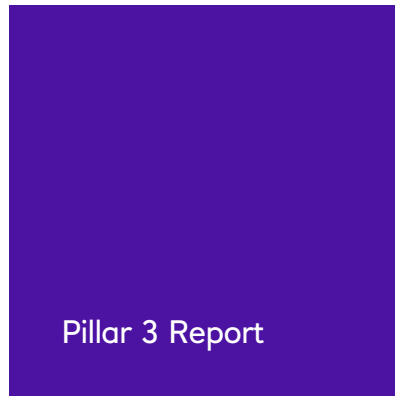




NatWest  
Group



Pillar 3 Report

# NatWest Holdings Group

# Pillar 3 Report 2021

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## Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NatWest Holdings Limited (NWH Ltd) and its parent, NatWest Group's, future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWH Ltd or NatWest Group plc in respect of, but not limited to: the impact of the COVID-19 pandemic, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of its Purpose-led strategy and the refocusing of its NatWest Markets franchise, its ESG and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, the transition of LIBOR and IBOR rates to alternative risk free rates and NWH Ltd (or NatWest Group's) exposure to economic and political risks (including with respect to terms surrounding Brexit and climate change), operational risk, conduct risk, financial crime risk, cyber, data and IT risk, key person risk and credit rating 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 impact of the COVID-19 pandemic, future acquisitions, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs (including with respect to goodwill), legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions 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 NWH Ltd or NatWest Group plc's actual results are discussed in NatWest Group plc's UK 2021 Annual Report and Accounts (ARA) and NatWest Group plc's filings with the US Securities and Exchange Commission, including, but not limited to, NatWest Group plc's most recent Annual Report on Form 20-F and Reports on Form 6-K. The forward-looking statements contained in this document speak only as of the date of this document and NWH Ltd or NatWest Group plc do 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 2021 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 2021 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 2021 Pillar 3 Report was approved by the Board on 17 February 2022.

Katie Murray  
Chief Financial Officer  
Executive Director, NatWest Holdings Limited Board

Bruce Fletcher  
Chief Risk Officer  
Member, Executive Committee

## Disclosure framework

The Pillar 3 disclosures made by NatWest Group plc and its consolidated subsidiaries (together NatWest Group) are designed to comply with Part VIII of the UK Capital Requirements Regulation (CRR) associated onshored binding Technical Standards and guidelines from the European Banking Authority (EBA) ahead of them being incorporated into the Disclosure (CRR) Part of the PRA Rulebook from 1 January 2022. Additional disclosures are made in accordance with supervisory expectations regarding future disclosures promulgated by the Basel Committee on Banking Supervision (BCBS) and to assist the reader in understanding the activities of NWH Group.

Large subsidiary disclosures that are non-UK entities are presented in accordance with regulatory requirements applicable in the countries in which they are incorporated, whilst the consolidated view is calculated under the UK Capital Requirements Regulation (CRR) as described above.

NatWest Group determines its large subsidiaries, in accordance with the CRR requirements for disclosure, as those designated as an O-SII by the national competent authority or with total assets equal to or greater than €30 billion.

NWH Group's large subsidiaries as at 31 December 2021 were National Westminster Bank Plc (NWB Plc), The Royal Bank of Scotland plc (RBS plc), Ulster Bank Ireland DAC (UBIDAC) and Coutts & Company (Coutts & Co).

## Disclosure roadmap

This document should be read in conjunction with the 2021 NWH Group Annual Report and Accounts (ARA), available at [natwestgroup.com](http://natwestgroup.com). The CRR roadmap included in Appendix 1 of this document details where in these documents the regulatory requirements are disclosed. Refer to the Glossary for definitions of terms available on [natwestgroup.com](http://natwestgroup.com).

As part of the Pillar 3 framework, banks are required to disclose the material risks to which they are or may be exposed. For NWH Group, relevant information can be found in the 2021 NWH Group ARA. This is supplemented by further analysis and a range of risk factors, for NatWest Group as a whole, in the 2021 NatWest Group ARA. These Pillar 3 disclosures provide additional information specific to NWH Group over and above that contained in the 2021 NWH Group ARA.

Key metrics for NWH Group are published as follows:

- Financial performance measures and ratios – 2021 NatWest Group ARA – Strategic report – Highlights
- Key metrics – Capital, leverage and liquidity for NWH Group, NWB Plc, RBS plc, UBIDAC and Coutts & Co in their respective ARAs – Risk and capital management – Capital, liquidity and funding risk.

Certain Pillar 3 disclosures are included in the 2021 NatWest Group ARA as follows:

- Corporate Governance – Director's Remuneration Report
- Strategic report – Risk overview
- Corporate governance – Report of the Board Risk Committee
- Risk and capital management – available in 2021 NWH Group ARA:
- Risk management framework
- Capital, liquidity and funding risk
- Credit risk
- Market risk
- Operational risk
- Capital instruments – detailed terms – are found on the NatWest Group Investor Relations website.

The following templates required to be disclosed as at 31 December 2021 are not applicable to NatWest Group: INS1 - Non-deducted participations in insurance undertakings and CCR5-B Composition of collateral for counterparty credit risk exposure.

TLAC tables TLAC 1 - TLAC composition for G-SIBs (at resolution group level), TLAC 3 - Resolution entity – creditor ranking at legal entity level and KM 2 - Key metrics – TLAC requirements (at resolution group level) relevant to Global Systemically Important Institutions (G-SIIs) are not applicable to NWH Group Pillar 3 disclosure.

The following templates are not disclosed as NWH Group had no relevant reportable exposure as at 31 December 2021: CR9\_c: IRB: IRB models: Back-testing of EL by exposure class – total credit risk, CR10\_B IRB: IRB equities, NPL template 9 – changes in the stock of the non-performing loans and advances, MR2\_A: Market risk under the IMA, MR3: IMA values for trading portfolios – NatWest Group and large subsidiaries, MR4: Comparison of VaR estimates with gains/losses.

Throughout this document the row and column references are based on those prescribed in the EBA templates, with labelling updated to remove EU references. Any tables, rows or columns which are not applicable or do not have a value have not been shown.

## Regulatory 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.

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

## Disclosure framework continued

### 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.

NWH 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 mark-to-market (MTM) method 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 Capital, liquidity and funding section of this document.

### Pillar 2 - Supervisory review process

Pillar 2 comprises (i) the internal capital adequacy assessment process (ICAAP) for NatWest 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. For more information, refer to the 2021 NWH Group ARA – Risk and capital management – Operational risk. Information regarding specific credit risk concentrations, such as sector or geography, is included within Pillar 3. Refer also to 2021 NWH Group ARA – Risk and capital management – Non-traded market risk and Pension risk.

The PRA buffer (also referred to as Pillar 2B) is based on stress testing and scenario analysis. It is used to assess the quantum and quality of capital required to be set aside to counteract the adverse impact of an extreme but plausible stress on NWH Group's capital, and to ensure capital levels in stress conditions remain above minimum requirements.

The ICAAP submission is approved by the NatWest Group Board before it is submitted to the regulator and forms the basis of the supervisory review and the setting of the Total Capital Requirement by the PRA. Refer to the 2021 NWH Group ARA – Risk and capital management – Risk management framework.

### Pillar 3 - Market discipline

NatWest Group is committed to delivering risk and capital disclosures that ensure stakeholders understand the risks faced by the 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 NatWest Group's broader disclosure framework.

NWH Group publishes its Pillar 3 disclosures as required by and in accordance with the UK requirements.

NWH Group has not omitted any disclosures on the grounds that the information may be proprietary or confidential. 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 EBA requirements for disclosures in the 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.

## Consolidation

The European Union (EU) has implemented the initial phase of the Basel III capital framework through the CRR and the Capital Requirements Directive (CRD). On 7 June 2019, amendments to the CRR and CRD (known as CRR2 and CRD5 respectively) were published in the Official Journal of the European Union. The majority of these changes were implemented in June 2021. Further changes will be implemented by CRR3, the European Commission issued proposal in October 2021 with implementation not expected until January 2025..

From 1 January 2021 NatWest Group has been regulated under the onshored CRR and associated onshored 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 CRR in the EU during 2021 are not reflected in the UK CRR unless separately legislated and amended by statutory instruments. As detailed above the changes to the EU CRR included the substantial CRR2 amendments, these have not been implemented in the UK as of 31 December 2021.

Going forward, the Financial Services Bill gives the PRA the power to write prudential rules directly into the PRA rulebook; they will co-ordinate with HM Treasury to implement changes and to delete the current onshored rules from the CRR. Most of the Basel reforms contained in CRR2 are to be implemented in this manner on 1 January 2022. The remainder of the reforms are expected to be consulted on in H2 2022.

## Disclosure framework continued

### Consolidation

NWH Ltd is the parent entity of the ring-fenced bank (RFB) sub-group established to meet the requirements of ring-fencing legislation and PRA rules. The PRA has exercised the discretion contained in 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 Group'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 Group 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. For further information refer to Note 11 Related undertakings in the 2021 NWH Group ARA – Parent company financial statements and notes.

### Impediments to the transfer of capital resources and aggregate capital deficiency

All NWH 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.

### 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 undertakes procedures to provide management and the Board with assurance relating to the adequacy and effectiveness of the processes, controls and governance framework over the production of the Pillar 3 disclosures.

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 board reporting and action plans agreed with those accountable for the activity behind the control.



# Capital, liquidity and funding

## Capital and leverage

Capital consists of reserves and instruments issued that are available 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 NWH 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 regulatory requirements. For large subsidiaries, regulatory capital is monitored and reported on an individual regulated bank 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 is likely to fail, by the Bank of England (BoE).

### 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.

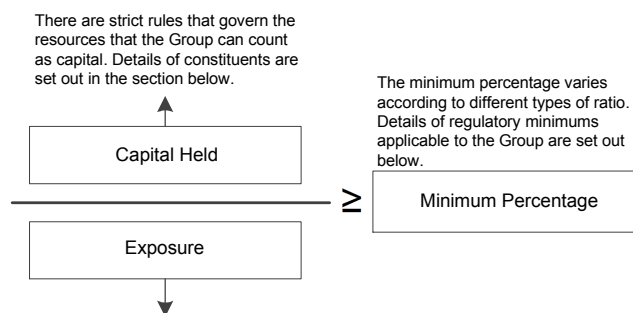
### Regulatory vs. risk appetite view

**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

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:



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 exposures (largely based on accounting value with some adjustments).

## 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 the second form of loss absorbing capital and 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 Tier 1 capital. It typically consists of subordinated debt securities with a minimum maturity of five years.



## Capital and leverage continued

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, including the use of bail-in provisions.

### Capital adequacy

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

#### Risk-weighted assets

Capital adequacy ratios compare the amount of capital held to RWAs. RWAs are a measure of NWH Group's assets and off-balance sheet positions 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	Risk of loss from a counterparty not meeting its contractual obligations. Also included is the risk of loss from changes in the fair value of derivative instruments.
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	Systemic Risk Buffer	Capital buffer to prevent and mitigate long-term non-cyclical macro-prudential or systemic risks
	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.

Type	Name	Description
Bank-specific	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 the NWH 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 NWH Group Risk (subsidiary/sub-group capital requirements in excess of their share of NWH Group) and Risk Management and Governance scalars (which may be levied where Risk Management and Governance deficiencies have been identified by the regulator).

These minimum requirements are shown in more detail in the NWH Group ARA 2021 – Capital, liquidity and funding risk.

The assessment of Pillar 2 requirements (including the PRA buffer) is an output from NWH Group's ICAAP, which is described in more detail on page 16 of the 2021 NWH Group ARA. Pillar 2 also utilises the output of NWH Group's stress-testing exercises, which are described in more detail on pages 15 to 18 of the 2021 NWH Group ARA.

#### Future changes to regulation

UK, EU and international standard and rule-making bodies have issued proposals, draft regulation and final standards on revising the level and measurement of capital adequacy ratios including the measurement of RWAs. This may affect the level of RWAs and the minimum capital that NWH Group is required to hold in future years. Further details of prudential regulatory changes that may impact NWH Group's capital adequacy ratio are set out on page 12.

#### 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. The leverage ratio requirements that NWH Group must meet may be subject to change from developing regulation. Further details are set out on page 12.

For more information regarding the minimum capital and leverage requirements NWH Group must meet, refer to the NWH Group 2021 ARA – Capital, liquidity and funding risk.

## Capital and leverage continued

### 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, including NWH Group, which in turn allocates to its 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.

In June 2018 the BoE published a Policy Statement on internal MREL and updated the MREL Statement of Policy. This policy statement sets out the framework that it will use to determine the distribution of MREL within banking groups. Under this framework, the BoE will set individual MRELS for all material entities within NWH Group and may also set individual MRELS for entities within NWH Group that are important from a resolution perspective. The framework requires that ring-fence bank sub-groups, such as NWH Group, meet MREL requirements equivalent 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.

#### Interim MREL

1 January 2021	90% of the higher of: The sum of two times NWH Group's Pillar 1 requirement and one times NWH Group's Pillar 2A add-ons; and Two times the applicable leverage ratio requirement for NWH Group.
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#### End state MREL

1 January 2022	90% of the higher of: Two times the sum of NWH Group's Pillar 1 requirement and NWH Group's Pillar 2A add-ons; and Two times the applicable leverage ratio requirement for NWH Group.
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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.

### Double leverage

Double leverage is where one or more parent entities in a group funds some of the capital in its subsidiaries by raising debt or lower forms of capital externally. In April 2018, the PRA issued a Policy Statement related to NWH Group's assessment and mitigation of risks associated with double leverage. Associated analysis and assessments are now incorporated into the ICAAP submission and forms part of NWH Group's risk appetite framework.

### Regulatory changes that may impact capital requirements

NWH Group faces numerous changes in prudential regulation that may adversely impact the minimum amount of capital it must hold and consequently may increase funding costs and reduce return on equity. The nature and timing of implementation of a number of these changes are not currently final.

The UK is expected to further develop prudential regulation through the CRR and finalisation of Basel 3 standards, which will impact various areas including the approach to calculating credit risk, market risk, leverage ratio, capital floors and operational risk RWAs.

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.

NWH 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 changes.

Key prudential regulatory developments that have been published and may impact NWH Group are set out on page 12.

## 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 the risk of being unable to meet financial obligations as and when they fall due.

Funding consists of on-balance sheet liabilities that are used to provide cash to finance assets. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base.

### 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 day net outflows in stress - effective from 1 October 2015.
Net stable funding ratio (NSFR)	Structural funding profile	Required and available stable funding sources less than and greater than 1 year timeline. Following the publication of PS 22/21 on 14 October 2021 a binding NSFR minimum requirement of 100% will be effective from January 2022.

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.

The reported values represent the median of the quarter end values reported to the regulator via supervisory returns over the period 1 January 2021 to 31 December 2021.

NWH Group categorises its assets into three broad groups; assets that are:

- Already encumbered and used to support funding currently in place via own asset securitisations, covered bonds and securities repurchase agreements.
- Pre-positioned with central banks as part of funding schemes and those encumbered under such schemes.
- Not currently encumbered. In this category, NatWest Group has in place an enablement programme which seeks to identify assets which are capable of being encumbered. The programme identifies required actions to facilitate such encumbrance without impacting customer relationships or servicing.

Encumbered and unencumbered assets for the year ended 31 December 2021, based on the requirements in Part Eight of CRR and related technical standards, are set out on page 33.

## Summary of changes to prudential regulation that may impact NWH Group

The table below covers future changes to prudential regulation which impact NatWest Group at a consolidated level, future regulatory requirements will be implemented by the PRA as the supervisor for the consolidated group. Certain entities within the group will be exposed to changes in prudential regulation from other legislative bodies (including the EU) on a solo basis and these changes may be different in substance, scope and timing than those highlighted below.

Area of development	Key changes	Source of changes/implementation date
Leverage ratio framework	<ul style="list-style-type: none"> <li>Changes to the design and calibration of the framework with a focus on derivative exposures and margining.</li> <li>Binding leverage ratio at individual bank level for material entities.</li> </ul>	<ul style="list-style-type: none"> <li>PRA PS 21/21.</li> <li>UK implementation date - 1 January 2022.</li> <li>Individual bank level - 1 January 2023.</li> </ul>
Large exposure framework	<ul style="list-style-type: none"> <li>Changes to the design and calibration of the capital base and large exposure limit.</li> <li>Changes to the exposure measure to incorporate SA-CCR.</li> </ul>	<ul style="list-style-type: none"> <li>PRA PS 22/21.</li> <li>Implementation date – 1 January 2022.</li> </ul>
Counterparty credit risk RWAs	<ul style="list-style-type: none"> <li>Introduction of new standardised approach (SA-CCR) with greater risk sensitivity and incorporation of margining into PFE.</li> <li>Changes to the treatment of exposures to central counterparties.</li> </ul>	<ul style="list-style-type: none"> <li>PRA PS 22/21.</li> <li>Implementation date – 1 January 2022.</li> </ul>
Net stable funding ratio (NSFR)	<ul style="list-style-type: none"> <li>Information on required and available stable funding sources less than and greater than 1 year.</li> <li>Must hold stable funding to cover funding needs over 1 year horizon.</li> </ul>	<ul style="list-style-type: none"> <li>PRA PS 22/21.</li> <li>Implementation date – 1 January 2022.</li> </ul>
Liquidity coverage ratio	<ul style="list-style-type: none"> <li>Change in LCR treatment of non CQS 1 EU sovereign debt.</li> </ul>	<ul style="list-style-type: none"> <li>PRA PS 22/21.</li> <li>Implementation date - 1 January 2022.</li> </ul>
Mortgage risk weights for IRB	<ul style="list-style-type: none"> <li>Introduction of hybrid methodology for the purposes of PD calibration.</li> <li>Assumption of early 1990s as a downturn reference point and extended use of haircuts in LGD models.</li> </ul>	<ul style="list-style-type: none"> <li>PRA PS13/17.</li> <li>Implementation date - 1 January 2022.</li> </ul>
Mortgage risk weight floor (IRB)	<ul style="list-style-type: none"> <li>Sets risk weight floor for UK mortgages.</li> <li>Average performing portfolio RW floor of 10%.</li> </ul>	<ul style="list-style-type: none"> <li>PRA PS16/21.</li> <li>Implementation date - 1 January 2022.</li> </ul>
Credit risk RWAs – IRB repair	<ul style="list-style-type: none"> <li>Additional requirements applied to CRR via Guidelines and Regulatory Technical Standards covering PD/LGD estimation, definition of default and definition of an economic downturn.</li> </ul>	<ul style="list-style-type: none"> <li>PS 11/20 Credit risk: the Probability of Default and Loss Given Default estimation', which implements the RTS on economic downturn, the GL on PD &amp; LGD Estimation, and the GL on downturn LGD.</li> <li>PS 7/19 Credit risk: the definition of default', which implements the RTS for the materiality threshold, the Guidelines on the definition of default.</li> <li>Implementation by 1 January 2022 for IRB firms.</li> </ul>
Software Assets	<ul style="list-style-type: none"> <li>Removes prudential amortisation for software assets, which is a divergence from EU treatment.</li> <li>The removal decreases CET1 ratio.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation – 1 January 2022.</li> </ul>
End of Brexit Temporary Transition Power	<ul style="list-style-type: none"> <li>TTP falls away which means certain changes re EU exposures.</li> <li>Dependent on equivalence reviews.</li> </ul>	<ul style="list-style-type: none"> <li>1 March 2022.</li> </ul>

Capital, liquidity and funding continued

Area of development	Key changes	Source of changes/implementation date
Credit risk RWAs – Basel 3	<ul style="list-style-type: none"> <li>– Restriction in the scope of using internal models.</li> <li>– Avoidance of mechanistic reliance on external ratings.</li> <li>– For model based RWAs, adoption of “input” floors for PD and LGD.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalisation of Basel 3<sup>(1)</sup>.</li> <li>– Expected implementation date – 2024/5.</li> </ul>
Capital floors	<ul style="list-style-type: none"> <li>– Aggregate output floor to limit the benefit of internal models compared to standardised approach.</li> <li>– Extended transitional arrangements culminating in a floor of 72.5%.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalisation of Basel 3<sup>(1)</sup>.</li> <li>– Expected implementation date – 2025.</li> </ul>
Credit valuation adjustment (CVA) risk RWAs	<ul style="list-style-type: none"> <li>– Alignment of CVA risk charge with revised standardised market risk framework.</li> <li>– Removal of modelled CVA risk methodology.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalisation of Basel 3<sup>(1)</sup>.</li> <li>– Expected implementation date – 2025.</li> </ul>
Operational risk RWAs	<ul style="list-style-type: none"> <li>– Revision of business indicator as proxy for size of operational risk.</li> <li>– Potential incorporation of bank-specific loss data into the calculation.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalisation of Basel 3<sup>(1)</sup>.</li> <li>– Expected implementation date – 2025.</li> </ul>
New standardised approach for credit risk	<ul style="list-style-type: none"> <li>– Completely revised standardised approach for credit risk.</li> <li>– Slightly more risk sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalisation of Basel 3<sup>(1)</sup>.</li> <li>– Expected implementation date – 2025.</li> </ul>
Market risk capital treatment	<ul style="list-style-type: none"> <li>– New internal model approach.</li> <li>– New standardised approach (SBM + DRC + RRAO).</li> <li>– Inclusion of risk of market illiquidity.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalisation of Basel 3<sup>(1)</sup>.</li> <li>– Expected implementation date – 2025.</li> </ul>
Securities Financing Transactions	<ul style="list-style-type: none"> <li>– Revision and recalibration of exposure calculation methodology.</li> <li>– Introduction of minimum haircut floors.</li> </ul>	<ul style="list-style-type: none"> <li>– Finalisation of Basel 3<sup>(1)</sup>.</li> <li>– Expected to be implemented by markets regulation.</li> </ul>

(1) Finalisation of the Basel 3 standards published by BCBS on 7 December 2017. These standards will subsequently be brought into UK legislation via amendments to the onshored CRR or successor legislation.

