35		297	44	16	12
10.00 to <100.00	371	10	100	387	22.20	37,073	36		238	61	29	16
10.00 to <20.00	216	7	100	227	13.50	21,283	39		136	60	12	8
20.00 to <30.00	9	-	-	9	24.80	320	39		7	76	1	-
30.00 to <100.00	146	3	100	151	35.30	15,470	30		95	63	16	8
100.00 (default)	2,133	3	100	2,185	100.00	98,874	13		242	11	258	253
Subtotal (exposure class)	10,027	1,163	100	11,654	20.93	1,352,546	32		3,398	29	348	327
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – SME other												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	10	100	8	0.17	4,133	59		1	17	-	-
0.25 to <0.50	-	725	100	773	0.32	370,579	63		214	28	2	5
0.50 to <0.75	705	37	100	806	0.63	89,685	34		182	23	2	3
0.75 to <2.50	5,791	357	100	6,288	1.26	498,719	29		1,638	26	24	43
0.75 to <1.75	4,661	133	100	4,893	1.04	318,148	25		1,046	21	13	20
1.75 to <2.50	1,130	224	100	1,395	2.02	180,572	41		592	42	11	23
2.50 to <10.00	2,220	40	100	2,407	4.50	276,441	31		872	36	34	25
2.50 to < 5.00	1,425	21	100	1,572	3.36	215,961	30		546	35	16	9
5.00 to < 10.00	795	19	100	835	6.64	60,480	32		326	39	18	16
10.00 to <100.00	471	9	100	488	23.20	39,899	30		252	52	30	20
10.00 to <20.00	265	6	100	276	13.70	22,553	34		144	52	13	10
20.00 to <30.00	8	-	-	8	23.54	350	34		5	64	1	-
30.00 to <100.00	198	3	100	204	36.07	16,996	24		103	51	16	10
100.00 (default)	1,874	2	100	1,907	100.00	84,488	14		238	12	244	235
Subtotal (exposure class)	11,061	1,180	100	12,677	17.48	1,363,939	29		3,397	27	336	331
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
	Retail exposures – non-SME other											
	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
PD range												
31 December 2024												
0.00 to <0.15	-	-	100	-	0.08	2	72		-	16	-	-
0.00 to <0.10	-	-	100	-	0.06	1	78		-	14	-	-
0.10 to <0.15	-	-	100	-	0.10	1	66		-	17	-	-
0.15 to <0.25	-	-	-	-	-	-	-		-	-	-	-
0.25 to <0.50	-	-	-	-	0.45	54	60		21	6,428	-	-
0.50 to <0.75	76	-	-	77	0.69	15,915	69		63	82	1	-
0.75 to <2.50	4,410	-	-	4,526	1.50	598,771	74		4,532	100	61	77
0.75 to <1.75	2,752	-	-	2,824	1.15	455,759	71		2,540	90	28	36
1.75 to <2.50	1,658	-	-	1,702	2.09	143,012	77		1,992	117	33	41
2.50 to <10.00	1,573	-	-	1,611	5.09	161,593	79		2,179	135	76	101
2.50 to < 5.00	965	-	-	989	3.77	97,007	78		1,258	127	32	56
5.00 to < 10.00	608	-	-	622	7.20	64,586	79		921	148	44	45
10.00 to <100.00	389	-	-	396	20.18	42,517	80		784	198	77	62
10.00 to <20.00	280	-	-	286	13.64	29,469	80		510	178	37	36
20.00 to <30.00	-	-	-	-	28.01	7	68		4	6,165	1	-
30.00 to <100.00	109	-	-	110	37.26	13,042	80		270	246	39	26
100.00 (default)	643	-	-	702	100.00	97,607	76		781	111	568	521
Subtotal (exposure class)	7,091		100	7,312	12.75	916,458	75		8,360	114	783	761
Total (all exposures classes)	307,725	96,788	66	360,893		22,614,256		0.80	97,573	27	2,877	2,903

UK CR6: IRB approach – Credit risk exposures by exposure class and PD range continued

a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – non-SME other												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk- weighted exposure amount after supporting factors £m	Density of risk- weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-		-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-		-	-	-	-
0.50 to <0.75	73	-	-	74	0.69	15,287	68		63	85	1	1
0.75 to <2.50	4,267	-	-	4,376	1.50	592,778	74		4,436	101	56	99
0.75 to <1.75	2,690	-	-	2,758	1.15	453,870	71		2,515	91	26	47
1.75 to <2.50	1,577	-	-	1,618	2.09	138,908	77		1,921	119	30	52
2.50 to <10.00	1,565	-	-	1,600	5.12	159,369	77		2,155	135	72	117
2.50 to < 5.00	942	-	-	963	3.77	95,113	78		1,229	128	31	65
5.00 to < 10.00	623	-	-	637	7.16	64,257	76		926	145	41	52
10.00 to <100.00	380	-	-	386	20.74	43,155	79		779	202	75	73
10.00 to <20.00	267	-	-	273	13.65	29,314	79		495	181	35	42
20.00 to <30.00	1	-	-	1	27.70	30	48		6	619	1	-
30.00 to <100.00	112	-	-	112	37.97	13,811	80		278	249	39	31
100.00 (default)	735	-	-	795	100.00	113,629	77		849	107	630	596
Subtotal (exposure class)	7,020	-	100	7,231	14.14	924,261	75		8,304	115	834	886
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

UK CR6-A: Scope of the use of IRB and SA approaches

The table below shows the following for each AIRB exposure class: a. the percentage of the total exposure value subject to the permanent partial use of standardised approach (column c), b. the percentage of total exposure subject to the IRB approach (column d), and c. the percentage of total exposures subject to a roll-out plan (column e). The aggregate exposure value of IRB and SA exposures (as shown in column b) uses the leverage ratio exposure methodology. This template excludes counterparty credit risk (CCR) exposures and securitisation exposures.

	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach £m	Total exposure value for exposures subject to the Standardised approach and to the IRB approach £m	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan(1) (%)
31 December 2024	a	b	c	d	e
1 Central governments or central banks	15,147	90,025	83.32	16.68	-
1.1 Of which Regional governments or local authorities	3,460	3,456	6.28	93.72	-
1.2 Of which Public sector entities	-	-	-	100.00	-
2 Institutions	10,811	11,440	9.44	90.56	-
3 Corporates	117,910	138,469	16.62	83.38	-
Of which Corporates - Specialised lending, excluding slotting approach	-	-	-	-	-
3.2 Of which Corporates - Specialised lending under slotting approach	19,199	18,805	-	100.00	-
3.3 Of which Corporates: SME	-	-	-	-	-
4 Retail	246,038	231,671	2.21	97.79	-
4.1 of which Retail – Secured by real estate SMEs	864	797	-	100.00	-
4.2 of which Retail – Secured by real estate non-SMEs	201,749	200,487	1.63	98.37	-
4.3 of which Retail – Qualifying revolving	24,459	12,573	2.45	97.55	-
4.4 of which Retail – Other SMEs	11,654	11,182	11.17	88.83	-
4.5 of which Retail – Other non-SMEs	7,312	6,632	4.56	95.44	-
5 Equity	2	6	66.05	33.95	-
6 Other non-credit obligation assets	5,516	5,081	7.22	92.78	-
7 Total	395,424	476,692	21.94	78.06	-

UK CR6-A: Scope of the use of IRB and SA approaches continued

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan(1)
		£m	£m	(%)	(%)	(%)
31 December 2023		a	b	c	d	e
1	Central governments or central banks	15,785	92,805	83.15	16.85	-
1.1	<i>Of which Regional governments or local authorities</i>	3,171	3,149	6.47	93.53	-
1.2	<i>Of which Public sector entities</i>	-	-	-	-	-
2	Institutions	12,501	12,916	10.00	93.33	-
3	Corporates	120,986	138,286	17.14	82.86	-
	<i>Of which Corporates - Specialised lending, excluding slotting approach</i>	-	-	-	-	-
3.1	<i>Of which Corporates - Specialised lending under slotting approach</i>	17,778	17,607	-	100.00	-
3.2	<i>Of which Corporates : SME</i>	-	-	-	-	-
4	Retail	243,379	228,220	1.85	98.15	-
4.1	<i>of which Retail – Secured by real estate SMEs</i>	972	897	-	100.00	-
4.2	<i>of which Retail – Secured by real estate non-SMEs</i>	199,774	197,772	1.28	98.72	-
4.3	<i>of which Retail – Qualifying revolving</i>	22,724	11,082	2.85	97.15	-
4.4	<i>of which Retail – Other SMEs</i>	12,677	12,122	9.54	90.46	-
4.5	<i>of which Retail – Other non-SMEs</i>	7,231	6,347	3.35	96.65	-
5	Equity	1	5	79.33	20.67	-
6	Other non-credit obligation assets	6,005	5,255	2.42	97.58	-
7	Total	398,657	477,487	22.22	77.78	-

(1) Exposures subject to the phased withdrawal from the Republic of Ireland are excluded.

UK CR7: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques

The table below shows the effect of credit derivatives on the calculation of IRB approach capital requirements by AIRB exposure class. The table excludes counterparty credit risk, securitisations, equity exposures and non-credit obligation assets.

		31 December 2024		31 December 2023	
		a	b	a	b
		Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
		£m	£m	£m	£m
5	Exposures under AIRB	97,573	97,573	98,645	98,645
6	Central governments and central banks	1,171	1,171	987	987
7	Institutions	2,276	2,276	3,464	3,464
8	Corporates	39,006	39,006	41,946	41,946
8.1	Of which: SME	6,944	6,944	6,982	6,982
8.3	Of which: Other	32,062	32,062	34,964	34,964
9	Retail	55,120	55,120	52,248	52,248
9.1	Of which: Secured by real estate SME				
	- Secured by immovable property collateral	376	376	396	396
9.2	Of which: Secured by real estate non-SME				
	- Secured by immovable property collateral	35,297	35,297	33,694	33,694
9.3	Of which: Qualifying revolving	7,689	7,689	6,457	6,457
9.4	Of which: Other SME	3,398	3,398	3,397	3,397
9.5	Of which: Other non-SME	8,360	8,360	8,304	8,304
10	Total	97,573	97,573	98,645	98,645

(1) Rows 1 - 4.2 are not presented as NWH Group does not use FIRB to calculate capital requirements for IRB exposures.

(2) Specialised lending exposures under the slotting approach are excluded.

UK CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques

The table below provides a view of the CRR credit risk mitigation techniques used in the capital requirements calculation for IRB exposures. These are presented by AIRB exposure class only as NWH Group does not apply the FIRB method. The table excludes counterparty credit risk, securitisations and non-credit obligation assets.

		Credit risk mitigation techniques										Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
		Funded credit protection (FCP)													
		Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party		Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	post all CRM assigned to the obligor exposure class	RWA with substitution effects
		Total exposures £m	%	%	%	%	%	%	%	%		%	%	£m	£m
31 December 2024		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	15,073	0.49	0.15	0.15	-	-	-	-	-	-	-	-	1,171	1,171
2	Institutions	9,110	18.92	2.19	2.14	-	0.05	-	-	-	-	2.28	-	2,276	2,276
3	Corporates	90,672	1.53	43.24	28.32	4.08	10.85	-	-	-	-	2.70	-	39,006	39,006
3.1	Of which: SME	16,146	1.47	83.52	63.26	9.41	10.85	-	-	-	-	2.82	-	6,944	6,944
3.2	Of which: Specialised lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3	Of which: Other	74,526	1.55	34.51	20.74	2.92	10.85	-	-	-	-	2.67	-	32,062	32,062
4	Retail	246,038	-	179.05	179.05	-	-	-	-	-	-	1.61	-	55,120	55,120
4.1	Of which: Immovable property SME	864	-	-	-	-	-	-	-	-	-	0.77	-	376	376
4.2	Of which: Immovable property non-SME	201,749	-	218.36	218.36	-	-	-	-	-	-	-	-	35,297	35,297
4.3	Of which: Qualifying revolving	24,459	-	-	-	-	-	-	-	-	-	-	-	7,689	7,689
4.4	Of which: Other SMEs	11,654	-	-	-	-	-	-	-	-	-	33.91	-	3,398	3,398
4.5	Of which: Other non-SME	7,312	-	-	-	-	-	-	-	-	-	-	-	8,360	8,360
5	Total	360,893	0.88	132.99	129.24	1.02	2.73	-	-	-	-	1.83	-	97,573	97,573

UK CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques continued

		Credit risk mitigation techniques										Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
		Funded credit protection (FCP)													
		Total exposures £m	Part of exposures covered by financial collaterals %	Part of exposures covered by other eligible collaterals %	Part of exposures covered by immovable property collaterals %	Part of exposures covered by receivables %	Part of exposures covered by other physical collaterals %	Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA post all CRM assigned to the obligor exposure class £m	RWA with substitution effects £m
31 December 2024		a	b	c	d	e	f	g	h	i	j	k	l	m	n
6	Specialised lending under the slotting approach	19,177												12,010	12,010
7	Equity Exposures	2												-	-
8	Total	19,179												12,010	12,010

UK CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques continued

		Credit risk mitigation techniques									Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs		
		Funded credit protection (FCP)													
		Total exposures	Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA assigned to the obligor exposure class	RWA with substitution effects
31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	15,724	0.39	0.19	0.19	-	-	-	-	-	-	-	-	987	987
2	Institutions	10,746	16.69	1.04	1.00	-	0.04	-	-	-	-	-	-	3,464	3,464
3	Corporates	95,466	13.26	110.97	54.16	7.82	48.99	-	-	-	-	1.96	-	41,946	41,946
3.1	Of which: SME	16,494	6.54	115.90	45.96	19.92	50.02	0.01	-	-	0.01	5.08	-	6,982	6,982
3.3	Of which: Other	78,972	14.66	109.94	55.87	5.29	48.78	-	-	-	-	1.31	-	34,964	34,964
4	Retail	243,378	-	185.46	185.46	-	-	-	-	-	-	2.07	-	52,248	52,248
4.1	Of which: Immovable property SME	972	-	-	-	-	-	-	-	-	-	1.09	-	396	396
4.2	Of which: Immovable property non-SME	199,774	-	225.93	225.93	-	-	-	-	-	-	-	-	33,694	33,694
4.3	Of which: Qualifying revolving	22,724	-	-	-	-	-	-	-	-	-	-	-	6,457	6,457
4.4	Of which: Other SMEs	12,677	-	-	-	-	-	-	-	-	-	39.72	-	3,397	3,397
4.5	Of which: Other non-SME	7,231	-	-	-	-	-	-	-	-	-	-	-	8,304	8,304
5	Total	365,314	3.97	152.24	137.40	2.04	12.80	-	-	-	-	1.89	-	98,645	98,645

UK CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques continued

		Credit risk mitigation techniques										Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
		Funded credit protection (FCP)													
		Total exposures	Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post all CRM assigned to the obligor exposure class	RWA with substitution effects
			£m	%	%	%	%	%	%	%	%				
31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n
6	Specialised lending under the slotting approach	17,755												11,502	11,502
7	Equity Exposures	1												3	3
8	Total	17,756												11,505	11,505

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale)

The tables below provide an overview of credit risk model performance, demonstrated by the analysis of average PDs.

All tables follow the same format and adopt the following definitions:

- **PD Range** – A fixed PD is used as prescribed in the disclosure instructions. Exposures are allocated based on the PD estimated at the end of the previous year for each obligor/account. Obligor/account – retail exposure classes are reported at account level while non-retail exposure classes are reported at obligor level.
- **Number of obligors at the end of the previous year** - For 2024, these are the number of obligors as at 31 December 2023.
- **Of which number of obligors that defaulted in the year** - The subset of the number of obligors at the end of the previous year in each PD category which defaulted during the year.
- **Observed average default rate** - Volume weighted one-year default rate for each PD category (the ratio of previous two columns) expressed as a percentage.
- **Exposure weighted average PD (%)** - Exposure weighted average one-year PD for each PD category.
- **Average PD (%)** - Volume weighted average one-year PD for each PD category.
- **Average historical annual default rate (%)** - Volume weighted five-year default rate for each PD category, calculated as a simple average of the one-year default rates of the five most recent years.

Other notes relevant to these tables:

- The tables exclude counterparty credit risk, securitisation positions, other non-credit obligation assets and equity exposures.
- A total row has been added into each exposure class table. The numbers reported in total row exclude the numbers in the PD range 100.00 (Default).
- Specialised lending exposures are not reported as NWH Group uses the supervisory slotting approaches for these portfolios.
- The total number of obligors with short-term contracts (where residual maturity is less than 12 months) as at 31 December 2024 was approximately 20.2 million, representing 89% of total obligors. The overall numbers include 14,846 obligors with short-term contracts residing in the Corporate - SME and Corporate – Others exposure classes. Of the total short-term contracts, the majority (94%) were in the Retail QRRE class.
- NatWest Group uses an approach with no overlapping windows in the calculation of long-run average PD rates.
- NWH Group has an established temporary model adjustment (TMA) framework in place. TMAs are used to increase RWA and/or EL where IRB model deficiencies or regulatory non-compliance is identified. TMAs are regularly reviewed until underlying model deficiencies have been remediated.
- Due to specific data exclusions used for model back-testing, the values reported in table UK CR9 do not fully reconcile with table UK CR6.

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

Key observations across all non-retail exposure classes: Default rates, exposure weighted average PDs and average PDs were stable when compared to 2023. The average historical annual default rate (five-year default rate) remained lower than the average PD.

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Central governments & central Banks	0.00 to <0.15	35	-	-	0.01	0.02	-
	0.00 to <0.10	35	-	-	0.01	0.02	-
	0.10 to <0.15	-	-	n/a	n/a	n/a	-
	0.15 to <0.25	-	-	n/a	n/a	n/a	-
	0.25 to <0.50	1	-	-	0.32	0.32	-
	0.50 to <0.75	-	-	n/a	n/a	n/a	-
	0.75 to <2.50	-	-	n/a	n/a	n/a	-
	0.75 to <1.75	-	-	n/a	n/a	n/a	-
	1.75 to <2.50	-	-	n/a	n/a	n/a	-
	2.50 to <10.00	-	-	n/a	n/a	n/a	-
	2.50 to <5.00	-	-	n/a	n/a	n/a	-
	5.00 to <10.0	-	-	n/a	n/a	n/a	-
	10.00 to <100.00	-	-	n/a	n/a	n/a	-
	10.00 to <20.00	-	-	n/a	n/a	n/a	-
	20.00 to <30.00	-	-	n/a	n/a	n/a	-
	30.00 to <100.00	-	-	n/a	n/a	n/a	-
	100.00 (Default)	-	n/a	n/a	n/a	n/a	n/a
Total (Non-Default)		36	-	-	0.01	0.03	-

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Central governments & central Banks	0.00 to <0.15	30	-	-	0.01	0.02	-
	0.00 to <0.10	30	-	-	0.01	0.02	-
	0.10 to <0.15	-	-	n/a	n/a	n/a	-
	0.15 to <0.25	-	-	n/a	n/a	n/a	-
	0.25 to <0.50	-	-	n/a	n/a	n/a	-
	0.50 to <0.75	-	-	n/a	n/a	n/a	-
	0.75 to <2.50	-	-	n/a	n/a	n/a	-
	0.75 to <1.75	-	-	n/a	n/a	n/a	-
	1.75 to <2.50	-	-	n/a	n/a	n/a	-
	2.50 to <10.00	-	-	n/a	n/a	n/a	-
	2.50 to <5.00	-	-	n/a	n/a	n/a	-
	5.00 to <10.0	-	-	n/a	n/a	n/a	-
	10.00 to <100.00	-	-	n/a	n/a	n/a	-
	10.00 to <20.00	-	-	n/a	n/a	n/a	-
	20.00 to <30.00	-	-	n/a	n/a	n/a	-
	30.00 to <100.00	-	-	n/a	n/a	n/a	-
	100.00 (Default)	-	n/a	n/a	n/a	n/a	n/a
Total (Non-Default)		30	-	-	0.01	0.02	-

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Institutions	0.00 to <0.15	198	-	-	0.07	0.08	-
	0.00 to <0.10	120	-	-	0.05	0.06	-
	0.10 to <0.15	78	-	-	0.11	0.11	-
	0.15 to <0.25	96	-	-	0.19	0.19	-
	0.25 to <0.50	47	-	-	0.35	0.36	-
	0.50 to <0.75	9	-	-	0.64	0.64	-
	0.75 to <2.50	19	-	-	1.11	1.31	-
	0.75 to <1.75	15	-	-	1.10	1.18	-
	1.75 to <2.50	4	-	-	1.81	1.81	-
	2.50 to <10.00	14	-	-	5.01	5.29	-
	2.50 to <5.00	6	-	-	3.37	2.70	-
	5.00 to <10.0	8	-	-	7.24	7.24	-
	10.00 to <100.00	3	-	-	16.32	19.89	-
	10.00 to <20.00	1	-	-	10.24	10.24	-
	20.00 to <30.00	2	-	-	28.96	24.72	-
	30.00 to <100.00	-	-	n/a	n/a	n/a	-
	100.00 (Default)	-	n/a	n/a	n/a	n/a	n/a
Total (Non-Default)		386	-	-	0.14	0.56	-

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Institutions	0.00 to <0.15	199	-	-	0.10	0.08	-
	0.00 to <0.10	145	-	-	0.07	0.06	-
	0.10 to <0.15	54	-	-	0.11	0.11	-
	0.15 to <0.25	85	-	-	0.19	0.19	-
	0.25 to <0.50	34	-	-	0.35	0.37	-
	0.50 to <0.75	13	-	-	0.64	0.64	-
	0.75 to <2.50	17	-	-	1.30	1.42	-
	0.75 to <1.75	11	-	-	1.28	1.21	-
	1.75 to <2.50	6	-	-	1.81	1.81	-
	2.50 to <10.00	12	-	-	3.33	4.89	-
	2.50 to <5.00	6	-	-	2.58	2.88	-
	5.00 to <10.0	6	-	-	6.79	6.89	-
	10.00 to <100.00	3	-	-	20.70	21.31	-
	10.00 to <20.00	1	-	-	14.48	14.48	-
	20.00 to <30.00	2	-	-	22.10	24.72	-
	30.00 to <100.00	-	-	n/a	n/a	n/a	-
	100.00 (Default)	-	n/a	n/a	n/a	n/a	n/a
Total (Non-Default)		363	-	-	0.16	0.55	-

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates	0.00 to <0.15	1,586	2	0.13	0.06	0.07	0.05
	0.00 to <0.10	1,172	-	-	0.05	0.06	0.03
	0.10 to <0.15	414	2	0.48	0.11	0.11	0.10
	0.15 to <0.25	2,538	17	0.67	0.19	0.21	0.25
	0.25 to <0.50	7,690	45	0.59	0.39	0.40	0.35
	0.50 to <0.75	4,500	24	0.53	0.64	0.64	0.53
	0.75 to <2.50	11,348	117	1.03	1.29	1.28	0.84
	0.75 to <1.75	8,432	68	0.81	1.11	1.09	0.72
	1.75 to <2.50	2,916	49	1.68	1.81	1.81	1.18
	2.50 to <10.00	4,933	158	3.20	3.44	3.29	2.47
	2.50 to <5.00	4,179	107	2.56	2.87	2.81	1.90
	5.00 to <10.0	754	51	6.76	5.96	5.96	5.24
	10.00 to <100.00	662	104	15.71	13.91	15.76	12.56
	10.00 to <20.00	484	63	13.02	11.54	12.28	10.36
	20.00 to <30.00	145	29	20.00	21.28	21.71	17.94
	30.00 to <100.00	33	12	36.36	40.14	40.58	23.59
	100.00 (Default)	1,393	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		33,257	467	1.40	0.77	1.43	1.16

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates	0.00 to <0.15	1,563	-	-	0.06	0.07	0.03
	0.00 to <0.10	1,156	-	-	0.05	0.05	0.03
	0.10 to <0.15	407	-	-	0.11	0.11	-
	0.15 to <0.25	2,452	4	0.16	0.19	0.20	0.13
	0.25 to <0.50	7,589	34	0.45	0.40	0.40	0.28
	0.50 to <0.75	4,674	29	0.62	0.64	0.64	0.48
	0.75 to <2.50	12,348	136	1.10	1.31	1.28	0.77
	0.75 to <1.75	9,075	82	0.90	1.11	1.09	0.68
	1.75 to <2.50	3,273	54	1.65	1.81	1.81	1.00
	2.50 to <10.00	5,657	167	2.95	3.51	3.35	2.16
	2.50 to <5.00	4,692	113	2.41	2.84	2.83	1.65
	5.00 to <10.0	965	54	5.60	5.66	5.83	4.58
	10.00 to <100.00	577	106	18.37	14.49	15.74	11.82
	10.00 to <20.00	432	70	16.20	12.16	12.16	9.54
	20.00 to <30.00	116	30	25.86	24.79	22.82	17.85
	30.00 to <100.00	29	6	20.69	40.36	41.36	19.43
	100.00 (Default)	1,354	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		34,860	476	1.37	0.83	1.45	1.11

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to corporates - SME	0.00 to <0.15	73	-	-	0.11	0.10	-
	0.00 to <0.10	23	-	-	0.06	0.06	-
	0.10 to <0.15	50	-	-	0.12	0.11	-
	0.15 to <0.25	1,522	7	0.46	0.21	0.21	0.26
	0.25 to <0.50	5,823	25	0.43	0.40	0.40	0.33
	0.50 to <0.75	3,421	22	0.64	0.64	0.64	0.53
	0.75 to <2.50	6,791	77	1.13	1.22	1.23	0.90
	0.75 to <1.75	5,298	51	0.96	1.07	1.07	0.78
	1.75 to <2.50	1,493	26	1.74	1.81	1.81	1.26
	2.50 to <10.00	2,357	95	4.03	3.27	3.43	2.89
	2.50 to <5.00	1,931	67	3.47	2.83	2.87	2.33
	5.00 to <10.0	426	28	6.57	6.09	5.94	5.09
	10.00 to <100.00	438	77	17.58	14.91	16.04	13.59
	10.00 to <20.00	320	44	13.75	12.08	12.47	11.01
	20.00 to <30.00	93	23	24.73	21.73	21.76	19.66
	30.00 to <100.00	25	10	40.00	40.03	40.46	28.81
	100.00 (Default)	914	n/a	n/a	100.00	100.00	n/a
	Total (Non-Default)	20,425	303	1.48	1.43	1.39	1.21

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to corporates - SME	0.00 to <0.15	62	-	-	0.04	0.10	-
	0.00 to <0.10	12	-	-	0.04	0.05	-
	0.10 to <0.15	50	-	-	0.12	0.11	-
	0.15 to <0.25	1,472	4	0.27	0.21	0.21	0.22
	0.25 to <0.50	5,653	20	0.35	0.40	0.40	0.27
	0.50 to <0.75	3,523	24	0.68	0.64	0.64	0.46
	0.75 to <2.50	7,430	88	1.18	1.26	1.25	0.80
	0.75 to <1.75	5,661	57	1.01	1.07	1.07	0.71
	1.75 to <2.50	1,769	31	1.75	1.81	1.81	1.08
	2.50 to <10.00	2,743	96	3.50	3.39	3.49	2.44
	2.50 to <5.00	2,199	57	2.59	2.84	2.90	1.92
	5.00 to <10.0	544	39	7.17	5.93	5.90	4.46
	10.00 to <100.00	375	78	20.80	15.35	15.91	12.30
	10.00 to <20.00	271	48	17.71	12.24	12.22	9.97
	20.00 to <30.00	86	27	31.40	22.72	22.16	18.09
	30.00 to <100.00	18	3	16.67	39.96	41.61	23.89
	100.00 (Default)	878	n/a	n/a	100.00	100.00	n/a
	Total (Non-Default)	21,258	310	1.46	1.42	1.40	1.14

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to corporates - Other	0.00 to <0.15	1,513	2	0.13	0.06	0.07	0.05
	0.00 to <0.10	1,149	-	-	0.05	0.06	0.03
	0.10 to <0.15	364	2	0.55	0.11	0.11	0.11
	0.15 to <0.25	1,016	10	0.98	0.19	0.20	0.23
	0.25 to <0.50	1,867	20	1.07	0.39	0.39	0.43
	0.50 to <0.75	1,079	2	0.19	0.64	0.64	0.55
	0.75 to <2.50	4,558	40	0.88	1.32	1.34	0.74
	0.75 to <1.75	3,135	17	0.54	1.13	1.12	0.58
	1.75 to <2.50	1,423	23	1.62	1.81	1.81	1.06
	2.50 to <10.00	2,576	63	2.45	3.52	3.17	2.05
	2.50 to <5.00	2,248	40	1.78	2.89	2.77	1.49
	5.00 to <10.0	328	23	7.01	5.93	5.97	5.65
	10.00 to <100.00	224	27	12.05	12.77	15.21	10.65
	10.00 to <20.00	164	19	11.59	10.97	11.92	9.22
	20.00 to <30.00	52	6	11.54	20.72	21.62	14.40
	30.00 to <100.00	8	2	25.00	40.96	40.96	18.12
	100.00 (Default)	479	n/a	n/a	100.00	100.00	n/a
	Total (Non-Default)	12,833	164	1.28	0.64	1.51	1.08

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to corporates - Other	0.00 to <0.15	1,501	-	-	0.06	0.07	0.03
	0.00 to <0.10	1,144	-	-	0.05	0.05	0.03
	0.10 to <0.15	357	-	-	0.11	0.11	-
	0.15 to <0.25	982	-	-	0.19	0.19	0.04
	0.25 to <0.50	1,979	14	0.71	0.40	0.40	0.32
	0.50 to <0.75	1,214	5	0.41	0.64	0.64	0.54
	0.75 to <2.50	5,105	48	0.94	1.33	1.33	0.72
	0.75 to <1.75	3,551	25	0.70	1.13	1.13	0.63
	1.75 to <2.50	1,554	23	1.48	1.81	1.81	0.89
	2.50 to <10.00	2,989	71	2.38	3.56	3.21	1.84
	2.50 to <5.00	2,552	56	2.19	2.84	2.77	1.36
	5.00 to <10.0	437	15	3.43	5.57	5.76	4.96
	10.00 to <100.00	208	28	13.46	13.95	15.42	11.14
	10.00 to <20.00	167	22	13.17	12.11	12.07	8.88
	20.00 to <30.00	30	3	10.00	27.60	24.72	17.84
	30.00 to <100.00	11	3	27.27	40.96	40.96	16.27
	100.00 (Default)	481	n/a	n/a	100.00	100.00	n/a
	Total (Non-Default)	13,978	166	1.19	0.70	1.54	1.05

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail	0.00 to <0.15	9,154,240	12,631	0.14	0.07	0.04	0.11
	0.00 to <0.10	8,606,859	9,784	0.11	0.05	0.03	0.10
	0.10 to <0.15	547,381	2,847	0.52	0.13	0.13	0.36
	0.15 to <0.25	1,163,339	5,098	0.44	0.20	0.19	0.33
	0.25 to <0.50	2,218,012	15,881	0.72	0.34	0.35	0.54
	0.50 to <0.75	1,890,751	13,351	0.71	0.57	0.60	0.63
	0.75 to <2.50	4,275,567	79,327	1.86	1.32	1.33	1.58
	0.75 to <1.75	3,302,591	51,366	1.56	1.13	1.12	1.35
	1.75 to <2.50	972,976	27,961	2.87	2.11	2.06	2.44
	2.50 to <10.00	1,685,148	97,991	5.81	4.76	4.34	4.89
	2.50 to <5.00	1,243,654	56,986	4.58	3.56	3.45	3.75
	5.00 to <10.0	441,494	41,005	9.29	6.75	6.87	7.81
	10.00 to <100.00	253,888	72,270	28.47	23.02	21.58	25.20
	10.00 to <20.00	156,652	29,767	19.00	13.92	13.54	16.01
	20.00 to <30.00	54,254	17,392	32.06	23.68	23.92	26.66
	30.00 to <100.00	42,982	25,111	58.42	43.47	47.93	51.26
	100.00 (Default)	585,670	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		20,640,945	296,549	1.44	0.81	1.02	1.25

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail	0.00 to <0.15	9,105,224	12,828	0.14	0.08	0.04	0.09
	0.00 to <0.10	8,546,181	9,958	0.12	0.05	0.03	0.08
	0.10 to <0.15	559,043	2,870	0.51	0.13	0.13	0.27
	0.15 to <0.25	1,122,531	5,224	0.47	0.20	0.19	0.27
	0.25 to <0.50	2,274,662	16,256	0.71	0.34	0.35	0.46
	0.50 to <0.75	1,769,914	14,036	0.79	0.56	0.59	0.60
	0.75 to <2.50	4,005,545	77,705	1.94	1.30	1.32	1.48
	0.75 to <1.75	3,124,215	50,873	1.63	1.13	1.11	1.26
	1.75 to <2.50	881,330	26,832	3.04	2.11	2.07	2.26
	2.50 to <10.00	1,500,995	91,361	6.09	4.78	4.35	4.55
	2.50 to <5.00	1,108,624	53,325	4.81	3.55	3.45	3.42
	5.00 to <10.0	392,371	38,036	9.69	6.73	6.88	7.30
	10.00 to <100.00	234,334	68,967	29.43	23.22	21.89	24.25
	10.00 to <20.00	144,334	28,165	19.51	13.87	13.58	14.98
	20.00 to <30.00	48,595	15,925	32.77	23.67	23.97	24.74
	30.00 to <100.00	41,405	24,877	60.08	44.18	48.38	49.40
	100.00 (Default)	514,134	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		20,013,205	286,377	1.43	0.78	0.97	1.21

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

Key observations for retail non-SME secured by immoveable property collateral: Default rates remained flat year-on-year (2023 v. 2024). House prices decreased during 2023, leading to a year-on-year increase in the portfolio loan-to-value, which resulted in higher PDs at 31 December 2023.

Exposure class	PD range	31 December 2024					
		Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - non-SME secured by immoveable property collateral	0.00 to <0.15	110,808	160	0.14	0.10	0.11	0.14
	0.00 to <0.10	42,611	51	0.12	0.07	0.07	0.09
	0.10 to <0.15	68,197	109	0.16	0.13	0.13	0.17
	0.15 to <0.25	336,810	750	0.22	0.20	0.19	0.19
	0.25 to <0.50	586,018	2,064	0.35	0.34	0.33	0.27
	0.50 to <0.75	195,972	758	0.39	0.57	0.58	0.35
	0.75 to <2.50	44,348	838	1.89	1.19	1.19	1.35
	0.75 to <1.75	39,697	675	1.70	1.09	1.08	1.22
	1.75 to <2.50	4,651	163	3.50	2.22	2.15	2.36
	2.50 to <10.00	9,279	767	8.27	5.34	5.27	6.20
	2.50 to <5.00	4,195	232	5.53	3.45	3.45	4.71
	5.00 to <10.0	5,084	535	10.52	6.80	6.77	7.46
	10.00 to <100.00	9,780	2,437	24.92	23.85	22.85	18.96
	10.00 to <20.00	4,158	799	19.22	14.48	14.45	14.79
	20.00 to <30.00	3,406	835	24.52	23.48	23.20	19.76
	30.00 to <100.00	2,216	803	36.24	38.58	38.07	31.92
	100.00 (Default)	18,718	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		1,293,015	7,774	0.60	0.55	0.55	0.50

Exposure class	PD range	31 December 2023					
		Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - non-SME secured by immoveable property collateral	0.00 to <0.15	130,051	209	0.16	0.10	0.10	0.13
	0.00 to <0.10	51,982	82	0.16	0.07	0.07	0.09
	0.10 to <0.15	78,069	127	0.16	0.13	0.13	0.16
	0.15 to <0.25	334,474	780	0.23	0.20	0.19	0.18
	0.25 to <0.50	648,702	2,386	0.37	0.34	0.33	0.24
	0.50 to <0.75	151,808	785	0.52	0.56	0.57	0.34
	0.75 to <2.50	42,461	879	2.07	1.19	1.21	1.12
	0.75 to <1.75	37,680	711	1.89	1.11	1.10	1.01
	1.75 to <2.50	4,781	168	3.51	2.17	2.09	1.89
	2.50 to <10.00	9,057	767	8.47	5.26	5.20	5.31
	2.50 to <5.00	4,229	262	6.20	3.35	3.38	4.17
	5.00 to <10.0	4,828	505	10.46	6.91	6.81	6.36
	10.00 to <100.00	9,353	2,232	23.86	23.54	22.51	17.16
	10.00 to <20.00	4,100	813	19.83	14.41	14.36	13.44
	20.00 to <30.00	3,245	731	22.53	23.49	23.30	18.46
	30.00 to <100.00	2,008	688	34.26	38.05	37.85	29.18
	100.00 (Default)	17,091	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		1,325,906	8,038	0.61	0.50	0.52	0.47

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

Key observations for retail - qualifying revolving retail exposure: The increase in PD was driven by both current accounts and cards portfolios. In current accounts, the increase was due to new lending with higher debt to income ratios and utilisation, and in cards, it was due to higher utilisation, mainly from the growing balance transfer population. This increased utilisation resulted in the increase in exposure weighted average PD. There was only a minor change in default rates year-on-year.

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - qualifying revolving	0.00 to <0.15	9,043,431	12,471	0.14	0.04	0.04	0.11
	0.00 to <0.10	8,564,247	9,733	0.11	0.03	0.03	0.10
	0.10 to <0.15	479,184	2,738	0.57	0.13	0.13	0.37
	0.15 to <0.25	805,895	4,261	0.53	0.19	0.18	0.38
	0.25 to <0.50	1,273,020	12,219	0.96	0.36	0.37	0.70
	0.50 to <0.75	1,588,725	11,554	0.73	0.59	0.60	0.64
	0.75 to <2.50	3,130,011	57,824	1.85	1.44	1.32	1.58
	0.75 to <1.75	2,397,661	37,766	1.58	1.17	1.11	1.37
	1.75 to <2.50	732,350	20,058	2.74	2.04	2.03	2.31
	2.50 to <10.00	1,239,281	71,436	5.76	4.54	4.29	4.71
	2.50 to <5.00	927,314	43,668	4.71	3.57	3.43	3.71
	5.00 to <10.0	311,967	27,768	8.90	6.63	6.83	7.49
	10.00 to <100.00	160,999	44,676	27.75	21.62	21.39	24.45
	10.00 to <20.00	100,667	18,278	18.16	13.27	13.43	15.45
	20.00 to <30.00	34,586	10,800	31.23	24.16	24.17	26.57
	30.00 to <100.00	25,746	15,598	60.58	52.10	48.76	52.03
	100.00 (Default)	367,729	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		17,241,362	214,441	1.24	1.33	0.86	1.04

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - qualifying revolving	0.00 to <0.15	8,975,172	12,619	0.14	0.04	0.04	0.09
	0.00 to <0.10	8,494,198	9,876	0.12	0.03	0.03	0.08
	0.10 to <0.15	480,974	2,743	0.57	0.13	0.13	0.27
	0.15 to <0.25	767,196	4,380	0.57	0.19	0.18	0.31
	0.25 to <0.50	1,263,062	12,220	0.97	0.36	0.36	0.57
	0.50 to <0.75	1,511,887	12,101	0.80	0.59	0.59	0.61
	0.75 to <2.50	2,857,515	55,148	1.93	1.40	1.30	1.47
	0.75 to <1.75	2,215,212	36,548	1.65	1.15	1.09	1.29
	1.75 to <2.50	642,303	18,600	2.90	2.06	2.03	2.12
	2.50 to <10.00	1,064,669	63,073	5.92	4.58	4.28	4.35
	2.50 to <5.00	799,108	39,262	4.91	3.58	3.43	3.33
	5.00 to <10.0	265,561	23,811	8.97	6.67	6.85	7.05
	10.00 to <100.00	138,835	38,298	27.59	21.36	21.29	23.51
	10.00 to <20.00	88,852	16,283	18.33	13.28	13.45	14.52
	20.00 to <30.00	27,869	8,802	31.58	24.28	24.30	24.92
	30.00 to <100.00	22,114	13,213	59.75	51.90	48.96	49.71
	100.00 (Default)	338,643	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		16,578,336	197,839	1.19	1.13	0.79	1.02

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

Key observations for retail – SME other: The majority of the decrease in volumes and defaults was due to run-off of Bounce Back Loans (BBLs). This was also the cause of the reduction in PD. BBLs attract 0% risk-weight; overall default rate excluding these was 2.24%.

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to <0.15	-	-	n/a	n/a	n/a	0.04
	0.00 to <0.10	-	-	n/a	n/a	n/a	0.02
	0.10 to <0.15	-	-	n/a	n/a	n/a	0.05
	0.15 to <0.25	20,632	87	0.42	0.21	0.20	0.28
	0.25 to <0.50	358,933	1,598	0.45	0.33	0.34	0.44
	0.50 to <0.75	90,767	796	0.88	0.63	0.63	0.87
	0.75 to <2.50	508,662	9,172	1.80	1.27	1.38	1.64
Exposure to Retail	0.75 to <1.75	377,400	5,586	1.48	1.09	1.13	1.38
- SME Other	1.75 to <2.50	131,262	3,586	2.73	2.09	2.11	2.33
	2.50 to <10.00	279,205	13,758	4.93	4.54	4.11	4.76
	2.50 to <5.00	217,623	7,148	3.28	3.45	3.34	3.27
	5.00 to <10.0	61,582	6,610	10.73	6.53	6.80	9.41
	10.00 to <100.00	40,087	13,438	33.52	23.71	22.21	27.90
	10.00 to <20.00	22,608	5,216	23.07	13.73	13.75	19.12
	20.00 to <30.00	9,512	3,611	37.96	24.06	23.75	29.85
	30.00 to <100.00	7,967	4,611	57.88	49.84	44.38	48.66
	100.00 (Default)	85,979	n/a	n/a	100.00	100.00	n/a
	Total (Non-Default)	1,298,286	38,849	2.99	2.91	2.25	2.88

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to <0.15	-	-	n/a	n/a	n/a	0.06
	0.00 to <0.10	-	-	n/a	n/a	n/a	0.03
	0.10 to <0.15	-	-	n/a	n/a	n/a	0.07
	0.15 to <0.25	20,859	64	0.31	0.21	0.20	0.23
	0.25 to <0.50	362,852	1,650	0.45	0.33	0.35	0.43
	0.50 to <0.75	91,057	884	0.97	0.63	0.64	0.81
	0.75 to <2.50	525,828	9,928	1.89	1.26	1.38	1.55
Exposure to Retail	0.75 to <1.75	390,911	6,249	1.60	1.08	1.13	1.28
- SME Other	1.75 to <2.50	134,917	3,679	2.73	2.10	2.11	2.30
	2.50 to <10.00	280,381	15,410	5.50	4.59	4.13	4.58
	2.50 to <5.00	217,085	7,819	3.60	3.48	3.36	3.15
	5.00 to <10.0	63,296	7,591	11.99	6.44	6.80	8.71
	10.00 to <100.00	43,378	15,651	36.08	24.37	22.70	25.57
	10.00 to <20.00	23,749	5,749	24.21	13.63	13.76	17.23
	20.00 to <30.00	10,422	4,114	39.47	23.90	23.79	26.62
	30.00 to <100.00	9,207	5,788	62.87	50.18	44.53	45.18
	100.00 (Default)	68,057	n/a	n/a	100.00	100.00	n/a
	Total (Non-Default)	1,324,355	43,587	3.29	3.11	2.31	2.67

(1) Exposure to retail – SME other includes all retail SME exposure, including Exposure to retail – SME secured by immovable property collateral.

UK CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) continued

Key observations for retail – non-SME other: The reduction in default rates was driven by the introduction of an improved application scorecard, and a tightening of acquisition policy. There was only a minor change in PDs year-on-year.

		31 December 2024					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail – non-SME other	0.00 to <0.15	1	-	-	0.06	0.06	-
	0.00 to <0.10	1	-	-	0.06	0.06	-
	0.10 to <0.15	-	-	n/a	n/a	n/a	-
	0.15 to <0.25	2	-	-	0.21	0.21	-
	0.25 to <0.50	41	-	-	0.45	0.45	0.29
	0.50 to <0.75	15,287	243	1.59	0.69	0.69	1.29
	0.75 to <2.50	592,546	11,493	1.94	1.49	1.35	1.58
	0.75 to <1.75	487,833	7,339	1.50	1.26	1.17	1.20
	1.75 to <2.50	104,713	4,154	3.97	2.16	2.23	3.37
	2.50 to <10.00	157,383	12,030	7.64	5.11	5.17	6.35
	2.50 to <5.00	94,522	5,938	6.28	3.80	3.87	5.19
	5.00 to <10.0	62,861	6,092	9.69	7.25	7.14	8.07
	10.00 to <100.00	43,022	11,719	27.24	20.47	21.43	27.01
	10.00 to <20.00	29,219	5,474	18.73	13.61	13.63	15.90
	20.00 to <30.00	6,750	2,146	31.79	23.96	23.27	26.55
	30.00 to <100.00	7,053	4,099	58.12	51.41	51.98	54.12
	100.00 (Default)	113,244	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		808,282	35,485	4.39	3.49	3.15	4.21

		31 December 2023					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail – non-SME other	0.00 to <0.15	1	-	-	0.06	0.06	-
	0.00 to <0.10	1	-	-	0.06	0.06	-
	0.10 to <0.15	-	-	n/a	n/a	n/a	-
	0.15 to <0.25	2	-	-	0.20	0.20	-
	0.25 to <0.50	46	-	-	0.45	0.45	0.50
	0.50 to <0.75	15,162	266	1.75	0.69	0.69	1.13
	0.75 to <2.50	579,741	11,750	2.03	1.47	1.34	1.47
	0.75 to <1.75	480,412	7,365	1.53	1.26	1.16	1.11
	1.75 to <2.50	99,329	4,385	4.41	2.16	2.23	3.17
	2.50 to <10.00	146,888	12,111	8.25	5.10	5.17	5.93
	2.50 to <5.00	88,202	5,982	6.78	3.78	3.86	4.81
	5.00 to <10.0	58,686	6,129	10.44	7.22	7.14	7.54
	10.00 to <100.00	42,768	12,786	29.90	21.31	22.88	27.82
	10.00 to <20.00	27,633	5,320	19.25	13.64	13.75	15.45
	20.00 to <30.00	7,059	2,278	32.27	23.79	23.24	24.43
	30.00 to <100.00	8,076	5,188	64.24	53.12	53.81	54.38
	100.00 (Default)	90,343	n/a	n/a	100.00	100.00	n/a
Total (Non-Default)		784,608	36,913	4.70	3.53	3.22	4.21

UK CRE: Qualitative disclosure requirements related to IRB approach

Introduction

There are three approaches available to calculate RWAs. These are:

- Standardised approach.
- Foundation internal ratings based (FIRB) approach.
- Advanced internal ratings based (AIRB) approach.