## NatWest Holdings Group - Key points

### CET1 ratio (CRR end-point)

2021	15.9%	<p>The CET1 ratio decreased 160 basis points over the period, due to a £4.0 billion decrease in CET1 capital and a £11.3 billion decrease in RWAs. The CET1 capital decrease mainly reflects the following items:</p> <ul style="list-style-type: none"> <li>– dividends paid of £3.5 billion;</li> <li>– foreseeable charges and pension contributions of £2.2 billion;</li> <li>– a decrease in the IFRS 9 transition adjustment of £1.1 billion;</li> <li>– other reserve reductions; and</li> <li>– offset by the attributable profit in the period of £3.2 billion.</li> </ul>
2020	17.5%	

### RWA

2021	£124.1bn	<p>Total RWAs decreased by £11.3 billion reflecting a decrease in credit risk RWAs of £10.2 billion and a reduction in operational risk of £0.9 billion following the annual recalculation in Q1 2021. The credit risk decrease mainly reflects:</p> <ul style="list-style-type: none"> <li>– repayments and expired facilities in Commercial Banking in addition to improved risk metrics within Commercial Banking and Ulster Rol franchises;</li> <li>– additional decreases within Ulster Bank Rol due to repayments and facility maturities; and</li> <li>– a £0.8 billion reduction as a result of the CRR COVID-19 amendment for the infrastructure supporting factor.</li> </ul>
2020	£135.3bn	

### UK leverage

2021	5.6%	<p>The UK leverage ratio decreased by c.90 basis points driven by a £4 billion decrease in Tier 1 capital.</p>
2020	6.5%	

### CRR leverage

2021	4.1%	<p>The CRR leverage ratio decreased by c.120 basis points driven by a £44 billion increase in the leverage exposure due to cash and balances at central banks, and a £4 billion decrease in Tier 1 capital.</p>
2020	5.3%	

### NSFR

2021	155%	<p>The net stable funding ratio (NSFR) for FY 2021 was at 155% compared to 145% in prior year. The increase is mainly due to deposits growth.</p>
2020	145%	



## KM1: BCBS 2 & IFRS 9-FL: Key metrics – NWH Group

The table below reflects the key metrics template in the BCBS consolidated Pillar 3 framework and the EBA's IFRS 9 template. Capital and leverage ratios presented are based on end-point CRR rules. NWH Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. 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 transition period has been further amended by the CRR COVID-19 Amendment Regulation. The effect of this is to fully mitigate the increases in Stage 1 and Stage 2 expected credit loss provisions arising in 2020 and 2021, due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

BCBS2 KM1	IFRS 9-FL	Capital	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m	31 March 2021 £m	31 December 2020 £m
1	1	Common equity tier 1 (CET1)	19,715	21,371	21,026	24,017	23,743
1a	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	19,066	20,404	19,846	22,407	22,043
2	3	Tier 1 capital	23,397	25,053	24,702	27,693	27,419
2a	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	22,748	24,086	23,522	26,083	25,719
3	5	Total capital	28,415	29,995	29,568	32,575	32,425
3a	6	Total capital as if IFRS 9 transitional arrangements had not been applied	27,870	29,219	28,605	31,219	30,922
<b>Risk-weighted assets (amounts)</b>							
4	7	Total risk-weighted assets (RWAs)	124,076	125,036	126,797	129,717	135,331
4a	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	124,038	124,980	126,724	129,604	135,192
<b>Risk-based capital ratios as a percentage of RWA</b>			%	%	%	%	%
5	9	Common equity tier 1 ratio	15.9	17.1	16.6	18.5	17.5
5a	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.4	16.3	15.7	17.3	16.3
6	11	Tier 1 ratio	18.9	20.0	19.5	21.3	20.3
6a	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.3	19.3	18.6	20.1	19.0
7	13	Total capital ratio	22.9	24.0	23.3	25.1	24.0
7a	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.5	23.4	22.6	24.1	22.9
<b>Additional CET1 buffer requirements as a percentage of RWA</b>							
8		Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9		Countercyclical capital buffer requirement (1)	—	—	—	—	—
10		Bank GSIB and/or DSIB additional requirements	1.5	1.5	1.5	1.5	1.5
11		Total of CET1 specific buffer requirements (8+9+10)	4.0	4.0	4.0	4.0	4.0
12		CET1 available after meeting the bank's minimum capital requirements (2)	9.7	10.9	10.5	12.4	11.5
<b>UK leverage ratio</b>			£m	£m	£m	£m	£m
		UK leverage ratio exposure measure	418,306	417,670	420,172	417,781	420,764
		UK leverage ratio (%) (3)	5.6	6.0	5.9	6.6	6.5
		Average exposure	418,170	430,888	429,382	430,195	415,430
		Average leverage ratio (%)	5.9	5.8	6.3	6.4	6.5
<b>CRR leverage ratio</b>			£m	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	566,064	554,311	545,161	534,610	521,600
14	16	CRR leverage ratio (%)	4.1	4.5	4.5	5.2	5.3
14a	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.0	4.4	4.3	4.9	4.9
<b>Liquidity coverage ratio</b>			£m	£m	£m	£m	£m
15		Total high-quality liquid assets (HQLA)	149,315	140,048	133,968	128,257	119,655
16		Total net cash outflows	93,817	91,300	88,603	85,657	81,256
17		LCR ratio (%) (4)	159	153	151	150	147
<b>Net stable funding ratio (NSFR)</b>							
18		Total available stable funding	383,859	373,052	368,973	360,037	357,595
19		Total required stable funding	247,248	245,981	245,632	242,053	246,338
20		NSFR (%) (5)	155	152	150	149	145

(1) The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures (see CCyB1 for more information).

(2) Represents the CET1 ratio less TSCR (Pillar 1 & 2A).

(3) The PRA minimum leverage ratio requirement is supplemented with a countercyclical leverage ratio buffer of 0.0% (31 December 2020 – 0.0%).

(4) The liquidity coverage ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.

(5) NSFR reported in line with CRR2 regulations finalised in June 2019. Following the publication of PS 22/21 on 14 October 2021, a binding Net Stable Funding Ratio (NSFR) requirement will be effective from January 2022.

## IFRS 9-FL: Key metrics - large subsidiaries

The table below shows key metrics as required by the EBA relating to IFRS 9 for NWH Group and its large subsidiaries. Capital measures are on a CRR transitional basis. NWH Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. 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 transition period has been further amended by the CRR COVID-19 Amendment Regulation. The effect of this is to fully mitigate the increases in Stage 1 and Stage 2 expected credit loss provisions arising in 2020 and 2021, due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

	31 December 2021				
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
<b>Available capital (amounts) - transitional</b>					
1 Common equity tier 1	19,715	13,924	2,682	3,227	1,235
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	19,066	13,495	2,556	3,104	1,206
3 Tier 1 capital	23,397	16,039	3,651	3,227	1,437
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	22,748	15,610	3,525	3,104	1,408
5 Total capital	28,541	18,945	5,106	3,407	1,703
6 Total capital as if IFRS 9 transitional arrangements had not been applied	27,996	18,770	4,985	3,284	1,674
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets	124,076	86,217	19,592	11,607	10,367
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	124,038	86,190	19,584	11,606	10,340
<b>Risk-based capital ratios as a percentage of RWAs</b>					
	%	%	%	%	%
9 Common equity tier 1 ratio	15.9	16.1	13.7	27.8	11.9
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.4	15.7	13.1	26.7	11.7
11 Tier 1 ratio	18.9	18.6	18.6	27.8	13.9
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.3	18.1	18.0	26.7	13.6
13 Total capital ratio	23.0	22.0	26.1	29.4	16.4
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.6	21.8	25.5	28.3	16.2
<b>Leverage ratio</b>					
15 CRR leverage ratio exposure measure (£m)	566,064	426,681	88,670	19,796	18,796
16 CRR leverage ratio (%)	4.1	3.8	4.1	16.3	7.6
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.0	3.7	4.0	15.8	7.5

	30 September 2021				
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
<b>Available capital (amounts) - transitional</b>					
1 Common equity tier 1	21,371	14,862	2,782	3,421	1,249
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	20,404	14,255	2,600	3,224	1,208
3 Tier 1 capital	25,053	16,977	3,751	3,421	1,451
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	24,086	16,370	3,569	3,224	1,410
5 Total capital	30,123	19,888	5,145	3,632	1,717
6 Total capital as if IFRS 9 transitional arrangements had not been applied	29,347	19,529	5,030	3,435	1,676
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets	125,036	85,674	20,617	12,860	10,433
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	124,980	85,637	20,609	12,859	10,391
<b>Risk-based capital ratios as a percentage of RWAs</b>					
	%	%	%	%	%
9 Common equity tier 1 ratio	17.1	17.3	13.5	26.6	12.0
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.3	16.6	12.6	25.1	11.6
11 Tier 1 ratio	20.0	19.8	18.2	26.6	13.9
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.3	19.1	17.3	25.1	13.6
13 Total capital ratio	24.1	23.2	25.0	28.2	16.5
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	23.5	22.8	24.4	26.7	16.1
<b>Leverage ratio</b>					
15 CRR leverage ratio exposure measure (£m)	554,311	412,246	89,081	21,375	18,734
16 CRR leverage ratio (%)	4.5	4.1	4.2	16.0	7.7
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.4	4.0	4.0	15.2	7.5

## IFRS 9-FL: Key metrics - large subsidiaries continued

30 June 2021						
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m	
<b>Available capital (amounts) - transitional</b>						
1	Common equity tier 1	21,026	14,713	2,653	3,394	1,252
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	19,846	13,963	2,432	3,189	1,198
3	Tier 1 capital	24,702	16,821	3,622	3,394	1,454
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	23,522	16,071	3,401	3,189	1,400
5	Total capital	29,702	19,779	4,998	3,630	1,720
6	Total capital as if IFRS 9 transitional arrangements had not been applied	28,739	19,284	4,836	3,425	1,666
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	126,797	85,892	21,229	13,258	10,321
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	126,724	85,857	21,221	13,253	10,266
<b>Risk-based capital ratios as a percentage of RWAs</b>						
		%	%	%	%	%
9	Common equity tier 1 ratio	16.6	17.1	12.5	25.6	12.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.7	16.3	11.5	24.1	11.7
11	Tier 1 ratio	19.5	19.6	17.1	25.6	14.1
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.6	18.7	16.0	24.1	13.6
13	Total capital ratio	23.4	23.0	23.5	27.4	16.7
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.7	22.5	22.8	25.8	16.2
<b>Leverage ratio</b>						
15	CRR leverage ratio exposure measure (£m)	545,161	401,880	88,976	21,630	18,358
16	CRR leverage ratio (%)	4.5	4.2	4.1	15.7	7.9
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.3	4.0	3.8	14.9	7.6

31 March 2021						
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m	
<b>Available capital (amounts) - transitional</b>						
1	Common equity tier 1	24,017	15,661	4,611	3,373	1,227
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	22,407	14,686	4,268	3,158	1,153
3	Tier 1 capital	27,721	17,798	5,580	3,373	1,429
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	26,111	16,823	5,237	3,158	1,355
5	Total capital	32,736	20,796	6,942	3,626	1,695
6	Total capital as if IFRS 9 transitional arrangements had not been applied	31,380	20,093	6,683	3,411	1,621
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	129,717	84,731	23,141	12,109	10,301
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	129,604	84,697	23,115	12,105	10,227
<b>Risk-based capital ratios as a percentage of RWAs</b>						
		%	%	%	%	%
9	Common equity tier 1 ratio	18.5	18.5	19.9	27.9	11.9
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.3	17.3	18.5	26.1	11.3
11	Tier 1 ratio	21.4	21	24.1	27.9	13.9
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.1	19.9	22.7	26.1	13.2
13	Total capital ratio	25.2	24.5	30	29.9	16.5
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.2	23.7	28.9	28.2	15.9
<b>Leverage ratio</b>						
15	CRR leverage ratio exposure measure (£m)	534,610	388,217	88,329	22,734	18,034
16	CRR leverage ratio (%)	5.2	4.6	6.3	14.8	7.9
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.9	4.3	6.0	14.0	7.5

## IFRS 9-FL: Key metrics - large subsidiaries continued

		31 December 2020				
		NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
<b>Available capital (amounts) - transitional</b>						
1	Common equity tier 1	23,743	15,424	4,431	3,569	1,227
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	22,043	14,405	4,051	3,333	1,147
3	Tier 1 capital	27,477	17,590	5,400	3,569	1,429
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	25,777	16,571	5,020	3,333	1,349
5	Total capital	32,750	20,765	6,815	3,858	1,695
6	Total capital as if IFRS 9 transitional arrangements had not been applied	31,247	20,000	6,485	3,622	1,615
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	135,331	86,882	25,133	12,697	10,212
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	135,192	86,828	25,096	12,693	10,132
<b>Risk-based capital ratios as a percentage of RWAs</b>						
		%	%	%	%	%
9	Common equity tier 1 ratio	17.5	17.8	17.6	28.1	12.0
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.3	16.6	16.1	26.3	11.3
11	Tier 1 ratio	20.3	20.2	21.5	28.1	14.0
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.1	19.1	20.0	26.3	13.3
13	Total capital ratio	24.2	23.9	27.1	30.4	16.6
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	23.1	23.0	25.8	28.5	15.9
<b>Leverage ratio</b>						
15	CRR leverage ratio exposure measure (£m)	521,600	376,527	85,867	23,961	17,414
16	CRR leverage ratio (%)	5.3	4.7	6.3	14.9	8.2
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.0	4.4	5.9	14.0	7.8

## Large subsidiary key points

## Capital and leverage

## NWB Plc – 31 December 2021 compared with 31 December 2020

- The CET1 ratio decreased to 16.1% from 17.8%, due to a £1.5 billion decrease in CET capital and a £0.7 billion decrease in RWAs.
- The CET1 decrease reflects the attributable profit in the period of £2.6 billion offset by dividends paid of £1.6 billion, foreseeable charges of £1.4 billion and a £0.6 billion decrease in the IFRS 9 transitional adjustment on expected losses and other reserve movements.
- Total RWAs decreased by £0.7 billion during 2021 driven by a £0.7 billion reduction in credit risk due to repayments and expired facilities of £2.4 billion in Commercial Banking and £0.8 billion reduction in non-credit assets. The transfer-in of Ulster Bank limited business in Q2 2021 resulted in the offsetting increases in credit risk of £1.6 billion.
- The leverage ratio has decreased by c.90 basis points to 3.8% as a result of a £50 billion increase in the leverage exposure driven by cash and balances at central banks, and a £1.5 billion decrease in Tier 1 capital.

## RBS plc – 31 December 2021 compared with 31 December 2020

- The CET1 ratio decreased to 13.7% from 17.6%, due to a £1.7 billion decrease in CET capital and a £5.5 billion decrease in RWAs.
- The CET1 decrease reflects the attributable profit in the period of £0.7 billion offset by dividends paid of £2.1 billion, foreseeable charges of £0.2 billion and a £0.3 billion decrease in the IFRS 9 transitional adjustment on expected losses.
- Total RWAs decreased by £5.5 billion driven by a £4.7 billion decrease in credit risk and a £0.8 billion reduction in operational risk RWAs following the annual recalculation in Q1 2021. The decrease in credit risk RWAs was largely attributed to repayments and expired facilities in Commercial Banking.

- The leverage ratio has decreased by 220 basis points to 4.1% driven by a £2.8 billion increase in the leverage exposure driven by cash and balances at central banks and a £1.7 billion decrease in Tier 1 capital.

## UBIDAC – 31 December 2021 compared with 31 December 2020

- The CET1 ratio decreased to 27.8% from 28.1%. CET1 capital has decreased by £0.3 billion, this is mainly due to a decrease in the IFRS 9 transitional arrangements on expected credit losses and foreign exchange movements.
- Total RWAs decreased by £1.1 billion due to repayments and facility maturities. The reduced exposure is partially offset by a voluntary adjustment to the capital metrics as agreed with the Regulator.
- The leverage ratio has increased by 140 basis points to 16.3% primarily driven by a £4.2 billion decrease in the leverage exposure measure mainly due to the decrease in Loans and advances to customers.

## Coutts &amp; Co – 31 December 2021 compared with 31 December 2020

- The CET1 ratio decreased to 11.9% from 12.0%, mainly driven by a £0.2 billion increase in RWAs.
- RWAs increased by £0.2 billion for the year mainly reflecting an increase in credit risk due to lending growth in Private Banking.
- The leverage ratio decreased by c.60 basis points to 7.6% driven by a £1.4 billion increase in the leverage exposure predominantly due to eligible balance sheet exposures.

## CC1: Composition of regulatory capital – NWH Group and large subsidiaries

The table below sets out the capital resources in the prescribed template on a CRR transitional basis as relevant for the jurisdiction. The adjustments to end-point CRR are presented for NWH Group only.

		2021							
		NWH Group			Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWB Plc £m	RBS plc £m	UBI DAC £m	Courtts & Co £m
PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m							
<b>CET1 capital: instruments and reserves</b>									
1	Capital instruments and the related share premium accounts	3,263	—	3,263	(a)	3,904	20	3,559	41
	<i>Of which: ordinary shares</i>	3,263	—	3,263		1,678	20	2,839	41
2	Retained earnings	34,003	—	34,003	(b)	10,622	2,706	(308)	1,108
3	Accumulated other comprehensive income (and other reserves)	(11,447)	—	(11,447)	(c)	905	(173)	2	108
4	Public sector capital injections grandfathered until 1 January 2019	—	—	—	—	—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	—	—	—	—	—	—	—	—
6	CET1 capital before regulatory adjustments	25,819	—	25,819		15,431	2,553	3,253	1,257
7	Additional value adjustments	(15)	—	(15)		(12)	(4)	—	—
8	(-) Intangible assets (net of related tax liability)	(5,984)	—	(5,984)	(d)	(703)	—	—	(50)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(713)	—	(713)	(e)	(541)	(161)	(11)	—
11	Fair value reserves related to gains or losses on cash flow hedges	50	—	50	(i)	2	168	—	(1)
12	(-) Negative amounts resulting from the calculation of expected loss amounts	—	—	—	—	—	—	—	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	—	—	—	—	—	—	—
15	(-) Defined-benefit pension fund assets	(86)	—	(86)	(f) & (g)	—	—	(81)	—
18	(-) Direct and indirect holdings by the institution of the CET1 instruments of financial sector institution does not have a significant investment in those entities (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 where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—	—	—	(607)	—	—	—
22	(-) Amount exceeding the 17.65% threshold	—	—	—	—	(73)	—	—	—
23	(-) <i>Of which: 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</i>	—	—	—	—	(49)	—	—	—
25	(-) <i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—	—	(24)	—	—	—
25a	(-) Losses for the current financial period	—	—	—	—	—	—	(2)	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	(5)	—	(5)	—	(2)	—	—	—
26a	<i>Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468</i>	—	—	—	—	—	—	—	—
26b	<i>Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR</i>	(5)	—	(5)	—	(2)	—	—	—
27	(-) Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution	—	—	—	—	—	—	—	—
27a	Other regulatory adjustments to CET1 capital	649	(649)	—	—	429	126	68	29
28	Total regulatory adjustments to CET1	(6,104)	(649)	(6,753)	—	(1,507)	129	(26)	(22)
29	CET1 capital	19,715	(649)	19,066	—	13,924	2,682	3,227	1,235
<b>AT1 capital: instruments</b>									
30	Capital instruments and the related share premium accounts	3,682	—	3,682	(h)	2,377	969	—	202

## CC1: Composition of regulatory capital – NWH Group and large subsidiaries continued

	2021						
	NWH Group			Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation			
	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m
<b>AT1 capital: instruments</b>							
31 Of which: classified as equity under applicable accounting standards	3,682		3,682	2,377	969	—	202
32 Of which: classified as debt under applicable accounting standards	—			—	—	—	—
33 Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	—	—	—	—	—	—	—
34 Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	—	—	—	—	—	—	—
35 <i>Of which: instruments issued by subsidiaries subject to phase out</i>	—	—	—	—	—	—	—
36 AT1 capital before regulatory adjustments	3,682	—	3,682	2,377	969	—	202
<b>AT1 capital: regulatory adjustments</b>							
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 (amount above 10% threshold and net of eligible short positions)	—	—	—	(262)	—	—	—
41 (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—	—	—	—	—
41b Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: Direct and indirect 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	—	—	—	—	—	—	—
43 Total regulatory adjustments to AT1 capital	—	—	—	(262)	—	—	—
44 AT1 capital	3,682	—	3,682	2,115	969	—	202
45 Tier 1 capital (T1 = CET1 + AT1)	23,397	(649)	22,748	16,039	3,651	3,227	1,437
<b>T2 capital: instruments and provisions</b>							
46 Capital instruments and the related share premium accounts	4,587	—	4,587	(j) 3,102	1,372	51	266
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	—	—	—	54	—	72	—
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interests phase out from T2 and AT1 instruments not included in CET1 or AT1) issued by subsidiaries	126	(126)	—	(j) —	—	—	—
49 <i>Of which: instruments issued by subsidiaries subject to phase out</i>	126	(126)	—	—	—	—	—
50 Credit risk adjustments	431	104	535	117	83	57	—
51 T2 capital before regulatory adjustments	5,144	(22)	5,122	3,273	1,455	180	266
<b>T2 capital: regulatory adjustments</b>							
54 (-) Direct and indirect 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 the 10% threshold and net of eligible short positions)	—	—	—	—	—	—	—
55 (-) Direct and indirect 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)	—	—	—	(367)	—	—	—
56a (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—	—	—	—	—



## CC1: Composition of regulatory capital – NWH Group and large subsidiaries continued

	2021							
	NWH Group			Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWB Plc	RBS plc	UBI DAC	Courtts & Co
	PRA transitional	CRR prescribed residual amounts	CRR end-point					
£m	£m	£m	£m	£m	£m	£m	£m	
<b>T2 capital before regulatory adjustments</b>								
56b (-) Other regulatory adjustments to T2 capital	—	—	—	—	—	—	—	—
56c (-) Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	—	—	—	—	—	—	—	—
57 Total regulatory adjustments to T2 capital	—	—	—	(367)	—	—	—	—
58 T2 capital	5,144	(22)	5,122	2,906	1,455	180	266	
59 Total capital (TC = T1 + T2)	28,541	(671)	27,870	18,945	5,106	3,407	1,703	
60 Total risk-weighted assets	124,076	(38)	124,038	86,217	19,592	11,607	10,367	
<b>Capital ratios and buffers</b>								
61 CET1 (as a percentage of risk exposure amount)	15.9%		15.4%	16.1%	13.7%	27.8%	11.9%	
62 T1 (as a percentage of risk exposure amount)	18.9%		18.3%	18.6%	18.6%	27.8%	13.9%	
63 Total capital (as a percentage of risk exposure amount)	23.0%		22.5%	22.0%	26.1%	29.4%	16.4%	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	8.5%		8.5%	7.0%	7.0%	7.5%	7.0%	
65 <i>Of which: capital conservation buffer requirement</i>	2.5%		2.5%	2.5%	2.5%	2.5%	2.5%	
66 <i>Of which: counter cyclical buffer requirement</i>	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	
67 <i>Of which: systemic risk buffer requirement</i>	1.5%		1.5%	—	—	—	—	
67a <i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	0.0%		0.0%	—	—	0.5%	—	
68 CET1 available to meet buffers (1)	9.7%		9.2%	10.1%	7.3%	21.3%	5.9%	
<b>Amounts below the threshold deduction</b>								
72 Direct and indirect holdings of the capital 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)	3	—	3	2	—	—	—	
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 10% threshold and net of eligible short positions)	—	—	—	1,461	6	—	110	
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	430	—	430	702	45	—	8	
<b>Available caps on the inclusion of provisions in T2</b>								
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	202	—	202	135	13	13	116	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	431	836	1,267	117	83	197	—	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	535	—	535	371	88	57	—	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>								
82 Current cap on AT1 instruments subject to phase out arrangements	29	(29)	—	29	—	—	—	
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	134	(134)	—	123	—	13	2	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—	—	—	—	—	

(1) Represents the CET1 ratio less TSCR (Pillar 1 &amp; 2A).