The CRR establishes the standardised approach as the method for banks to calculate RWAs for credit and counterparty credit risk.

To use the more complex FIRB or AIRB approaches, banks must gain regulatory permission. NWH Group has been granted permission by local and European regulators to use the AIRB approach to calculate RWAs for the majority of its credit and counterparty credit risk exposures.

NWH Group does not use the FIRB approach. Therefore, in these disclosures, IRB refers to the AIRB approach.

The IRB permission allows NWH Group to use its own estimates for the following inputs to the regulatory formula used to calculate RWAs:

- PD and LGD for credit risk and counterparty credit risk.
- EAD for credit risk.

EAD for counterparty credit risk is estimated in accordance with NWH Group's internal model method permission.

In the case of specialised lending to project finance and income-producing real estate customers, the IRB supervisory slotting methodology is used to calculate RWAs.

NWH Group uses the standardised approach for certain portfolios on a permanent basis; for low default/data portfolios where modelling is not suitable and for immaterial/run-off portfolios. Additionally, NWH Group uses the standardised approach for exposures which are subject to sequential implementation of the IRB approach (IRB rollout plan).

Advanced IRB models

NWH Group uses credit risk models not only to calculate RWAs under the IRB approach but also to support risk assessments in the credit approval process as well as ongoing credit risk management, monitoring and reporting.

NWH Group develops credit risk models for both retail and non-retail customers. Retail models are automated and applied across a portfolio of products. Non-retail models generally rely on the input of customer data as part of the credit risk management process – usually at the time of the customer's annual review – and permits the use of expert judgement overrides, which are subject to Credit Risk approval.

In line with all firms with permissions to use the IRB approach, NWH Group is currently undertaking a programme of model and rating system development, in order to align with new regulations which came into force on 1 January 2022.

Retail IRB models

Probability of default/customer credit grade models

- PD models assess the probability that a customer will fail to honour their credit obligations in the next 12 months.
- NWH Group assigns a score to each customer account and this is used across the businesses to support decision making and portfolio management. This score is used as an input into the PD model.
- Retail PD models are currently point-in-time by design, meaning they predict the probability of default under economic conditions at a given point-in-time. They are typically developed applying logistic regression techniques using a range of customer and account data across portfolios, as well as data from credit bureau.
- Different models are developed for different product types, with further distinctions based on other criteria such as whether a customer also has a current account with NWH Group. All retail PD models produce both a best estimate measure, used for portfolio reporting and forecasting, and a conservative estimate, which is an input to RWA calculations. The conservative estimate is designed to consider normal volatility in actual default rates and is floored at 0.03%, as mandated by regulation.
- All retail PD models are regularly monitored for accuracy, discrimination and stability.

Loss given default models

- LGD models estimate the amount of exposure that will not be recovered by NWH Group in the event of customer default.
- These models are developed by product type using internal loss data reflecting the collections and recoveries processes. They use a combination of borrower and facility characteristics and take account of credit risk mitigants, including collateral.
- As LGD represents economic loss, the estimate also incorporates the cost of collections and the impact of discounting to account for delays in recovery. In accordance with regulatory requirements, the estimates are calibrated to reflect loss rates expected during an economic downturn.

Exposure at default models

- EAD models estimate the utilisation of a credit facility at the time of a customer's default, recognising that further drawings on unused credit facilities may be made prior to default.
- Historical data on limit utilisation, in the period prior to customer default, is used for estimation and calibration. EAD for revolving products (for example credit cards and current accounts) has a more material anticipation of further drawings.
- As required by regulation, EAD estimates are set to be no lower than the current balance and reflect economic downturn conditions.

UK CRE: Qualitative disclosure requirements related to IRB approach continued

The table below presents an overview of the retail IRB models used to calculate RWAs for retail customers and small business brands. Retail models are statistical models developed using logistic or linear regression techniques.

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Mortgages	35,296	PD	3	Retail – Secured by real estate non-SME	There are separate models for standard and non-standard products.	Key model drivers include the internal behaviour score of the related current account and loan-to-value (LTV).
		LGD	2			LGD is estimated by modelling the probability of possession given default and shortfall given repossession, using key drivers such as LTV. Regulatory floors are applied at the appropriate level.
		EAD	3			EAD estimate is determined by account limit.
Personal unsecured loans and current accounts	9,635	PD	3	Retail – Other non-SME	Product level PD and EAD models are in place, with loans common across all regions. LGD models are combined across products.	Model estimates are mainly based on internal behavioural data, with some also using external credit bureau data.
		LGD	1	Retail – Qualifying revolving		Models estimate the probability of loss on a defaulted account, which is converted into an LGD estimate.
		EAD	2			Current accounts: A combination of linear regression and average models have been developed using internal data, such as account limit and balance. Loans: EAD estimate is determined by account balance.
Small business loans and current accounts	4,026	PD	2	Retail – Other SME	For PD, LGD and EAD, separate models are in place for loans and current accounts, common across all regions.	Model estimates are mainly based on internal behaviour data.
		LGD	2			For unsecured lending the models estimate the probability of loss on a defaulted account which is converted into an LGD estimate. For secured lending the LGD model estimates are based on the estimated recoveries from the liquidation of collateral. Regulatory floors are applied depending on the type of security.
		EAD	2			Current accounts: A combination of linear regression and average models have been developed using internal data, such as account limit and balance. Loans: EAD estimate is determined by account balance.
Personal credit cards	6,023	PD	1	Retail – Qualifying revolving	PD, EAD and LGD models developed for use across the retail brands.	Model estimates are based on internal behavioural data.
		LGD	1			Statistical model developed using internal and external data.
		EAD	1			A combination of linear regression and average models has been developed using internal data, such as account limit and balance.
Personal and small business asset finance	248	PD	1	Retail – Other SME	PD, EAD and LGD models developed for use within the UK Lombard brand.	Statistical PD model segmented by time on book, customer type and entity type.
		LGD	1	Retail – Other non-SME		For LGD, a statistical model is used based on long-run internal loss outcomes with key model drivers being security, together with customer and facility attributes.
		EAD	1			EAD for leasing is the present value of lease payments per regulatory requirements.

UK CRE: Qualitative disclosure requirements related to IRB approach continued

Non-retail IRB models

Probability of default/customer credit grade models

- As part of the credit assessment process, NWH Group assigns each customer a credit grade reflecting the customer's PD. NWH Group maintains and uses a number of credit grading models which consider risk characteristics relevant to the customer, incorporating both quantitative and qualitative inputs. NWH Group uses these credit grades in its risk management and measurement frameworks, including credit sanctioning and expected credit loss as well as managing single name concentration risk.
- Regulation defines the minimum time series and other attributes of the data used for developing and calibrating models. For the most material models, external data (historical default and rating data from rating agencies and insolvency rates) is referenced for estimation and calibration purposes so that models are based on over 20 years of default experience. The models applied to medium to large-size corporate customers, bank and sovereign counterparties (those used for the largest aggregate amounts of exposure) are the most material models.
- In line with regulatory requirements, for portfolios with low default frequency (where customer loan volumes are lower or customers are of higher credit quality), NatWest Group adopts a specific low-default portfolio approach incorporating an appropriately prudent calibration reflecting the potential that future outcomes may differ from the very low risk outcomes historically observed.
- The majority of the PD model suite discriminates risk levels well and are stable; current observed default rates are generally lower than model estimates. This reflects prudent calibrations across most of the non-retail models.
- PDs are floored at 0.03% (except for the Central Governments & Central Banks exposure class) as mandated by regulation.

Loss given default models

- Models are developed for different customer segments and reflect the recoveries approach applied to each segment.
- Where sufficient internal and external loss data exists, LGD is modelled based on this experience and directly incorporates the impact of credit cycle conditions. As LGD represents economic loss, the estimate also incorporates the cost of collections and the impact of discounting to account for delays in recovery. LGDs reflect loss rates expected during an economic downturn.
- For low-default portfolios, where loss data is scarce or the effect of credit conditions is only of limited relevance, simple benchmark LGDs are assigned in accordance with the PRA's low-default portfolio framework.

Exposure at default models

- EAD is estimated on a product type basis, with different credit conversion factors (CCFs) – measuring the portion of unused credit facility expected to be further drawn prior to default – assigned to each product. For contingent products, such as trade letters of credit, a "probability of call" multiplier is also applied which reflects the likelihood of pay-out once issued.
- Exposure can be reduced by a netting agreement, subject to meeting standards of legal enforceability.
- Where sufficient internal historical data exists, CCF estimates are developed to reflect economic downturn conditions and are based on limit utilisation in the period prior to customer default.
- For low-default portfolios, where data is scarce, products are rank-ordered and CCFs benchmarked to modelled products or relevant regulatory values.
- The most material product families for EAD are those applying to non-contingent products, in particular loans, overdrafts and revolving credit facilities.

UK CRE: Qualitative disclosure requirements related to IRB approach continued

The table below presents the non-retail IRB models NWH Group uses to calculate RWAs.

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Sovereign and quasi-government entities	6,610	PD	4	Central governments and central banks	Global PD and LGD models are developed for sovereign and quasi-government type entities.	Sovereign: external rating agency replication model calibrated to the agency long-run average default rates. Local authority, UK housing association and UK university: expert-driven scorecard models using both qualitative and quantitative inputs.
		LGD	2	Institutions Corporate – Other		Sovereign: an unsecured model calibrated using a logistic regression on a limited dataset of internal and external observations. LGD is floored at 45% in accordance with PRA requirements. Quasi-Government: the model is based on sovereign LGDs or regulatory LGD benchmarks due to its low-default nature.
Financial institutions	3,778	PD	6	Central governments and central banks Institutions Corporate – Other	Global PD and LGD models are developed for bank and non-bank financial institutions (NBFIs).	PD models are developed by counterparty type: Bank and insurance companies: external rating agency replication models calibrated to agency long-run average default rates. Geared investment fund: statistical model which is directly calibrated to internal default experience. Investment fund bridging: expert-driven model using quantitative and qualitative inputs. Hedge fund and managed fund: expert-driven scorecard models based mainly on qualitative inputs, due to their low-default nature.
		LGD	2	Equity IRB		Bank models and a single NBFI model are structured as simple decision trees relying on a few regulatory LGD benchmarks, due to low frequency or loss data.
Corporations: Turnover above £50 million	22,965	PD	2	Corporates – Other Equity IRB	PD: global large corporate model is used to grade customers that are externally rated or have a turnover in excess of £500 million.	Large corporate: external rating agency replication model which is calibrated to external and internal long-run average default data. Mid-large corporate: statistical model which is calibrated to internal long run data.
		LGD	2		Mid-large corporate model is used to grade customers in key countries (United Kingdom and US) with turnover between £50 million and £500 million, and that are not externally rated. LGD: global LGD model is used for large and mid-large corporate customers. LGD model for shipping customers.	Statistical model using a combination of internal and external loss data. Key model drivers are seniority, collateral, industry facility type and a credit cycle index. Lease facilities use secured collateral specific recovery rate models, calibrated to internal loss data. Large corporate LGD: a 35% LGD floor is applied for certain countries due to scarcity of loss data. Shipping: simple model based on benchmarks by ship types calibrated to internal loss data.

UK CRE: Qualitative disclosure requirements related to IRB approach continued

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Corporations: Turnover below £50 million	9,408	PD	1	Corporates – SME	United Kingdom PD and LGD models for corporates with a turnover below £50 million.	Statistical rating model which uses qualitative and quantitative inputs to produce a score that is transformed into a PD. Long-run average default rate calibrations based on internal and external data and taking into account differences between industry and sectors.
		LGD	4	Corporate – Other Equity IRB		Statistical models based on internal loss outcomes with key model drivers being security, together with customer and facility attributes.
Credit risk (excluding counterparty credit risk) EAD model			2	Central governments and central banks Institutions Corporates – SME Corporates – Specialised lending Corporates – Other	Consists of a global non-retail EAD model for banking book portfolios and a specialist EAD model for the RBS Invoice Finance brand.	EAD is modelled by grouping product types (products sharing similar contractual features and expected drawdown behaviour) and calculated based on the assigned CCF. CCFs are estimated either using historical internal data or based on benchmarks when data is scarce.

UK CRE: Qualitative disclosure requirements related to IRB approach continued

IRB model governance

The governance process for approval and oversight of IRB credit models involves the model developers, model users and independent model validation. The process applies increased scrutiny to the more material models. Credit risk models are developed and maintained within a framework that includes the following key components:

- A high level policy that establishes responsibilities of those involved in the modelling lifecycle and minimum requirements applying to each stage of the modelling lifecycle.
- Material model change and new model development and testing.
- IRB temporary model adjustments to address RWA/EL under estimation arising from model deficiencies or regulatory non-compliance.
- Model approval.
- Model implementation and use.
- Model monitoring, reporting and challenge.
- Detailed procedures and associated materials that define the approaches and activities undertaken at each of these stages.
- Defined structures and roles and responsibilities.
- Model development teams which are part of the independent risk management function, separate from the functions responsible for originating or renewing exposures, and are responsible for model development, calibration, approval and accountable for subsequent changes to rating systems.
- A model risk governance team responsible for model risk management across NWH Group.
- An independent Model Validation function that is organisationally separate from the model development teams, sets validation standards, independently reviews all activities and also completes a formal regular validation for each model.

The framework aims to ensure NWH Group model risk is managed appropriately and that the approaches deployed continue to meet both internal and regulatory standards.

The model performance is assessed by monitoring and regular validation. Each model is subject to a comparison of estimates to outcomes to assess the accuracy of the model. Other statistical tests assess the ability of the models to discriminate risk (i.e. its ability to determine the relative risk of a particular customer or exposure), the extent to which portfolio composition remains stable and, where relevant, the frequency and magnitude of overrides applied to modelled estimates.

Validation reports include further analyses that consider:

- Ongoing user acceptance and confidence in the model and its performance.
- Movements in the portfolio (both observed and anticipated).
- Other relevant data that might be used to explain or assess model performance.

Action may be taken when model performance is determined to be outside tolerance. This may entail recalibration of the model, enhancement (such as by reweighting existing model factors) or redevelopment. IRB temporary model adjustments may be applied whilst the remediation activity is undertaken if management believe the underperformance may lead to insufficient capital requirements for the portfolio.

In accordance with regulatory requirements, once a new IRB model or changes to incumbent IRB models have been approved through internal governance, they must follow appropriate regulatory approval or notification processes before implementation.

Independent model validation

All new and changed credit risk models are subject to detailed independent review aimed at testing that the models are appropriate for regulatory capital calculations. The following (non-exhaustive) list outlines key areas of focus:

- Conceptual soundness of the methodology.
- Testing the assumptions underlying the model, where feasible, against actual behaviour.
- Checking the accuracy of calculations.
- Comparing outputs with results from alternative methods.
- Testing parameter selection and calibration.
- Back-testing of key model metrics (accuracy, discrimination and stability).
- Sensitivity analysis.

The relevant model approver will consider review findings when approving a model or model change and also approve the model owner response to findings.

Independent Model Validation standards for all independent reviews and conducts the majority of them.

Internal Audit

Internal Audit includes within the scope of its assurance work, the modelling and management of the organisation's model risk. Internal Audit is independent from the risk management function, and therefore from those responsible for model development and independent validation activity. Any material gaps in control identified by Internal Audit are escalated through standard board reporting and action plans are agreed with those accountable for the activity behind the control.

Annex XXIII: Specialised lending

UK CR10: Specialised lending exposures

The table below shows IRB specialised lending exposures subject to the supervisory slotting approach analysed by type of lending and regulatory category. Exposures subject to the Securitisations framework are excluded.

CR10.1

		a	b	c	d	e	f
		Specialised lending: Project finance (slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk-weight	Exposure value	Risk-weighted exposure amount	Expected loss amount
31 December 2024	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	981	580	50%	1,260	515	-
	Equal to or more than 2.5 years	4,057	2,629	70%	5,758	3,235	23
Category 2	Less than 2.5 years	47	176	70%	176	113	1
	Equal to or more than 2.5 years	735	209	90%	892	673	7
Category 3	Less than 2.5 years	26	8	115%	28	25	1
	Equal to or more than 2.5 years	136	17	115%	148	156	4
Category 4	Less than 2.5 years	1	-	250%	1	2	-
	Equal to or more than 2.5 years	96	5	250%	98	184	8
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	104	2	-	105	-	53
Total	Less than 2.5 years	1,055	764		1,465	655	2
	Equal to or more than 2.5 years	5,128	2,862		7,001	4,248	95

		a	b	c	d	e	f
		Specialised lending: Project finance (slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk-weight	Exposure value	Risk-weighted exposure amount	Expected loss amount
31 December 2023	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	847	464	50%	1,168	500	-
	Equal to or more than 2.5 years	3,886	2,493	70%	6,010	3,574	24
Category 2	Less than 2.5 years	17	86	70%	98	68	-
	Equal to or more than 2.5 years	399	239	90%	567	455	5
Category 3	Less than 2.5 years	18	18	115%	32	37	1
	Equal to or more than 2.5 years	114	8	115%	117	110	3
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	43	3	250%	44	83	4
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	89	9	-	97	-	48
Total	Less than 2.5 years	882	568		1,298	605	1
	Equal to or more than 2.5 years	4,531	2,752		6,835	4,222	84

UK CR10: Specialised lending exposures continued

CR10.2

		a	b	c	d	e	f
		Specialised lending: Income-producing real estate and high volatility commercial real estate (slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk-weight	Exposure value	Risk-weighted exposure amount	Expected loss amount
31 December 2024	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	3,406	326	50%	3,552	1,776	-
	Equal to or more than 2.5 years	2,291	225	70%	2,420	1,693	10
Category 2	Less than 2.5 years	2,441	214	70%	2,561	1,792	10
	Equal to or more than 2.5 years	1,397	292	90%	1,658	1,492	12
Category 3	Less than 2.5 years	202	7	115%	202	233	6
	Equal to or more than 2.5 years	6	-	115%	7	8	-
Category 4	Less than 2.5 years	35	-	250%	36	89	3
	Equal to or more than 2.5 years	9	-	250%	9	24	1
Category 5	Less than 2.5 years	240	3	-	243	-	121
	Equal to or more than 2.5 years	22	1	-	23	-	12
Total	Less than 2.5 years	6,324	550		6,594	3,890	140
	Equal to or more than 2.5 years	3,725	518		4,117	3,217	35

		a	b	c	d	e	f
		Specialised lending: Income-producing real estate and high volatility commercial real estate (slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk-weight	Exposure value	Risk-weighted exposure amount	Expected loss amount
31 December 2023	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	2,325	293	50%	2,453	1,226	-
	Equal to or more than 2.5 years	2,014	243	70%	2,154	1,507	9
Category 2	Less than 2.5 years	2,496	205	70%	2,619	1,833	10
	Equal to or more than 2.5 years	1,647	298	90%	1,908	1,717	14
Category 3	Less than 2.5 years	195	3	115%	194	223	5
	Equal to or more than 2.5 years	24	1	115%	24	28	1
Category 4	Less than 2.5 years	48	-	250%	49	122	4
	Equal to or more than 2.5 years	7	-	250%	7	18	1
Category 5	Less than 2.5 years	168	2	-	170	-	86
	Equal to or more than 2.5 years	44	-	-	44	-	22
Total	Less than 2.5 years	5,232	503		5,485	3,404	105
	Equal to or more than 2.5 years	3,736	542		4,137	3,270	47

Annex XXV: Counterparty credit risk

UK CCR1: Analysis of CCR exposure by approach

The table below shows the methods used to calculate counterparty credit risk exposure and RWAs. It excludes the CVA charge, exposures to central counterparties (CCPs) and exposures to securitisation positions.

	a	b	c	d	e	f	g	h
	Replacement cost/current (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWA
	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2024								
1 SA-CCR (for derivatives)	162	242	-	1.4	1,785	565	565	254
4 Financial collateral comprehensive method (for SFTs)					60,369	1,537	1,537	232
6 Total					62,154	2,102	2,102	486

	a	b	c	d	e	f	g	h
	Replacement cost/current (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWA
	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2023								
1 SA-CCR (for derivatives)	91	219	-	1.4	904	434	434	137
4 Financial collateral comprehensive method (for SFTs)					66,438	2,382	2,382	440
6 Total					67,342	2,816	2,816	577

- (1) Disclosures relating to the items excluded from the scope of this table are presented as follows: a) Table UK CCR2 (CVA charge), b) Table UK CCR8 (exposures to CCPs) and c) Tables UK SEC1-5 (exposures to securitisation positions).
- (2) The following rows and/or columns are not presented in the table because they had zero values for the period or are not used by NatWest Holdings Group: row (UK1) Original Exposure Method (for derivatives), row (UK2) Simplified SA-CCR (for derivatives), row (2) IMM (for derivatives and SFTs) row (2a) IMM (for derivatives and SFTs) Of which securities financing transactions netting sets, row (2b) Of which derivatives and long settlement transactions netting sets, row (2c) IMM (for derivatives and SFTs) Of which from contractual crossproduct netting sets, row (3) Financial collateral simple method (for SFTs), row (4) Financial collateral comprehensive method (for SFTs) and row (5) VaR for SFTs.

- The decrease under the financial collateral comprehensive method for SFTs reflects the expiration of transactions.
- The RWA increase under SA-CCR for derivatives reflects increased exposure to higher-risk-weighted counterparties.

UK CCR2: Transactions subject to own funds requirements for CVA risk

The table below shows the CVA charge.

	a	b	a	b
	31 December 2024		31 December 2023	
	Exposure value	RWAs	Exposure amount	RWAs
	£m	£m	£m	£m
4 Transactions subject to the standardised method	322	168	306	77

- (1) The calculation of the VaR and SVaR components includes the use of a multiplier, which is at least 3x, as set by the regulator.
- (2) The following rows and/or columns are not presented in the table because they had zero values for the period or are not used by NatWest Holdings Group: row (1) Total transactions subject to the Advanced method, row (2) VaR component (including the multiplier), row (3) stressed VaR component (including the multiplier) and row (UK4) Transactions subject to the Alternative approach (Based on the Original Exposure Method).

- The increase in CVA RWAs was largely driven by increased interest rate risk hedging of capital issuances.

UK CCR3: Standardised approach – CCR exposures by regulatory exposure class and risk weights

The table below shows a view of counterparty credit risk positions subject to the standardised risk-weight approach by exposure class. It excludes the CVA charge and exposures to securitisation positions, but includes exposures to qualifying CCPs.

Exposure class	Risk-weight											
	a	b	c	d	e	f	g	h	i	j	k	l
	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total exposure value £m
31 December 2024												
1 Central governments or central banks	368	-	-	-	-	-	-	-	-	-	-	368
6 Institutions	-	211	-	-	94	25	-	-	-	-	-	330
7 Corporates	-	-	6	-	-	72	-	-	1	-	-	79
11 Total exposure value	368	211	6	-	94	97	-	-	1	-	-	777

Exposure class	Risk-weight											
	a	b	c	d	e	f	g	h	i	j	k	l
	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total exposure value £m
31 December 2023												
1 Central governments or central banks	87	-	-	-	-	-	-	-	-	-	-	87
6 Institutions	-	282	-	-	90	31	-	-	-	-	-	403
7 Corporates	-	-	-	-	-	-	-	-	120	-	-	120
11 Total exposure value	87	282	-	-	90	31	-	-	120	-	-	610

(1) The following rows are not presented in the table because they had zero values for the period: row (2) Regional government or local authorities, row (3) Public sector entities, row (4) multilateral development Banks, row (5) International organisations row (8) Retail, row (9) Institutions and corporates with a short-term credit assessment and row (10) other items.

- The increase in central governments and central bank exposure was due to a new SFT.
- The decrease in the institutions class was driven by a decline in exposure to qualifying central counterparties.
- The reduction in the 100% risk weight band was driven by a reclassification of counterparties.

UK CCR4: IRB approach – CCR exposures by exposure class and PD scale

The table below shows a detailed view of counterparty credit risk positions subject to the IRB risk-weight approach by exposure class and PD scale. It excludes the CVA charge, exposures to CCPs and exposures to securitisation positions. Counterparty credit risk exposures subject to the supervisory slotting method are not included in this table and they are disclosed in table UK CR10.

		a	b	c	d	e	f	g
		Exposure value £m	Exposure weighted Average PD %	Number of obligors	Exposure weighted Average LGD %	Exposure weighted Average maturity Years	RWAs £m	Density of risk weighted exposure amounts %
31 December 2024	PD scale							
Central governments and central banks	0.00 to <0.15	29	0.01	1	45	1.37	1	4
Central governments and central banks	0.15 to <0.25	-	-	-	-	-	-	-
Central governments and central banks	0.25 to <0.50	-	-	-	-	-	-	-
Central governments and central banks	0.50 to <0.75	-	-	-	-	-	-	-
Central governments and central banks	0.75 to <2.50	-	-	-	-	-	-	-
Central governments and central banks	2.50 to <10.00	-	-	-	-	-	-	-
Central governments and central banks	10.00 to <100.00	-	-	-	-	-	-	-
Central governments and central banks	100.00 (Default)	-	-	-	-	-	-	-
Total - Central governments and central banks		29	0.01	1	45	1.37	1	4
Institutions	0.00 to <0.15	40	0.11	2	45	1.11	12	30
Institutions	0.15 to <0.25	485	0.19	20	45	0.72	184	38
Institutions	0.25 to <0.50	91	0.32	3	45	1.17	42	46
Institutions	0.50 to <0.75	-	-	-	-	-	-	-
Institutions	0.75 to <2.50	-	-	-	-	-	-	-
Institutions	2.50 to <10.00	-	-	-	-	-	-	-
Institutions	10.00 to <100.00	-	-	-	-	-	-	-
Institutions	100.00 (Default)	-	-	-	-	-	-	-
Total - Institutions		616	0.21	25	45	0.81	238	39
Corporates - Other	0.00 to <0.15	749	0.04	204	45	1.70	140	19
Corporates - Other	0.15 to <0.25	142	0.17	6	45	0.35	37	26
Corporates - Other	0.25 to <0.50	-	-	-	-	-	-	-
Corporates - Other	0.50 to <0.75	-	-	-	-	-	-	-
Corporates - Other	0.75 to <2.50	-	-	-	-	-	-	-
Corporates - Other	2.50 to <10.00	-	-	1	-	-	-	-
Corporates - Other	10.00 to <100.00	-	-	-	-	-	-	-
Corporates - Other	100.00 (Default)	-	-	-	-	-	-	-
Total - Corporates - Other		891	0.06	211	45	1.48	177	20
Total - Wholesale all portfolios		1,536	0.12	237	45	1.21	416	27

UK CCR4: IRB approach – CCR exposures by exposure class and PD scale continued

		a	b	c	d	e	f	g
		Exposure value	Exposure weighted Average PD	Number of obligors	Exposure weighted Average LGD	Exposure weighted Average maturity	RWAs	Density of risk weighted exposure amounts
		£m	%		%	Years	£m	%
31 December 2023	PD scale							
Central governments and central banks	0.00 to <0.15	46	0.01	3	45	0.42	-	1
Central governments and central banks	0.15 to <0.25	-	-	-	-	-	-	-
Central governments and central banks	0.25 to <0.50	-	-	-	-	-	-	-
Central governments and central banks	0.50 to <0.75	-	-	-	-	-	-	-
Central governments and central banks	0.75 to <2.50	-	-	-	-	-	-	-
Central governments and central banks	2.50 to <10.00	-	-	-	-	-	-	-
Central governments and central banks	10.00 to <100.00	-	-	-	-	-	-	-
Central governments and central banks	100.00 (Default)	-	-	-	-	-	-	-
Total - Central governments and central banks		46	0.01	3	45	0.42	-	1
Institutions	0.00 to <0.15	46	0.11	3	45	0.38	10	22
Institutions	0.15 to <0.25	426	0.21	12	45	0.43	153	36
Institutions	0.25 to <0.50	93	0.32	3	45	0.11	30	33
Institutions	0.50 to <0.75	-	-	-	-	-	-	-
Institutions	0.75 to <2.50	-	-	-	-	-	-	-
Institutions	2.50 to <10.00	-	-	-	-	-	-	-
Institutions	10.00 to <100.00	-	-	-	-	-	-	-
Institutions	100.00 (Default)	-	-	-	-	-	-	-
Total - Institutions		565	0.22	18	45	0.37	193	34
Corporates - Other	0.00 to <0.15	1,682	0.05	190	45	0.20	164	10
Corporates - Other	0.15 to <0.25	196	0.20	7	45	0.52	67	34
Corporates - Other	0.25 to <0.50	-	-	-	-	-	-	-
Corporates - Other	0.50 to <0.75	-	-	-	-	-	-	-
Corporates - Other	0.75 to <2.50	-	-	-	-	-	-	-
Corporates - Other	2.50 to <10.00	-	-	-	-	-	-	-
Corporates - Other	10.00 to <100.00	-	-	-	-	-	-	-
Corporates - Other	100.00 (Default)	-	-	-	-	-	-	-
Total - Corporates - Other		1,878	0.07	197	45	0.23	231	12
Total - Wholesale all portfolios		2,489	0.10	218	45	0.27	424	17

– The RWA reduction in the Corporates - Other exposure class was driven by the expiration of SFTs.

UK CCR6: Credit derivative exposures

		a	b
		31 December 2024	
		Protection bought	Protection sold
		£m	£m
Notionals			
1	Single-name credit default swaps	-	-
2	Index credit default swaps	390	8
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	-	-
6	Total notionals	390	8
Fair values			
7	Positive fair value (asset)	-	-
8	Negative fair value (liability)	(1)	-

During 2024, Natwest Bank Plc started purchasing cleared index CDS to manage funding valuation adjustments.

UK CCR8: Exposures to CCPs

The table below shows counterparty credit risk exposures to CCPs including default fund contributions. A qualifying CCP (QCCP) means a CCP that has been either authorised or recognised in accordance with the relevant regulation.

		a	b	a	b
		31 December 2024		31 December 2023	
		Exposure value	RWA	Exposure value	RWA
		£m	£m	£m	£m
1	Exposures to QCCPs (total)		23		65
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	210	4	283	6
Of which:					
3	(i) OTC derivatives	148	3	78	2
4	(ii) Exchange-traded derivatives	-	-	-	-
5	(iii) Securities financing transactions	62	1	205	4
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	49	19	168	60

(1) The following rows are not presented in the table because they had zero values for the period: Exposures to QCCPs; row (4) Exchange-traded derivatives, row (6) Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which Netting sets where cross-product netting has been approved, row (7) Segregated initial margin, row (8) Non-segregated initial margin and row (10) Unfunded default fund contributions. Row (11) Exposures to non-QCCPs (total), row (12) Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions), row (13) OTC derivatives, row (14) Exchange-traded derivatives, row (15) SFTs, row (16) Netting sets where cross-product netting has been approved, row (17) Segregated initial margin, row (18) Non-segregated initial margin, row (19) Prefunded default fund contributions and row (20) Unfunded default fund contributions.

- As noted under UK CCR3, exposures to qualifying central counterparties decreased in the period.
- The RWA reduction was driven by lower default fund contributions.

UK CCRA: Qualitative disclosure related to counterparty credit risk

Definition and framework

Counterparty credit risk relates to derivative contracts, securities financing transactions (SFTs) and long settlement transactions in either the trading or the non-trading book. It is the risk of loss arising from a default of a counterparty before the final settlement of the transaction's cash flows, which vary in value by reference to a market factor, such as an interest rate, exchange rate or asset price.

Counterparty credit risk is covered by NWH Group's credit risk framework. Refer to the Credit risk section in this report for more information.

Counterparty credit limit setting

Counterparty credit limits are established through the credit risk management framework. Limits are based on the credit quality of the counterparty and the appetite for modelled potential future exposure. The utilisations recorded against the limits also reflect the netting of transactions where legally enforceable and the anticipated close-out periods in the event of default.

For central counterparties (CCPs), utilisations are calculated using the same model as for other collateralised counterparties, and a credit limit is set. Limits are separately set to cover initial margin posted to the CCP, default fund contributions and other contingent liabilities. Stress testing is used to assess contingent liabilities such as additional default fund contributions.

Counterparty credit risk management

The credit policy framework governs counterparty credit risk management requirements. Industry-standard documentation (for example, International Swaps and Derivatives Association master agreements for derivatives and Global Master Repurchase Agreements for SFTs) is typically executed with clients prior to trading. Exceptions to this require specific approval from a senior credit risk officer.

Where there is no legal certainty regarding the enforceability of netting, exposures are shown gross. Where netting and collateral enforceability criteria are not fulfilled, exposure is assumed to be uncollateralised. The framework also includes a formal escalation policy for counterparty collateral disputes and unpaid collateral calls.

Collateral required in the event of a credit rating downgrade

NWH Group calculates the additional collateral and other liquidity impacts that would contractually arise in the event of its credit ratings being downgraded. This is undertaken on a daily basis for Treasury and liquidity management purposes. As at 31 December 2024, a simultaneous one-notch long-term and associated short-term downgrade in the credit ratings of all rated entities within NWH Group by all major ratings agencies would have required NWH Group to post estimated additional collateral of £0 million, without taking mitigating management actions into account. A two-notch downgrade would have required £513 million.

Credit valuation adjustments

The credit valuation adjustment (CVA) is the difference between the risk-free value of a portfolio of trades and its market value, taking into account the counterparty's risk of default. CVA sensitivities may be hedged using a combination of derivatives or other instruments.

NWH Group calculates a regulatory CVA capital charge. The purpose of this charge is to improve the resilience of banks to potential mark-to-market losses associated with deterioration in the creditworthiness of counterparties with which NWH Group has transacted non-cleared derivative trades. The charge is calculated using the standardised approach, which is based on the external credit rating of the counterparty.

Wrong-way risk

Wrong-way risk represents the risk of loss that arises when the risk factors driving the exposure to a counterparty have a material positive correlation with the probability of default of that counterparty, i.e. the size of the exposure tends to increase at the same time as the risk of the counterparty being unable to meet that obligation increases.

This risk is immaterial for counterparty credit risk exposures in NWH Group.

UK SEC1: Securitisation exposures in the non-trading book

The table below shows total non-trading book securitisation exposures where NatWest Group acted as originator, sponsor or investor. These are presented by exposure type. Total exposures decreased, due to amortisation of the underlying pool of assets on originated transactions in NWH Group.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
		Institution acts as Originator							Institution acts as Sponsor				Institution acts as Investor				
		Traditional			Synthetic		Sub-total	Traditional		Synthetic		Sub-total	Traditional		Synthetic		Sub-total
		STS		Non-STS													
		£m	of which SRT	£m	of which SRT	£m	£m	£m	£m	STS	Non-STS	£m	£m	STS	Non-STS	£m	£m
31 December 2024		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
1	Total exposures	-	-	-	-	10,401	8,924	10,401	-	-	-	-	3,611	471	-	4,082	
2	Retail (total)	-	-	-	-	1,484	7	1,484	-	-	-	-	3,170	471	-	3,641	
3	Residential mortgages	-	-	-	-	1,477	-	1,477	-	-	-	-	2,107	471	-	2,578	
4	Credit card	-	-	-	-	-	-	-	-	-	-	-	658	-	-	658	
5	Other retail exposures	-	-	-	-	7	7	7	-	-	-	-	405	-	-	405	
7	Wholesale (total)	-	-	-	-	8,917	8,917	8,917	-	-	-	-	441	-	-	441	
8	Loans to corporates	-	-	-	-	8,917	8,917	8,917	-	-	-	-	-	-	-	-	
9	Commercial Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	441	-	-	441	
11	Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
		Institution acts as Originator						Institution acts as Sponsor				Institution acts as Investor					
		Traditional			Synthetic		Sub-total	Traditional			Synthetic	Sub-total	Traditional		Synthetic	Sub-total	
		STS		Non-STS													
		of which SRT		of which SRT		of which SRT		STS		Non-STS		STS		Non-STS			
31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
1	Total exposures	-	-	-	-	3,993	2,295	3,993	-	-	-	-	2,153	794	-	2,947	
2	Retail (total)	-	-	-	-	1,782	84	1,782	-	-	-	-	1,726	794	-	2,520	
3	Residential mortgages	-	-	-	-	1,698	-	1,698	-	-	-	-	1,074	393	-	1,467	
4	Credit card	-	-	-	-	-	-	-	-	-	-	-	652	-	-	652	
5	Other retail exposures	-	-	-	-	84	84	84	-	-	-	-	-	401	-	401	
7	Wholesale (total)	-	-	-	-	2,211	2,211	2,211	-	-	-	-	427	-	-	427	
8	Loans to corporates	-	-	-	-	1,819	1,819	1,819	-	-	-	-	-	-	-	-	
9	Commercial Mortgages	-	-	-	-	392	392	392	-	-	-	-	-	-	-	-	
10	Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	427	-	-	427	
11	Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

(1) The re-securitisation rows are not presented in UK SEC1 - 5 as there were no applicable exposures in NWH Group in either period

UK SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

The table below shows securitisation exposures in the non-trading book and associated regulatory capital requirements where NatWest Group acted as originator or sponsor. These are presented by exposure type.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)				Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap				
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC- IRBA	SEC- ERBA (including IAA)	SEC- SA	1250%/ deductions	SEC- IRBA	SEC- ERBA (including IAA)	SEC- SA	1250%/ deductions	SEC-IRBA	SEC- ERBA (including IAA)	SEC- SA	1250%/ deductions
31 December 2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Total Exposures	8,092	-	-	818	14	8,924	-	-	-	1,500	-	-	-	120	-	-	-
9 Synthetic transactions	8,092	-	-	818	14	8,924	-	-	-	1,500	-	-	-	120	-	-	-
10 Securitisation	8,092	-	-	818	14	8,924	-	-	-	1,500	-	-	-	120	-	-	-
11 Retail underlying	6	-	-	1	-	7	-	-	-	1	-	-	-	-	-	-	-
12 Wholesale	8,086	-	-	817	14	8,917	-	-	-	1,499	-	-	-	120	-	-	-

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)				Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap				
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC- IRBA	SEC- ERBA (including IAA)	SEC- SA	1250%/ deductions	SEC- IRBA	SEC- ERBA (including IAA)	SEC- SA	1250%/ deductions	SEC-IRBA	SEC- ERBA (including IAA)	SEC- SA	1250%/ deductions
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Total Exposures	1,414	21	-	844	16	2,295	-	-	-	578	-	-	-	46	-	-	-
9 Synthetic transactions	1,414	21	-	844	16	2,295	-	-	-	578	-	-	-	46	-	-	-
10 Securitisation	1,414	21	-	844	16	2,295	-	-	-	578	-	-	-	46	-	-	-
11 Retail underlying	22	3	-	59	-	84	-	-	-	14	-	-	-	1	-	-	-
12 Wholesale	1,392	18	-	785	16	2,211	-	-	-	564	-	-	-	45	-	-	-

(1) Rows 2-8 are not presented as there were no traditional securitisations where NWH Group acted as originator or sponsor in either period.

UK SEC4: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

The table below shows securitisation exposures in the non-trading book and associated regulatory capital requirements where NatWest Group acted as originator or investor. These are presented by exposure type.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC -SA	1250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC -SA	1250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC -SA	1250%/ deductions
31 December 2024																		
1	Total exposures	4,082	-	-	-	-	-	441	3,641	-	-	44	388	-	-	4	31	-
2	Traditional securitisation	4,082	-	-	-	-	-	441	3,641	-	-	44	388	-	-	4	31	-
3	Securitisation	4,082	-	-	-	-	-	441	3,641	-	-	44	388	-	-	4	31	-
4	Retail underlying	3,641	-	-	-	-	-	-	3,641	-	-	-	388	-	-	-	31	-
5	Of which STS	3,170	-	-	-	-	-	-	3,170	-	-	-	317	-	-	-	25	-
6	Wholesale	441	-	-	-	-	-	441	-	-	-	44	-	-	-	4	-	-
7	Of which STS	441	-	-	-	-	-	441	-	-	-	44	-	-	-	4	-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20%	>20% to	>50% to	>100% to	1250%	SEC	SEC-ERBA	SEC	1250%/	SEC	SEC-ERBA	SEC	1250%/	SEC	SEC-ERBA	SEC	1250%/
31 December 2023		RW	50% RW	100% RW	<1250% RW	RW/ deductions	-IRBA	(including IAA)	-SA	deductions	-IRBA	(including IAA)	-SA	deductions	-IRBA	(including IAA)	-SA	deductions
1	Total exposures	2,947	-	-	-	-	-	588	2,359	-	-	59	263	-	-	5	21	-
2	Traditional securitisation	2,947	-	-	-	-	-	588	2,359	-	-	59	263	-	-	5	21	-
3	Securitisation	2,947	-	-	-	-	-	588	2,359	-	-	59	263	-	-	5	21	-
4	Retail underlying	2,520	-	-	-	-	-	161	2,359	-	-	16	263	-	-	2	21	-
5	Of which STS	1,726	-	-	-	-	-	161	1,565	-	-	16	164	-	-	2	13	-
6	Wholesale	427	-	-	-	-	-	427	-	-	-	43	-	-	-	3	-	-
7	Of which STS	427	-	-	-	-	-	427	-	-	-	43	-	-	-	3	-	-

(1) Rows 9-12 are not presented as there were no synthetic securitisations where NWH Group acted as investor in either period.

UK SEC5: Exposure securitised by the institution – Exposures in default and specific credit risk adjustments

31 December 2024			
	a	b	c
Exposures securitised by the institution - Institution acts as originator or as sponsor			
	Total outstanding nominal amount	Total amount of specific credit risk adjustments made during the period	
	Of which exposures in default		
	£m	£m	£m
1 Total exposures	8,924	3	(3)
2 Retail (total)	7	-	-
3 Residential mortgage	-	-	-
4 Credit card	-	-	-
5 Other retail exposures	7	-	-
7 Wholesale (total)	8,917	3	(3)
8 Loans to corporates	8,917	3	(3)
9 Commercial mortgage	-	-	-
10 Lease and receivables	-	-	-
11 Other wholesale	-	-	-

31 December 2023			
	a	b	c
Exposures securitised by the institution - Institution acts as originator or as sponsor			
	Total outstanding nominal amount	Total amount of specific credit risk adjustments made during the period	
	Of which exposures in default		
	£m	£m	£m
1 Total exposures	2,295	13	6
2 Retail (total)	84	2	1
3 Residential mortgage	-	-	-
4 Credit card	-	-	-
5 Other retail exposures	84	2	1
7 Wholesale (total)	2,211	11	5
8 Loans to corporates	1,819	11	2
9 Commercial mortgage	392	-	3
10 Lease and receivables	-	-	-
11 Other wholesale	-	-	-

UK SECA: Qualitative disclosure requirements related to securitisation exposures

Framework, roles and definitions

This section presents descriptive information on NWH Group's securitisation activities and related risk management processes and accounting policies.

Definitions

Securitisation and special purpose entities

The CRR defines a securitisation as a transaction or scheme where the credit risk of an exposure or pool of exposures is tranching, where the payments arising from the transaction or scheme are dependent upon the performance of the underlying exposure(s) and where the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Securitisations can broadly take two forms: traditional and synthetic. In traditional securitisations, the originator transfers ownership of the underlying exposure(s) to an SSPE, putting the asset(s) beyond the reach of the originator and its creditors. The purchase of the underlying exposure(s) by the SSPE is funded by the issuance of securities.

In synthetic securitisations, the originator retains ownership of the underlying exposure(s) but transfers the associated credit risk to another entity through the use of guarantees or credit derivatives.

SSPEs are set up for a specific limited purpose to facilitate a securitisation transaction. They do not provide a commercial service or employ staff. They may take a variety of legal forms, such as trusts, partnerships and companies. Their activities are limited to those appropriate to carrying out a securitisation and their structure is intended to isolate the obligations of the SSPE from those of the originator institution and to ensure that the holders of the beneficial interests have the right to pledge or exchange those interests without restriction. Typically, their share capital is held ultimately by charitable trusts.

Although SSPEs are frequently used, they are not necessarily required for all securitisation structures.

The following definitions are used in these Pillar 3 disclosures:

Trading book – The trading book consists of positions in financial instruments and commodities held either with the intent to trade or in order to hedge other elements of the trading book. To be eligible for trading book capital treatment, financial instruments must either be free of any covenants restricting their tradability or be able to be hedged.

Non-trading book – The non-trading book consists of positions, exposures, assets and liabilities that are not in the trading book. It is also referred to as the 'banking book'. In this section, the counterparty credit risk arising from derivative trades associated with SSPEs is captured in the non-trading book disclosures, including in situations where the derivative attracts market risk in the trading book.

Securitisation position – Any exposure to a securitisation that falls within the scope of regulatory treatment. This includes not only exposures arising from the purchase or retention of the securities issued by an SSPE but also loans and liquidity facilities to securitisations, and the counterparty credit risk exposure of derivative positions transacted with an SSPE.

Re-securitisation – A securitisation in which the underlying asset or pool of assets comprises at least one securitisation position. NWH Group does not have any re-securitisation exposures.

Securitized exposure – An asset or pool of assets that is securitised by way of a traditional or synthetic securitisation.

Significant risk transfer assessment – An assessment prescribed by the CRR and designed to determine whether or not a securitisation structure transfers significant risk on the underlying assets to a party or parties other than the originator.

Term securitisation – A securitisation vehicle funding a pool of assets through the issuance of long-term securities. A term securitisation may hold the assets of one or more originators.

Asset-backed commercial paper (ABCP) conduit – A securitisation vehicle funding a pool of assets through the issuance of predominantly short-term securities (namely commercial paper). A conduit may hold the assets of one or more originators (referred to as a single-seller or multi-seller conduit, respectively).

Simple, transparent and standardised securitisation (STS) – these are exposures which meet requirements contained in the Securitisation Regulation. If they additionally meet some further requirements in the CRR, they can qualify for reduced capital requirements.

Objectives and roles

By participating in securitisation activity, NWH Group aims to achieve one or both of the following objectives, either for its own purposes or for customers:

- To diversify sources of funding; and
- To facilitate prudential balance sheet and risk management.

In doing so, NWH Group may incur a range of risks, including credit, market, liquidity and funding, legal, regulatory and reputational risks; for which it must hold regulatory capital.

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

NWH Group may play one or more of the following roles in a securitisation transaction:

Originator – NWH Group may originate securitisation transactions for either funding or risk and capital management purposes

The aim of originating funding transactions is to diversify its sources of funding and manage its balance sheet.