(2) The references (a)–(j) identify balance sheet components in Table CC2 that are used in the calculation of regulatory capital table CC1. Amounts between the CC2 and CC1 are not always directly comparable due to differences in definitions and application of CRD IV for the calculation of regulatory capital.

## CC1: Composition of regulatory capital – NWH Group and large subsidiaries continued

		2020							
		NWH Group			Source based on reference numbers/ letters of the balance sheet				
		PRA transitional	CRR prescribed	CRR end-point	under the regulatory scope of consolidation	NWB Plc	RBS plc	UBI DAC	Coutts & Co
		£m	£m	£m		£m	£m	£m	£m
<b>CET1 capital: instruments and reserves</b>									
1	Capital instruments and the related share premium accounts	3,263	—	3,263	(a)	3,904	20	3,805	41
	<i>Of which: ordinary shares</i>	3,263	—	3,263		1,678	20	3,035	41
2	Retained earnings	36,709	—	36,709	(b)	10,832	4,012	234	1,027
3	Accumulated other comprehensive income (and other reserves)	(10,658)	—	(10,658)	(c)	788	372	90	107
4	Public sector injections grandfathered until 1 January 2019	—	—	—		—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	—	—	—		304	297	—	—
6	CET1 capital before regulatory adjustments	29,314	—	29,314		15,828	4,701	4,129	1,175
7	Additional value adjustments	(12)	—	(12)		(9)	(3)	—	—
8	(-) Intangible assets (net of related tax liability)	(5,868)	—	(5,868)	(d)	(525)	(85)	—	(28)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(760)	—	(760)	(e)	(523)	(186)	(43)	—
11	Fair value reserves related to gains or losses on cash flow hedges	(387)	—	(387)	(i)	133	(376)	(75)	—
12	(-) Negative amounts resulting from the calculation of expected loss amounts	—	—	—		—	—	—	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	—	—		—	—	—	—
15	(-) Defined-benefit pension fund assets	(244)	—	(244)	(f) & (g)	—	—	(244)	—
18	(-) Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (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 where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—	—		(499)	—	—	—
22	(-) Amount exceeding the 17.65% threshold	—	—	—		—	—	—	—
23	(-) <i>Of which: 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</i>	—	—	—		—	—	—	—
25	(-) <i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—		—	—	—	—
25a	(-) Losses for the current financial period	—	—	—		—	—	(387)	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	—	—	—		—	—	—	—
26a	<i>Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468</i>	—	—	—		—	—	—	—
26b	<i>Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR</i>	—	—	—		—	—	—	—
27	(-) Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution	—	—	—		—	—	—	—
27a	Other regulatory adjustments to CET1 capital	1,700	(1,700)	—		1,019	380	189	80
28	Total regulatory adjustments to CET1	(5,571)	(1,700)	(7,271)		(404)	(270)	(560)	52
29	CET1 capital	23,743	(1,700)	22,043		15,424	4,431	3,569	1,227
<b>AT1 capital: instruments</b>									
30	Capital instruments and the related share premium accounts	3,676	—	3,676	(h)	2,370	969	—	202
31	Of which: classified as equity under applicable accounting standards	3,676	—	3,676		2,370	969	—	—

## CC1: Composition of regulatory capital – NWH Group and large subsidiaries continued

	2020							
	NWH Group			Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m
	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m					
<b>AT1 capital: instruments</b>								
32 Of which: classified as debt under applicable accounting standards	—				—	—	—	—
33 Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	—	—	—		58	—	—	—
34 Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	58	(58)	—	(j)	—	—	—	—
35 <i>Of which: instruments issued by subsidiaries subject to phase out</i>	58	(58)	—		—	—	—	—
36 AT1 capital before regulatory adjustments	3,734	(58)	3,676		2,428	969	—	202
<b>AT1 capital: regulatory adjustments</b>								
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 (amount above 10% threshold and net of eligible short positions)	—	—	—		(262)	—	—	—
41 (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—	—
41b Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: Direct and indirect 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	—	—	—		—	—	—	—
43 Total regulatory adjustments to AT1 capital	—	—	—		(262)	—	—	—
44 AT1 capital	3,734	(58)	3,676		2,166	969	—	202
45 Tier 1 capital (T1 = CET1 + AT1)	27,477	(1,758)	25,719		17,590	5,400	3,569	1,429
<b>T2 capital: instruments and provisions</b>								
46 Capital instruments and the related share premium accounts	4,613	—	4,613	(j)	3,141	1,355	225	266
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	—	—	—		245	—	—	—
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interests phase out from T2 and AT1 instruments not included in CET1 or AT1) issued by subsidiaries	267	(267)	—	(j)	—	—	—	—
49 <i>Of which: instruments issued by subsidiaries subject to phase out</i>	267	(267)	—		—	—	—	—
50 Credit risk adjustments	393	—	393		121	60	64	—
51 T2 capital before regulatory adjustments	5,273	(267)	5,006		3,507	1,415	289	266
<b>T2 capital: regulatory adjustments</b>								
54 (-) Direct and indirect 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 the 10% threshold and net of eligible short positions)	—	—	—		—	—	—	—
55 (-) Direct and indirect 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)	—	—	—		(332)	—	—	—
56a (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—	—
56b (-) Other regulatory adjustments to T2 capital	—	—	—		—	—	—	—

## CC1: Composition of regulatory capital – NWH Group and large subsidiaries continued

	2020							
	NWH Group			Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWB Plc	RBS plc	UBI DAC	Courtts & Co
	PRA transitional	CRR prescribed residual amounts	CRR end-point					
<b>T2 capital before regulatory adjustments</b>								
56c (-) Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	—	—	—	—	—	—	—	—
57 Total regulatory adjustments to T2 capital	—	—	—	(332)	—	—	—	—
58 T2 capital	5,273	(267)	5,006	3,175	1,415	289	266	
59 Total capital (TC = T1 + T2)	32,750	(2,025)	30,725	20,765	6,815	3,858	1,695	
60 Total risk-weighted assets	135,331	(139)	135,192	86,882	25,133	12,697	10,212	
<b>Capital ratios and buffers</b>								
61 CET1 (as a percentage of risk exposure amount)	17.5%		16.3%	17.8%	17.6%	28.1%	12.0%	
62 T1 (as a percentage of risk exposure amount)	20.3%		19.0%	20.2%	21.5%	28.1%	14.0%	
63 Total capital (as a percentage of risk exposure amount)	24.2%		22.7%	23.9%	27.1%	30.4%	16.6%	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	8.5%		8.5%	7.0%	7.0%	7.5%	7.0%	
65 Of which: capital conservation buffer requirement	2.5%		2.5%	2.5%	2.5%	2.5%	2.5%	
66 Of which: counter cyclical buffer requirement	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	
67 Of which: systemic risk buffer requirement	—		—	—	—	—	—	
67a Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.5%		1.5%	—	—	0.5%	—	
68 CET1 available to meet buffers	11.5%		10.3%	11.9%	11.4%	21.6%	6.2%	
<b>Amounts below the threshold deduction</b>								
72 Direct and indirect holdings of the capital 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)	—	—	—	—	—	—	—	
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 10% threshold and net of eligible short positions)	—	—	—	1,625	28	—	110	
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	461	—	461	676	46	1	10	
<b>Available caps on the inclusion of provisions in T2</b>								
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	214	—	214	137	25	13	114	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	393	2,138	2,531	121	60	325	—	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	590	—	590	375	110	63	—	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>								
82 Current cap on AT1 instruments subject to phase out arrangements	58	(58)	—	58	—	—	—	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	82	(82)	—	82	—	—	—	
84 Current cap on T2 instruments subject to phase out arrangements	267	(267)	—	245	—	29	5	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	707	(707)	—	653	—	—	—	

## CC2: Reconciliation of regulatory capital to balance sheet

The table below sets out the reconciliation between the accounting and regulatory consolidation with references (a)-(j) showing the linkage between this table and CC1 own funds disclosure.

	As at period end 31 December 2021		References
	a Balance sheet as in published financial statements as at period end £m	b Under regulatory scope of consolidation as at period end £m	
<b>Assets</b>			
Cash and balances at central banks	143,892	143,926	
Trading assets	—	—	
Derivatives	1,980	1,980	
Settlement balances	—	—	
Loans and advances to banks - amortised cost	5,512	5,512	
Loans and advances to customers - amortised cost	336,086	336,257	
Other financial assets	31,534	31,152	
Intangible assets	6,395	6,395	(d)
Property, plant and equipment	3,852	3,852	
Current and deferred tax assets	1,464	1,464	
<i>of which: DTAs that rely on future profitability and do not arise from temporary differences</i>	713	713	(e)
Prepayments, accrued income and other assets	1,393	1,404	
<i>of which: Defined benefit pension fund assets</i>	99	99	(f)
Assets of disposal groups	9,015	9,015	
<b>Total assets</b>	<b>541,123</b>	<b>540,957</b>	
<b>Liabilities</b>			
Bank deposits	25,327	25,327	
Customer deposits	448,282	448,936	
Settlement balances	—	—	
Trading liabilities	—	—	
Derivatives	4,052	4,052	
Other financial liabilities	7,366	6,489	
Provisions, deferred income and other liabilities	18,951	19,008	
Retirement benefit liabilities	48	48	
Current and deferred tax liabilities	430	430	
<i>of which: DTL defined benefit pension scheme assets</i>	13	13	(g)
Subordinated liabilities	4,912	4,912	(j)
Liabilities of disposal groups	—	—	
<b>Total liabilities</b>	<b>509,368</b>	<b>509,202</b>	
<b>Shareholder's Equity</b>			
Non-controlling interests	10	10	
Owners' equity	—	—	
Called up share capital	3,263	3,263	(a)
Reserves	28,482	28,482	
<i>of which: amount eligible for retained earnings</i>	36,247	36,247	(b)
<i>of which: amount eligible for accumulated OCI &amp; other reserves</i>	(11,447)	(11,447)	(c),(i)
<i>of which: amount of other equity instruments</i>	3,682	3,682	(h)
<b>Total shareholder's equity</b>	<b>31,755</b>	<b>31,755</b>	

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

## OV1: CAP: RWAs and MCR summary – NWH Group and large subsidiaries

The table below shows RWAs and minimum capital requirements (MCR) by risk type for NWH Group and its large subsidiaries. MCR is calculated as 8% of RWAs.

	NWH Group		NWB Plc		RBS plc		UBIDAC		Coutts & Co	
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
<b>2021</b>										
1 Credit risk (excluding counterparty credit risk)	102,921	8,234	66,419	5,314	15,324	1,225	10,603	848	8,990	719
2 Standardised (STD) approach	15,051	1,204	5,568	445	909	73	1,078	86	8,990	719
4 Advanced internal ratings based (IRB) approach <sup>(1)</sup>	87,870	7,030	60,851	4,869	14,415	1,152	9,525	762	—	—
5 Equity IRB under the simple risk-weight or the internal model approach (IMA)	—	—	—	—	—	—	—	—	—	—
6 Counterparty credit risk	705	56	574	46	—	—	113	10	5	—
6a of which: securities financing transactions <sup>(2)</sup>	167	13	166	13	—	—	—	—	—	—
7 of which: marked-to-market <sup>(2)</sup>	224	18	157	13	—	—	69	6	5	—
of which: internal model method (IMM)	—	—	—	—	—	—	—	—	—	—
11 of which: risk exposure amount for contributions to the default fund of a central counterparty	149	12	149	12	—	—	—	—	—	—
12 of which: credit valuation adjustment (CVA) <sup>(2)</sup>	165	13	102	8	—	—	44	4	—	—
14 Securitisation exposures in banking book	1,236	99	1,054	84	182	15	—	—	—	—
15 IRB approach (SEC-IRBA)	911	73	729	58	182	15	—	—	—	—
17 STD approach	152	12	152	12	—	—	—	—	—	—
18 External rating-based approach (SEC-ERBA) <sup>(3)</sup> 1,250%	173	14	173	14	—	—	—	—	—	—
19 Market risk	203	16	53	4	7	1	17	1	4	—
20 STD approach	203	16	53	4	7	1	17	1	4	—
23 Operational risk - STD approach Amounts below the thresholds for deduction (subject to 250% risk-weight)	17,935	1,435	12,874	1,030	3,951	316	873	70	1,074	86
29 Total	124,076	9,926	86,217	6,897	19,592	1,567	11,607	929	10,367	829

	NWH Group		NWB Plc		RBS plc		UBIDAC		Coutts & Co	
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
<b>2020</b>										
1 Credit risk (excluding counterparty credit risk)	112,872	9,030	66,587	5,329	19,891	1,591	11,581	927	8,808	705
2 Standardised (STD) approach	15,959	1,277	5,176	415	1,775	142	1,025	82	8,808	705
4 Advanced internal ratings based (IRB) approach <sup>(1)</sup>	96,913	7,753	61,411	4,914	18,116	1,449	10,556	845	—	—
5 Equity IRB under the simple risk-weight or the internal model approach (IMA)	—	—	—	—	—	—	—	—	—	—
6 Counterparty credit risk	961	77	576	46	—	—	117	9	31	2
6a of which: securities financing transactions <sup>(2)</sup>	172	14	172	14	—	—	—	—	—	—
7 of which: marked-to-market <sup>(2)</sup>	268	22	160	13	—	—	117	9	31	2
of which: internal model method (IMM)	—	—	—	—	—	—	—	—	—	—
11 of which: risk exposure amount for contributions to the default fund of a central counterparty	53	4	53	4	—	—	—	—	—	—
12 of which: credit valuation adjustment (CVA) <sup>(2)</sup>	468	37	191	15	—	—	—	—	—	—
14 Securitisation exposures in banking book	1,372	110	1,106	88	265	21	—	—	—	—
15 IRB approach (SEC-IRBA)	1,004	80	739	59	265	21	—	—	—	—
17 STD approach	169	14	169	13	—	—	—	—	—	—
18 External rating-based approach (SEC-ERBA) <sup>(3)</sup> 1,250%	199	16	198	16	—	—	—	—	—	—
19 Market risk	106	9	18	1	14	1	62	5	6	1
20 STD approach	106	9	18	1	14	1	62	5	6	1
23 Operational risk - STD approach Amounts below the thresholds for deduction (subject to 250% risk-weight)	18,866	1,509	12,843	1,027	4,778	382	935	75	1,068	85
29 Total	135,331	10,827	86,882	6,951	25,133	2,010	12,697	1,016	10,212	817

(1) Of which £30 million RWAs relate to equity IRB under the probability of default/loss given default approach.

(2) The counterparty credit risk RWAs and credit valuation adjustment (CVA) are presented on a CRR2 basis for UBIDAC. Refer to the disclosure framework section for further information.

(3) Includes internal assessment approach (IAA).



**CR8: IRB and STD: Credit risk RWAs and MCR flow statement**

The table below shows the drivers of movements in credit risk RWAs and MCR. RWAs include securitisations, deferred tax assets and significant investments to align with the capital management approaches of NWH Group and its segments.

	a			b
	RWAs			MCR
	IRB £m	STD £m	Total RWAs £m	£m
1 At 1 January 2021	98,285	17,113	115,398	9,232
2 Asset size (1)	(5,102)	(473)	(5,575)	(446)
3 Asset quality (2)	(1,974)	(360)	(2,334)	(187)
4 Model updates (3)	(477)	—	(477)	(38)
5 Methodology and policy (4)	75	62	137	11
6 Acquisitions and disposals (5)	(159)	—	(159)	(13)
7 Foreign exchange movements (6)	(752)	(215)	(967)	(77)
8 Other	(790)	—	(790)	(63)
9 At 31 December 2021	89,106	16,127	105,233	8,419

- (1) Organic changes in portfolio size and composition (including the origination of new business and maturing loans).  
(2) Changes in the assessed quality of assets due to changes in borrower risk, such as rating grade migration or similar effects.  
(3) Changes due to model implementation, changes in model scope, or any changes intended to address model weakness.  
(4) Changes due to methodological changes in calculations driven by regulatory policy changes, including both revisions to existing regulations and new regulations.  
(5) Changes in portfolio sizes due to acquisitions and disposals.  
(6) Changes arising from foreign currency translation movements.

- The reduction in asset size was mainly due to repayments and expired facilities in Commercial Banking. There were additional decreases within the Ulster Bank Rol due to repayments and facility maturities.
- The decrease in RWAs relating to asset quality primarily reflected improved risk metrics in Commercial Banking and Ulster Bank Rol.
- The RWA reduction in foreign exchange movements was mainly a result of sterling strengthening against the euro during the period.
- The movement in the other category reflected reductions in Commercial Banking as a result of the CRR COVID-19 amendment for the infrastructure supporting factor.
- The reduction in RWAs relating to model updates was largely a result of revisions to Wholesale loss given default models.
- The decrease in acquisitions and disposals reflected the sale of non-performing loans in Ulster Bank Rol.
- The increase in RWAs in methodology and policy was mainly due to calculation changes for a population of performing secured by real estate deals.

**CCR7: CCR: IMM and Non-IMM: Counterparty credit risk RWAs and MCR flow statement**

The table below shows the drivers of movements in counterparty credit risk RWAs and MCR (excluding CVA). There were no methodology or regulatory policy changes, model updates or acquisitions and disposals of subsidiaries during the period.

	a	b
	RWAs	MCR
	Non-IMM £m	Non-IMM £m
1 At 1 January 2021	493	39
2 Asset size (1)	45	4
3 Credit quality of counterparties (2)	3	—
7 Foreign exchange movements (3)	(1)	—
9 At 31 December 2021	540	43

- (1) Movements due to position changes.  
(2) Changes in the assessed quality of counterparties.  
(3) Changes arising from foreign currency retranslation movements.

- The increase in RWAs mainly reflects an increase in both OTC derivative transactions and exposure to qualifying central counterparties.

**MR2\_B: MR IMA and STD: Market risk RWAs and MCR flow statement**

The table below shows the drivers of movements in market risk RWAs and MCR. Market risk RWAs for NWH Group relate solely to the foreign exchange banking book charge under the standardised approach. There were no acquisitions and disposals of subsidiaries during the period. Changes in market risk arising from foreign currency retranslation are included within movement in risk levels as they are managed together with portfolio changes.

	STD	
	RWAs £m	MCR £m
1 At 1 January 2021	106	9
2 Movement in risk levels (1)	(19)	(2)
4 Methodology and policy (2)	116	9
8 At 31 December 2021	203	16

(1) Movements due to position changes.

(2) Movements due to methodological changes in calculations driven by regulatory policy changes, such as new regulations.

- During the year, NWH Group also increased net investment hedging in US dollar and other non-sterling currencies to reduce the potential impact on RWAs of changes to its regulatory foreign exchange hedging permission.

**LRSum: Summary comparison of accounting assets vs leverage ratio exposure measure**

The table below sets out the leverage exposures in the prescribed template on a CRR transitional basis as relevant for the jurisdiction.

	2021					2020				
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
1 Total assets as per published financial statements	541,123	426,111	106,095	23,463	46,915	496,583	380,603	99,242	28,033	38,442
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(166)	—	—	—	—	(274)	—	—	—	—
4 Adjustment for derivative financial instruments	(1,848)	(1,377)	218	22	(6)	(2,997)	(2,496)	194	31	6
5 Adjustments for securities financing transactions (SFTs)	146	146	—	—	—	191	191	—	—	—
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	32,914	25,448	8,982	988	1,077	33,670	22,857	11,183	1,308	1,247
6a Adjustment for Intra-Group exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	—	(21,878)	(26,754)	—	(29,169)	—	(23,962)	(24,482)	—	(22,342)
7 Other adjustments	(6,105)	(1,769)	129	(4,677)	(21)	(5,573)	(666)	(270)	(5,411)	61
8 Total leverage ratio exposure	566,064	426,681	88,670	19,796	18,796	521,600	376,527	85,867	23,961	17,414

**LRCCom: Leverage ratio common disclosure template**

The table below sets out the leverage ratio common disclosure in the prescribed template on a CRR transitional basis as relevant for the jurisdiction.

	2021					2020				
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
On-balance sheet exposures (excluding derivatives and SFTs)										
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	513,173	397,760	105,874	23,394	46,902	469,927	353,899	98,496	27,866	38,502
2 Asset amounts deducted in determining Tier 1 capital	(6,105)	(1,769)	129	(25)	(22)	(5,573)	(666)	(269)	(173)	(28)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	507,068	395,991	106,003	23,369	46,880	464,354	353,233	98,227	27,693	38,474
Derivative exposures										
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	49	852	221	56	2	347	895	745	150	28
5 Add-on amounts for PFE associated with all derivatives transactions (mtm method)	1,169	1,405	218	46	6	1,112	1,386	194	84	7
7 Deductions of receivable assets for cash variation margin provided in derivatives transactions	(1,086)	(1,087)	—	—	—	(1,340)	(1,339)	—	—	—
11 Total derivative exposures	132	1,170	439	102	8	119	942	939	234	35

## LRCom: Leverage ratio common disclosure template continued

	2021					2020				
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
Securities financing transaction exposures										
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	34,769	33,398	—	—	—	33,202	33,202	—	—	—
13 Netted amounts of cash payables and cash receivable of gross SFT assets	(8,965)	(7,594)	—	—	—	(9,936)	(9,936)	—	—	—
14 Counterparty credit risk exposures for SFT assets	146	146	—	—	—	191	191	—	—	—
16 Total securities financing transaction exposures	25,950	25,950	—	—	—	23,457	23,457	—	—	—
Other off-balance sheet exposures										
17 Off-balance sheet exposures at gross notional amount	106,970	83,816	25,891	2,849	4,346	109,722	76,230	30,961	3,750	4,528
18 Adjustments for conversion to credit equivalent amounts	(74,056)	(58,368)	(16,909)	(1,861)	(3,269)	(76,052)	(53,373)	(19,778)	(2,442)	(3,281)
19 Other off-balance sheet exposures	32,914	25,448	8,982	988	1,077	33,670	22,857	11,183	1,308	1,247
19a Exemption of Intra-Group exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet)	—	(21,878)	(26,754)	—	(29,169)	—	(23,962)	(24,482)	—	(22,342)
19b Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	—	—	—	(4,663)	—	—	—	—	(5,274)	—
Capital and total exposures										
20 Tier 1 capital	23,397	16,039	3,651	3,227	1,437	27,477	17,590	5,400	3,568	1,429
21 Total leverage ratio exposure	566,064	426,681	88,670	19,796	18,796	521,600	376,527	85,867	23,961	17,414
22 Leverage ratio	4.1%	3.8%	4.1%	16.3%	7.6%	5.3%	4.7%	6.3%	14.9%	8.2%
22a Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)	4.1%	3.8%	4.1%	13.2%	7.6%	5.3%	4.7%	6.3%	12.2%	8.2%

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

	Leverage ratio exposures									
	2021					2020				
	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	507,068	374,549	82,345	18,706	18,212	464,354	329,867	77,429	22,419	16,771
2 Trading book exposures	—	—	—	—	—	—	—	—	—	—
3 Banking book exposures, of which:	507,068	374,549	82,345	18,706	18,212	464,354	329,867	77,429	22,419	16,771
4 Covered bonds	3,492	3,148	—	344	—	2,764	2,389	—	375	—
4 Exposures treated as sovereigns	168,897	125,191	37,867	1,024	70	128,841	95,063	26,821	1,466	59
6 Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	5,192	4,258	525	352	—	4,983	3,998	498	439	—
7 Institutions	5,512	4,115	893	867	262	4,153	2,400	1,023	1,646	264
8 Secured by mortgages of immovable properties	230,336	175,984	25,928	13,180	14,477	219,863	159,802	28,903	15,018	12,616
9 Retail exposures	26,035	18,522	4,629	451	1,205	26,927	18,761	4,612	533	964
10 Corporate	51,025	29,761	9,109	1,698	1,490	57,372	32,912	11,968	1,925	2,118
11 Exposures in default	3,160	1,765	735	282	254	3,431	1,453	850	450	213
12 Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	13,419	11,805	2,659	508	454	16,020	13,089	2,754	567	538

## CCyB1 – Geographical distribution of credit exposures used in 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 risk and Counterparty credit risk sections.

2021		UK £m	RoI £m	US £m	France £m	Hong Kong £m	Norway £m	Luxem- bourg £m	Slovakia £m	Czech Republic £m	Bulgaria £m	Other £m	Total £m
General credit exposures	Exposure value for STD	23,604	634	10	91	3	54	37	—	—	—	1,173	25,606
	Exposure value for IRB	310,473	18,172	4,451	2,177	75	918	537	2	3	1	10,642	347,451
Securitisation exposures	Exposure value	5,978	—	—	26	—	—	—	—	—	—	—	6,004
	Of which: General credit exposures	6,501	581	145	79	2	22	27	—	—	—	532	7,889
Own funds	Securitisation exposures	99	—	—	—	—	—	—	—	—	—	—	99
Total		6,600	581	145	79	2	22	27	—	—	—	532	7,988
Own funds requirement weights		82.62%	7.27%	1.81%	0.99%	0.02%	0.27%	0.34%	0.00%	0.00%	0.00%	6.68%	100.00%
Countercyclical capital buffer rate		—	—	—	—	1.00%	1.00%	0.50%	1.00%	0.50%	0.50%	—	—

### Total risk exposure (sum of general credit and securitisation)

NWB Plc	274,351	780	3,362	1,927	67	744	469	1	2	1	9,170	290,874
RBS plc	50,728	97	973	187	8	22	90	—	1	—	1,783	53,889
UBIDAC	336	17,860	51	175	—	43	1	—	—	—	102	18,568
Coutts & Co	17,143	18	1	—	3	—	2	—	—	—	505	17,672
Total own fund requirements												
NWB Plc	4,662	31	115	73	1	22	22	—	—	—	461	5,387
RBS plc	1,119	2	23	4	—	2	5	—	—	—	62	1,217
UBIDAC	—	—	—	—	—	—	—	—	—	—	—	—
Coutts & Co	701	1	—	—	—	—	—	—	—	—	35	737

The additional countercyclical capital buffer requirement is shown below for NWH Group and its large subsidiaries.

	NWH Group £m	NWB Plc £m	RBS plc £m	UBIDAC £m	Coutts & Co £m
Total risk exposure amount	124,076	86,217	19,592	11,607	10,367
Institution specific countercyclical buffer rate	—	0.01%	0.00%	0.00%	0.00%
Institution specific countercyclical buffer requirement (1)	6	5	1	—	—

- (1) The institution-specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures. In response to COVID-19, many countries announced reductions in their countercyclical capital buffer rates. In December 2021, the Financial Policy Committee announced an increase in the UK CCyB rate from 0% to 1%. This rate will come into effect from December 2022 in line with the 12 month implementation period. The CBI continues to maintain the rate at 0% with an announcement of a gradual increase of the CCyB expected in 2022.

## PV1: BCBS 2: Prudential valuation adjustment

### Prudential valuation

Prudential valuation is a regulatory provision that requires additional valuation adjustments (AVAs) to be made over and above fair value adjustments that are calculated in accordance with accounting standards. AVAs represent excess valuation adjustments required to achieve a prudential value over the reported fair value. The purpose of these adjustments is to achieve an appropriate degree of certainty that the valuation is sufficiently prudent having regard to the dynamic nature of trading positions. Prudential valuation adjustments (PVAs) result in a deduction to CET1 capital in accordance with Article 105 of the CRR.

NWH Group applies prudential valuation to all positions that are subject to fair value accounting (both regulatory trading and non-trading books). The prudential valuation is the value of the positions at the lower bound (downside) of the valuation uncertainty range and is always equal to or lower than the fair value for assets, and equal to or higher than the fair value for liabilities. Types of financial instruments on which the highest PVA is observed include interest rate swaps and inflation swaps.

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 NWH Group's 2021 ARA Financial instruments – valuation (Note 10).

		b	c	f	h
		Interest rates	Credit	Total	Of which: in the
		£m	£m	£m	non-trading book
					£m
2021					
1	Closeout uncertainty, of which	8	5	13	13
2	Mid-market value	6	5	11	11
3	Closeout cost	—	—	—	—
4	Concentration	2	—	2	2
5	Early termination	—	—	—	—
6	Model risk	1	—	1	1
7	Operational risk	1	—	1	1
8	Investing and funding costs	—	—	—	—
9	Unearned credit spreads	—	—	—	—
10	Future administrative costs	—	—	—	—
11	Other	—	—	—	—
12	Total prudential valuation adjustment (PVA)	10	5	15	15
	PVA excluding diversification benefit	15	9	24	24

		b	c	f	h
		Interest rates	Credit	Total	Of which: in the
		£m	£m	£m	non-trading book
					£m
2020					
1	Closeout uncertainty, of which	5	6	11	11
2	Mid-market value	3	6	9	9
3	Closeout cost	—	—	—	—
4	Concentration	2	—	2	2
5	Early termination	—	—	—	—
6	Model risk	—	—	—	—
7	Operational risk	—	1	1	1
8	Investing and funding costs	—	—	—	—
9	Unearned credit spreads	—	—	—	—
10	Future administrative costs	—	—	—	—
11	Other	—	—	—	—
12	Total prudential valuation adjustment (PVA)	5	7	12	12
	PVA excluding diversification benefit	7	18	25	25

- (1) A diversification benefit is applied, where permitted under the EBA Regulatory Technical Standards on prudential valuation. The aggregation factor was restored to 50% from 66% at December 2020.
- (2) Commodities, Equities, FX and "of which: in the trading book" have been excluded from the above table as these were nil in the current and prior period.

– The movement in the year primarily relates to increased interest rate risk and the restoration of the 50% aggregation factor.



## Asset encumbrance

The values presented below, including totals, are based on a four-point median average across four quarters.

### 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		of which notionally eligible		of which		of which	
	EHQLA and HQLA	EHQLA and HQLA	EHQLA and HQLA	EHQLA and HQLA	EHQLA and HQLA	EHQLA and HQLA	EHQLA and HQLA	EHQLA and HQLA
	£m	£m	£m	£m	£m	£m	£m	£m
Assets of the reporting institution	<b>41,195</b>	<b>38,195</b>			<b>483,640</b>	<b>313,130</b>		
Equity instruments	—	—			10	—		
Debt securities	<b>14,968</b>	<b>14,039</b>	<b>14,968</b>	<b>14,039</b>	<b>17,575</b>	<b>16,424</b>	<b>17,575</b>	<b>16,424</b>
of which: covered bonds	—	—	—	—	3,177	3,177	3,177	3,177
of which: asset-backed securities	206	206	206	206	468	468	468	468
of which: issued by general governments	<b>14,295</b>	<b>13,542</b>	<b>14,295</b>	<b>13,542</b>	<b>10,470</b>	<b>9,454</b>	<b>10,470</b>	<b>9,454</b>
of which: issued by financial corporations	673	553	673	553	6,848	6,734	6,848	6,734
of which: issued by non-financial corporations	—	—	—	—	25	12	25	12
Other assets	<b>23,688</b>	<b>21,490</b>			<b>464,121</b>	<b>295,351</b>		

### Collateral received

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
	of which EHQLA and HQLA		of which EHQLA and HQLA	
	£m	£m	£m	£m
Collateral received by the reporting institution	<b>11,421</b>	<b>11,421</b>	<b>10,724</b>	<b>10,724</b>
Loans on demand	—	—	—	—
Equity instruments	—	—	—	—
Debt securities	<b>11,421</b>	<b>11,421</b>	<b>10,724</b>	<b>10,724</b>
of which: covered bonds	—	—	—	—
of which: asset-backed securities	—	—	—	—
of which: issued by general governments	<b>11,421</b>	<b>11,421</b>	<b>10,724</b>	<b>10,724</b>
of which: issued by financial corporations	—	—	—	—
of which: issued by non-financial corporations	—	—	—	—
Loans and advances other than loans on demand	—	—	—	—
Other collateral received	—	—	—	—
of which:	—	—	—	—
- Own debt securities issued other than own covered bonds or asset-backed securities	—	—	—	—
- Own covered bonds and asset-backed securities issued and not yet pledged	—	—	—	—
Total assets, collateral received and own debt securities issued	<b>52,715</b>	<b>49,714</b>	—	—

### Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and asset-backed securities encumbered
	£m	£m
Carrying amount of selected financial liabilities	<b>33,838</b>	<b>44,243</b>

## LIQ1: Liquidity coverage ratio

The table below shows 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. The weightings applied reflect the stress factors applicable under the UK LCR rules. The values presented below 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). NWH Group assesses these risks as part of its Individual Liquidity Adequacy Assessment Process (ILAAP) and maintains appropriate levels of liquidity.

	Total unweighted value (average)				Total weighted value (average)			
	31 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2021	30 September 2021	30 June 2021	31 March 2021
	£m	£m	£m	£m	£m	£m	£m	£m
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High quality liquid assets								
1 Total high-quality liquid assets (HQLA)					<b>149,315</b>	140,048	133,968	128,257
Cash outflows								
2 Retail deposits and deposits from small business customers	<b>251,637</b>	246,150	240,097	232,404	<b>19,572</b>	19,031	18,477	17,889
3 of which: stable deposits	<b>160,187</b>	158,033	155,166	150,758	<b>8,009</b>	7,902	7,758	7,538
4 of which: less stable deposits	<b>91,304</b>	87,934	84,719	81,377	<b>11,416</b>	10,947	10,507	10,083
5 Unsecured wholesale funding	<b>158,912</b>	154,924	149,708	145,568	<b>68,830</b>	67,153	64,942	63,490
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	<b>64,655</b>	63,173	61,565	60,515	<b>15,852</b>	15,480	15,079	14,816
7 Non-operational deposits (all counterparties)	<b>93,739</b>	91,232	87,627	84,561	<b>52,460</b>	51,154	49,347	48,182
8 Unsecured debt	<b>518</b>	519	516	492	<b>518</b>	519	516	492
9 Secured wholesale funding					—	—	—	—
10 Additional requirements	<b>55,302</b>	55,649	55,686	54,080	<b>8,540</b>	8,477	8,672	8,661
11 Outflows related to derivative exposures and other collateral requirements	<b>2,368</b>	2,427	2,558	2,756	<b>1,856</b>	1,906	2,028	2,207
12 Outflows related to loss of funding on debt products	—	—	151	256	—	—	151	256
13 Credit and liquidity facilities	<b>52,934</b>	53,222	52,977	51,068	<b>6,684</b>	6,571	6,493	6,198
14 Other contractual funding obligations	<b>1,178</b>	1,029	1,034	1,032	<b>5</b>	5	7	11
15 Other contingent funding obligations	<b>44,387</b>	45,137	46,181	47,422	<b>4,064</b>	3,951	3,693	3,561
16 Total cash outflows	<b>12,121</b>	12,446	13,385	13,693	<b>101,011</b>	98,619	95,791	93,612
17 Secured lending (e.g. reverse repos)					—	—	—	—
18 Inflows from fully performing exposures	<b>6,412</b>	6,244	6,084	6,706	<b>4,893</b>	4,760	4,669	5,012
19 Other cash inflows	<b>10,473</b>	10,808	10,823	11,334	<b>2,301</b>	2,559	2,519	2,943
19a Difference between total weighted inflows and outflows	—	—	—	—	—	—	—	—
19b Excess inflows from a related specialised credit institution	—	—	—	—	—	—	—	—
20 Total cash inflows	<b>29,006</b>	29,498	30,292	31,733	<b>7,194</b>	7,319	7,188	7,955
20a Fully exempt inflows	—	—	—	—	—	—	—	—
20b Inflows subject to 90% cap	—	—	—	—	—	—	—	—
20c Inflows subject to 75% cap	<b>29,006</b>	29,498	30,292	31,733	<b>7,194</b>	7,319	7,188	7,955
21 Liquidity buffer					<b>149,315</b>	140,048	133,968	128,257
22 Total net cash outflows					<b>93,817</b>	91,300	88,603	85,657
23 Liquidity coverage ratio (%)					<b>159</b>	153	151	150

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

The table below provides a reconciliation between the accounting and regulatory consolidation and shows the allocation of the balance sheet items across the different regulatory risk frameworks.

	2021						
	Carrying values as reported in published financial statements £m	Carrying values under scope of regulatory consolidation £m	Carrying value of items:				Not subject to capital requirements or subject to deduction from capital £m
			Subject to credit risk framework £m	Subject to securitisation framework £m	Subject to counterparty credit risk framework £m	Subject to the market risk framework £m	
<b>Assets</b>							
Cash and balances at central banks	143,892	143,926	143,926	—	—	—	—
Derivatives	1,980	1,980	—	—	1,980	1,980	—
Loans to banks - amortised cost	5,411	5,411	5,262	—	149	—	—
Loans to customers - amortised cost	336,077	336,248	310,593	4,103	25,655	—	—
Amounts due from holding company and fellow subsidiaries	603	603	603	—	—	—	—
Other financial assets	31,186	30,804	30,804	809	—	—	—
Intangible assets	6,395	6,395	411	—	—	—	5,984
Other assets	6,564	6,575	5,681	—	—	—	894
Assets of disposal groups	9,015	9,015	9,015	—	—	—	—
<b>Total assets</b>	<b>541,123</b>	<b>540,957</b>	<b>506,295</b>	<b>4,912</b>	<b>27,784</b>	<b>1,980</b>	<b>6,878</b>
<b>Liabilities</b>							
Bank deposits	24,205	24,205	—	—	7,390	—	16,815
Customer deposits	440,015	440,669	—	—	14,541	—	426,128
Amounts due to holding company and fellow subsidiaries	25,548	25,548	—	—	—	—	25,548
Derivatives	4,052	4,052	—	—	4,052	4,052	—
Other financial liabilities	7,252	6,375	—	—	—	—	6,375
Subordinated liabilities	284	284	—	—	—	—	284
Notes in circulation	3,047	3,047	—	—	—	—	3,047
Other liabilities	4,965	5,022	—	—	—	—	5,022
<b>Total liabilities</b>	<b>509,368</b>	<b>509,202</b>	<b>—</b>	<b>—</b>	<b>25,983</b>	<b>4,052</b>	<b>483,219</b>

- (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.
- (2) Presentation of intercompany balances differ from table CC2.

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

The table below provides a reconciliation between assets carrying values under the regulatory consolidation as per table LI1 and the exposures used for regulatory purposes, split by regulatory risk framework.

	Items subject to:		
	Credit risk framework £bn	Securitisation framework £bn	Counterparty credit risk framework £bn
<b>2021</b>			
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	<b>506,295</b>	<b>4,912</b>	<b>27,784</b>
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	—	—	<b>(25,983)</b>
Total net amount under regulatory scope of consolidation	<b>506,295</b>	<b>4,912</b>	<b>1,801</b>
Off-balance sheet amounts	<b>59,906</b>	<b>1,092</b>	—
Differences due to different netting rules, other than those already included above	<b>(10,257)</b>	—	—
Differences due to consideration of provisions	<b>(3,438)</b>	—	—
Methodology differences and reclassifications	<b>(1,149)</b>	—	<b>1,671</b>
Exposure amounts considered for regulatory purposes	<b>551,357</b>	<b>6,004</b>	<b>3,472</b>

- (1) Off balance sheet items – under the credit risk and securitisation frameworks these balances principally consist of undrawn credit facilities after the application of credit conversion factors (CCF).
- (2) Differences due to different netting rules – this reflects the effects of master netting agreements in addition to the netting permitted under International Accounting Standards (IAS) framework.
- (3) Differences due to consideration of provisions – this relates to impairment loss provisions on loans and advances and securities, and credit valuation adjustments on derivatives.
- (4) Methodology differences and reclassifications – includes regulatory consolidation differences and CCR regulatory exposure being calculated by prescribed methods using several risk factors which are not considered in financial statement carrying values.

## Capital, liquidity and funding continued

The following disclosure TLAC2 provides relevant information that form the elements of MREL resources.

This disclosure has been prepared using the uniform format published by the EBA providing more relevant and up to date information than the BCBS templates formally used.

### TLAC2: Creditor ranking - Entity that is not a resolution entity

The table below shows information regarding creditor ranking for NatWest Group large subsidiaries (list which are included).

2		Description of insolvency ranking		Insolvency ranking								Total £m
				Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt		
				Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	
2021		NWB Plc		£m	£m	£m	£m	£m	£m	£m	£m	£m
3	Total liabilities and own funds	16,789	—	2,377	—	3,102	202	5,549	—	28,019		
4	o/w excluded liabilities	—	—	—	—	—	202	—	—	202		
5	Total liabilities and own funds less excluded liabilities	16,789	—	2,377	—	3,102	—	5,549	—	27,817		
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	16,789	—	2,377	—	3,102	—	5,549	—	27,817		
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—		
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	1,261	—	1,261		
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	2,056	—	4,288	—	6,344		
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	346	—	—	—	346		
11	o/w perpetual securities	16,789	—	2,377	—	700	—	—	—	19,866		

2		Description of insolvency ranking		Insolvency ranking								Total £m
				Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt		
				Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	
2020		NWB Plc		£m	£m	£m	£m	£m	£m	£m	£m	£m
3	Total liabilities and own funds	16,094	—	2,370	—	3,141	1,216	3,552	—	26,373		
4	o/w excluded liabilities	—	—	—	—	—	300	—	—	300		
5	Total liabilities and own funds less excluded liabilities	16,094	—	2,370	—	3,141	916	3,552	—	26,073		
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	16,094	—	2,370	—	3,141	916	3,552	—	26,073		
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—		
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	1,245	—	1,245		
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	2,441	—	2,307	—	4,748		
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—		
11	o/w perpetual securities	16,094	—	2,370	—	700	916	—	—	20,080		

For the note to the above tables refer to page 40.

## TLAC2: Creditor ranking - Entity that is not a resolution entity continued

2021 RBS plc		Insolvency ranking									Total £m
		Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt			
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other		
		£m	£m	£m	£m	£m	£m	£m	£m		
3	Total liabilities and own funds	2,778	—	969	—	1,372	—	371	—	5,490	
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—	
5	Total liabilities and own funds less excluded liabilities	2,778	—	969	—	1,372	—	371	—	5,490	
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	2,778	—	969	—	1,372	—	371	—	5,490	
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—	
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	371	—	371	
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	1,372	—	—	—	1,372	
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—	
11	o/w perpetual securities	2,778	—	969	—	—	—	—	—	3,747	

2020 RBS plc		Insolvency ranking									Total £m
		Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt			
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other		
		£m	£m	£m	£m	£m	£m	£m	£m		
3	Total liabilities and own funds	4,701	—	969	—	1,355	—	366	—	7,391	
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—	
5	Total liabilities and own funds less excluded liabilities	4,701	—	969	—	1,355	—	366	—	7,391	
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	4,701	—	969	—	1,355	—	366	—	7,391	
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—	
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	366	—	366	
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	1,355	—	—	—	1,355	
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—	
11	o/w perpetual securities	4,701	—	969	—	—	—	—	—	5,670	

For the note to the above tables refer to page 40.