In funding transactions, NWH Group will be exposed to credit risk and market risk on the underlying assets, as the structure of the transaction does not transfer these risks to third parties.

The transactions originated for risk and capital management purposes, are synthetic transactions with the assets remaining on the accounting balance sheet. Risk is transferred by way of guarantees, with the intention of meeting the signification risk transfer requirements and derecognising the underlying credit risk and recognising the securitisation tranches, with credit risk mitigation on the protected tranches.

Investor – To generate financial returns, NWH Group may:

- Purchase asset backed loans and securities;
- Enter into derivative transactions with an SSPE

To generate additional fee income, NWH Group may play other roles as well.

Sponsor – NWH Group may establish and manage a term securitisation that purchases bonds or other financial assets from third parties. It may do so on its own account or on behalf of its customers. Additionally, it historically established and managed ABCP conduits. In its role as sponsor, It would be particularly exposed to credit and liquidity risk.

Arranger – NWH Group may structure a securitisation transaction, drafting the documentation that governs the behaviour of the SSPE, and then sell the securities issued by the SSPE to investors. It may act as arranger for securitisation transactions it originates or, alternatively, for securitisation transactions originated by its customers, principally financial institutions and large corporates.

Manager – NWH Group may manage and service the asset pool of the securitisation as required by the terms of the transaction.

Underwriter – NWH Group may underwrite the securities issued by an SSPE. The associated securitisation transaction may be originated by NWH Group or its customers.

Other administrative roles – As a 'contractual party', NWH Group may do any of the following, alone or in combination:

- Hold the bank account of an SSPE on its own books;
- Monitor the credit quality of the underlying assets on behalf of investors;
- Report on the performance of the SSPE to investors; and
- Make payments to investors on behalf of the SSPE.

Information relating to the significant roles performed by NWH Group (investor, originator, sponsor) is contained in the tables within this section.

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

Risk management

As noted above, acting as an originator, sponsor or investor in a securitisation transaction may give rise to both credit and market risk. NWH Group may also incur other types of risk during its exposure to securitisation activity.

All such risks are described in the table below, along with details of how they are monitored and managed.

STS and non-STS positions are not managed differently, although STS transactions which comply with all relevant requirements may have a lower capital requirement.

Types of risk	Definition and how the risk may arise	How NWH Group monitors and manages the risk
Credit risk	<p>The risk that a customer or counterparty (or, in the case of a securitisation, an SSPE) fails to meet its obligations to settle outstanding amounts.</p> <p>Securitisation may expose NWH Group to credit risk for any of several reasons.</p> <p>If NWH Group invests in an SSPE by purchasing or (in the case of a securitisation it has originated) retaining the bonds it issues, conducting derivative transactions with it or lending to it, NWH Group is exposed to the risk that the SSPE will fail to meet its obligations to settle outstanding amounts to NWH Group. This may happen because cash flows generated by the underlying assets are insufficient to repay creditors, including bondholders, derivative counterparties or lenders, or in the event of a third party, such as a bank account provider or derivative counterparty, defaulting on its obligation to the SSPE. The SSPE pays principal and interest to creditors in order of seniority, with the most senior paid first.</p> <p>When NWH Group originates a securitisation transaction, if the securitisation structure does not substantially transfer the economic risks of the underlying assets, including credit risk, to a third party, it is exposed to credit risk on those assets just as it would be if the securitisation had never taken place.</p> <p>Credit risk is heightened if the assets in the SSPE are not diversified by sector, geography or borrower.</p>	<p>NWH Group's overall exposure to third party securitisation is governed by its sector concentration framework. If it retains or purchases bonds issued by an SSPE, conducts derivative transactions with it or lends to it, NWH Group monitors the performance of the vehicle in part by reviewing information provided by the trustee as well as by rating agencies or other third parties.</p> <p>As an originator, if the securitisation structure does not transfer substantial credit risk to a third party, NWH Group manages it as if the securitisation had never taken place. NWH Group has credit limits in place and monitors SSPE positions with third party bank account providers for own asset securitisations which generate a credit risk exposure for NWH Group.</p> <p>NWH Group may seek to mitigate credit risk arising from the purchase (or retention) of bonds issued by an SSPE through the use of unfunded protection, usually guarantees. It does not usually hedge the credit risk associated with retained bonds, which are generally held in the non-trading book.</p>
Non-traded market risk	Non-traded market risk is the risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.	NWH Group manages this risk in accordance with its policy on non-traded market risk, including structural interest rate risk.
Liquidity and funding risk	Liquidity risk is defined as the risk that the Group or any of its subsidiaries or branches cannot meet its actual or potential financial obligations in a timely manner as they fall due in the short term. Funding risk is the current or prospective risk that the Group or its subsidiaries or branches cannot meet financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably. NWH Group may sponsor securitisations and, as sponsor, may provide liquidity facilities to the SSPE. If the SSPE utilises these facilities, NWH Group will need to fund them, giving rise to the risk that it will not be able to do so.	NWH Group manages these risks in accordance with its policy on liquidity and funding risk.

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

Types of risk	Definition and how the risk may arise	How NWH Group monitors and manages the risk
Legal risk	<p>The risk that NWH Group will incur losses as a result of the failure of the documentation relating to a securitisation to perform as expected or as a result of investors asserting that NWH Group made inadequate disclosures or conducted inadequate due diligence in relation to the relevant credit exposures. Legal risk is elevated if the parties to the transaction are located in different jurisdictions, as documentation effective in one jurisdiction may not be effective in another. Additional losses may arise as a result of costs incurred by the parties in an effort to address documentary shortcomings.</p> <p>This risk is heightened in the case of re-securitisations, as NWH Group needs to gather information surrounding each of the original transactions, together with an understanding of their interaction within the re-securitisation.</p>	NWH Group has specific processes and controls in place designed to ensure adequate due diligence is undertaken and appropriate disclosures are made in relation to the relevant offerings. In relation to documentation, distribution of securities and compliance with relevant laws and regulations, NWH Group works with experienced internal and external counsel to ensure all reasonable steps are taken to ensure documentation standards are satisfactory and applicable laws and regulations in all relevant jurisdictions are complied with.
Compliance and conduct risk	Compliance risk is the risk that the behaviour of NWH Group towards customers fails to comply with laws, regulations, rules, standards and codes of conduct. Conduct risk is the risk that the conduct of NWH Group and its subsidiaries and its staff towards customers – or in the markets in which it operates – leads to unfair or inappropriate customer outcomes and results in reputational damage, financial loss or both. Compliance and conduct risks exist across all stages of NWH Group's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential insider information.	Well-established policies and supporting processes are in place to ensure timely identification of, and effective responses to, changes in official sector requirements, laws, regulations and major industry standards affecting NWH Group. This risk falls under the governance of the Mandatory Change Advisory Committee, which meets monthly with representatives from all business segments and functions.
Reputational risk	<p>The risk of damage to stakeholder trust due to negative consequences arising from internal actions or external events.</p> <p>The three primary drivers of reputational risk have been identified as: failure in internal execution; a conflict between NWH Group's values and the public agenda; and contagion (when NWH Group's reputation is damaged by failures in the wider financial sector).</p>	NWH Group manages reputational risk in accordance with its reputational risk management framework.
Operational risk	<p>The risk of loss resulting from inadequate or failed internal processes, people and systems, or external events.</p> <p>This risk arises from day-to-day operations and is relevant to every aspect of the business.</p>	NWH Group manages operational risk in accordance with its operational risk management framework.

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

Regulatory treatment

NWH Group determines the regulatory capital required for exposures related to its securitisation activities in accordance with the CRR. In so doing, with respect to each securitisation transaction, it considers on an ongoing basis:

The effectiveness of the originated securitisation structure in achieving risk transfer; and

Whether the securitisation positions it holds relate to the trading or non-trading book.

In instances where it is an originator, NWH Group carries out a significant risk transfer assessment to evaluate whether the securitisation structure transfers significant credit risk associated with the underlying assets to the holders of the securitisation positions and that the reduction in capital requirements is commensurate with the reduction in risk.

If significant risk transfer is achieved, NWH Group does not hold any capital against the underlying assets but does hold capital against any retained securitisation positions. However, if it is not achieved, capital will be held against the underlying assets as if the securitisation had never taken place.

None of the SRT transactions are STS compliant. The retained positions are mostly senior exposures, with a very small amount of first loss exposure.

As noted earlier, NWH Group may play several roles in respect of securitisations. Of these, three may result in NWH Group holding securitisation positions in connection with which a capital charge is required: originator; sponsor; or investor.

In the case of securitisation positions in the non-trading book, NWH Group calculates regulatory capital for credit risk. Depending on the nature of the instrument there may also be capital requirements for counterparty credit risk. These positions tend to be to senior securitisation exposures, some of which may be STS compliant.

Calculation of risk-weighted exposures

Risk-weighted exposures for securitisation positions are calculated in accordance with the CRR.

There are three different methodologies for calculating risk weights and a hierarchy of approaches.

SEC-IRBA is the Internal Ratings-Based Approach. The calculation of the applicable risk weight is based on the capital charge for the underlying pool of exposures calculated under the IRB approach. Additional data inputs used in the calculation are the attachment and detachment points of the tranche, tranche maturity, effective number of exposures and the pool LGD.

SEC-SA is the Standardised Approach. The calculation of the applicable risk weight is based on the capital charge for the underlying pool of exposures calculated under the Standardised Approach. Additional data inputs used in the calculation are the nominal amount of delinquent exposures and the attachment and detachment points of the tranche.

SEC-ERBA is the External Ratings-Based Approach. This is based on external credit ratings from credit rating agencies. The ratings are mapped to corresponding credit quality steps (CQS) and, along with seniority of the tranche, maturity and tranche thickness, these are used to determine the risk weight for each exposure. NWH Group recognises ratings issued by Standard & Poor's, Moody's, Fitch, DBRS or ARC Ratings. Most transactions are rated by two or more of these rating agencies, which are formally classified as external credit assessment institutions (ECAIs).

NWH Group does not have any exposures capitalised using the Internal Assessment Approach (IAA).

Lower risk weights apply under all approaches to positions which qualify as Simple, Transparent and Standardised securitisations (STS).

NWH Group applies the hierarchy as set out in the CRR and applies one of the methodologies, SEC-IRBA, SEC-SA or SEC-ERBA as required. The SEC-IRBA approach has only been used on own-originated transactions, where IRB risk weights on the underlying assets are available. The remaining exposures are risk weighted, as appropriately, using SEC-SA or SEC-ERBA.

Summary of accounting policies including derecognition

Accounting assessment takes place at the time of closing a transaction and depends on a securitisation's residual risk. By contrast, significant risk transfer assessments take place at regular intervals and the resulting capital calculations can differ depending on the change in residual risk over time.

The most relevant accounting policies for transactions involving securitisation of NWH Group's own assets are 1) consolidation of the securitisation vehicle; and 2) derecognition of the securitised assets in the original company.

The most relevant accounting policies for the purchase of third-party securitisation exposures (referred to in the accounting framework as contractually linked notes) are 1) recognition; 2) classification and measurement; and 3) consolidation of the securitisation vehicle.

Consolidation

A structured entity is consolidated when NWH Group, or one of its subsidiaries, controls it. Control over a structured entity arises when NWH Group, or one of its subsidiaries, has the power to direct the key activities of the entity so as to affect its exposure to the variable returns from the entity.

Derecognition

A financial asset is derecognised (removed from the balance sheet) when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition. Conversely, an asset is not derecognised in a contract under which NWH Group retains substantially all the risks and rewards of ownership.

A financial liability is removed from the balance sheet when the obligation is paid, cancelled, or expires. Cancellation includes the issuance of a substitute instrument on substantially different terms.

Derecognition assessment will be considered both at the consolidated and company level when a financial instrument is transferred to a structured entity.

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

Financial instruments

Financial instruments are measured at fair value upon initial recognition on the balance sheet. Monetary financial assets are classified into one of the following subsequent measurement categories. This is subject to business model assessment and review of contractual cash flow for the purposes of sole payments of principal and interest where applicable:

- amortised cost measured at cost using the effective interest rate method, less any impairment allowance;
- fair value through other comprehensive income (FVOCI) measured at fair value, using the effective interest rate method and changes in fair value through other comprehensive income;
- mandatory fair value through profit or loss (MFVTPL) measured at fair value and changes in fair value reported in the income statement; or
- designated at fair value through profit or loss (DFV) measured at fair value and changes in fair value reported in the income statement.

Classification by business model reflects how NWH Group manages its financial assets to generate cash flows. A business model assessment helps to ascertain the measurement approach depending on whether cash flows result from holding financial assets to collect the contractual cash flows, from selling those financial assets, or both.

Business model assessment of assets is made at portfolio level, being the level at which they are managed to achieve a predefined business objective. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives for the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio.

The contractual terms of a financial asset; any leverage features; prepayment and extension terms; and triggers, discounts or penalties to interest rates that are part of meeting Environmental, Social Governance Targets as well as other contingent and leverage features, non-recourse arrangements and features that could modify the timing and/or amount of the contractual cash flows that might reset the effective rate of interest; are considered in determining whether cash flows are solely payments of principal and interest.

Contractually linked notes (securitisation positions) contain features which require additional consideration, and the position in the waterfall of payments may affect the outcome.

Certain financial assets may be designated at fair value through profit or loss (DFV) upon initial recognition if such designation eliminates, or significantly reduces, accounting mismatch.

Upon disposal, the cumulative gains or losses in fair value through other comprehensive income reserve are recycled to the income statement for monetary assets and for non-monetary assets (equity shares) the cumulative gains or losses are transferred directly to retained earnings.

Regular way purchases of financial assets classified as amortised cost are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

Financial liabilities are classified into one of following measurement categories:

- amortised cost measured at cost using the effective interest rate method;
- held for trading measured at fair value and changes in fair value reported in income statement; or
- designated at fair value through profit or loss measured at fair value and changes in fair value reported in the income statement except changes in fair value attributable to the credit risk component recognised in other comprehensive income when no accounting mismatch occurs.

Assets awaiting securitisation

At both 31 December 2024 and 31 December 2023, no assets were categorised as awaiting securitisation.

Implicit support

NWH Group has not provided support to any securitisation transactions beyond its contractual obligations.

Types of transactions

In the role of originator, NWH Group securitises a variety of assets which typically include the following:

Residential mortgages and commercial real estate loans – NWH Group securitises residential mortgages and commercial real estate loans that it originates itself. Mortgages and real estate loans are assigned to SSPEs, which fund themselves principally through the issue of floating rate notes, although there are currently no such outstanding transactions.

Other loan types – NWH Group selectively securitises other loans that it originates, principally those to corporates and small and medium-sized enterprises. These are the synthetic SRT transactions.

SSPEs used by NWH Group

SSPEs used by NWH Group hold either the securitised assets themselves (traditional securitisations) or a package of other assets economically equivalent to those assets (synthetic securitisations).

At 31 December 2024, the last remaining multi-seller commercial paper conduit programme, Thames Asset Global Securitization (TAGS) which NWH Group had sponsored is dormant. During 2024, TAGS issued no commercial paper to external parties.

There are no remaining outstanding traditional securitisation SSPEs.

The synthetic securitisations purchase credit protection via SSPEs which issue CLN to the investors. These entities are:

- Nightingale Securities 2017-1 Limited
- Nightingale CRE 2018-1 Limited
- Nightingale Project Finance 2019 1 Limited
- NIGHTINGALE UK CORP 2020 2 LTD
- Nightingale LF 2021-1 Ltd
- Nightingale Project Finance II 2023-1 Limited
- Nightingale 2024-1 Limited
- Nightingale 2024-2 Limited
- Nightingale 2024-3 Limited

Affiliates of NWH Group do not invest in securitisations originated by the NWH Group or in securitisation positions issued by SSPEs sponsored NWH Group, beyond the risk retained in SRT transactions.

4 transactions have been originated by NWH Group during 2024.

Annex XXIX: Market risk

UK MR1: Market risk under the standardised approach

The table below shows market risk RWAs by type of risk under the standardised approach.

	31 December 2024	31 December 2023
	a	a
	RWAs	RWAs
	£m	£m
Outright products		
3 Foreign exchange risk	239	213
9 Total	239	213

(1) The following rows are not presented in the table because they had zero values for the period or are not used by NWH Group: (1) Interest rate risk (general and specific), (2) Equity risk (general and specific), (4) Commodity risk, (5) Simplified approach, (6) Delta-plus approach, (7) Scenario approach and (8) Securitisation (specific risk)

- Overall, market risk RWAs remained broadly unchanged over the year.
- NWH Group's market risk RWA exposure – which relates solely to the foreign exchange banking book charge – includes the position in NatWest Holdings Limited and its subsidiaries.

UK MRA: Qualitative disclosures related to market risk

Definition and framework

Non-traded market risk is the risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.

NWH Group is exposed to non-traded market risk through its banking activities. It has no material exposure to traded market risk.

The key sources of non-traded market risk in NWH Group are interest rate risk in the banking book (IRRBB), credit spread risk, foreign exchange risk and accounting volatility risk. This section contains general qualitative information on non-traded market risk. UK IRRBBA contains detailed qualitative information relating to management of IRRBB in NWH Group.

Market risk governance

Responsibility for identifying, measuring, monitoring and controlling market risk arising from non-trading activities lies with the relevant business. Oversight is provided by the independent Risk function.

Risk positions are reported regularly to the Executive Risk Committee and the Board Risk Committee, as well as to the Asset & Liability Management Committee. Non-traded market risk policy sets out the governance and risk management framework.

Risk appetite

NWH Group's qualitative appetite is set out in the non-traded market risk appetite statement.

Its quantitative appetite is expressed in terms of value-at-risk (VaR), stressed value-at-risk (SVaR), sensitivity and stress limits, and earnings-at-risk limits.

The limits are reviewed to reflect changes in risk appetite, business plans, portfolio composition and the market and economic environments. To ensure approved limits are not breached and that NWH Group remains within its risk appetite, triggers have been set and are actively managed.

Monitoring, mitigation and measurement

Interest rate risk

Interest rate risk in the banking book arises from the provision to customers of a range of banking products with differing interest rate characteristics. When aggregated, these products form portfolios of assets and liabilities with varying degrees of sensitivity to changes in market interest rates. Mismatches can give rise to volatility in net interest income as interest rates vary.

For information on NWH Group's management of this risk, refer to UK IRRBBA. The non-traded market risk section in the 2024 ARAs of NWH Group and NatWest Group contains additional information.

Credit spread risk

Credit spread risk arises from the potential adverse economic impact of a change in the spread between bond yields and swap rates, where the bond portfolios are accounted at fair value through other comprehensive income. Group's bond portfolios primarily comprise high-quality securities maintained as a liquidity buffer to ensure it can continue to meet its obligations in the event that access to wholesale funding markets is restricted. Additionally, other high-quality bond portfolios are held for collateral purposes and to support payment systems.

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

Foreign exchange risk

Non-traded foreign exchange risk arises from three main sources:

- **Structural foreign exchange rate risk** – mainly arises from the capital deployed in foreign subsidiaries and branches.
- **Transactional foreign exchange rate risk** – arises from customer transactions and profits and losses that are in a currency other than the functional currency.
- **Forecast earnings or costs in foreign currencies** – NatWest Group assesses its potential exposure to forecast foreign currency income and expenses. NatWest Group hedges forward some forecast expenses.

The most material non-traded open currency positions are the structural foreign exchange exposures arising from investments in foreign subsidiaries and branches. These exposures are assessed and managed to predefined risk appetite levels under delegated authority agreed by the CFO with support from the Asset & Liability Management Committee. NatWest Group seeks to limit the potential volatility impact on its CET1 ratio from exchange rate movements by deliberately maintaining a structural open currency position. Gains or losses arising from the retranslation of net investments in overseas operations are recognised in other comprehensive income and reduce the sensitivity of capital ratios to foreign exchange rate movements primarily arising from the retranslation of non-sterling denominated RWAs. Sensitivity is minimised where, for a given currency, the ratio of the structural open position to RWAs equals the CET1 ratio.

The sensitivity of this ratio to exchange rates is monitored monthly and reported to the Asset & Liability Management Committee at least quarterly. Foreign exchange exposures arising from customer transactions are hedged by businesses on a regular basis in line with NatWest Group policy.

Accounting volatility risk

Accounting volatility risk arises when an exposure is accounted for at amortised cost but economically hedged by a derivative that is accounted for at fair value. Although this is not an economic risk, the difference in accounting between the exposure and the hedge creates volatility in the income statement.

Accounting volatility can be mitigated through hedge accounting. However, residual volatility will remain in cases where accounting rules mean that hedge accounting is not an option, or where there is some hedge ineffectiveness. Accounting volatility risk is reported to the Asset & Liability Management Committee monthly and capitalised as part of the Internal Capital Adequacy Assessment Process (ICAAP).

Calculation of regulatory capital

Market risk exposures in the non-trading book that are not captured under Pillar 1 are capitalised through the ICAAP. This covers gap risk, basis risk, credit spread risk, pipeline risk, structural foreign exchange risk, prepayment risk and accounting volatility risk. A combination of value-based and earnings-based measures are used in the ICAAP.

The total non-traded market risk capital requirement is determined by adding the different charges for each sub risk type. The ICAAP methodology captures at least ten years of historical volatility and is produced to a 99% confidence level. Methodologies are reviewed by Model Risk Management and results are approved by the NWH Group Board.

Market risk RWAs for NWH Group as disclosed in this report relate solely to the foreign exchange banking book charge and are calculated using the standardised approach.

Annex XXXI: Operational risk

UK OR1: Operational risk own funds requirements and risk-weighted exposure amounts.

The table below shows income used in the calculation of own funds requirements for operational risk. NatWest Group applies the Standardised approach for calculating such requirements making use of audited income figures for the relevant indicator.

in £m.		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
Banking Activities		2021	2022	2023		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	10,489	13,016	11,951	1,556	19,445
3	Subject to TSA:	10,489	13,016	11,951		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

UK ORA: Qualitative information on operational risk.

Risk management objectives and policies

NatWest Group defines operational risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.” It is a level 1 key risk, within the NatWest Group risk directory and is managed through the setting of policy. Policy is supported by risk standards and toolkits to enable effective application and management of operational risk within the NWH Group Board approved risk appetite.

NWH Group’s operational risk appetite is calibrated at least annually and defines the type and aggregate level of risk NWH Group is willing to accept in pursuit of its strategic objectives and business plans. The operational risk appetite encompasses the full range of operational risks faced by its legal entities, businesses, and functions. It supports the effective management of operational risk and the promotion of robust risk practices and risk behaviours.

The NatWest Group operational risk policy, defines, at a high level, the key principles and approach to managing and reporting operational risk across NatWest Group. This includes the minimum requirements and approach that all legal entities must adhere to, and how risk appetite is overseen and controlled. It supports a risk based, principles approach to operational risk management with minimum requirements defined at a level commensurate to the risk exposure of each legal entity, business and function.

The NatWest Group operational risk policy is supported by risk standards aligned to each Level 2 operational risk in accordance with the NatWest Group risk directory. Risk standards are a more granular expression of policy and detail the mandatory controls that must be applied to manage each level 2 risk within appetite. Thus, providing the necessary requirements for the first line of defence (1LOD) to develop relevant operational policies controls and procedures.