## TLAC2: Creditor ranking - Entity that is not a resolution entity continued

2 Description of insolvency ranking		Insolvency ranking								Total £m
		Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt		
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	
		£m	£m	£m	£m	£m	£m	£m	£m	
2021										
	<b>Coutts &amp; Company</b>									
3	Total liabilities and own funds	1,321	—	200	—	266	—	554	—	2,341
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	1,321	—	200	—	266	—	554	—	2,341
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	1,321	—	200	—	266	—	554	—	2,341
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	310	—	310
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	266	—	244	—	510
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—
11	o/w perpetual securities	1,321	—	200	—	—	—	—	—	1,521

2 Description of insolvency ranking		Insolvency ranking								Total £m
		Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt		
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	
		£m	£m	£m	£m	£m	£m	£m	£m	
2020										
	<b>Coutts &amp; Company</b>									
3	Total liabilities and own funds	1,256	—	200	—	266	—	310	—	2,032
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	1,256	—	200	—	266	—	310	—	2,032
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	1,256	—	200	—	266	—	310	—	2,032
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	310	—	310
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	266	—	—	—	266
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—
11	o/w perpetual securities	1,256	—	200	—	—	—	—	—	1,456

For the note to the above tables refer to the following page.



## TLAC2: Creditor ranking - Entity that is not a resolution entity continued

2 Description of insolvency ranking		Insolvency ranking								Total £m
		Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt		
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	
		£m	£m	£m	£m	£m	£m	£m	£m	
2021	UBIDAC									
3	Total liabilities and own funds	3,251	—	—	—	445	39	504	—	4,239
4	o/w excluded liabilities	—	—	—	—	445	—	—	—	445
5	Total liabilities and own funds less excluded liabilities	3,251	—	—	—	—	39	504	—	3,794
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	3,251	—	—	—	—	39	504	—	3,794
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	504	—	504
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	—	—	—	—	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—
11	o/w perpetual securities	3,251	—	—	—	—	39	—	—	3,290

2 Description of insolvency ranking		Insolvency ranking								Total £m
		Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt		
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	
		£m	£m	£m	£m	£m	£m	£m	£m	
2020	UBIDAC									
3	Total liabilities and own funds	3,742	—	—	—	476	41	539	—	4,798
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	3,742	—	—	—	476	41	539	—	4,798
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	3,742	—	—	—	476	41	539	—	4,798
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	476	—	—	—	476
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	—	—	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	—	—	539	—	539
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—
11	o/w perpetual securities	3,742	—	—	—	—	41	—	—	3,783

(1) Amounts shown include balances indirectly due to resolution entity through NWH Limited, a wholly owned subsidiary of NatWest Group plc.

# Credit Risk

## CRA: IRB and STD: General qualitative information about credit risk

This section details NWH Group's overall credit risk profile. Further analysis is provided in subsequent sections for credit risk, counterparty credit risk and securitisation credit risk.

The risk profile is analysed by a variety of asset concentrations, credit quality and regulatory RWA treatments, including internal model estimates for probability of default, loss given default and exposure at default.

An overview of these models, as well as the governance process used to develop and review them, and back-testing of model performance, is also presented.

For definitions of terms, refer to the Glossary available on [natwestgroup.com](http://natwestgroup.com).

## General information about credit risk

Credit risk is the risk that customers and counterparties fail to meet their contractual obligation to settle outstanding amounts.

The principal sources of credit risk for NWH Group are lending, off-balance sheet products, derivatives and securities financing, and debt securities.

The disclosures in this section cover credit risk and counterparty credit risk. When considered together, they are referred to as total credit risk.

Counterparty credit risk principally comprises exposures arising from derivatives and securities financing transactions. Credit risk excludes such exposures but includes loans and advances to customers, banks and central banks, as well as holdings of debt securities and equity shares.

The two subsequent sections cover credit risk and counterparty credit risk separately. Further detail on securitisation credit risk is provided in the Securitisation section of this document.

## Credit risk governance and management

For a description of the main characteristics and elements of credit risk governance and management in NWH Group as well as additional credit risk disclosures, refer to the Credit risk section of the 2021 NWH Group ARA.

## Presentation of data in the Credit risk section

The exposure at default (EAD) figures presented in this document may be either pre or post credit risk mitigation (CRM), and are labelled accordingly.

Credit risk (excluding counterparty credit risk) EAD pre CRM:

- Standardised approach – EAD before legally enforceable netting and financial collateral.
- IRB approach – EAD before legally enforceable netting only.

Credit risk (excluding counterparty credit risk) EAD post CRM:

- Standardised approach – EAD after legally enforceable netting and financial collateral.
- IRB approach – EAD after legally enforceable netting only.

Counterparty credit risk EAD post CRM for derivatives and securities financing transactions, under both the standardised and IRB approaches, is EAD after legally enforceable netting and collateral.

Except where noted, the disclosures exclude inter-Group exposures.

## Other items

Non-credit obligation assets that are included in the credit risk tables contain the following categories of exposure:

- Non-credit assets – assets owned by NWH Group without associated credit risk or uncertainty related to obligor performance affecting their future value. These comprise tangible assets (such as property, plant and equipment), prepayments, accrued income, items in transit and deferred tax assets.
- Consortium investment exposures – exposures arising as a result of equity investments made by NWH Group in its capacity as a member of a consortium.
- Inter-Group exposures – exposures to NWH Group entities included in regulatory consolidation, including in the core UK group.

**CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NWH Group and large subsidiaries**

The table below shows credit risk (including securitisations) and counterparty credit risk separately for NWH Group and large subsidiaries (including inter-Group exposures). It presents EAD pre and post CRM, RWAs and MCR, split by regulatory approach and exposure class.

Credit risk	NWH Group				NWB Plc				RBS plc				UBIDAC				Couitts & Co			
	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m
2021																				
IRB																				
Central governments and central banks	38,762	38,429	2,347	188	32,680	32,347	1,616	129	11	11	—	—	6,038	6,038	775	62	—	—	—	—
Institutions	7,996	5,875	1,623	130	5,842	4,174	1,176	94	1,517	1,064	285	22	292	292	63	5	—	—	—	—
Corporates	108,384	99,776	47,062	3,765	64,936	59,503	30,631	2,451	24,459	21,295	9,741	780	4,431	4,425	3,205	256	—	—	—	—
Specialised lending	14,738	14,725	9,299	744	9,977	9,976	6,107	489	3,801	3,790	2,598	208	940	940	647	52	—	—	—	—
SME	17,423	17,068	6,419	514	10,444	10,162	4,032	323	2,964	2,892	1,195	96	756	756	643	51	—	—	—	—
Other corporate	76,223	67,983	31,344	2,507	44,515	39,365	20,492	1,639	17,694	14,613	5,948	476	2,735	2,729	1,915	153	—	—	—	—
Retail	240,224	240,223	32,410	2,593	199,555	199,555	24,399	1,952	26,923	26,923	4,189	334	13,098	13,098	5,351	428	—	—	—	—
Secured by real estate property																				
- SME	1,129	1,129	383	31	852	852	288	23	277	277	94	7	—	—	—	—	—	—	—	—
- non-SME	196,803	196,802	17,235	1,379	165,682	165,682	12,888	1,031	18,900	18,900	1,348	108	12,220	12,220	4,724	378	—	—	—	—
Qualifying revolving	20,356	20,356	4,550	364	16,139	16,139	3,464	277	3,939	3,939	967	77	278	278	146	12	—	—	—	—
Other retail																				
- SME	15,464	15,464	3,794	303	11,915	11,915	2,694	216	2,552	2,552	577	46	465	465	344	27	—	—	—	—
- non-SME	6,472	6,472	6,448	516	4,967	4,967	5,065	405	1,255	1,255	1,203	96	135	135	137	11	—	—	—	—
Equities	11	11	30	2	11	11	30	2	—	—	—	—	—	—	—	—	—	—	—	—
Non-credit obligation assets	6,362	6,362	4,398	352	3,637	3,637	2,999	240	746	746	200	16	387	387	131	10	—	—	—	—
Total IRB	401,739	390,676	87,870	7,030	306,661	299,227	60,851	4,868	53,656	50,039	14,415	1,152	24,246	24,240	9,525	761	—	—	—	—
STD																				
Central governments and central banks	135,551	134,727	1,075	86	96,978	96,237	1,698	136	38,149	38,066	113	9	—	—	1	—	345	345	20	2
Regional governments and local authorities	27	24	5	—	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	2,347	2,347	532	43	23,573	23,573	545	44	23,231	23,231	24	2	712	712	410	33	28,627	28,627	52	4
Corporates	6,193	4,584	4,310	345	18,161	17,416	3,375	270	3,182	2,957	441	35	556	556	597	48	2,217	1,577	1,105	88
Retail	2,498	2,325	1,375	110	450	449	284	23	189	184	121	10	11	11	8	1	1,257	1,090	621	50
Secured by mortgages on immovable property																				
- residential	15,091	15,008	5,269	422	2,422	2,422	873	70	596	594	208	17	2	2	2	—	11,768	11,685	4,080	326
- commercial	2,681	2,661	2,577	206	—	—	—	—	37	37	35	3	38	38	38	3	2,607	2,586	2,504	200
Exposures in default	398	383	430	34	50	43	58	5	56	54	67	5	17	17	20	2	256	250	262	21
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	3	3	4	—	1,420	1,420	3,547	284	7	7	16	1	—	—	—	—	110	110	274	22
Other exposures	593	593	550	44	433	433	431	34	23	23	12	1	14	14	3	—	368	368	365	29
Total STD	165,382	162,655	16,127	1,290	143,490	141,993	10,811	865	65,470	65,153	1,037	83	1,350	1,350	1,079	87	47,555	46,639	9,284	743
Total securitisations <sup>(1)</sup>	6,004	6,004	1,236	98	4,937	4,937	1,054	84	1,067	1,067	182	15	—	—	—	—	—	—	—	—
Total IRB, STD and securitisations	573,125	559,335	105,233	8,418	455,088	446,156	72,716	5,818	120,193	116,260	15,633	1,250	25,596	25,590	10,604	848	47,555	46,639	9,284	743

## CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NWH Group and large subsidiaries continued

Counterparty credit risk	NWH Group			NWB Plc			RBS plc			UBIDAC			Coutts & Co		
	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m
2021															
IRB															
Central governments and central banks	157	1	—	157	1	—	—	—	—	—	—	—	—	—	—
Institutions	246	131	10	244	131	10	—	—	—	2	—	—	—	—	—
Corporates	1,078	182	15	1,062	173	13	—	—	—	19	11	1	—	—	—
<i>Specialised lending</i>	18	11	1	9	6	—	—	—	—	15	8	1	—	—	—
<i>SME</i>	—	—	—	—	—	—	—	—	—	1	1	—	—	—	—
<i>Other corporate</i>	1,060	171	14	1,053	167	13	—	—	—	3	2	—	—	—	—
Total IRB	1,481	314	25	1,463	305	23	—	—	—	21	11	1	—	—	—
STD															
Central governments and central banks	385	—	—	385	—	—	—	—	—	—	—	—	—	—	—
Regional governments and local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	1,713	317	25	2,646	247	20	366	—	—	117	102	8	5	—	—
Corporates	49	74	6	192	22	2	—	—	—	—	—	—	6	5	—
Total STD	2,147	391	31	3,223	269	22	366	—	—	117	102	8	11	5	—
Total IRB and STD	3,628	705	56	4,686	574	45	366	—	—	138	113	9	11	5	—

## CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NWH Group and large subsidiaries continued

Credit risk	NWH Group				NWB Plc				RBS plc				UBIDAC				Coutts & Co			
	EAD pre CRM	EAD post CRM	RWAs	MCR	EAD pre CRM	EAD post CRM	RWAs	MCR	EAD pre CRM	EAD post CRM	RWAs	MCR	EAD pre CRM	EAD post CRM	RWAs	MCR	EAD pre CRM	EAD post CRM	RWAs	MCR
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2020																				
IRB																				
Central governments and central banks	36,170	36,101	2,809	225	28,914	28,844	1,903	152	34	34	—	—	7,182	7,182	902	72	—	—	—	—
Institutions	7,261	5,311	1,537	123	4,984	3,418	1,014	81	1,530	1,160	325	26	409	409	107	9	—	—	—	—
Corporates	116,616	106,454	55,554	4,444	65,104	58,538	33,259	2,661	30,443	26,984	13,402	1,072	5,417	5,387	3,788	304	—	—	—	—
Specialised lending																				
SME	15,774	15,753	10,038	803	9,179	9,175	5,823	466	5,250	5,233	3,324	266	1,069	1,069	719	58	—	—	—	—
Other corporate	18,051	17,717	7,252	580	10,171	9,953	4,111	329	3,548	3,454	1,474	118	811	810	735	59	—	—	—	—
Retail	82,791	72,984	38,264	3,061	45,754	39,410	23,325	1,866	21,645	18,297	8,604	688	3,537	3,508	2,334	187	—	—	—	—
Secured by real estate property																				
- SME	1,134	1,134	398	32	860	860	300	24	216	216	71	6	—	—	—	—	—	—	—	—
- non-SME	187,117	187,117	17,135	1,372	150,025	150,026	11,020	882	21,223	21,223	1,416	113	14,411	14,411	5,072	406	—	—	—	—
Qualifying revolving	20,019	20,019	4,731	378	15,441	15,441	3,494	280	3,951	3,951	1,036	83	310	310	129	10	—	—	—	—
Other retail																				
- SME	16,378	16,378	3,768	301	12,069	12,069	2,460	197	2,509	2,509	528	42	542	542	300	24	—	—	—	—
- non-SME	6,678	6,678	7,028	562	4,897	4,897	5,311	425	1,313	1,313	1,338	107	184	184	141	11	—	—	—	—
Non-credit obligation assets	5,943	5,943	3,953	316	3,566	3,566	2,650	212	—	—	—	—	367	367	117	9	—	—	—	—
Total IRB	397,316	385,135	96,913	7,753	285,860	277,659	61,411	4,914	61,219	57,390	18,116	1,449	28,822	28,792	10,556	845	—	—	—	—
STD																				
Central governments and central banks	96,441	96,662	1,158	93	69,402	69,415	1,690	135	26,825	26,825	115	9	1	1	2	—	59	269	25	2
Regional governments and local authorities	32	2	1	—	6	1	—	—	25	—	—	—	1	1	1	—	—	—	—	—
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	782	782	269	22	22,617	22,617	199	16	20,576	20,576	34	3	1,387	1,387	323	26	21,562	21,562	53	4
Corporates	6,620	5,856	4,512	361	17,890	17,607	2,648	212	2,697	2,683	613	49	537	537	517	41	2,677	2,211	1,564	125
Retail	2,248	2,158	1,278	102	408	408	258	21	183	176	116	9	11	11	6	—	993	909	518	41
Secured by mortgages on immovable property																				
- residential	14,712	14,711	5,403	433	3,058	3,057	1,203	96	650	650	239	19	94	94	94	8	10,504	10,504	3,725	298
- commercial	2,806	2,757	2,737	219	228	227	236	19	158	144	145	12	39	39	39	3	2,352	2,318	2,288	183
Exposures in default	392	392	455	36	36	36	49	4	61	61	83	7	29	29	38	3	219	219	226	18
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	1	1	1	—	1,625	1,625	4,062	325	28	28	70	6	—	—	—	—	110	110	274	22
Other exposures	1,854	1,854	1,299	104	584	584	583	47	1,026	1,026	545	43	21	21	7	1	437	437	434	35
Total STD	125,888	125,175	17,113	1,370	115,854	115,577	10,928	875	52,229	52,169	1,960	157	2,120	2,120	1,027	82	38,913	38,539	9,107	728
Total securitisations (1)	7,650	7,650	1,372	110	5,964	5,964	1,106	88	1,688	1,688	265	21	—	—	—	—	—	—	—	—
Total IRB, STD and securitisations	530,854	517,960	115,398	9,233	407,678	399,200	73,445	5,877	115,136	111,247	20,341	1,627	30,942	30,912	11,583	927	38,913	38,539	9,107	728

## CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NWH Group and large subsidiaries continued

Counterparty credit risk	NWH Group			NWB Plc			RBS plc			UBIDAC			Coutts & Co		
	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m
2020															
<b>IRB</b>															
Central governments and central banks	245	2	—	245	2	—	—	—	—	—	—	—	—	—	—
Institutions	283	133	11	283	133	11	—	—	—	—	—	—	—	—	—
Corporates	819	175	14	793	160	13	—	—	—	26	16	1	—	—	—
<i>Specialised lending</i>	29	18	1	12	8	1	—	—	—	17	10	1	—	—	—
<i>SME</i>	1	1	—	—	—	—	—	—	—	1	1	—	—	—	—
<i>Other corporate</i>	789	156	13	781	152	12	—	—	—	8	5	—	—	—	—
<b>Total IRB</b>	<b>1,347</b>	<b>310</b>	<b>25</b>	<b>1,321</b>	<b>295</b>	<b>24</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>26</b>	<b>16</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>STD</b>															
Central governments and central banks	186	—	—	186	—	—	—	—	—	—	—	—	—	—	—
Regional governments and local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	1,095	448	36	1,955	257	20	901	—	—	203	101	8	6	1	—
Corporates	125	203	16	443	24	2	—	—	—	—	—	—	32	30	2
<b>Total STD</b>	<b>1,406</b>	<b>651</b>	<b>52</b>	<b>2,584</b>	<b>281</b>	<b>22</b>	<b>901</b>	<b>—</b>	<b>—</b>	<b>203</b>	<b>101</b>	<b>8</b>	<b>38</b>	<b>31</b>	<b>2</b>
<b>Total IRB and STD</b>	<b>2,753</b>	<b>961</b>	<b>77</b>	<b>3,905</b>	<b>576</b>	<b>46</b>	<b>901</b>	<b>—</b>	<b>—</b>	<b>229</b>	<b>117</b>	<b>9</b>	<b>38</b>	<b>31</b>	<b>2</b>

(1) Credit risk securitisations are presented as a subtotal of total credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables OV1, SEC 1, SEC 3 and SEC 4.

- **EAD post CRM** – The overall rise in exposures was mainly due to increased money market loans with central banks in STD credit risk exposures. There were further increases in EAD primarily in Retail Banking due to growth in the UK mortgage portfolio.
- **RWAs** – The overall reduction in RWAs mainly reflected a decrease in corporates credit risk exposures as a result in repayments and expired facilities in Commercial Banking. In addition, there was a reduction resulting from the CRR COVID-19 amendment for infrastructure supporting factors.
- **NWB Plc** – The overall rise in exposures was mainly due to increased money market loans with central banks and growth in the UK mortgage portfolio. The decrease in RWAs was attributed to repayments and expired facilities as well as improved risk metrics in Commercial Banking.

- **RBS plc** – The overall increase in EAD was mainly due to increased money market loans with central banks, partially offset by decreases in credit risk exposures in Commercial Banking. The decrease in RWAs was mainly due to repayments and expired facilities in Commercial Banking.
- **UBIDAC** – The decrease in RWAs was due to repayments and amortisations being in excess of new lending in the period. The full effect of the reduced exposure was lowered due to voluntary adjustment to capital metrics as agreed with the regulator.
- **Coutts & Co** – The increase in exposures to institutions was mainly due to movements in inter-Group exposures. Further increases reflected growth in the mortgage portfolio during the year.

## CRE\_1: IRB Models: Credit RWA calculation approach by exposure class

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. NatWest Group has been granted permission by the PRA and other European regulators to use the AIRB approach to calculate RWAs for the majority of its credit and counterparty credit risk exposures.

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

The IRB permission allows NatWest 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 NatWest Group's internal model method permission – refer to page 54.

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.

NatWest 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.



### CRE\_1: IRB models: Credit RWA calculation approach by exposure class continued

The table below shows total credit risk EAD and RWAs (including counterparty credit risk) under both IRB and STD approaches, on an IRB exposure class basis, as well as the percentage split between the two approaches.

Exposure class	EAD post CRM							RWAs						
	Total credit and counterparty credit risk £m	STD						Total credit and counterparty credit risk £m	STD					
		AIRB	Permanent portfolios			Portfolios subject to an IRB rollout plan			AIRB	Permanent portfolios			Portfolios subject to an IRB rollout plan	
			% of total	% of total	% of total	% of total	% of total			% of total	% of total	% of total	% of total	% of total
2021														
Central governments and central banks	172,706	22	38,586	78	134,120	—	—	3,422	69	2,348	31	1,074	—	—
Institutions	9,835	62	6,121	38	3,714	—	—	2,376	74	1,754	26	622	—	—
Corporates	111,031	91	100,854	9	10,177	—	—	55,530	85	47,244	15	8,286	—	—
Specialised lending	16,505	89	14,743	11	1,762	—	—	11,034	84	9,310	16	1,724	—	—
SME	18,736	91	17,068	9	1,668	—	—	7,298	88	6,419	12	879	—	—
Other	75,790	91	69,043	9	6,747	—	—	37,198	85	31,515	15	5,683	—	—
Retail	256,425	94	240,223	6	16,202	—	—	38,424	84	32,410	16	6,014	—	—
Secured by real estate property														
- SME	1,129	100	1,129	—	—	—	—	382	100	382	—	—	—	—
- non-SME	211,812	93	196,802	7	15,010	—	—	22,508	77	17,236	23	5,272	—	—
Qualifying revolving	20,516	99	20,356	1	160	—	—	4,679	97	4,550	3	129	—	—
Other retail														
- SME	16,473	94	15,464	6	1,009	—	—	4,390	86	3,794	14	596	—	—
- non-SME	6,495	100	6,472	—	23	—	—	6,465	100	6,448	—	17	—	—
Equities	14	77	11	23	3	—	—	34	88	30	12	4	—	—
Non-credit obligation assets	6,948	92	6,362	8	586	—	—	4,916	89	4,398	11	518	—	—
Total	556,959	70	392,157	30	164,802	—	—	104,702	84	88,184	16	16,518	—	—

## CRE\_1: IRB models: Credit RWA calculation approach by exposure class continued

Exposure class	EAD post CRM							RWAs						
	Total credit and counterparty credit risk £m	STD						Total credit and counterparty credit risk £m	STD					
		% of total	AIRB £m	Permanent portfolios			Portfolios subject to an IRB rollout plan £m		% of total	AIRB £m	Permanent portfolios			Portfolios subject to an IRB rollout plan £m
2020														
Central governments and central banks	132,948	27	36,346	73	96,602	—	—	3,964	71	2,811	29	1,153	—	—
Institutions	6,871	81	5,594	19	1,277	—	—	1,829	91	1,670	9	159	—	—
Corporates	117,108	92	107,272	8	9,836	—	—	64,044	87	55,729	13	8,315	—	—
<i>Specialised lending</i>	17,862	88	15,782	12	2,080	—	—	12,059	83	10,056	17	2,003	—	—
SME	19,268	92	17,718	8	1,550	—	—	8,037	90	7,253	10	784	—	—
Other	79,978	92	73,772	8	6,206	—	—	43,948	87	38,420	13	5,528	—	—
Retail	248,468	93	231,326	7	17,142	—	—	40,034	83	33,059	17	6,975	—	—
<i>Secured by real estate property</i>														
- SME	1,175	97	1,134	3	41	—	—	413	96	398	4	15	—	—
- non-SME	202,087	93	187,117	7	14,970	—	—	22,803	75	17,134	25	5,669	—	—
<i>Qualifying revolving</i>	20,155	99	20,019	1	136	—	—	4,843	98	4,731	2	112	—	—
<i>Other retail</i>														
- SME	17,412	94	16,378	6	1,034	—	—	4,385	86	3,768	14	617	—	—
- non-SME	7,639	87	6,678	13	961	—	—	7,590	93	7,028	7	562	—	—
Equities	1	—	—	100	1	—	—	1	—	—	100	1	—	—
Non-credit obligation assets	7,666	78	5,943	22	1,723	—	—	5,115	77	3,953	23	1,162	—	—
<b>Total</b>	<b>513,062</b>	<b>75</b>	<b>386,481</b>	<b>25</b>	<b>126,581</b>	<b>—</b>	<b>—</b>	<b>114,987</b>	<b>85</b>	<b>97,222</b>	<b>15</b>	<b>17,765</b>	<b>—</b>	<b>—</b>

## CRE: Qualitative disclosures relating to IRB models (credit and counterparty risk)

### Advanced IRB models

NatWest 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.