The NatWest Group’s key operational risk focus areas have been Cyber Risk, Data Quality, Third Party Risk Management, Operational Resilience and End-of-Life systems given inherent risk impact of these themes on the overall operational risk profile.

Operational risk qualitative statement

NWH Group seeks to reduce financial loss and / or adverse consequences of operational risk for customers and NWH Group to an acceptable level through robust risk practices, behaviours and a proportionate control environment, balancing the cost with benefits of control. NWH Group accepts that operational risk is unavoidable as a result of conducting business and in the provision of services to customers.

Operational risk appetite is expressed through a combination of qualitative statements and quantitative Board risk appetite metrics that are reflective of the holistic operational risk profile and the key operational risk focus areas.

Operational risk strategies and processes

Within the Enterprise-Wide Risk Management Framework (EWRMF), risk toolkits define the approach, tools, and techniques for managing risk (split by principal risks both financial and non-financial). They include minimum standards for identification, assessment, management, monitoring, and reporting of operational risk.

Structure and organisation of the risk management function for operational risk

The NatWest Group Head of Operational Risk reports to the Director of Non-Financial Risk, who reports directly to the Chief Risk Officer and has primary responsibility for the operational risk function.

The risk governance arrangements in place for operational risk are aligned to the requirements set out in the NatWest Group Board approved EWRMF and are consistent with achieving safety, sound, and sustainable risk outcomes.

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

In line with industry best practice and sound risk governance principles, the Group adopts a Three Lines of Defence model of risk governance. The operational risk management function sits within the second line of defence (2LOD) operating as risk oversight and control to the first line of defence (1LOD) within businesses, functions and legal entities. The operational risk function is comprised of the following areas:

- **Operational Risk Framework Systems & Insights** – responsible for the design and ongoing development and maintenance of operational risk policies, standards and toolkits in alignment with the EWRMF. Responsible for the ownership, maintenance and enhancements to the NatWest Group operational risk systems and for operational risk reporting and insights.
- **Directors of Risk (DoR)**: interface with the businesses and functions and leverage wider Risk teams to provide expert oversight and challenge.
- **Specialist Risk Directors (SRD)**: provide deep and specialist technical expertise and knowledge to support the DoR teams and to provide independent risk oversight and an aggregated view of specific level 2 operational risks.

Operational risk measurements and control

Operational Risk appetite is monitored through a series of measures, this includes measurement of high and very high rated operational risks, losses and events; control adequacy and effectiveness, issues management cyber security, out of date technology, third party risk and operational resilience. The performance of these measures is regularly reported to the Executive Risk Committee (ERC) and Board Risk Committee (BRC), with a breach reporting process in place to ensure timely escalation and action management.

In addition, our end-to-end Risk and Control Self-Assessment (RCSA) process is the key mechanism through which the NWH Group non-financial risk exposure is understood. It is used to identify and measure material non-financial risks faced by the group in order to facilitate the effective identification, assessment and management of risks within risk appetite. NWH Group assessments are supported by an understanding of the end-to-end journey, meaning we break down our assessment by key process steps within the journey, and examine the risks to the objectives of those processes.

Supporting our understanding of control is the Control Environment Certification (CEC) process. This is a bi-annual process, which requires senior members of the executive and management to assess the adequacy and effectiveness of their internal control frameworks which supports certification that their business or function is compliant with the Internal Control over Financial Reporting (Sarbanes-Oxley Section 404) regulatory requirements and with the requirements of the UK Corporate Governance Code section on Risk Management and Internal Controls.

CEC covers material risks and the underlying key controls, including financial, operational and compliance controls, as well as supporting risk management frameworks.

Operational risk reporting

Standardised monthly reporting requirements and prescribed risk governance via the Group's risk governance committees is in place across the NatWest Group, supported by legal entity, business and function reporting. This supports the visibility and tracking of the business level and aggregated bank wide risk profile in relation to appetite, ensuring effective ongoing oversight and challenge of operational risk across NWH Group. This includes monthly reporting to the ERC, the BRC, and business level risk committees.

To support effective oversight of operational risk, an Operational Risk Executive Steering Group (ESG) is also in place. The purpose of this ESG is to ensure that all Level 2 operational risks are monitored, and material risks are identified, understood and managed effectively.

The main responsibilities of the ESG are to:

- Review bank-wide the operational risk profile and mitigation against material themes through receipt of appropriate management information to monitor current operational risk relative to appetite.
- Review regular deep dives into the bank's material operational risks (leveraging framework outputs, loss/event data, industry context etc,) relative to agreed appetite, to understand status, consider emerging trends and review mitigation approaches and progress.
- Review return to appetite progress against material risk exposures.
- Review and consider insights from audit reports, market peers, historical events, emerging themes and trends.
- Review the aggregated Operational Risk Appetite Measures/limits/triggers for material operational risk themes
- Provide an escalation route for breaches of appetite measures, with appropriate challenge and oversight of mitigating actions
- Provide oversight of the Group's control environment through review and challenge of remediation plans

In addition to deep dives into the material operational risks mentioned above, all these requirements are supported with an annual operational risk deep dive into the overall risk profile which is presented to the ERC and the BRC.

Policies for mitigating operational risk

The NatWest Group operational risk policy defines the minimum requirements and approach that all legal entities must follow with respect to operational risk, including how the risk appetite is overseen and controlled. It supports a risk based, principles approach to operational risk management with minimum requirements defined at a level commensurate to the risk exposure of each legal entity, business, and function. The operational risk policy is supplemented by additional risk standards aligned to the level 2 risk directory.

Any exceptions to the Group Key Risk Policies by any legal entity, business or function must be approved by the relevant legal entity Chief Risk Officer and Board Risk committee prior to their submission to the Group Board Risk committee for approval. Unless there is a specific regulatory or jurisdictional expectation, Risk Policies are not mandated for any legal entities below NWH, NWM and RBSI. The Group Key Risk Policies are created, owned and maintained by the 2LoD and re reviewed at least annually to ensure alignment with the EWRMF. The key risk policies are approved by the Group Board Risk committee.

Minimum policy requirements for the identification and assessment, management and mitigation, monitoring and reporting of operational risk are outlined below. These requirements are set at NatWest Group level and must be

applied consistently by legal entities, businesses, and functions. The management of operational risk is made more effective by:

- Maintaining a strong risk culture.
- Defining and operating within risk appetite.
- Defining, implementing, and monitoring risk standards and controls across NatWest Group in relation to risk exposures. Outlining the expected key control requirements in the risk standards.
- Defining, implementing, and monitoring the outputs of risk management lifecycle tools and processes; and
- Providing independent 2LOD oversight as per three lines of defence model.
- Reporting regularly data led risk insights.

Minimum capital requirements for operational risk

NWH Group uses the standardised approach to calculate its Pillar 1 operational risk capital requirement. This is based on multiplying three years' average historical gross income (relative indicator) by coefficients set by the regulator based on business line. As part of the wider Internal Capital Adequacy Assessment Process (ICAAP), an operational risk economic capital model is used to assess Pillar 2A, which is a risk-sensitive add-on to Pillar 1. The model uses historical loss data (internal and external) and forward-looking scenario analysis to provide a risk-sensitive view of NWH Group's Pillar 2A capital requirement.

Scenario analysis is used to assess how severe but plausible operational risks will affect NWH Group. It provides a forward-looking basis for evaluating and managing operational risk exposures.

Insurances and other risk transfer mechanisms are not used for operational risk mitigation in the standardised approach.

Please refer to table UK OR1 For further details on operational risk own funds requirements.

Identification, assessment, and management.

RCSAs are used across all business areas and support functions to identify and assess material operational risks, conduct risks, financial crime risks and key controls. All risks and controls are mapped to NatWest Group's Risk Directory. Risk assessments are refreshed at least once every two years to ensure they remain relevant and there is a defined trigger process in place to trigger reviews of the RCSA outside the business-as-usual review cycle upon the occurrence of defined events (including applicable internal and external environmental changes) which would warrant a reassessment of the relevant risks.

The process is designed to assess if risks are effectively managed in line with risk appetite. Controls are tested at the appropriate frequency to verify that they remain fit-for-purpose and operate effectively to mitigate identified risks.

Risks are mitigated by applying key preventative and detective controls, which then determines residual risk exposure. Control owners are accountable for the design, execution, performance, and maintenance of key controls. Key controls are regularly assessed for adequacy and tested for effectiveness. The results are monitored and, where a material change in control performance is identified, the associated risk is re-evaluated.

Where control weaknesses or gaps are identified, relevant issues are raised which require accompanying action plans to address the control weaknesses or gaps within defined timelines.

Event and loss data management

The operational risk event and loss data management process ensures NWH Group captures and records operational risk events with financial and non-financial impacts that meet defined criteria. Loss data is used for internal, regulatory and industry reporting and is included in capital modelling for operational risk. The most serious events are escalated in a simple, standardised process to all senior management, by way of an Early Event Escalation (EEE) Process. NatWest Group has not experienced a material cybersecurity breach or associated material loss in the last three years.

All financial impacts and recoveries associated with an operational risk event are reported against the date they were recorded in NWH Group's financial accounts. A single event can result in multiple losses (or recoveries) that may take time to crystallise. Losses and recoveries with a financial accounting date in 2024 may relate to events that occurred, or were identified in, prior years. NatWest Group purchases insurance against specific losses and to comply with statutory or contractual requirements.

Annex XXXVII: Interest rate risk in the banking book (IRRBB)

UK IRRBB1: Quantitative information on IRRBB

The table below shows information on changes in economic value of equity (Δ EVE) and net interest income (Δ NII) under each of the prescribed interest rate shock scenarios. These scenarios are prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with points (a) and (b) of CRR Article 448(1).

	a	b	c	d	e	f
	Δ EVE		Δ NII		Tier 1 capital	
	31 December	30 June	31 December	30 June	31 December	30 June
	2024	2024	2024	2024	2024	2024
	£m	£m	£m	£m	£m	£m
010 Parallel shock up	(2,273)	(2,352)	1,343	1,277		
020 Parallel shock down	932	904	(1,771)	(1,713)		
030 Steepener shock	(523)	(421)				
040 Flatteners shock	50	(108)				
050 Short rates shock up	(840)	(1,030)				
060 Short rates shock down	216	281				
070 Maximum	(2,273)	(2,352)	(1,771)	(1,713)		
080 Tier 1 capital					23,152	22,967

- The most adverse EVE result under the six scenarios was the £2.3 billion reduction in economic value relative to base-case projection. This occurred in the parallel up scenario at 31 December 2024. The main driver of the parallel up scenario was the sensitivity of the equity structural hedge.
- The most adverse one-year NII result was the £1.8 billion reduction in net interest income relative to a base-case projection. This occurred in the parallel down scenario at 31 December 2024. The main driver of the parallel down scenario is margin compression risk to deposits across Retail Banking, Commercial & Institutional and Private Banking.

UK IRRBBA: IRRBB risk management objectives and policies

Definition and risk appetite framework

Interest rate risk in the banking book (IRRBB) is the risk of an economic loss due to unexpected movements in interest rates.

NWH Group's approach to managing IRRBB follows the overarching risk management framework and approach outlined in UK OVA. NWH Group measures its economic value and earnings risk sensitivity to IRRBB and has a risk appetite framework that limits these sensitivities.

Banking book risk positions are managed within limits. Management activity may involve offsetting or reducing on or off balance sheet positions, or hedging risk positions with derivatives. Limit or trigger breaches are escalated through the first and second lines of defence model using established procedures.

The quantitative risk appetite is mainly expressed in terms of value at risk (VaR), stressed value at risk (SVaR), present value of one basis point (PV01) sensitivity, economic value of equity (EVE) limits and earnings at risk limits.

Measures are applied not only at NWH Group level but also at sub-group consolidated and solo consolidated levels in addition to business segments and product levels.

Management and monitoring

IRRBB is generally managed by the Treasury function, which is responsible for external hedging. Treasury may net risk positions across certain portfolios (for example, fixed-rate mortgages and non-maturity deposits) to reduce its external derivative hedging requirement. For other portfolios, for example Treasury debt issuance, hedging may be matched to specific transactions.

The impact of changes to market conditions is continuously monitored. For example, wholesale portfolios may be valued daily on a mark-to-market basis. Additionally, all interest rate derivatives are subject to mark-to-market accounting treatment. VaR calculations are based on realised market movements, so VaR reflects periods of high market volatility which potentially acts as a limit on the size of underlying positions. In addition, stress testing scenarios aim to anticipate market stresses and are designed to highlight potential areas of vulnerability, for example negative interest rates or sharply higher rates. Furthermore, NWH Group's internal capital adequacy assessment for IRRBB allocates capital to risk positions using stressed sensitivity measures, including earnings and economic value stresses.

NWH Group ALCo considers the balance-sheet impact of IRRBB appetite and the actions taken to manage it within set limits. ALCo also reviews the interest rate risk profile on an ongoing basis.

Models used to measure IRRBB are subject to the model risk validation framework. The framework ensures that models are independently validated, rated and approved as appropriate for use. It also establishes the periodicity for ongoing validation and a governance and control framework that includes model usage and development.

NWH Group's management of IRRBB is also reviewed by Internal Audit, which is independent of the first and second lines of defence and is responsible for providing independent assurance to the Board.

Measurement

Calculation of risk measures varies in frequency as deemed appropriate by the Board. EVE is calculated and reported at least quarterly. Earnings at risk, VaR and PV01 for NWH Group's overall banking book is calculated and reported at least monthly. Risk measures for wholesale market-linked activity such as money markets or liquidity portfolio management are monitored daily. Frequency of reporting may, if required, be updated in response to changes in market conditions or to assess the impact of changes in underlying positions.

NWH Group primarily uses PV01, VaR and EVE to measure the economic value sensitivity of IRRBB.

- **Value at Risk** is a statistical estimate of the potential change in value of a portfolio over a specified time horizon to a given confidence level. In accordance with NWH Group risk policy, different holding periods and confidence levels are applied to VaR, which is measured using historical simulations. Standard simulations are based on nominal interest rate gaps at the reporting date. They assume a holding period of 1 day and a confidence interval of 99 days and are modelled using at least 500 business days of historical data.
- **EVE and PV01** estimate the net present value sensitivity of projected interest and principal cashflows at the reporting date to changes in the discount curve. A base-case net present value measurement using market-implied interest rates is compared to the result using a shocked interest rate curve. The difference between the results is the reported sensitivity. Most of the EVE stresses used by NWH Group are those required by the PRA rulebook and recommended by the Basel Committee on Banking Supervision in its policy standard on IRRBB of April 2016 including:
 - **Parallel yield** curve shocks in all rates, including up to 250 basis points in sterling.
 - **Shocks to shorter-term rates**, with the rate shock diminishing towards zero at a 20-year maturity, including a short-term rate shock in sterling of up to 300 basis points.
 - **Rotational** shocks with: (i) long-term rates up and short-term rates down (steepener) or (ii) short-term rates up and long-term rates down (flattener).

In all EVE shocks, a lower bound for overnight interest rates of -100 basis points rising to 0% for 20-year rates is assumed in any currency.

NWH Group's approach to EVE sensitivity is to include commercial margins and spread components in projected cash flows and in the rates used for discounting the cash flows. No correlation is assumed across material currencies on its balance sheet. Gains in any individual currency are weighted at 50% while losses are weighted at 100%. NWH Group monitors EVE sensitivity through the Supervisory Outlier Test ensuring compliance with the Δ EVE as a percentage of Tier 1 capital regulatory limit of 15%.

Earnings measures shock the market-implied yield curve at the reporting date. Generally the balance sheet is assumed to remain constant, with maturing contracts replaced on like-for-like terms. The yield curve shock is generally upward or downward, although flexibility exists to undertake rotational yield curve shifts. Downward rate shocks may include an assumed lower bound for interest rates, such as negative 1% in the downward 250-basis-point shock shown. In addition to the 250-basis-point shock, NWH Group uses upward and downward 25-basis-point and 100-basis-point rate shocks for earnings sensitivity measures.

UK IRRBBA: IRRBB risk management objectives and policies continued

NWH Group also assesses its sensitivity to central bank policy rate basis risk. The approach considers a stress to the basis between central bank policy rates, risk-free rates and inter-bank offered rates.

Earnings sensitivity is measured over a defined time horizon, typically one to three years with a 12-month horizon used to define risk appetite.

Interest rate stresses may be varied to adapt to market conditions or reporting requirements.

Assumptions

NWH Group's approach to assessing IRRBB incorporates assumptions in respect of customer behaviour, which affect the cash flows associated with certain instruments. The most significant assumptions are discussed below.

Non-maturity deposits

The average repricing maturity of non-maturity deposits is assessed at a portfolio level. The assessment is undertaken at least annually, but is subject to ongoing monitoring by the business segment, Treasury and Risk.

Non-maturity deposits are analysed by business segment, product type and currency. The assessment uses both expert judgement and statistical models. It considers factors including, but not necessarily limited to: (i) the historical stability of the balances; (ii) projected balances taking into account business strategy, seasonal trends, potential changes to the level of interest rates and pricing responses; (iii) potential market developments and stresses; and (iv) statistical analysis of deposit balance behaviour.

The review also considers the impact of hedging, taking into account: (i) NWH Group's market risk appetite; (ii) its earnings at risk and economic value sensitivity; (iii) the availability of balance-sheet hedges such as fixed-rate mortgage lending; (iv) the depth of interest rate swap markets; and (v) the accounting treatment of derivative hedges. Regulatory guidance is also considered.

As a result of the assessment, a core percentage of deposits will be assigned a repricing maturity. This represents the proportion of deposits for which balances are considered stable and price elasticity in response to changes in the interest rate environment is expected to be low or zero. The non-core percentage of deposits will be assigned an overnight repricing maturity.

An assessment is also made of non-maturity assets, such as revolving credit card balances, administered rate overdrafts and non-performing exposures. Slightly different factors may be considered, including time in recovery for non-performing exposures.

Prepayment or early redemption risk

The risk to earnings or economic value from the prepayment of customer loans or early withdrawal of fixed-rate customer deposits is often mitigated, at least in part, by the existence of early repayment penalties and/or the loss of interest on deposits and the relatively short-term nature of the fixed-rate term for many products.

Nevertheless, some retail, business and commercial fixed rate products do provide the customer with the benefit of the option to partially or fully terminate the agreement without suffering the exit penalty that would apply to a wholesale market transaction at arm's length.

Products are segmented and assessments are made at product level. Historical customer behaviour may be used as a basis for assessing the propensity for prepayment or early redemption, which may be combined with an assessment of how customer behaviour may respond in future to changes in the external environment, including the general level of interest rates. Other factors considered include loan seasoning and burnout, whereby customers may be less likely to refinance loans that have recently drawn down or, conversely, are approaching maturity. There will also be an assessment of the business strategy, including the approach to retention of fixed-rate mortgage customers, for example. A prepayment curve is constructed for different interest rate fixture lengths and is used to measure and manage prepayment risk. Expected prepayment rates are monitored and back-tested against observations and are subject to regular, at least annual, review. Prepayment speeds are assumed to be sensitive to the level of interest rates in EVE scenarios and are increased in the parallel down, short rates down and flattener rate shocks and reduced in the parallel up, short rates up and steeper shocks.

Application of assumptions

NWH Group aims to apply assumptions consistently across its internal risk measurement system and externally disclosed sensitivities. Hence there are no significant differences between the assumptions used in internal risk measurement systems for EVE and the assumptions used to produce externally disclosed EVE sensitivity.

Weighting gains in any currency at 50% in EVE is a prescribed supervisory parameter. In other value metrics, such as VaR and PV01, currency gains are weighted at 100%; this also applies to earnings sensitivities.

Hedging

Hedging of Retail, Private and Business portfolios generally involves netting risk across asset and liability positions before hedging residual interest rate risk externally with interest rate swaps. The asset and liability positions are primarily accounted for on an amortised cost basis. However, interest rate swaps are accounted for at fair value, with changes in fair value recognised in the profit and loss account. Cash-flow hedge accounting is frequently applied to the hedging derivatives in order to match the timing of gains and losses associated with interest rate movements across the hedging instrument and the hedged item. Further disclosure of cash-flow hedge accounting policy is available in the 2024 NWH Group ARA.

Hedging of Commercial lending and Treasury issuance and liquidity portfolios is frequently managed at a transactional level. Fair-value hedge accounting treatment is frequently applied. Further disclosure of the fair-value hedge accounting policy is available in the 2024 NWH Group ARA. Hedging money market portfolios also involves use of derivatives.

A small proportion of Commercial loan origination is fixed-rate loans with zero break costs where management may involve the use of purchased options.

Repricing maturity

At 31 December 2024, the average repricing maturity assigned to core non-maturing deposits was 14 to 15 months.

The longest repricing maturity assigned to non-maturing deposits was 5 years.

Annex XXXIII: Remuneration

This section contains disclosures which are required in accordance with UK regulatory requirements and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. They also take into account the European Banking Authority (EBA) guidelines on sound remuneration policies. It should be read in conjunction with the Directors' remuneration report starting on page 126 of the NatWest Group 2024 ARA.

UK REM A - Remuneration policy for all colleagues

The remuneration policy supports the business strategy and is designed to promote the long-term success of NatWest Group. It aims to reward the delivery of good performance provided this is achieved in a manner consistent with NatWest Group values and within acceptable risk parameters.

The remuneration policy applies the same principles to everyone, including Material Risk Takers (MRTs), with some minor adjustments where necessary to comply with relevant country specific regulatory requirements. The main elements of the policy are set out below.

Base salary

The purpose is to provide a competitive level of fixed cash remuneration.

Operation

We review base salaries annually to ensure they reflect the talents, skills and competencies the individual brings to the business.

Role-based allowance

Certain MRT roles receive role-based allowances. The purpose is to provide fixed pay that reflects the skills and experience required for the role.

Operation

Role-based allowances are fixed allowances which form an element of overall fixed remuneration for regulatory purposes. They are based on the role the individual performs.

They are delivered in cash and/or shares depending on the level of the allowance and the seniority of the recipient. Shares are subject to a minimum three-year retention period.

Benefits and pension

The purpose is to provide a range of flexible and competitive benefits.

Operation

In most jurisdictions, benefits or a cash equivalent are provided from a flexible benefits account. Pension funding forms part of fixed remuneration and NatWest Group does not provide discretionary pension benefits.

Annual bonus

The purpose is to support a culture where individuals are rewarded for the delivery of superior performance, taking into account NatWest Group's strategic objectives and purpose. Certain junior roles are not eligible for an annual bonus. Annual bonus is offered to our more senior colleagues, including MRTs, the executive directors and members and attendees of NatWest Group's senior executive committees, as it is appropriate for them to have some pay at risk if performance is not at the required level.

Operation

The annual bonus pool is based on performance against a balanced scorecard of strategically important measures including: financial performance; customer outcomes; people, culture and diversity; risk management; risk events; and progress against our climate and purpose ambitions. Allocation from the pool depends on the performance of the business area and the individual.

We use a continuous performance management framework to support individual performance assessment. We use a balanced business scorecard to align goal setting with the business strategy and regular check ins to track and assess performance. This approach is designed to assess performance against longer-term business requirements across a range of financial and non-financial metrics. It also evaluates adherence to internal controls and risk management. Performance assessments also include behaviours aligned to the Group's culture which are aligned to each colleague's job.