NatWest Group develops credit risk models for both Retail and Wholesale customers. Retail models are automated and applied across a portfolio of products. Wholesale 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 permit the use of expert judgment overrides, which are subject to Credit Risk approval.

### Retail IRB models

Table CRE\_2a presents an overview of the Retail IRB models used to calculate RWAs for UK and Republic of Ireland Retail customers and small business brands. Most Retail models are statistical models developed using logistic or linear regression techniques.

### 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.
- NatWest 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 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 bureaux.
- 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 NatWest Group. All Retail PD models produce both a best estimate measure, used for portfolio reporting and forecasting, and a downturn estimate, which is an input to RWA calculations. The downturn 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 NatWest 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.

## CRE\_2a: Overview of Retail IRB models

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Mortgages	17,236	PD	4	Retail – Secured by real estate SME Retail – Secured by real estate non-SME	Separate models are in place for the United Kingdom and Republic of Ireland. Within the United Kingdom, there are separate models for standard and non-standard products.	Key United Kingdom model drivers include the internal behaviour score of the related current account and loan-to-value (LTV).
		LGD	2			For United Kingdom portfolios, 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	7,836	PD	3	Retail – Other non-SME Retail – Qualifying revolving	Product level PD and EAD models are in place, with loans common across all regions and current account models split across the United Kingdom and Republic of Ireland. LGD models are combined across products and split across the United Kingdom and Republic of Ireland.	Model estimates are mainly based on internal behavioural data, with some also using external credit bureau data.
		LGD	2			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	4,078	PD	2	Retail – Other SME	For PD and EAD, separate models are in place for loans and current accounts, common across all regions. LGD models are split across the United Kingdom and Republic of Ireland.	Model estimates are mainly based on internal behaviour score.
		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	2,970	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	334	PD	1	Retail – Other SME Retail – Other non-SME	PD, EAD and LGD models developed for use within the UK Lombard brand.	Statistical model segmented by time on book, customer type and entity type.
		LGD	1			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.

## Wholesale IRB models

Table CRE\_2b presents the Wholesale IRB models NatWest Group uses to calculate RWAs.

### Probability of default/customer credit grade models

- As part of the credit assessment process, NatWest Group assigns each customer a credit grade reflecting the customer's PD. NatWest Group maintains and uses a number of credit grading models which consider risk characteristics relevant to the customer, incorporating both quantitative and qualitative inputs. NatWest 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.
- Different models are developed for different customer types.
- 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 and bank and sovereign counterparties (those used for the largest aggregate amounts of exposure) are the most material models.
- Most of the less material models are developed for portfolios with low default frequency – where customer loan volumes are lower or borrowers are of higher credit quality. In these cases, as required by the PRA, a specific low-default portfolio approach is applied to produce an appropriately prudent calibration to reflect the potential that future outcomes differ from the very low risk outcomes historically observed. The models applied to non-bank financial institutions and quasi-government entities are considered less material models.
- The majority of the PD model suite discriminates risk levels well and is stable; current observed default rates are generally lower than model estimates. This reflects prudent calibrations across most of the Wholesale models.
- PDs are floored at 0.03% (except for the sovereign 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.
- 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.

## CRE\_2b: Overview of Wholesale IRB models

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Sovereign and quasi-government entities	5,694	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, housing association and UK university: expert-driven scorecard models using qualitative and in some cases 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	3,573	PD	7	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. Broker dealer: a mix of external rating replication and calibration to internal 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 NBFIs model are structured as simple decision trees relying on a few regulatory LGD benchmarks, due to low frequency or loss data.
Corporation s: Turnover above £50 million	21,163	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.  Mid-large corporate model is used to grade customers in key countries (United Kingdom, US & Republic of Ireland) with turnover between £50 million and £500 million, and that are not externally rated.  LGD: single global LGD model is used for large and mid-large corporate customers.	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	1			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. A 35% LGD floor is applied for certain countries due to scarcity of loss data.

## CRE\_2b: Overview of Wholesale IRB models continued

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Corporation s: Turnover below £50 million	11,524	PD	1	Corporates – SME	United Kingdom and Republic of Ireland 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. Separate long-run average default rate calibrations exist for Great Britain and Republic of Ireland customers, based on internal and external data and taking into account differences between industry and sectors.
		LGD	4	Corporate – Other Equity IRB		For the UK portfolio, a statistical model is used based on long-run internal loss outcomes with key model drivers being security, together with customer and facility attributes.  For the Republic of Ireland portfolio, LGD is based on a framework which uses an unsecured recovery rate model and a suite of secured recovery rate models. The framework accounts for the value of collateral linked to each facility, together with costs and haircuts associated with the recovery of collateral.
Shipping	–	PD	1	Corporates – Specialised lending	Global PD and LGD model for ship finance customers meeting the CRR specialised lending definition.	Expert-driven scorecard model based on a mix of qualitative and quantitative inputs.
		LGD	1			Simple model based on benchmarks (which are different for different ship types) calibrated to internal loss data.
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 wholesale 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.



## IRB modelling 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 framework that establishes responsibilities and minimum requirements applying to each stage of the modelling lifecycle:
  - Model development and testing.
  - Model approval.
  - Model implementation and use.
  - Model monitoring, reporting and challenge.
- Detailed procedures and associated material that define the approaches and activities undertaken at each of these stages.
- Defined structures and roles and responsibilities.
- Model development teams that are part of the independent risk management function, separate from the functions responsible for originating or renewing exposures.
- An independent Model Risk 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 NatWest Group model risk is managed appropriately and that the approaches deployed continue to meet both internal and regulatory standards.

The model performance is tested 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. Interim adjustments may be applied whilst the remediation activity is undertaken if management believe the underperformance may lead to insufficient capital requirements for the portfolio.

Because IRB models are used in the calculation of credit risk regulatory capital requirements, once they have been approved through internal governance, they need to 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.

Based on the review findings, the relevant model approver will consider whether a model or model change can be approved and whether any conditions need to be imposed, including those relating to the remediation of material issues raised through the review process.

Model Risk sets 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 capital and liquidity risks. 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.

### EAD calculation methods for counterparty credit risk

For counterparty credit risk, RWAs are calculated under the IRB or standardised approaches. The PD and LGD values for the IRB approach are estimated from the above wholesale IRB models, while EAD estimates are calculated using one of the following methods.

#### Internal model method (IMM)

NatWest Group has permission from the PRA to use an internal model for calculating EADs for certain derivatives.

The IMM calculates EAD as the product of effective expected positive exposure (EEPE) or stressed EEPE, whichever is the higher, and the regulatory prescribed alpha multiplier. The alpha multiplier, which was 1.4 for both 2021 and for 2020, uplifts the EAD. It is indicative of the robustness of an institution's approach and governance framework for managing counterparty credit risk.

In accordance with the CRR requirements, the EAD for over-the-counter derivatives is adjusted for wrong-way risk (for more information on wrong-way risks, refer to page 102), collateral and an increased margin period of risk, when appropriate.

#### Mark-to-market (mtm) method

For derivatives that fall outside the IMM and for exchange-traded derivatives where NatWest Group does not have permission to use the IMM to calculate EAD for regulatory capital purposes, it calculates counterparty credit risk exposures using the mtm method. Exposure is calculated as the positive mtm value of outstanding contracts plus a potential future exposure. Exposure is adjusted for collateral, including any haircuts applied to collateral in accordance with regulatory requirements.

#### Financial collateral comprehensive method

NatWest Group uses the financial collateral comprehensive method for calculating EAD on securities financing transactions. Exposure is adjusted for collateral, after volatility adjustments are applied.

## CR9: IRB: IRB models back-testing

### Probability of default and exposure at default

Wholesale credit grading models are hybrid models. They exhibit a degree of cyclical nature that reflects broader credit conditions, but not the full cyclical nature of a more point-in-time methodology. In contrast, retail PD models are point-in-time models and estimate the probability of default under current economic conditions, resulting in more variable estimates.

Refer to CRE\_2: IRB models for more details on the methodology and characteristics of the models.

### CR9\_a: IRB: IRB models – Estimated probability of default, actual default rates and EAD outcomes versus estimates

The table below compares, across a two-year period, the PD estimates for the current year with the actual realised default rate across the year.

	PD				EAD	
	Estimated at	Actual	Estimated at	Actual	Estimated to	Estimated to
	2020	2021	2019	2020	actual ratio	actual ratio
	%	%	%	%	%	%
Retail						
- SME	3.69	<b>2.17</b>	2.24	1.53	<b>105</b>	111
- Secured by real estate non-SME	0.72	<b>0.40</b>	0.80	0.45	<b>103</b>	102
- Qualifying revolving	0.93	<b>0.74</b>	1.16	0.90	<b>120</b>	117
- Other	4.42	<b>3.93</b>	4.39	4.14	<b>108</b>	109
Central governments and central banks	0.03	—	0.03	—	<b>n/a</b>	n/a
Institutions	0.35	—	0.30	—	<b>n/a</b>	n/a
Corporates	1.84	<b>0.70</b>	1.95	0.90	<b>107</b>	108
Equities	n/a	<b>n/a</b>	n/a	n/a	<b>n/a</b>	n/a

- The actual default experience in 2021 for all exposure classes was below the estimated outcomes.
- For SME, the increase in both estimated and actual PD was mainly due to a portion of government originated support loans with higher-than-average default risk. However, that did not reflect an overall increase in credit risk of the portfolio given the government guarantee associated with these loans. The decrease in EAD ratio was also mainly due to the higher proportion of government support loans in the portfolio. In the secured by real estate and qualifying revolving exposure classes, the decrease in estimates was reflective of the economic environment and customer behaviour.
- For all retail exposure classes (except SME) and the corporate exposure classes, the reduction in actual default rate was reflective of the effect of UK government support schemes introduced following the onset of COVID-19.
- PD estimates for corporates reduced year-on-year, reflecting a decrease in higher risk clients.

- For Wholesale exposures, the estimate shown is the averaged obligor PD. For retail exposures, it is the averaged account-level PD.
- For Wholesale exposures, estimated PDs are through-the-cycle whilst actual default rates are point-in-time.
- Exposures in default at the end of the previous year are excluded from the PD estimates because their probability of default is 100%.
- The default rate is the number of defaults observed during the year, divided by the number of obligors or accounts at the end of the previous year.
- The EAD ratio represents the total EAD estimated at the end of the previous year, against the total actual exposure at the time of default, for the defaulted exposures.

### Back-testing of PD by exposure band

To enhance disclosure on the PD analysis, the two tables below provide a further breakdown by exposure class and asset quality band: Table CR9\_a\_1 for retail classes and Table CR9\_a\_2 for wholesale classes.

The CR9\_a tables include the following:

- The PDs estimated for 2021 as at the end of 2020, on both an EAD-weighted and obligor-weighted basis.
- The actual default rates for 2021 and the average annual default rates across the five-year period covering 2017-2021 – both on an obligor-weighted basis.
- The number of obligors at 2021 and 2020 year-ends respectively. These numbers differ slightly from the obligor numbers in CR6 and CCR4 due to the application of specific modelling filters or due to scope differences.
- The total default count in 2021.
- The number of clients defaulting in 2021 that did not have committed facilities granted at the end of 2020. These newly-funded clients are not included in the actual 2021 default rates.

## CR9\_a\_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk

In the table below, defaults are recognised at an individual account level for the retail classes. Obligors therefore relate to accounts in the figures shown in the table and the two terms are equivalent in this context.

Exposure class	AQ band	PD range	PD estimate at		Defaulted rates actual		Number of obligors		Number of defaulted obligors	
			EAD weighted 2020 %	Obligor weighted 2020 %	Obligor weighted 2021 %	Obligor weighted 2017-2021 %	2020	2021	All 2021	of which: newly funded obligors during the year 2021
<b>2021</b>										
Retail - SME	AQ01	0% to 0.034%	—	—	<b>0.00%</b>	0.06%	—	—	—	—
Retail - SME	AQ02	0.034% to 0.048%	—	—	<b>0.00%</b>	0.00%	—	—	—	—
Retail - SME	AQ03	0.048% to 0.095%	0.08%	0.09%	<b>0.04%</b>	0.04%	31,260	<b>455</b>	<b>14</b>	—
Retail - SME	AQ04	0.095% to 0.381%	0.18%	0.19%	<b>0.22%</b>	0.17%	430,526	<b>299,479</b>	<b>944</b>	—
Retail - SME	AQ05	0.381% to 1.076%	0.78%	0.67%	<b>0.62%</b>	0.59%	242,326	<b>462,259</b>	<b>1,511</b>	<b>2</b>
Retail - SME	AQ06	1.076% to 2.153%	1.34%	1.57%	<b>0.98%</b>	1.13%	243,537	<b>260,425</b>	<b>2,417</b>	<b>26</b>
Retail - SME	AQ07	2.153% to 6.089%	3.73%	3.46%	<b>1.86%</b>	2.35%	170,802	<b>287,091</b>	<b>3,355</b>	<b>185</b>
Retail - SME	AQ08	6.089% to 17.222%	8.84%	8.99%	<b>3.95%</b>	7.73%	239,588	<b>67,181</b>	<b>9,539</b>	<b>74</b>
Retail - SME	AQ09	17.222% to 100%	27.07%	27.44%	<b>19.60%</b>	25.73%	68,844	<b>31,268</b>	<b>13,534</b>	<b>39</b>
Retail - SME	AQ10	100%	n/a	n/a	<b>n/a</b>	n/a	21,304	<b>37,768</b>	<b>n/a</b>	<b>n/a</b>
<b>Total - Retail - SME</b>			<b>7.33%</b>	<b>3.69%</b>	<b>2.17%</b>	<b>1.89%</b>	<b>1,448,187</b>	<b>1,445,926</b>	<b>31,314</b>	<b>326</b>
Retail - Secured by real estate non-SME	AQ01	0% to 0.034%	0.03%	0.03%	<b>0.01%</b>	0.00%	18,459	<b>9,500</b>	<b>1</b>	—
Retail - Secured by real estate non-SME	AQ02	0.034% to 0.048%	0.04%	0.04%	<b>0.01%</b>	0.02%	9,872	<b>4,678</b>	<b>1</b>	—
Retail - Secured by real estate non-SME	AQ03	0.048% to 0.095%	0.07%	0.07%	<b>0.06%</b>	0.07%	46,242	<b>34,666</b>	<b>28</b>	<b>2</b>
Retail - Secured by real estate non-SME	AQ04	0.095% to 0.381%	0.24%	0.23%	<b>0.15%</b>	0.15%	866,066	<b>736,952</b>	<b>1,345</b>	<b>11</b>
Retail - Secured by real estate non-SME	AQ05	0.381% to 1.076%	0.55%	0.55%	<b>0.24%</b>	0.31%	316,773	<b>479,252</b>	<b>776</b>	<b>1</b>
Retail - Secured by real estate non-SME	AQ06	1.076% to 2.153%	1.48%	1.45%	<b>0.87%</b>	0.77%	13,604	<b>25,203</b>	<b>121</b>	<b>2</b>
Retail - Secured by real estate non-SME	AQ07	2.153% to 6.089%	3.76%	3.84%	<b>2.74%</b>	2.64%	7,815	<b>8,723</b>	<b>215</b>	<b>1</b>
Retail - Secured by real estate non-SME	AQ08	6.089% to 17.222%	11.20%	11.29%	<b>7.22%</b>	9.46%	10,979	<b>11,316</b>	<b>794</b>	<b>1</b>
Retail - Secured by real estate non-SME	AQ09	17.222% to 100%	27.52%	27.34%	<b>13.71%</b>	17.78%	14,206	<b>8,215</b>	<b>1,955</b>	<b>8</b>
Retail - Secured by real estate non-SME	AQ10	100%	n/a	n/a	<b>n/a</b>	n/a	18,347	<b>15,839</b>	<b>n/a</b>	<b>n/a</b>
<b>Total - Retail - Secured by real estate non-SME</b>			<b>0.71%</b>	<b>0.72%</b>	<b>0.40%</b>	<b>0.53%</b>	<b>1,322,363</b>	<b>1,334,344</b>	<b>5,236</b>	<b>26</b>

## CR9\_a\_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk continued

Exposure class	AQ band	PD range	PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
			EAD weighted 2020 %	Obligor weighted 2020 %	Obligor weighted 2021 %	Obligor weighted 2017-2021 %	2020	2021	2021	of which: newly funded obligors All during the year 2021
<b>2021</b>										
Retail - Qualifying revolving	AQ01	0% to 0.034%	0.03%	0.03%	<b>0.01%</b>	0.02%	6,107,380	<b>7,605,403</b>	<b>912</b>	<b>7</b>
Retail - Qualifying revolving	AQ02	0.034% to 0.048%	0.04%	0.04%	<b>0.04%</b>	0.05%	1,206,946	<b>94,373</b>	<b>502</b>	<b>2</b>
Retail - Qualifying revolving	AQ03	0.048% to 0.095%	0.08%	0.07%	<b>0.05%</b>	0.07%	1,249,947	<b>1,343,514</b>	<b>652</b>	<b>7</b>
Retail - Qualifying revolving	AQ04	0.095% to 0.381%	0.21%	0.21%	<b>0.18%</b>	0.19%	1,940,081	<b>2,329,517</b>	<b>3,459</b>	<b>58</b>
Retail - Qualifying revolving	AQ05	0.381% to 1.076%	0.62%	0.62%	<b>0.48%</b>	0.50%	3,835,588	<b>3,413,958</b>	<b>18,552</b>	<b>189</b>
Retail - Qualifying revolving	AQ06	1.076% to 2.153%	1.54%	1.53%	<b>1.27%</b>	1.40%	1,716,340	<b>1,461,913</b>	<b>22,086</b>	<b>231</b>
Retail - Qualifying revolving	AQ07	2.153% to 6.089%	3.68%	3.59%	<b>2.28%</b>	2.68%	1,204,373	<b>1,116,821</b>	<b>28,787</b>	<b>1,338</b>
Retail - Qualifying revolving	AQ08	6.089% to 17.222%	9.10%	9.30%	<b>7.86%</b>	8.23%	330,609	<b>283,480</b>	<b>26,420</b>	<b>420</b>
Retail - Qualifying revolving	AQ09	17.222% to 100%	35.53%	33.88%	<b>32.56%</b>	31.50%	99,229	<b>88,158</b>	<b>32,591</b>	<b>283</b>
Retail - Qualifying revolving	AQ10	100%	n/a	n/a	<b>n/a</b>	n/a	326,941	<b>300,227</b>	<b>n/a</b>	<b>n/a</b>
Total - Retail - Qualifying revolving			1.26%	0.93%	<b>0.74%</b>	1.04%	18,017,434	<b>18,037,364</b>	<b>133,961</b>	<b>2,535</b>
Retail - Other	AQ01	0% to 0.034%	—	—	<b>0.00%</b>	0.00%	—	—	—	—
Retail - Other	AQ02	0.034% to 0.048%	—	—	<b>0.00%</b>	0.00%	—	—	—	—
Retail - Other	AQ03	0.048% to 0.095%	—	—	<b>0.00%</b>	0.00%	—	<b>1</b>	—	—
Retail - Other	AQ04	0.095% to 0.381%	0.32%	0.31%	<b>0.25%</b>	0.39%	7,276	<b>6,054</b>	<b>18</b>	—
Retail - Other	AQ05	0.381% to 1.076%	0.93%	0.96%	<b>0.75%</b>	0.77%	276,358	<b>128,725</b>	<b>2,200</b>	<b>141</b>
Retail - Other	AQ06	1.076% to 2.153%	1.48%	1.37%	<b>1.05%</b>	1.69%	279,234	<b>397,841</b>	<b>3,126</b>	<b>192</b>
Retail - Other	AQ07	2.153% to 6.089%	3.74%	3.51%	<b>3.32%</b>	3.98%	146,382	<b>168,914</b>	<b>5,251</b>	<b>390</b>
Retail - Other	AQ08	6.089% to 17.222%	9.66%	9.40%	<b>7.32%</b>	9.13%	57,025	<b>61,321</b>	<b>4,583</b>	<b>411</b>
Retail - Other	AQ09	17.222% to 100%	38.17%	37.69%	<b>35.61%</b>	41.96%	50,628	<b>25,499</b>	<b>18,180</b>	<b>151</b>
Retail - Other	AQ10	100%	n/a	n/a	<b>n/a</b>	n/a	64,686	<b>69,716</b>	<b>n/a</b>	<b>n/a</b>
Total - Retail - Other			4.48%	4.42%	<b>3.93%</b>	4.07%	881,589	<b>858,071</b>	<b>33,358</b>	<b>1,285</b>