We also take risk and conduct performance into account. Control functions are assessed independently of the business units that they oversee. Performance goals and remuneration are set according to the priorities of the control area, not the targets of the businesses they support. The Group Chief Risk Officer and the Group Chief Audit Executive have the authority to escalate matters to Board level if management do not respond appropriately.

In respect of the 2024 performance year, most colleagues were granted awards up to a maximum of 100% of fixed pay. A small population of colleagues were granted awards up to 200% of fixed pay. NatWest Group continues to align to the 2:1 variable to fixed pay ratio published in the 2023 Directors' remuneration report. The Remuneration Committee remains of the view that this ratio is appropriate for our current circumstances as we transition towards a significantly more performance-focused pay model. Full details of our proposed new directors' remuneration policy are set out in the Directors' remuneration report and the policy is subject to approval from shareholders at the 2025 Annual General Meeting.

For awards made in respect of the 2024 performance year, immediate cash awards continue to be limited to a maximum of £2,000. In line with regulatory requirements, for MRTs, 40% of awards under £500,000 will be deferred over four, five or seven years. This rises to 60% for awards over £500,000, and awards granted to the directors of significant UK firms. For MRTs, a minimum of 50% of any variable pay is delivered in shares and a 12-month retention period applies to the shares after vesting.

The deferral period is four years for standard MRTs and Risk Manager MRTs who meet the 'non-higher paid' condition. It rises to five years for 'higher paid' Risk Manager MRTs, FCA Senior Management Functions (SMF), and PRA SMFs who meet the 'non-higher paid' condition; and to seven years for 'higher paid' PRA SMF roles. All awards are subject to malus and clawback provisions.

UK REM A - Remuneration policy for all colleagues continued

Guaranteed awards may only be granted for new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to first year of service. NatWest Group does not offer sign-on awards. Retention awards are only used in truly exceptional circumstances such as major restructuring and where the individual is a 'flight risk' and is viewed as critical to the successful operation of the business or delivery of a business critical project. Whilst no performance conditions are attached to retention awards, the colleague must continue to deliver to the standard expectations of conduct, behaviour and minimum performance levels prior to the award vesting.

Severance payments and/or arrangements can be made to colleagues who leave NatWest Group in certain situations, including redundancy. Such payments are calculated by a pre-determined formula set out within the relevant social plans, policies, agreements or local laws. Where local laws require, there is a cap on the maximum amount that can be paid.

Restricted Share Plan (RSP) awards

The purpose and operation of RSP awards is explained in detail in the Directors' remuneration report. NatWest Group provides executive directors and certain members of NatWest Group's senior executive committees with RSP awards which are delivered entirely in shares. Any awards made are subject to a performance assessment prior to grant and a further assessment against underpin criteria prior to vesting.

Sharing in Success awards

Our Sharing in Success scheme for all employees (individuals eligible to participate and who remain employed by NatWest Group on the award date), is intended to drive a performance culture and further align colleagues with our strategic direction.

Operation

For 2024, we measured success based on being brilliant for our customers, underpinned by financial performance, our approach to risk and delivering value for shareholders. All colleagues are eligible to receive a Sharing in Success award, and these awards are delivered entirely in shares.

Shareholding requirements

The requirements promote long-term alignment between senior executives and shareholders.

Operation

Executive directors and certain members of NatWest Group's senior executive committees are required to build up and hold a shareholding equivalent to a percentage of salary. There is a restriction on the number of shares that individuals can sell until this requirement is met.

In 2023, NatWest Group also introduced a target shareholding policy for the Chair and non-executive directors, to be built through the purchase of shares each quarter using a portion of their net fees.

Company share plans

The purpose is to provide an easy way for individuals to hold shares in NatWest Group plc, which helps to encourage financial capability and long-term thinking and provides a direct involvement in NatWest Group's performance.

Operation

Colleagues in certain jurisdictions are offered the opportunity to contribute from salary and acquire shares in NatWest Group plc through company share plans. This includes Sharesave and the Buy As You Earn plan in the UK. Any shares held are not subject to performance conditions.

Criteria for identifying MRTs

The EBA, as well as the PRA Rulebook and FCA Handbook, have issued criteria for identifying MRT roles, which includes those staff whose activities have a material influence over NatWest Group's performance or risk profile. These criteria are both qualitative (based on the nature of the role) and quantitative (based on the amount a colleague is paid).

In 2024, MRTs were identified for 12 legal entities (including at parent, holding company and consolidated levels) within NatWest Group. The MRT criteria are applied for each of these entities, and consequently many MRTs are identified in relation to more than one entity.

The qualitative criteria can be summarised as: staff within the management body; senior management; other staff with key functional or managerial responsibilities including for risk management; and staff who individually, or as part of a Committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels.

The quantitative criteria are: individuals earning £660,000 or more in the previous year; individuals earning less than £660,000 in the previous year, but more than a threshold set at the higher of £440,000 or the average total earnings of the management body and senior management for the relevant legal entity and who can impact the risk profile of a material business unit; and individuals in the top 0.3% of earners of the relevant legal entity for the previous year. Although quantitative criteria are stated in GBP above, the criteria for European entities is applied based on local currency equivalent. In addition to the qualitative and quantitative criteria, NatWest Group has applied its own minimum standards to identify roles that are considered to have a material influence over its risk profile.

Personal hedging strategies

The conditions attached to discretionary share-based awards prohibit the use of any personal hedging strategies to lessen the impact of a reduction in the value of such awards. Recipients explicitly acknowledge and accept these conditions when any share-based awards are granted.

Risk in the remuneration process

NatWest Group's approach to remuneration promotes effective risk management through having a clear distinction between fixed remuneration (which reflects the role undertaken by an individual) and variable remuneration (which is directly linked to performance and can be risk-adjusted). Fixed pay is set at an appropriate level to discourage excessive risk-taking and which would allow NatWest Group to pay zero variable pay.

We achieve focus on risk through clear inclusion of risk in performance goals, performance assessments, the determination of variable pay pools, incentive plan design and the application of malus and clawback. The Group Performance and Remuneration Committee (RemCo) is supported in this by the Group Board Risk Committee (BRC) and the Risk function, as well as independent oversight by the Internal Audit function.

We use a robust process to assess risk performance, including how risk has been managed against the appetite levels agreed by the Board. We consider a range of measures, specifically: capital; earnings stability; liquidity and funding risk; credit risk; market risk; pension risk; compliance & conduct risk; financial crime; model risk; climate risk; operational risk and reputational risk. We also consider our overall risk culture.

Remuneration arrangements are in line with regulatory requirements and we fully disclose and discuss the steps taken to ensure appropriate and thorough risk adjustment with the PRA and the FCA.

Variable pay determination

For the 2024 performance year, NatWest Group operated a robust control function-led multi-step process to assess performance and determine the appropriate bonus pool by business area and function. At multiple points throughout the process, we made reference to Group-wide business performance (from both affordability and appropriateness perspectives).

The process uses: financial performance; customer outcomes; people, culture and diversity; and progress against our climate and purpose ambitions to consider a balanced scorecard of performance assessments at the level of each business area or function. We then undertake risk and control assessments at the same level to ensure performance achieved without appropriate consideration of risk, risk culture and conduct controls, is not inappropriately rewarded; and also consider the impact of any risk events.

BRC reviews risk performance and conduct events and, if appropriate, a risk modifier may be applied to the individual business and function bonus pools or to the overall bonus pool. BRC may recommend a reduction of a bonus pool if it considers that risk and conduct performance is unacceptable or that the impact of poor risk management has yet to be fully reflected in the respective inputs.

Following further review against overall performance and conduct, taking into account input from the CFO on affordability, shareholder alignment and capital and liquidity adequacy, the CEO will make a final recommendation to the RemCo, informed by all the previous steps and their strategic view of the business. The RemCo will then make an independent decision on the final bonus pool taking all of these earlier steps into account.

The assessment process for RSP awards to executive directors and other eligible senior executives determines whether satisfactory performance has been delivered in the year prior to grant. A further assessment of performance against underpin criteria including risk considerations takes place before vesting.

Remuneration and culture

NatWest Group continues to assess conduct and its impact on remuneration as part of the annual Group-wide bonus pool process and also via the accountability review framework. Many colleagues receive fixed pay only, which provides them with greater security and allows them to fully focus on the needs of the customer. The RemCo will continue to review workforce remuneration and the alignment of incentives and reward with culture.

The governance of culture is clearly laid out. Senior management function roles have clearly defined accountabilities which are taken into account in their performance and pay decisions. The Board and Sustainable Banking Committee also play essential roles in setting and overseeing the Group's culture.

Accountability review process and malus/clawback

An accountability review process allows NatWest Group to respond where new information would change our variable pay decisions made in previous years and/or the decisions to be made in the current year. The process is used to apply commensurate ex-post risk adjustments to variable pay, where material failure of risk management, material error or employee misbehaviour are identified, and (for malus and in-year reductions only), where there is a material downturn in performance. Potential outcomes under the accountability review process are:

- **malus** - to reduce (to zero if appropriate) the amount of any unvested variable pay awards prior to payment;
- **clawback** - to recover awards that have already vested; and
- **in-year bonus reductions** - to adjust variable pay that would have otherwise been awarded for the current year.

As part of the acceptance of variable pay awards, colleagues must agree to terms that state that malus and clawback may be applied. Any variable pay awarded to MRTs is subject to clawback for seven years from the date of grant. This period can be extended to 10 years for MRTs who perform a 'senior management function' under the Senior Managers Regime where there are outstanding internal or regulatory investigations at the end of the normal seven-year clawback period. Awards to other colleagues (non-MRTs) are subject to clawback for 12 months from each vesting date.

Remuneration of Material Risk Takers ('MRTs') – NatWest Holdings Limited

Summary of approach taken

We disclose MRT remuneration details for each of our legal entities in scope of the Capital Requirements Regulations ('CRR firms') in line with the requirements of Article 450 of the CRR, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies. In line with regulations, we identify MRTs at consolidated, sub-consolidated and solo regulated subsidiary entity levels.

The following pages contain the quantitative disclosures for NatWest Holdings Limited ('NWH'). Separate disclosures are made for other CRR firms within NatWest Group including National Westminster Bank Plc ('NWB'), The Royal Bank of Scotland plc ('RBS'), as well as Coutts and Company Limited ('Coutts') which are large subsidiaries of NatWest Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group at natwestgroup.com.

Solo Regulated Entity reporting

Our approach to MRT identification means that many colleagues hold MRT criteria for more than one legal entity. In order to make the disclosures as meaningful as possible, we only report each MRT's compensation in the disclosures for the solo regulated entity for which they perform their primary role. This means that for example where a colleague holds MRT criteria for NWB, RBS, and Coutts, their pay will only be reported once for the entity in which they perform their primary role. Their pay is excluded from the tables for the other entities.

NatWest Holdings Reporting

The MRTs reported for NWH are those colleagues who can impact the risk profile of NWH, the holding company of NatWest Holdings Group (NWH Group), which includes NWB, RBS, Coutts, UBIDAC and NWBE. As some of these NWH MRTs also impact the risk profile of solo regulated entities within the NWH Group, they are also reported at the solo regulated entity level (where applicable), so there is an element of duplication. However, not every MRT who holds criteria for one of the solo regulated entities within the NWH Group also holds criteria for NWH (on the basis that they do not impact the risk profile of the NWH Group as a whole). This means the NWH disclosures are not equal to the sum of the disclosures for the subsidiary entities within the NWH Group, but instead represent a sub-consolidated view of all MRTs who can impact the risk profile of NWH as the holding company of the NWH Group.

Remuneration of Material Risk Takers ('MRTs') – NatWest Holdings Limited

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 372 individuals who have been identified as MRTs for NWH. These disclosures relate to colleagues identified as MRTs for NWH at a sub-consolidated level. Note the numbers in the tables below all agree to the underlying source data, but when presented to one decimal place and aggregated, this can result in small rounding differences.

In order to ensure consistency across remuneration disclosures, we continue to exclude from the total number of MRTs, colleagues who left the Group prior to year end (but their remuneration remains within the pay values reported); and all severance payments made to MRTs are included in the variable remuneration value disclosed, even when some or all of that severance does not count towards the calculation of the ratio of fixed to variable pay.

NWH has a number of Performance and Remuneration Committees (the NWH RemCo). The NWH RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for the relevant entities within the NWH Group. The key areas of focus for the NWH RemCo include:

- reviewing and recommending, or where appropriate ratifying, remuneration arrangements for key employees;
- providing input on the proposed bonus pool for relevant entities, and ensuring such proposals are adjusted for performance and risk and meet capital adequacy requirements; and
- inputting to and subsequently adopting the NatWest Group Remuneration Policy Principles on behalf of NWH.

The NWH RemCo must be able to act independently and the non-executive directors serving on such committees are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo held five scheduled meetings and a further three ad hoc meetings in 2024.

UK REM1 and UK REM5 - Total remuneration awarded to MRTs for the financial year

		Non-executive directors	Executive directors	Other senior mngt.	Other senior management and other MRTs split by business area					Total
					Other MRTs	Investment Banking	Retail Banking	Corporate Functions	Control Functions	
Fixed remuneration	Total number of MRTs	11	2	13	291	-	-	-	-	317
	Other senior management - split by business area	-	-	-	-	2	3	5	3	13
	Other MRTs - split by business area	-	-	-	-	2	47	49	193	291
		£m	£m	£m	£m	£m	£m	£m	£m	£m
	Total fixed remuneration of MRTs	2.6	5.5	14.1	83.3	4.8	22.0	25.4	45.1	105.4
	Cash-based	2.6	2.9	12.0	82.7	4.2	21.4	24.9	44.2	100.3
	Share-based	-	2.6	2.0	0.5	0.7	0.6	0.5	0.8	5.2
Variable remuneration	Total number of MRTs	-	2	13	278	-	-	-	-	293
	Other senior management - split by business area	-	-	-	-	2	3	5	3	13
	Other MRTs - split by business area	-	-	-	-	2	47	38	191	278
		£m	£m	£m	£m	£m	£m	£m	£m	£m
	Total variable remuneration of MRTs	-	4.4	12.3	48.9	4.1	15.6	16.0	25.5	65.6
	Cash-based	-	0.7	2.9	30.0	1.5	8.1	8.4	14.8	33.6
	Of which: deferred cash	-	-	0.6	8.2	0.8	2.2	2.6	3.2	8.8
	Share-based (annual bonus)	-	0.7	2.8	18.9	1.5	5.6	6.3	8.2	22.4
	Of which: deferred shares	-	-	0.6	8.2	0.8	2.2	2.6	3.2	8.8
	Share-based (LTI awards)	-	2.9	6.6	-	1.1	1.9	1.2	2.5	9.5
	Of which: deferred shares	-	2.9	6.6	-	1.1	1.9	1.2	2.5	9.5
Total remuneration of MRTs		2.6	9.9	26.4	132.1	9.0	37.6	41.4	70.6	171.0

(1) The breakdown by business areas required in template UK REM5 has been combined with UK REM1 above, as permitted under regulatory guidance for the templates.

(2) Investment Banking includes Institutional Banking, Trustee and Depository Services, Capital Markets, Sales and Trading. Retail Banking includes Wealth and Commercial Banking.

(3) Fixed remuneration consists of salaries, allowances, pension and benefit funding.

(4) Variable remuneration consists of a combination of annual bonus and RSP awards, deferred over a four to seven year period in accordance with regulatory requirements; and (where applicable) severance payments. Under the NatWest Group bonus deferral structure, immediate cash awards are limited to £2,000 per person, with a further payment of cash and shares within Year 0.

(5) RSP awards vest subject to the extent to which performance conditions are met and can result in zero payment.

UK REMA - Derogations

The regulations allow some flexibility not to apply certain requirements that would normally apply to MRTs where an individual's annual variable remuneration does not exceed £44,000 and does not represent more than one third of the individual's total annual remuneration (derogations permitted under point (b) of Article 94(3) of CRD V). We have used this flexibility to disapply MRT rules relating to deferral and delivery of awards in shares for 121 MRTs in respect of performance year 2024. Total remuneration for these individuals in 2024 was £19.11 million, of which £16.75 million was fixed pay and £2.36 million was variable pay.

UK REMA - Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group is generally awarded up to 100% of the fixed component. However, this may be awarded up to 200% for use on a gradual and targeted basis. A ratio of 100% is applicable for all MRTs for entities based in an EU jurisdiction, except where country specific regulatory requirements apply. The average ratio between fixed and variable remuneration for 2024 was approximately 1 to 0.54. The majority of MRTs were based in the UK.

UK REM2 - Guaranteed awards (including 'sign-on' awards) and severance payments

	NWH Ltd NEDs	NWH Ltd EDs	Other senior management	Other MRTs
Special payments				
Guaranteed awards and sign on awards				
Number of MRTs	-	-	-	-
	£m	£m	£m	£m
Total amount	-	-	-	-
Of which: paid during the financial year that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, paid out during the financial year				
Number of MRTs	-	-	-	-
	£m	£m	£m	£m
Total amount	-	-	-	-
Severance payments awarded during the financial year				
Number of MRTs	-	-	1	36
	£m	£m	£m	£m
Total amount	-	-	0.1	9.1
Of which: paid during the financial year	-	-	0.1	8.9
Of which: deferred	-	-	-	0.2
Of which: paid during the financial year that are not taken into account in the bonus cap	-	-	0.1	8.9
Of which: highest payment that has been awarded to a single person	-	-	0.1	1.9

(1) This table reports details of new hire guarantees and severance. The disclosures do not include buy-outs or retention bonuses (where these have been granted).

(2) No severance payments in excess of contractual payments, local policies, standards, statutory amounts or amounts assessed by reference to legal risk and/or exposure to litigation were made to MRTs during the year.

UK REM3 - Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2024 relating to prior performance years.

	Total amount of deferred remuneration awarded for previous performance periods	Of which: due to vest in the financial year	Of which: vesting in subsequent financial years	Amount of performance adjustment to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment to deferred remuneration due to vest in future financial years	Total amount of adjustment during the financial year due to ex post implicit adjustments (2)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention
	£m	£m	£m	£m	£m	£m	£m	£m
Deferred and retained remuneration								
NWH plc NEDs - No deferred or retained remuneration held								
NWH plc EDs								
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent interests	12.7	1.6	11.1	-	-	11.0	1.6	1.5
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
Other senior management								
Cash-based	3.2	0.8	2.3	-	-	-	0.8	-
Shares or equivalent interests	12.9	1.6	11.2	-	-	11.1	1.6	1.6
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
Other MRTs								
Cash-based	11.5	2.5	8.9	-	-	-	2.5	-
Shares or equivalent interests	22.4	7.3	15.1	-	-	18.6	7.0	5.8
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
Total amount	62.7	14.0	48.7	-	-	40.7	13.6	8.9

* i.e. Changes of value of deferred remuneration due to the changes of prices of instruments.

- (1) Deferred remuneration reduced during the year relates to long-term incentives that lapsed when performance conditions were not met, long-term incentives and deferred awards forfeited on leaving and malus adjustments applied to prior year deferred awards and long-term incentives.

UK REM4 - Total remuneration by band for all colleagues earning >€1million

Total remuneration by band for employees earning >€1 million for 2024	Number of MRTs
€1.0 million to below €1.5 million	22
€1.5 million to below €2.0 million	7
€2.0 million to below €2.5 million	1
€2.5 million to below €3.0 million	8
€3.0 million to below €3.5 million	1
€3.5 million to below €4.0 million	-
More than €4.0 million	1
Total	40

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay (including severance, where applicable).
- (2) Where applicable, the table is based on an average exchange rate of €1.181341 to £1 for 2024.

Appendix 1: CRR Roadmap

The CRR roadmap provides a view of the PRA disclosure requirements for CRR firms and how NatWest Holdings Group has met those (see “*Compliance reference*” column).

The requirements are primarily stipulated in the Disclosure (CRR) part of the PRA Rulebook, and they are split in 3 sections as follows:

- Title I General Principles (Articles 431 - 434b);
- Title II Technical Criteria on Transparency and Disclosure (Articles 435 - 451a); and
- Title III Qualifying Requirements for the Use of Particular Instruments of Methodologies (Articles 452 - 455).

According to Level of Application section in the Disclosure (CRR) part of the PRA Rulebook, large subsidiaries of NatWest Holdings Group are required to disclose information specified in the following articles: 437, 438, 440, 442, 450, 451, 451a and 453. As noted in the document introduction, those disclosures are provided in separate Pillar 3 reports. Any non-applicable disclosure tables are listed in the respective large subsidiary Pillar 3 reports.

A summary table of non-applicable disclosure tables for NatWest Holdings Group is also provided in the document introduction; refer to the “*Presentation of Information*” section.

For further details on specific chapters and/or articles referenced under the “Regulatory requirements” column, refer to the PRA Rulebook for CRR firms.

UK CRR article	Regulatory requirements	Compliance reference
431 - Disclosure requirements and policies		
431 (1)	Institutions shall publicly disclose the information referred to in Titles II (Technical Criteria on Transparency & Disclosure) and III (Qualifying Requirements for the Use of Particular Instruments of Methodologies) in accordance with the provisions laid down in the Disclosure (CRR) part of the PRA Rulebook, subject to the exceptions referred to in Article 432.	<ul style="list-style-type: none"> – NatWest Holdings Group publishes Pillar 3 disclosures as required. – The Pillar 3 disclosures required for NatWest Holdings Group's large subsidiaries are provided in separate reports.
431 (2)	Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III of this Part shall publicly disclose the information laid down therein.	<ul style="list-style-type: none"> – NatWest Holdings Group publishes the required information under Title III except for Advanced Operational Risk & IMA Market Risk which are not applicable.
431 (3)	<p>The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institution's disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures.</p> <p>Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report.</p> <p>Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential in accordance with Article 432.</p>	<ul style="list-style-type: none"> – NatWest Group has a Pillar 3 policy which also applies to NatWest Holdings Group. – Written CRO and CFO attestation statement is provided at the outset of this document.
431 (4)	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	<ul style="list-style-type: none"> – NatWest Holdings Group provides supplementary qualitative commentary for quantitative disclosures where appropriate.