## CR9\_a\_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk continued

Exposure class	AQ band	PD range	PD estimate at		Defaulted rates actual		Number of obligors		Number of defaulted obligors	
			EAD weighted	Obligor	Obligor	Obligor	2019	2020	2020	of which: newly funded obligors during the year
			2019	2019	2020	2016-2020				
			%	%	%	%				
2020										
Retail - SME	AQ01	0% to 0.034%	—	0.03%	—	0.06%	415	—	—	—
Retail - SME	AQ02	0.034% to 0.048%	0.04%	0.04%	—	—	2,248	—	—	—
Retail - SME	AQ03	0.048% to 0.095%	0.07%	0.07%	0.05%	0.05%	27,303	31,260	15	—
Retail - SME	AQ04	0.095% to 0.381%	0.17%	0.19%	0.16%	0.19%	433,705	430,526	701	—
Retail - SME	AQ05	0.381% to 1.076%	0.84%	0.71%	0.62%	0.60%	273,817	242,326	1,720	26
Retail - SME	AQ06	1.076% to 2.153%	1.56%	1.59%	0.96%	1.31%	196,841	243,537	2,013	114
Retail - SME	AQ07	2.153% to 6.089%	3.49%	3.34%	1.88%	2.64%	180,296	170,802	3,829	438
Retail - SME	AQ08	6.089% to 17.222%	9.93%	9.85%	6.65%	8.97%	56,418	239,588	4,156	403
Retail - SME	AQ09	17.222% to 100%	32.99%	33.29%	24.26%	28.19%	28,211	68,844	7,726	883
Retail - SME	AQ10	100%	n/a	n/a	n/a	n/a	25,013	21,304	n/a	n/a
<b>Total - Retail - SME</b>			<b>2.97%</b>	<b>2.24%</b>	<b>1.53%</b>	<b>1.87%</b>	<b>1,224,267</b>	<b>1,448,187</b>	<b>20,160</b>	<b>1,864</b>
Retail - Secured by real estate non-SME	AQ01	0% to 0.034%	0.03%	0.03%	0.01%	0.00%	12,848	18,459	1	—
Retail - Secured by real estate non-SME	AQ02	0.034% to 0.048%	0.04%	0.04%	0.02%	0.07%	4,589	9,872	1	—
Retail - Secured by real estate non-SME	AQ03	0.048% to 0.095%	0.07%	0.07%	0.05%	0.07%	34,186	46,242	16	—
Retail - Secured by real estate non-SME	AQ04	0.095% to 0.381%	0.22%	0.22%	0.15%	0.15%	730,997	866,066	1,098	11
Retail - Secured by real estate non-SME	AQ05	0.381% to 1.076%	0.57%	0.57%	0.21%	0.34%	431,598	316,773	909	6
Retail - Secured by real estate non-SME	AQ06	1.076% to 2.153%	1.50%	1.48%	0.72%	0.72%	18,732	13,604	136	2
Retail - Secured by real estate non-SME	AQ07	2.153% to 6.089%	3.92%	3.92%	2.76%	2.59%	9,758	7,815	271	2
Retail - Secured by real estate non-SME	AQ08	6.089% to 17.222%	10.61%	10.85%	7.82%	10.23%	11,264	10,979	883	2
Retail - Secured by real estate non-SME	AQ09	17.222% to 100%	27.74%	27.69%	16.23%	18.27%	15,073	14,206	2,450	3
Retail - Secured by real estate non-SME	AQ10	100%	n/a	n/a	n/a	n/a	21,898	18,347	n/a	n/a
<b>Total - Retail - Secured by real estate non-SME</b>			<b>0.78%</b>	<b>0.80%</b>	<b>0.45%</b>	<b>0.58%</b>	<b>1,290,943</b>	<b>1,322,363</b>	<b>5,765</b>	<b>26</b>

## CR9\_a\_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk continued

Exposure class	AQ band	PD range	PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
			EAD weighted	Obligor	Obligor	Obligor	2019	2020	2020	of which: newly funded obligors All during the year
			2019	2019	2020	2016-2020				
			%	%	%	%				
2020										
Retail - Qualifying revolving	AQ01	0% to 0.034%	0.03%	0.03%	0.01%	0.02%	5,395,832	6,107,380	677	2
Retail - Qualifying revolving	AQ02	0.034% to 0.048%	0.04%	0.04%	0.04%	0.05%	1,345,379	1,206,946	584	17
Retail - Qualifying revolving	AQ03	0.048% to 0.095%	0.06%	0.06%	0.04%	0.07%	622,010	1,249,947	283	16
Retail - Qualifying revolving	AQ04	0.095% to 0.381%	0.23%	0.23%	0.15%	0.19%	2,744,704	1,940,081	4,130	34
Retail - Qualifying revolving	AQ05	0.381% to 1.076%	0.64%	0.63%	0.50%	0.51%	3,681,976	3,835,588	18,639	182
Retail - Qualifying revolving	AQ06	1.076% to 2.153%	1.54%	1.54%	1.25%	1.44%	1,778,732	1,716,340	22,532	228
Retail - Qualifying revolving	AQ07	2.153% to 6.089%	3.72%	3.63%	2.24%	2.78%	1,486,732	1,204,373	35,022	1,746
Retail - Qualifying revolving	AQ08	6.089% to 17.222%	9.04%	9.31%	7.37%	8.24%	463,548	330,609	35,168	1,001
Retail - Qualifying revolving	AQ09	17.222% to 100%	34.86%	32.87%	30.57%	31.11%	149,404	99,229	46,373	696
Retail - Qualifying revolving	AQ10	100%	n/a	n/a	n/a	n/a	397,125	326,941	n/a	n/a
<b>Total - Retail - Qualifying revolving</b>			<b>1.40%</b>	<b>1.16%</b>	<b>0.90%</b>	<b>1.14%</b>	<b>18,065,442</b>	<b>18,017,434</b>	<b>163,408</b>	<b>3,922</b>
Retail - Other	AQ01	0% to 0.034%	—	—	—	—	—	—	—	—
Retail - Other	AQ02	0.034% to 0.048%	—	—	—	—	—	—	—	—
Retail - Other	AQ03	0.048% to 0.095%	—	—	—	—	—	—	—	—
Retail - Other	AQ04	0.095% to 0.381%	0.30%	0.29%	0.27%	0.49%	7,383	7,276	20	—
Retail - Other	AQ05	0.381% to 1.076%	0.92%	0.93%	0.82%	0.75%	350,927	276,358	3,108	233
Retail - Other	AQ06	1.076% to 2.153%	1.54%	1.51%	1.46%	1.83%	160,400	279,234	2,742	397
Retail - Other	AQ07	2.153% to 6.089%	3.64%	3.54%	3.65%	4.01%	198,113	146,382	8,232	1,006
Retail - Other	AQ08	6.089% to 17.222%	9.72%	9.79%	7.87%	9.71%	89,227	57,025	7,905	882
Retail - Other	AQ09	17.222% to 100%	39.02%	40.34%	39.85%	43.94%	38,784	50,628	15,740	286
Retail - Other	AQ10	100%	n/a	n/a	n/a	n/a	68,570	64,686	n/a	n/a
<b>Total - Retail - Other</b>			<b>4.41%</b>	<b>4.39%</b>	<b>4.14%</b>	<b>3.92%</b>	<b>913,404</b>	<b>881,589</b>	<b>37,747</b>	<b>2,804</b>

## CR9\_a\_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk

Exposure class	AQ band	PD range	Equivalent S&P Rating	PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
				EAD weighted 2020 %	Obligor weighted 2020 %	Obligor weighted 2021 %	Obligor weighted 2017-2021 %	2020	2021	2021	of which: newly funded obligors All during the year 2021
<b>2021</b>											
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.02%	—	n/a	39	<b>35</b>	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	5	<b>5</b>	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	n/a	3	<b>7</b>	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.23%	0.23%	—	n/a	1	—	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Central governments and central banks				0.02%	0.03%	—	n/a	48	<b>47</b>	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	n/a	41	<b>29</b>	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	19	<b>8</b>	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	n/a	95	<b>113</b>	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.17%	0.18%	—	n/a	181	<b>181</b>	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.45%	0.58%	—	n/a	36	<b>31</b>	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.52%	1.55%	—	n/a	22	<b>19</b>	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	3.03%	3.47%	—	n/a	9	<b>11</b>	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	14.48%	14.48%	n/a	n/a	1	<b>2</b>	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	—	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Institutions				0.20%	0.35%	—	n/a	404	<b>394</b>	—	—



## CR9\_a\_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk continued

Exposure class	AQ band	PD range	Equivalent S&P Rating	PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
				EAD weighted 2020 %	Obligor weighted 2020 %	Obligor weighted 2021 %	Obligor weighted 2017-2021 %	2020	2021	2021	of which: newly funded obligors All during the year 2021
<b>2021</b>											
Corporates	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	<b>0.00%</b>	n/a	229	<b>208</b>	—	—
Corporates	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	<b>0.00%</b>	n/a	326	<b>324</b>	—	—
Corporates	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	<b>0.00%</b>	n/a	542	<b>591</b>	—	—
Corporates	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.20%	0.26%	<b>0.06%</b>	n/a	6,818	<b>6,752</b>	<b>4</b>	—
Corporates	AQ05	0.381% to 1.076%	BB+ to BB-	0.68%	0.69%	<b>0.31%</b>	n/a	18,161	<b>16,830</b>	<b>58</b>	<b>2</b>
Corporates	AQ06	1.076% to 2.153%	B+	1.54%	1.51%	<b>0.48%</b>	n/a	14,281	<b>11,553</b>	<b>70</b>	<b>2</b>
Corporates	AQ07	2.153% to 6.089%	B to B-	3.34%	3.18%	<b>1.22%</b>	n/a	8,927	<b>7,329</b>	<b>113</b>	<b>4</b>
Corporates	AQ08	6.089% to 17.222%	CCC+	9.89%	10.14%	<b>5.03%</b>	n/a	1,711	<b>1,186</b>	<b>89</b>	<b>3</b>
Corporates	AQ09	17.222% to 100%	CCC to CC	23.39%	30.13%	<b>8.70%</b>	n/a	437	<b>278</b>	<b>38</b>	—
Corporates	AQ10	100%	D	n/a	n/a	<b>n/a</b>	n/a	1,824	<b>1,606</b>	—	—
<b>Total - Corporates</b>				<b>1.07%</b>	<b>1.84%</b>	<b>0.70%</b>	n/a	<b>53,256</b>	<b>46,657</b>	<b>372</b>	<b>11</b>
Equities	AQ01	0% to 0.034%	AAA to AA	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ02	0.034% to 0.048%	AA-	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ03	0.048% to 0.095%	A+ to A-	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ04	0.095% to 0.381%	BBB+ to BBB-	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ06	1.076% to 2.153%	B+	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
Equities	AQ10	100%	D	n/a	n/a	<b>n/a</b>	n/a	—	—	—	—
<b>Total - Equities</b>				<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	n/a	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## CR9\_a\_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk continued

Exposure class	AQ band	PD range	Equivalent S&P Rating	PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
				EAD weighted	Obligor	Obligor	Obligor	2019	2020	2020	of which: newly funded obligors All during the year 2020
				2019	2019	2020	2016-2020				
2020											
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.02%	—	n/a	35	39	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	2	5	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	n/a	5	3	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.23%	0.23%	—	n/a	1	1	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Central governments and central banks				0.01%	0.03%	—	n/a	43	48	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	n/a	51	41	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	62	19	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.07%	—	n/a	69	95	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.15%	0.18%	—	n/a	161	181	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.49%	0.61%	—	n/a	36	36	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.40%	1.58%	—	n/a	16	21	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	2.72%	3.08%	—	n/a	12	9	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	n/a	—	1	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	1	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Institutions				0.15%	0.30%	—	n/a	407	404	—	—

## CR9\_a\_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk continued

Exposure class	AQ band	PD range	Equivalent S&P Rating	PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
				EAD weighted	Obligor	Obligor	Obligor	2019	2020	All	of which: newly funded obligors during the year
				2019	2019	2020	2016-2020				
2020											
Corporates	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	n/a	427	229	—	—
Corporates	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	183	326	—	—
Corporates	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	0.16%	n/a	644	542	1	—
Corporates	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.20%	0.26%	0.05%	n/a	5,663	6,818	5	2
Corporates	AQ05	0.381% to 1.076%	BB+ to BB-	0.67%	0.69%	0.32%	n/a	18,267	18,160	61	2
Corporates	AQ06	1.076% to 2.153%	B+	1.53%	1.53%	0.69%	n/a	15,294	14,281	107	2
Corporates	AQ07	2.153% to 6.089%	B to B-	3.25%	3.12%	1.47%	n/a	11,052	8,928	174	12
Corporates	AQ08	6.089% to 17.222%	CCC+	10.24%	10.26%	6.05%	n/a	1,687	1,709	103	1
Corporates	AQ09	17.222% to 100%	CCC to CC	24.38%	28.33%	9.65%	n/a	549	437	54	1
Corporates	AQ10	100%	D	n/a	n/a	n/a	n/a	2,092	1,821	2	2
Total - Corporates				0.96%	1.95%	0.90%	n/a	55,858	53,251	507	22
Equities	AQ01	0% to 0.034%	AAA to AA	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ02	0.034% to 0.048%	AA-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ03	0.048% to 0.095%	A+ to A-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ04	0.095% to 0.381%	BBB+ to BBB-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ06	1.076% to 2.153%	B+	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Equities				n/a	n/a	n/a	n/a	—	—	—	—

## Loss given default

Both estimated and actual LGDs are EAD-weighted. Corporate exposures where EAD varies more can give rise to significant movements when compared year-on-year.

More generally, differences between estimates and actuals can arise when comparing regulatory capital downturn estimates to actual outcomes that have been realised in non-downturn conditions.

### Corporates

In the corporates exposure class, the actual LGD includes all defaulted client cases that closed during the year.

The estimated LGDs are the average pre-default downturn estimates for these defaults, with actual LGDs being the averaged observed outcomes, time-discounted to reflect actual workout periods.

Closure of a defaulted customer case occurs when none of the defined default criteria have been met. This may include instances where debt is repaid, fully or partially written off, or returned to the performing book.

### Retail

In the retail exposure classes (except Lombard SME), estimated LGDs related to loss estimates on defaulted exposures over defined outcome periods, which vary by exposure class, from 36 to 72 months. These periods align with the collections and recoveries process. The actual losses included in the table below relate to the corresponding defaulted exposures, which reached the relevant outcome period during 2020. Lombard SME applies the corporate LGD methodology for 2021.

## CR9\_b: IRB: IRB models: Back-testing of LGD by exposure class – total credit risk

IRB exposure class	2021		2020	
	LGD - estimated %	LGD - actual %	LGD - estimated %	LGD - actual %
Retail				
- SME	70.16	69.55	70.36	59.47
- Secured by real estate non-SME	26.51	18.28	30.10	20.46
- Qualifying revolving	85.72	75.87	86.18	74.00
- Other	87.50	82.69	84.58	79.32
Corporates	28.04	18.88	35.43	24.19

- The increase in actual LGD in the SME exposure class was due to a change in the methodology used for calculating actual LGDs for Lombard.
- In the secured by real estate exposure class, the decrease in estimated LGD was due to an increase in house prices across both UK and UBIDAC regions. The decrease in actual LGD was a result of an earlier UBIDAC debt sale dropping out of the reporting window.
- For corporates, the decrease in both estimated and actual year-on-year was due to the resolution of a small number of high-exposure secured cases in 2021.

## CR9\_c: IRB: IRB models: Back-testing of EL by exposure class – total credit risk

	Expected loss estimated for following year at the end of						Impairment charge/(release) for the year	
	2020			2019			2021	2020
	Non-defaulted (AQ1-AQ9)	Defaulted (AQ10)	Total	Non-defaulted (AQ1-AQ9)	Defaulted (AQ10)	Total		
	£m	£m	£m	£m	£m	£m	£m	£m
Retail								
- SME	126	168	294	127	190	317	(129)	220
- Secured by real estate non-SME	190	291	481	198	418	616	(103)	286
- Qualifying revolving	176	216	392	229	268	497	(51)	276
- Other non-SME	249	333	582	276	360	636	5	289
Central governments and central banks	3	—	3	2	—	2	—	—
Institutions	4	—	4	4	—	4	(5)	3
Corporates	344	898	1,242	297	765	1,062	(873)	1,852
Equities	—	—	—	—	—	—	—	—
	1,092	1,906	2,998	1,133	2,001	3,134	(1,156)	2,926

## Credit risk (excluding counterparty credit risk)

This section provides more detailed analysis of credit risk exposures (excluding counterparty credit risk).

### Risk profile by asset concentrations

#### CRB\_B: IRB & STD: Credit risk exposures by exposure class

The table below shows credit risk EAD pre and post CRM on a period end and 12 month average basis, analysed by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations.

2021	EAD pre CRM		EAD post CRM	
	Period end £m	Average £m	Period end £m	Average £m
<b>IRB</b>				
Central governments and central banks	38,762	37,713	38,429	37,623
Institutions	7,996	8,022	5,875	5,845
Corporates	108,384	110,687	99,776	101,022
<i>Specialised lending</i>	14,738	14,935	14,725	14,914
<i>SME</i>	17,423	18,309	17,068	17,969
<i>Other corporate</i>	76,223	77,443	67,983	68,139
Retail	240,224	235,332	240,223	235,332
<i>Secured by real estate property</i>				
- <i>SME</i>	1,129	1,124	1,129	1,124
- <i>non-SME</i>	196,803	191,583	196,802	191,583
<i>Qualifying revolving</i>	20,356	20,015	20,356	20,015
<i>Other retail</i>				
- <i>SME</i>	15,464	16,154	15,464	16,154
- <i>non-SME</i>	6,472	6,456	6,472	6,456
Equities	11	6	11	6
Non-credit obligation assets	6,362	5,324	6,362	5,324
<b>Total IRB</b>	<b>401,739</b>	<b>397,084</b>	<b>390,676</b>	<b>385,152</b>
<b>STD</b>				
Central governments and central banks	135,551	116,822	134,727	117,224
Regional governments and local authorities	27	27	24	11
Multilateral development banks	—	—	—	—
Institutions	2,347	2,082	2,347	2,082
Corporates	6,193	6,586	4,584	5,433
Retail	2,498	2,377	2,325	2,252
Secured by mortgages on immovable property				
- residential	15,091	15,102	15,008	15,066
- commercial	2,681	2,647	2,661	2,605
Exposures in default	398	412	383	403
Items associated with particularly high risk	—	—	—	—
Covered bonds	—	—	—	—
Equity exposures	3	3	3	3
Other exposures	593	1,452	593	1,452
<b>Total STD</b>	<b>165,382</b>	<b>147,510</b>	<b>162,655</b>	<b>146,531</b>
<b>Total IRB and STD</b>	<b>567,121</b>	<b>544,594</b>	<b>553,331</b>	<b>531,683</b>

## CRB\_B: IRB &amp; STD: Credit risk exposures by exposure class continued

2020	EAD pre CRM		EAD post CRM	
	Period end £m	Average £m	Period end £m	Average £m
<b>IRB</b>				
Central governments and central banks	36,170	34,657	36,101	34,599
Institutions	7,261	8,003	5,311	6,033
Corporates	116,616	119,590	106,454	109,299
<i>Specialised lending</i>	15,774	15,567	15,753	15,533
<i>SME</i>	18,051	20,379	17,717	19,978
<i>Other corporate</i>	82,791	83,644	72,984	73,788
Retail	231,326	224,342	231,326	224,342
<i>Secured by real estate property</i>				
- SME	1,134	1,230	1,134	1,230
- non-SME	187,117	180,662	187,117	180,662
<i>Qualifying revolving</i>	20,019	21,960	20,019	21,960
<i>Other retail</i>				
- SME	16,378	13,342	16,378	13,342
- non-SME	6,678	7,148	6,678	7,148
Equities	—	—	—	—
Non-credit obligation assets	5,943	5,288	5,943	5,288
<b>Total IRB</b>	<b>397,316</b>	<b>391,880</b>	<b>385,135</b>	<b>379,561</b>
<b>STD</b>				
Central governments and central banks	96,441	79,764	96,662	79,854
Regional governments and local authorities	32	39	2	6
Multilateral development banks	—	—	—	—
Institutions	782	421	782	421
Corporates	6,620	6,106	5,856	5,549
Retail	2,248	2,273	2,158	2,185
Secured by mortgages on immovable property				
- residential	14,712	11,578	14,711	11,577
- commercial	2,806	2,580	2,757	2,546
Exposures in default	392	370	392	369
Items associated with particularly high risk	—	9	—	9
Covered bonds	—	—	—	—
Equity exposures	1	13	1	13
Other exposures	1,854	1,101	1,854	1,101
<b>Total STD</b>	<b>125,888</b>	<b>104,254</b>	<b>125,175</b>	<b>103,630</b>
<b>Total IRB and STD</b>	<b>523,204</b>	<b>496,134</b>	<b>510,310</b>	<b>483,191</b>

**CRB\_C: IRB & STD: Credit risk exposures by geographic region**

The table below shows credit risk EAD post CRM analysed by geography, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Geographical analysis is based on country of operation of the customer.