UK CRR article	Regulatory requirements	Compliance reference
431 - Disclosure requirements and policies		
431 (5)	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the loan.	– If requested, NatWest Holdings Group provides an explanation in writing on rating decisions to SMEs and other corporate applicants.
432: Non-material, proprietary or confidential information		
432 (1)	<p>With the exception of the disclosures laid down in point (c) of Article 435(2) and in Articles 437 and 450, institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material.</p> <p>Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.</p>	<p>– NatWest Holdings Group complies with all relevant disclosure requirements.</p> <p>– A list of not applicable disclosures along with the reason of their exclusion is included in the document introduction.</p>
432 (2)	<p>Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450.</p> <p>Information shall be regarded as proprietary to institutions where disclosing it publicly would undermine their competitive position. Proprietary information may include information on products or systems that would render the investments of institutions therein less valuable, if shared with competitors.</p> <p>Information shall be regarded as confidential where the institutions are obliged by customers or other counterparty relationships to keep that information confidential.</p>	– NatWest Holdings Group does not omit any information on the grounds that it may be proprietary or confidential.
432 (3)	In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that the specific items of information are not disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	– Not applicable
433: Frequency and scope of disclosures		
433	<p>Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a, 433b and 433c.</p> <p>Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter.</p> <p>Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter.</p> <p>Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.</p>	<p>– NatWest Holdings Group, being a large institution, complies with the frequency requirements set out in Article 433a.</p> <p>– The annual Pillar 3 disclosures for NatWest Holdings Group and its UK large subsidiaries are disclosed on the same date as the Annual Report and Accounts (ARA).</p> <p>– The semi-annual and quarterly Pillar 3 disclosures for NatWest Holdings Group and its UK large subsidiaries are published around WD30 to coincide with supervisory reporting remittance dates.</p>

UK CRR article	Regulatory requirements	Compliance reference
433: Frequency and scope of disclosures		
433a (1)	Large institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) on a semi-annual basis the information referred to in: (i) point (a) of Article 437; (ii) point (e) of Article 438; (iii) points (e) to (l) of Article 439; (iv) Article 440; (v) points (c), (e), (f) and (g) of Article 442; (vi) point (e) of Article 444; (vii) Article 445; (viii) point (a) and (b) of Article 448(1); (ix) point (j) to (l) of Article 449; (x) points (a) and (c) of Article 451(1); (xi) Article 451a(3); (xii) point (g) of Article 452; (xiii) points (f) to (j) of Article 453; (xiv) points (d), (e) and (g) of Article 455; (c) on a quarterly basis the information referred to in: (i) points (d) and (h) of Article 438; (ii) the key metrics referred to in Article 447; (iii) Article 451a(2).	<ul style="list-style-type: none"> – NatWest Holdings Group and its UK large listed subsidiaries comply with the frequency requirements set out in this article. – The large subsidiaries are only required to disclose information specified in articles 437, 438, 440, 442, 450, 451, 451a and 453
433a (2)	By way of derogation from paragraph 1, large institutions other than G-SIIs that are non-listed institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis.	<ul style="list-style-type: none"> – NatWest Holdings Group's UK large non-listed subsidiaries provide a reduced set of disclosures on a quarterly basis (i.e. UK KM1 and where applicable IFRS 9-FL) and the required information on annual basis in line with the requirements set out in this paragraph.
433a (3)	Large institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.	<ul style="list-style-type: none"> – Not applicable
433a (4)	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	<ul style="list-style-type: none"> – NatWest Holdings Group is subject to the minimum capital requirements for leverage therefore completes additional leverage disclosures on a quarterly basis.
433b: Article 433b Disclosures by Small Domestic Deposit Takers, SDDT Consolidation Entities and Small and Non-Complex Institutions		
433b (1)	SDDTs and SDDT consolidation entities shall disclose the information outlined below with the following frequency: (a) on an annual basis the information referred to in: (i) point (d) of Article 438; (ii) points (a) to (d), (h)(i) and (h)(ii) of Article 450(1); (b) on a semi-annual basis the key metrics referred to in Article 447.	<ul style="list-style-type: none"> – Not applicable
433b (2)	By way of derogation from paragraph 1 of this Article, SDDTs that are non-listed institutions are not required to make the disclosures specified in that paragraph.	<ul style="list-style-type: none"> – Not applicable
433b (3)	In relation to any disclosure relating to a period ending on or before 30 June 2027, this Article as it stood immediately before 1 January 2024 applies, with the modification in paragraph 4, to any institution that:(a) was a small and non-complex institution immediately before 1 January 2024 and continues to be so; and(b) is not an SDDT or an SDDT consolidation entity.	<ul style="list-style-type: none"> – Not applicable
433b (4)	The modification referred to in paragraph 3 is that for any institution subject to that paragraph that is a small CRR firm the disclosure required in relation to the information referred to in Article 450 is as follows:(a) for a non-listed institution, no disclosure is required; (b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).	<ul style="list-style-type: none"> – Not applicable

UK CRR article	Regulatory requirements	Compliance reference
433c: Disclosures by other institutions		
433c (1)	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis; (c) for such institutions that are LREQ firms, the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	– Not applicable
433c (2)	By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis: (a) points (a), (e) and (f) of Article 435(1); (b) points (a), (b) and (c) of Article 435(2); (c) point (a) of Article 437; (d) points (c) and (d) of Article 438; (e) the key metrics referred to in Article 447; (f) points (a) to (d), (h) to (k) of Article 450(1).	– Not applicable
433c (3)	Notwithstanding paragraphs 1 and 2, for institutions subject to this Article that are small CRR firms, the disclosure required in relation to the information referred to in Article 450 is as follows: (a) for non-listed institutions, no disclosure is required; (b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).	– Not applicable
434: Means of Disclosures		
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	<ul style="list-style-type: none"> – NatWest Holdings Group publishes its Pillar 3 disclosures in a single report. The UK CCA disclosure (the detailed Capital instruments table) is provided separately however it is published in the same location. – The Pillar 3 disclosures required for NatWest Holdings Group's large subsidiaries are provided in separate reports.
434 (2)	Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	– NatWest Holdings Group's Pillar 3 Reports can be located at investors.natwest.com/reports-archive/2024
434b: Timing and means of disclosures under Article 441		
434b (1)	By way of derogation from the second paragraph of Article 433, G-SIIs shall disclose the information required under Article 441 within four months after the end of the period to which the information relates.	– Not applicable
434b (2)	By way of derogation from Article 434(1), where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1).	
434b (3)	If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.	

UK CRR article	Regulatory requirements	Compliance reference
435: Risk management objectives and policies		
435 (1)	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. These disclosures shall include:	– See below for applicable disclosure requirements
435 (1) (a)	the strategies and processes to manage those categories of risks;	– UK OVA, UK LIQA, UK CRA, UK MRA, UK ORA
435 (1) (b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents;	– UK OVA, UK LIQA, UK CRA, UK MRA, UK ORA
435 (1) (c)	the scope and nature of risk reporting and measurement systems;	– UK OVA, UK LIQA, UK MRA, UK ORA
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	– UK OVA, UK LIQA, UK CRA, UK MRA, UK ORA
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	– UK OVA, UK LIQA
435 (1) (f)	a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group .	– UK OVA, UK LIQA, UK CRA
435 (2)	Institutions shall disclose the following information regarding governance arrangements:	– UK OVB
435 (2) (a)	the number of directorships held by members of the management body;	– UK OVB
435 (2) (b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	– UK OVB
435 (2) (c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;	– UK OVB
435 (2) (d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	– UK OVB
435 (2) (e)	the description of the information flow on risk to the management body.	– UK OVB
436: Disclosures of the scope of application		
436	Institutions shall disclose the following information regarding the scope of application of the CRR as follows	See below for applicable disclosure requirements
436 (a)	the name of the institution to which the CRR applies;	– NatWest Holdings Group plc and its consolidated subsidiaries

UK CRR article	Regulatory requirements	Compliance reference
436: Disclosures of the scope of application		
436 (b)	a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportional	– UK LI3, UK LIA
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part;	– UK LI1
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences;	– UK LI2, UK LIA
436 (e)	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;	– UK PV1
436 (f)	any current or expected material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries;	– UK LIB; there are no such impediments.
436 (g)	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;	– UK LIB
436 (h)	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	– Not applicable
437: Disclosure of own funds		
437	Institutions shall disclose the following information regarding their own funds:	See below for applicable disclosure requirements
437 (a)	a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	– UK CC1, UK CC2
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	– UK CCA - published separately as a supplement in the same location where the NatWest Holdings Group P3 report is available
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	
437 (d)	a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	– UK CC1

UK CRR article	Regulatory requirements	Compliance reference
437: Disclosure of own funds		
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with the CRR and the instruments, prudential filters and deductions to which those restrictions apply;	– UK CC1
437 (f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in the CRR.	– Not applicable
437a: Disclosure of own funds and eligible liabilities		
437a	Institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the following information regarding their own funds and eligible liabilities:	– Not applicable
437a (a)	the composition of their own funds and eligible liabilities, their maturity and their main features;	
437a (b)	the ranking of eligible liabilities in the creditor hierarchy;	
437a (c)	the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4);	
437a (d)	the total amount of excluded liabilities referred to in Article 72a(2).	
438: Disclosure of own funds requirements and risk-weighted exposure amounts		
438	Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the PRA Rulebook:	See below for applicable disclosure requirements
438 (a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	– UK OVC
438 (b)	the amount of the additional own funds requirements based on the supervisory review and evaluation process (within the meaning of regulation 34A of the Capital Requirements Regulations) and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	– UK KM1
438 (c)	the result of the institution's internal capital adequacy assessment process;	– Not applicable - this is only on demand from supervisory authority
438 (d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	– UK OV1
438 (e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	– UK CR10
438 (f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	– Not applicable

UK CRR article	Regulatory requirements	Compliance reference
438: Disclosure of own funds requirements and risk-weighted exposure amounts		
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with the provisions implementing Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied	Not applicable as NatWest Holdings Group is not a financial conglomerate
438 (h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	– UK CR8
439: Disclosure of exposures to counterparty credit risk		
439	Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three:	See below for applicable disclosure requirements
439 (a)	a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties;	– UK CCRA
439 (b)	a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;	– UK CCRA
439 (c)	a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291;	– UK CCRA
439 (d)	the amount of collateral the institution would have to provide if its credit rating were downgraded;	– UK CCRA
439 (e)	for derivative transactions, the amount of segregated and unsegregated collateral received and posted per type of collateral; and for securities financing transactions, the total amount of collateral received and posted per type of collateral; provided in each case that: (i) institutions shall not disclose such amounts unless both the fair value of collateral posted in the form of debt securities and the fair value of collateral received in that form exceed GBP 125 billion; and (ii) for the purposes of subparagraph (i), institutions shall use the twelve month rolling arithmetic mean of the fair value of collateral received or posted (as the case may be) in the form of debt securities, determined using quarterly data calculated in a manner consistent with data reported under Article 430(g) and covering the twelve months immediately preceding the disclosure reference date;	– Not applicable; disclosure threshold is not met
439 (f)	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;	– UK CCR1
439 (g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;	– UK CCR1
439 (h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	– UK CCR2
439 (i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	– UK CCR8

UK CRR article	Regulatory requirements	Compliance reference
439: Disclosure of exposures to counterparty credit risk		
439 (j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;	– UK CCR6
439 (k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9);	– UK CCR1
439 (l)	separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	– UK CCR3 (STD) & UK CCR4 (IRB)
439 (m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	– Not applicable as NatWest Holdings Group does not apply either the Original Exposure Method (OEM) or the Simplified Standardised Approach for Counterparty Credit Risk (Simplified SA-CCR)
440: Disclosure of countercyclical capital buffers		
440	Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer referred to in regulation 2 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014:	See below for applicable disclosure requirements
440 (a)	(a) the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer;	– CCyB1
440 (b)	(b) the amount of their institution-specific countercyclical capital buffer.	– CCyB2
441: Disclosure of indicators of global systemic importance		
441 (1)	G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in regulation 23 of Part 4 of Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014.	– Not applicable as NatWest Holdings Group is not a G-SIIB firm
442: Disclosure of exposures to credit risk and dilution risk		
442	Institutions shall disclose the following information regarding their exposure to credit risk and dilution risk:	See below for applicable disclosure requirements
442 (a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	– UK CRB
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	– UK CRB
442 (c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	– UK CR1, UK CQ1, UK CQ4, UK CQ5 – NatWest Holdings Group does not recognise collateral by possession therefore disclosures UK CQ7 and UK CQ8 are not applicable
442 (d)	an ageing analysis of accounting past due exposures;	– UK CQ3
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;	– UK CR1, UK CQ4, UK CQ5

UK CRR article	Regulatory requirements	Compliance reference
442: Disclosure of exposures to credit risk and dilution risk		
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	– UK CR2
442 (g)	the breakdown of loans and debt securities by residual maturity.	– UK CR1-A
443: Disclosure of encumbered and unencumbered assets		
443	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.	– UK AE1, UK AE2, UK AE3, UK AE4
444: Disclosure of the use of the standardised approach		
444	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:	See below for applicable disclosure requirements
444 (a)	the names of the nominated ECAs and export credit agencies and the reasons for any changes in those nominations over the disclosure period;	– UK CRD
444 (b)	the exposure classes for which each ECA or export credit agency is used;	– UK CRD
444 (c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	– Not applicable
444 (e)	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as those deducted from own funds.	– UK CR4, UK CR5, UK CCR3
445: Disclosure of exposure to market risk		
445	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	– UK MR1
446: Disclosure of operational risk management		
446	Institutions shall disclose the following information about their operational risk management:	See below for applicable disclosure requirements
446 (a)	the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for;	– UK ORA, UK OR1
446 (b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of relevant internal and external factors being considered in the institution's advanced measurement approach;	– Not applicable - NatWest Holdings Group applies the Standardised Approach for calculating own funds requirements for Operational Risk
446 (c)	in the case of partial use, the scope and coverage of the different methodologies used.	
447: Disclosure of key metrics		
447	Institutions shall disclose the following key metrics in a tabular format:	See below for applicable disclosure requirements
447 (a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	– UK KM1
447 (b)	the total risk exposure amount as calculated in accordance with Article 92(3);	– UK KM1

UK CRR article	Regulatory requirements	Compliance reference
447: Disclosure of key metrics		
447 (c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with regulation 34(1) of the Capital Requirements Regulations;	– UK KM1
447 (d)	their combined buffer requirement which the institutions are required to hold in accordance with regulation 35 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014;	– UK KM1
447 (e)	the following information in relation to their leverage ratio: (i) for all institutions, their leverage ratio and total exposure measure; (ii) for LREQ firms, the information in Article 451(1)(b) and (g) and Article 451(2)(b) to (d);	– UK KM1 – NatWest Holdings Group is an LREQ firm therefore subject to the additional disclosures required by point (ii)
447 (f)	the following information in relation to their liquidity coverage ratio as calculated in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook: (i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	– UK KM1
447 (g)	the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six: (i) the average or averages, as applicable, of their net stable funding ratio based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their available stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (iii) the average or averages, as applicable, of their required stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period;	– UK KM1
447 (h)	their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Article 92a or, in the case of institutions that are material subsidiaries of non-UK G-SIs and are not resolution entities or subsidiaries of a UK parent institution, in accordance with a direction from the Bank of England under section 3A(4B) of the Banking Act 2009, and broken down at the level of each resolution group, where applicable.	– Not applicable
448: Disclosure of exposures to interest rate risk on positions not held in the trading book		
448 (1)	Institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Chapter 9 of the Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook:	See below for applicable disclosure requirements

UK CRR article	Regulatory requirements	Compliance reference
448: Disclosure of exposures to interest rate risk on positions not held in the trading book		
448 (1) (a)	the changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down;	– UK IRRBB1
448 (1) (b)	the changes in the net interest income calculated under the following two supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down;	– UK IRRBB1
448 (1) (c)	a description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	– UK IRRBBA
448 (1) (d)	an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	– UK IRRBBA
448 (1) (e)	the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Chapter 9 of the ICAA Part of the PRA Rulebook, including: (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income; (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems for the purpose of calculating changes in the economic value of equity and in net interest income, as required under points (a) and (b) of this paragraph, if those assumptions differ from those used for the purposes of Chapter 9 of the ICAA Part of the PRA Rulebook or from those specified in Annex XXXVIII of Chapter 6 of this Disclosure (CRR) Part of the PRA Rulebook, including the rationale for those differences; (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk; (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3); (v) an outline of how often the evaluation of the interest rate risk occurs;	– UK IRRBBA
448 (1) (f)	the description of the overall risk management and mitigation strategies for those risks;	– UK IRRBBA
448 (1) (g)	average and longest repricing maturity assigned to non-maturing deposits.	– UK IRRBBA
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article for descriptions relating to economic value of equity shall not apply to institutions that use the standardised framework referred to in Rule 9.1B of the ICAA Part of the PRA Rulebook.	– Not applicable

UK CRR article	Regulatory requirements	Compliance reference
449: Disclosure of exposure to securitisation positions		
449	Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading and non-trading book activities:	See below for applicable disclosure requirements
449 (a)	a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	– UK SECA
449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	– UK SECA
449 (c)	their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	– UK SECA
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	– UK SECA
449 (e)	a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	– UK SECA; NatWest Holdings Group has not provided support to any securitisation transactions beyond its contractual obligations.
449 (f)	a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	– UK SECA
449 (g)	a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	– UK SECA
449 (h)	the names of the ECAs used for securitisations and the types of exposure for which each agency is used;	UK SECA SEC-ERBA is the External Ratings-Based Approach. This is based on external credit ratings from credit rating agencies. The ratings are mapped to corresponding credit quality steps (CQS) and, along with seniority of the tranche, maturity and tranche thickness, these are used to determine the risk-weight for each exposure. NatWest Holdings Group recognises ratings issued by Standard & Poor's, Moody's, Fitch, DBRS or ARC Ratings. Most transactions are rated by two or more of these rating agencies, which are formally classified as external credit assessment institutions (ECAs).

UK CRR article	Regulatory requirements	Compliance reference
449: Disclosure of exposure to securitisation positions		
449 (i)	where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	– UK SECA
449 (j)	separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STs transactions and broken down by type of securitisation exposures;	– UK SEC1
449 (k)	for the trading and the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk-weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STs positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements ; (ii) the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk-weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STs positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;	– UK SEC3, UK SEC4
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	– UK SEC5
UK CRR 450: Disclosure of remuneration policy		
450	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:	See below for applicable disclosure requirements
450 (1) (a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	– UK REMA
450 (1) (b)	information about the link between pay of the staff and their performance;	– UK REMA
450 (1) (c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	– UK REMA
450 (1) (d)	the ratios between fixed and variable remuneration set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the PRA Rulebook;	– UK REMA

UK CRR article	Regulatory requirements	Compliance reference
450: Disclosure of remuneration policy		
450 (1) (e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	– UK REMA
450 (1) (f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;	– UK REMA
450 (1) (g)	aggregate quantitative information on remuneration, broken down by business area;	– UK REM5
450 (1) (h)	<p>aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following:</p> <p>(i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries;</p> <p>(ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part;</p> <p>(iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years;</p> <p>(iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards;</p> <p>(v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;</p> <p>(vi) severance payments awarded in previous periods, that have been paid out during the financial year;</p> <p>(vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;</p>	– UK REM1, UK REM2, UK REM3
450 (1) (i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	– UK REM4
450 (1) (k)	<p>information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3).</p> <p>For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3). They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</p>	– UK REMA
450 (2)	<p>For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.</p> <p>Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.</p>	– UK REM1, UK REM2, UK REM3, UK REM5

UK CRR article	Regulatory requirements per PRA Rulebook	Compliance reference
451: Disclosure of leverage ratio		
451 (1)	Institutions shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 of Chapter 3 of the Leverage Ratio (CRR) Part and their management of the risk of excessive leverage:	See below for applicable disclosure requirements
451 (1) (a)	the leverage ratio;	– UK LR2, UK KM1
451 (1) (b)	the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	– UK LR1, UK LR2, UK LR3
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	– UK LR2
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage;	– UK LRA
451 (1) (e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;	– UK LRA
451 (1) (f)	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part;	– Not applicable
451 (1) (g)	in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part.	– UK KM1, IFRS 9-FL, UK LR2
451 (2)	An LREQ firm must disclose each of the following:	NatWest Holdings Group is an LREQ firm
451 (2) (a)	the average exposure measure;	– UK LR2
451 (2) (b)	the average leverage ratio;	– UK LR2, UK KM1
451 (2) (c)	the average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; and	– UK LR2
451 (2) (d)	the countercyclical leverage ratio buffer.	– UK LR2, UK KM1
451 (3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	– UK LRA
451 (4) (a)	a) For the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and	– UK LR2
451 (4) (b)	for the purposes of paragraphs 2(b) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the: (i) capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter; and (ii) exposure measure is the sum derived in accordance with (a).	– UK LR2, UK KM1

UK CRR article	Regulatory requirements	Compliance reference
UK CRR 451a: Disclosure of Liquidity Requirements		
451a (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	See below for applicable disclosure requirements
451a (2)	Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook:	
451a (2) (a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	– UK LIQ1, UK LIQB
451a (2) (b)	the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	– UK LIQ1, UK LIQB
451a (2) (c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	– UK LIQ1, UK LIQB
451a (3)	Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	
451a (3) (a)	averages of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters;	– UK LIQ2
451a (3) (b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;	– UK LIQ2
451a (3) (c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.	– UK LIQ2
451a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.	– UK LIQA
452: Disclosure of the use of the IRB approach to credit risk		
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach to credit risk shall disclose the following information:	See below for applicable disclosure requirements
452 (a)	the competent authority's permission of the approach or approved transition;	– UK CRE
452 (b)	for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission; For the purposes of point (b) of this Article, institutions shall use the exposure value as defined in Article 166.	– UK CRE, UK CR6-A

UK CRR article	Regulatory requirements	Compliance reference
452: Disclosure of the use of the IRB approach to credit risk		
452 (c)	the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	– UK CRE
452 (d)	the role of the functions involved in the development, approval and subsequent changes of the credit risk models;	– UK CRE
452 (e)	the scope and main content of the reporting related to credit risk models;	– UK CRE
452 (f)	a description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering: (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	– UK CRE
452 (g)	as applicable, the following information in relation to each exposure class referred to in Article 147: (i) their gross on-balance-sheet exposure; (ii) their off-balance-sheet exposure values prior to the relevant conversion factor; (iii) their exposure after applying the relevant conversion factor and credit risk mitigation; (iv) any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk; (v) separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	– UK CR6, UK CCR4
452 (h)	institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.	– UK CR9 – UK CR9.1 is not provided as Article 180(1)(f) CRR is not applicable; NatWest Holdings Group does not attribute the default rate observed for the external organisation's grades to the institution's grades.

UK CRR article	Regulatory requirements	Compliance reference
453: Disclosure of the use of credit risk mitigation techniques		
453	Institutions using credit risk mitigation techniques shall disclose the following information:	See below for applicable disclosure requirements
453 (a)	the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	– UK CRC
453 (b)	the core features of the policies and processes for eligible collateral evaluation and management;	– UK CRC
453 (c)	a description of the main types of collateral taken by the institution to mitigate credit risk;	– UK CRC
453 (d)	for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	– UK CRC
453 (e)	information about market or credit risk concentrations within the credit mitigation taken;	– UK CRC
453 (f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	– UK CR3
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	– UK CR4, UK CR7-A
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	– UK CR4
453 (i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	– UK CR4
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	– UK CR7
454: Disclosure of the use of the advanced measurement approaches to operational risk		
454	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk transfer mechanisms for the purpose of mitigating that risk.	– Not applicable as NatWest Holdings Group applies the Standardised approach for calculating own funds for Operational Risk

UK CRR article	Regulatory requirements	Compliance reference
455: Use of internal market risk models		
455	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:	See below for applicable disclosure requirements
455 (a)	for each sub-portfolio covered: (i) the characteristics of the models used; (ii) where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model; (iii) a description of stress testing applied to the sub-portfolio; (iv) a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;	– Not applicable
455 (b)	the scope of permission by the competent authority;	– Not applicable; NatWest Holdings Group does not have an IMM permission for market risk
455 (c)	a description of the extent and methodologies for compliance with the requirements set out in Articles 104 and 105;	– Not applicable
455 (d)	the highest, the lowest and the mean of the following: (i) the daily value-at-risk measures over the reporting period and at the end of the reporting period; (ii) the stressed value-at-risk measures over the reporting period and at the end of the reporting period; (iii) the risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period;	– Not applicable
455 (e)	the elements of the own funds requirement as specified in Article 364;	– Not applicable
455 (f)	the weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading;	– Not applicable
455 (g)	a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.	– Not applicable