2021	UK £m	Other £m	Western Europe £m	US £m	Rest of world £m	Total £m
<b>IRB</b>						
Central governments and central banks	165	4,408	24,505	6,088	3,263	38,429
Institutions	1,332	17	1,015	2,598	913	5,875
Corporates	79,894	4,762	8,948	4,251	1,921	99,776
<i>Specialised lending</i>	12,223	951	1,006	263	282	14,725
SME	16,120	916	22	2	8	17,068
Other corporate	51,551	2,895	7,920	3,986	1,631	67,983
Retail	226,819	13,110	127	43	124	240,223
<i>Secured by real estate property</i>						
- SME	1,124	1	1	1	2	1,129
- non-SME	184,582	12,220	—	—	—	196,802
<i>Qualifying revolving</i>	19,787	296	117	40	116	20,356
<i>Other retail</i>						
- SME	14,997	458	5	1	3	15,464
- non-SME	6,329	135	4	1	3	6,472
Equities	11	—	—	—	—	11
Non-credit obligation assets	5,336	388	551	—	87	6,362
<b>Total IRB</b>	<b>313,557</b>	<b>22,685</b>	<b>35,146</b>	<b>12,980</b>	<b>6,308</b>	<b>390,676</b>
Proportion	80%	6%	9%	3%	2%	100%
<b>STD</b>						
Central governments and central banks	134,040	21	—	4	662	134,727
Regional governments and local authorities	24	—	—	—	—	24
Multilateral development banks	—	—	—	—	—	—
Institutions	2,071	—	250	16	10	2,347
Corporates	3,241	553	739	7	44	4,584
Retail	2,322	1	1	—	1	2,325
<i>Secured by mortgages on immovable property</i>						
- residential	14,920	2	—	—	86	15,008
- commercial	2,483	45	11	—	122	2,661
Exposures in default	359	7	6	—	11	383
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Equity exposures	—	—	3	—	—	3
Other exposures	568	25	—	—	—	593
<b>Total STD</b>	<b>160,028</b>	<b>654</b>	<b>1,010</b>	<b>27</b>	<b>936</b>	<b>162,655</b>
Proportion	98%	—	1%	—	1%	100%
<b>Total IRB and STD</b>	<b>473,585</b>	<b>23,339</b>	<b>36,156</b>	<b>13,007</b>	<b>7,244</b>	<b>553,331</b>
Proportion	86%	4%	7%	2%	1%	100%
<b>Of which: by large subsidiary (excludes inter-Group exposures)</b>						
NWB Plc	354,439	779	31,365	11,068	5,906	403,557
RBS plc	85,923	90	1,376	1,751	300	89,440
UBIDAC	328	22,277	1,789	94	391	24,879
Coutts & Co	17,437	10	262	5	243	17,957

## CRB\_C: IRB &amp; STD: Credit risk exposures by geographic region continued

2020	UK £m	Rol £m	Other Western Europe £m	US £m	Rest of world £m	Total £m
<b>IRB</b>						
Central governments and central banks	352	5,025	19,374	7,874	3,476	36,101
Institutions	1,589	21	1,169	2,388	144	5,311
Corporates	84,647	5,727	10,018	4,216	1,846	106,454
<i>Specialised lending</i>	13,164	1,042	1,203	67	277	15,753
<i>SME</i>	16,800	897	9	—	11	17,717
<i>Other corporate</i>	54,683	3,788	8,806	4,149	1,558	72,984
Retail	215,894	15,129	135	43	125	231,326
<i>Secured by real estate property</i>						
- SME	1,130	1	2	—	1	1,134
- non-SME	173,035	14,082	—	—	—	187,117
<i>Qualifying revolving</i>	19,411	328	123	40	117	20,019
<i>Other retail</i>						
- SME	15,834	534	5	2	3	16,378
- non-SME	6,484	184	5	1	4	6,678
Equities	—	—	—	—	—	—
Non-credit obligation assets	5,023	370	482	—	68	5,943
<b>Total IRB</b>	<b>307,505</b>	<b>26,272</b>	<b>31,178</b>	<b>14,521</b>	<b>5,659</b>	<b>385,135</b>
Proportion	80%	7%	8%	4%	1%	100%
<b>STD</b>						
Central governments and central banks	96,309	1	—	4	348	96,662
Regional governments and local authorities	1	1	—	—	—	2
Multilateral development banks	—	—	—	—	—	—
Institutions	504	—	251	15	12	782
Corporates	4,319	587	547	68	335	5,856
Retail	2,013	1	71	6	67	2,158
<i>Secured by mortgages on immovable property</i>						
- residential	13,302	114	144	201	950	14,711
- commercial	2,443	39	112	—	163	2,757
Exposures in default	308	20	5	4	55	392
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Equity exposures	1	—	—	—	—	1
Other exposures	1,784	27	43	—	—	1,854
<b>Total STD</b>	<b>120,984</b>	<b>790</b>	<b>1,173</b>	<b>298</b>	<b>1,930</b>	<b>125,175</b>
Proportion	96%	1%	1%	—	2%	100%
<b>Total IRB and STD</b>	<b>428,489</b>	<b>27,062</b>	<b>32,351</b>	<b>14,819</b>	<b>7,589</b>	<b>510,310</b>
Proportion	85%	5%	6%	3%	1%	100%
<b>Of which: by large subsidiary (excludes inter-Group exposures)</b>						
NWB Plc	310,418	865	26,774	12,155	4,551	354,763
RBS plc	82,563	67	1,487	2,149	870	87,136
UBIDAC (1)	426	26,131	2,287	210	473	29,527
Coutts & Co	14,882	27	479	208	1,226	16,822

(1) Comparatives have been restated.

- The overall rise in exposures in the UK was a result of increased money market loans with central banks. There were further increases reflecting growth in the UK mortgage portfolio in Retail Banking.
- The increase in Other Western Europe is primarily due to money market loans in Group Treasury.



## CRB\_D: IRB &amp; STD: Credit risk exposures by industry sector

The table below shows credit risk EAD post CRM analysed by industry, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Industry analysis reflects the sector classification used by NWH Group for risk management purposes.

	Sovereign			Financial institutions			Corporates							Personal		Other	Total
	Central banks	Central governments	Other sovereign	Banks	Non-bank	SSPEs	Natural Property	Natural resources	Transport	Manufacturing	Retail and leisure	Services	TMT	Mortgages	Other personal	Not allocated	
2021	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
IRB																	
Central governments and central banks	24,022	9,531	1,841	3,025	—	—	—	—	—	—	—	10	—	—	—	38,429	
Institutions	—	—	385	5,456	1	—	—	—	33	—	—	—	—	—	—	5,875	
Corporates	—	—	49	1	5,206	17	29,009	10,987	13,792	10,409	11,853	12,878	5,511	—	60	4	99,776
Specialised lending	—	—	32	—	53	—	9,194	3,516	110	35	12	935	836	—	2	—	14,725
SME	—	—	—	—	875	—	1,603	512	1,865	3,774	3,489	4,508	439	—	3	—	17,068
Other corporate	—	—	17	1	4,278	17	18,212	6,959	11,817	6,600	8,352	7,435	4,236	—	55	4	67,983
Retail	—	—	22	1	140	—	3,933	114	1,140	2,482	3,852	4,221	549	196,802	26,967	—	240,223
Secured by real estate property																	
- SME	—	—	—	—	4	—	526	5	49	142	197	186	13	—	7	—	1,129
- non-SME	—	—	—	—	—	—	—	—	—	—	—	—	—	196,802	—	—	196,802
Qualifying revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—	20,356	—	20,356
Other retail																	
- SME	—	—	22	1	136	—	3,407	109	1,091	2,339	3,655	4,034	536	—	134	—	15,464
- non-SME	—	—	—	—	—	—	—	—	—	1	—	1	—	—	6,470	—	6,472
Equities	—	—	—	—	—	—	—	—	11	—	—	—	—	—	—	—	11
Non-credit obligation assets	—	17	78	—	14	—	179	32	376	48	64	25	63	—	—	5,466	6,362
Total IRB	24,022	9,548	2,375	8,483	5,361	17	33,121	11,133	15,352	12,939	15,769	17,134	6,123	196,802	27,027	5,470	390,676
STD																	
Central governments and central banks	122,611	12,114	2	—	—	—	—	—	—	—	—	—	—	—	—	—	134,727
Regional governments and local authorities	—	—	24	—	—	—	—	—	—	—	—	—	—	—	—	—	24
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	280	1,834	—	—	—	—	—	—	—	—	—	—	233	2,347
Corporates	—	—	1	—	337	—	1,061	252	317	534	584	601	305	129	443	20	4,584
Retail	—	—	—	—	6	—	214	50	34	232	12	200	4	195	1,378	—	2,325
Secured by mortgages on immovable property																	
- residential	—	—	—	—	89	—	32	—	3	139	8	67	1	14,121	548	—	15,008
- commercial	—	—	—	—	12	—	1,562	2	8	113	493	363	4	2	102	—	2,661
Exposures in default	—	—	—	—	2	—	37	—	13	25	17	16	1	180	92	—	383
Equity exposures	—	—	—	—	—	—	—	—	—	—	—	—	3	—	—	—	3
Other exposures	—	—	—	—	38	—	40	4	—	4	1	3	—	—	—	503	593
Total STD	122,611	12,114	27	280	2,318	—	2,946	308	375	1,047	1,115	1,250	318	14,627	2,563	756	162,655
Total IRB and STD	146,633	21,662	2,402	8,763	7,679	17	36,067	11,441	15,727	13,986	16,884	18,384	6,441	211,429	29,590	6,226	553,331

## CRB\_D: IRB &amp; STD: Credit risk exposures by industry sector continued

2020	Sovereign			Financial institutions			Corporates							Personal		Other	Total £m
	Central bank £m	Central governments £m	Other sovereign £m	Banks £m	Non- bank £m	SSPEs £m	Property £m	Natural resources £m	Transport £m	Manufacturing £m	Retail and leisure £m	Services £m	TMT £m	Mortgages £m	Other personal £m	Not allocated £m	
<b>IRB</b>																	
Central governments and central banks	18,001	12,683	1,923	3,483	—	—	—	—	—	—	—	11	—	—	—	—	36,101
Institutions	—	—	431	4,832	1	—	12	—	35	—	—	—	—	—	—	—	5,311
Corporates	—	—	61	—	5,269	18	32,208	10,496	14,404	10,895	13,971	13,466	5,573	—	92	1	106,454
<i>Specialised lending</i>	—	—	37	—	71	—	10,782	3,315	119	21	12	685	708	—	3	—	15,753
<i>SME</i>	—	—	—	—	673	—	1,636	451	1,833	3,821	3,707	5,090	502	—	4	—	17,717
<i>Other corporate</i>	—	—	24	—	4,525	18	19,790	6,730	12,452	7,053	10,252	7,691	4,363	—	85	1	72,984
Retail	—	—	25	1	152	—	3,921	120	1,223	2,616	4,193	4,564	604	187,117	26,790	—	231,326
<i>Secured by real estate property</i>																	
- SME	—	—	—	—	4	—	466	5	55	152	233	197	16	—	6	—	1,134
- non-SME	—	—	—	—	—	—	—	—	—	—	—	—	—	187,117	—	—	187,117
<i>Qualifying revolving</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	20,019	—	20,019
<i>Other retail</i>																	
- SME	—	—	25	1	148	—	3,455	115	1,168	2,464	3,960	4,366	588	—	88	—	16,378
- non-SME	—	—	—	—	—	—	—	—	—	—	—	1	—	—	6,677	—	6,678
Equities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-credit obligation assets	—	18	87	—	15	—	124	13	353	58	70	24	65	—	—	5,116	5,943
<b>Total IRB</b>	<b>18,001</b>	<b>12,701</b>	<b>2,527</b>	<b>8,316</b>	<b>5,437</b>	<b>18</b>	<b>36,265</b>	<b>10,629</b>	<b>16,015</b>	<b>13,569</b>	<b>18,234</b>	<b>18,065</b>	<b>6,242</b>	<b>187,117</b>	<b>26,882</b>	<b>5,117</b>	<b>385,135</b>
<b>STD</b>																	
Central governments and central banks	77,667	18,722	273	—	—	—	—	—	—	—	—	—	—	—	—	—	96,662
Regional governments and local authorities	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—	—	2
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	280	52	—	—	—	—	—	—	—	—	—	—	450	782
Corporates	—	—	—	—	378	1	808	196	777	628	1,035	1,187	273	2	495	76	5,856
Retail	—	—	—	80	4	—	201	50	32	227	9	186	1	56	1,312	—	2,158
<i>Secured by mortgages on immovable property</i>																	
- residential	—	—	—	7	13	—	220	—	—	21	12	13	11	13,806	608	—	14,711
- commercial	—	—	—	—	92	—	2,088	55	11	88	215	116	3	2	87	—	2,757
Exposures in default	—	—	—	—	—	—	47	5	24	14	16	4	—	186	96	—	392
Equity exposures	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	1
Other exposures	—	—	—	—	139	—	47	22	1	4	1	22	—	—	—	1,618	1,854
<b>Total STD</b>	<b>77,667</b>	<b>18,722</b>	<b>275</b>	<b>367</b>	<b>679</b>	<b>1</b>	<b>3,411</b>	<b>328</b>	<b>845</b>	<b>982</b>	<b>1,288</b>	<b>1,528</b>	<b>288</b>	<b>14,052</b>	<b>2,598</b>	<b>2,144</b>	<b>125,175</b>
<b>Total IRB and STD</b>	<b>95,668</b>	<b>31,423</b>	<b>2,802</b>	<b>8,683</b>	<b>6,116</b>	<b>19</b>	<b>39,676</b>	<b>10,957</b>	<b>16,860</b>	<b>14,551</b>	<b>19,522</b>	<b>19,593</b>	<b>6,530</b>	<b>201,169</b>	<b>29,480</b>	<b>7,261</b>	<b>510,310</b>

**CRB\_E: IRB & STD: Credit risk exposures by maturity profile**

The table below shows credit risk EAD post CRM analysed by residual maturity, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Exposures with no stated maturity, principally equities, are reported within the >5 years band.

2021	On demand £m	<=1 year £m	>1 year <=5 years £m	>5 years £m	Total £m
<b>IRB</b>					
Central governments and central banks	4,563	21,607	7,576	4,682	38,429
Institutions	3,093	504	1,617	661	5,875
Corporates	5,082	21,068	51,992	21,634	99,776
<i>Specialised lending</i>	54	2,760	8,098	3,813	14,725
<i>SME</i>	1,670	3,522	7,811	4,065	17,068
<i>Other corporate</i>	3,358	14,786	36,083	13,756	67,983
Retail	22,873	2,355	17,280	197,715	240,223
<i>Secured by real estate property</i>					
- SME	130	110	227	662	1,129
- non-SME	—	1,307	6,196	189,299	196,802
<i>Qualifying revolving</i>	20,356	—	—	—	20,356
<i>Other retail</i>					
- SME	2,385	552	6,425	6,102	15,464
- non-SME	2	386	4,432	1,652	6,472
<i>Equities</i>	—	—	—	11	11
Non-credit obligation assets	—	251	5,791	320	6,362
<b>Total IRB</b>	<b>35,611</b>	<b>45,785</b>	<b>84,256</b>	<b>225,023</b>	<b>390,676</b>
<b>Proportion</b>	<b>9%</b>	<b>12%</b>	<b>22%</b>	<b>57%</b>	<b>100%</b>
<b>STD</b>					
Central governments and central banks	3,621	3,140	120,230	7,736	134,727
Regional governments and local authorities	—	10	10	4	24
Multilateral development banks	—	—	—	—	—
Institutions	280	233	1,834	—	2,347
Corporates	299	1,307	2,457	521	4,584
Retail	659	159	727	780	2,325
<i>Secured by mortgages on immovable property</i>					
- residential	11	1,055	5,500	8,442	15,008
- commercial	3	474	1,920	264	2,661
<i>Exposures in default</i>	35	185	63	100	383
<i>Items associated with particularly high risk</i>	—	—	—	—	—
<i>Covered bonds</i>	—	—	—	—	—
<i>Equity exposures</i>	—	—	—	3	3
<i>Other exposures</i>	—	22	160	411	593
<b>Total STD</b>	<b>4,908</b>	<b>6,585</b>	<b>132,901</b>	<b>18,261</b>	<b>162,655</b>
<b>Proportion</b>	<b>3%</b>	<b>4%</b>	<b>82%</b>	<b>11%</b>	<b>100%</b>
<b>Total IRB and STD</b>	<b>40,519</b>	<b>52,370</b>	<b>217,157</b>	<b>243,284</b>	<b>553,331</b>
<b>Proportion</b>	<b>7%</b>	<b>10%</b>	<b>39%</b>	<b>44%</b>	<b>100%</b>
<b>Of which: by large subsidiary (excludes inter-Group exposures)</b>					
NWB Plc	25,440	33,450	148,693	195,974	403,557
RBS plc	8,901	6,767	49,551	24,221	89,440
UBIDAC	5,286	1,527	5,023	13,043	24,879
Coutts & Co	677	2,020	5,937	9,323	17,957

## CRB\_E: IRB &amp; STD: Credit risk exposures by maturity profile continued

2020	On demand £m	<=1 year £m	>1 year <=5 years £m	>5 years £m	Total £m
<b>IRB</b>					
Central governments and central banks	724	20,086	8,809	6,482	36,101
Institutions	2,802	252	1,514	743	5,311
Corporates	6,171	21,221	55,609	23,453	106,454
<i>Specialised lending</i>	79	2,943	8,934	3,797	15,753
<i>SME</i>	1,883	3,169	6,956	5,709	17,717
<i>Other corporate</i>	4,209	15,109	39,719	13,947	72,984
Retail	22,629	2,258	12,584	193,855	231,326
<i>Secured by real estate property</i>					
- SME	139	98	255	642	1,134
- non-SME	—	1,458	6,264	179,395	187,117
<i>Qualifying revolving</i>	20,019	—	—	—	20,019
<i>Other retail</i>					
- SME	2,468	349	1,464	12,097	16,378
- non-SME	3	353	4,601	1,721	6,678
Equities	—	—	—	—	—
Non-credit obligation assets	—	153	5,466	324	5,943
<b>Total IRB</b>	<b>32,326</b>	<b>43,970</b>	<b>83,982</b>	<b>224,857</b>	<b>385,135</b>
<b>Proportion</b>	<b>8%</b>	<b>11%</b>	<b>22%</b>	<b>59%</b>	<b>100%</b>
<b>STD</b>					
Central governments and central banks	3,150	2,306	79,889	11,317	96,662
Regional governments and local authorities	1	—	1	—	2
Multilateral development banks	—	—	—	—	—
Institutions	280	450	52	—	782
Corporates	339	982	3,216	1,319	5,856
Retail	581	154	846	577	2,158
Secured by mortgages on immovable property					
- residential	9	922	6,209	7,571	14,711
- commercial	8	607	1,794	348	2,757
Exposures in default	42	163	91	96	392
Items associated with particularly high risk	—	—	—	—	—
Covered bonds	—	—	—	—	—
Equity exposures	—	—	—	1	1
Other exposures	—	17	1,282	555	1,854
<b>Total STD</b>	<b>4,410</b>	<b>5,601</b>	<b>93,380</b>	<b>21,784</b>	<b>125,175</b>
<b>Proportion</b>	<b>4%</b>	<b>4%</b>	<b>75%</b>	<b>17%</b>	<b>100%</b>
<b>Total IRB and STD</b>	<b>36,736</b>	<b>49,571</b>	<b>177,362</b>	<b>246,641</b>	<b>510,310</b>
<b>Proportion</b>	<b>7%</b>	<b>10%</b>	<b>35%</b>	<b>48%</b>	<b>100%</b>
<b>Of which: by large subsidiary (excludes inter-Group exposures)</b>					
NWB Plc	24,731	25,840	112,770	191,422	354,763
RBS plc	8,798	7,188	42,690	28,460	87,136
UBIDAC (1)	6,132	1,669	6,459	15,267	29,527
Coutts & Co	722	1,726	5,976	8,398	16,822

(1) Comparatives have been restated.

## Risk profile by credit quality

## CR1\_A: IRB and STD: Credit risk exposures by exposure class – Defaulted and non-defaulted split

The table below shows gross carrying values of credit risk exposures and specific credit risk adjustments (SCRA) analysed by credit quality, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Gross carrying value comprises both on and off-balance sheet exposures including SCRA. The table has been prepared on an accounting basis adjusted for regulatory consolidation.

Exposure class	a		b		c		e		g	
	2021									
	Gross carrying values		Year-to-date		Net value					
	Defaulted exposures (1)	Non-defaulted exposures	SCRA (2)	write-offs						
	£m	£m	£m	£m						£m
<b>IRB</b>										
1 Central governments and central banks	—	38,819	2	—						38,817
2 Institutions	—	8,089	2	—						8,087
3 Corporates	1,321	138,133	1,326	426						138,128
4 <i>Specialised lending</i>	170	15,778	148	111						15,800
5 <i>SME</i>	485	19,021	548	42						18,958
<i>Other corporate</i>	666	103,334	630	273						103,370
6 Retail	3,461	243,147	2,242	338						244,366
<i>Secured by real estate property</i>										
8 - SME	30	1,142	25	2						1,147
9 - non-SME	1,684	196,017	745	81						196,956
10 <i>Qualifying revolving</i>	531	25,905	515	117						25,921
<i>Other retail</i>										
12 - SME	752	14,220	286	35						14,686
13 - non-SME	464	5,863	671	103						5,656
14 Equities	—	11	—	—						11
Non-credit obligation assets	—	5,465	—	—						5,465
15 Total IRB	4,782	433,664	3,572	764						434,874
<i>Of which: Loans</i>										
<i>Debt securities</i>	—	17,793	2	—						17,791
<i>Other assets</i>	4	29,984	2	—						29,986
<i>Off-balance sheet exposures</i>	401	96,438	119	—						96,720
<b>STD</b>										
16 Central governments and central banks	—	134,248	15	—						134,233
17 Regional governments and local authorities	—	287	—	—						287
21 Institutions	—	2,352	—	—						2,352
22 Corporates	115	7,737	62	11						7,790
24 Retail	136	6,423	43	2						6,516
<i>Secured by mortgages on immovable property</i>										
26 - residential	2	16,199	11	3						16,190
27 - commercial	270	2,760	47	1						2,983
28 Exposures in default (3)	523	—	85	17						438
33 Equity exposures	—	3	—	—						3
34 Other exposures	—	541	—	—						541
35 Total STD	523	170,550	178	17						170,895
<i>Of which: Loans</i>										
<i>Debt securities</i>	—	12,094	1	—						12,093
<i>Other assets</i>	1	119,908	19	—						119,890
<i>Off-balance sheet exposures</i>	64	8,551	9	3						8,606
37 Total: Loans	4,835	319,446	3,598	778						320,683
38 Debt securities	—	29,887	3	—						29,884
Other assets	5	149,892	21	—						149,876
39 Off-balance sheet exposures	465	104,989	128	3						105,326
36 Total IRB and STD	5,305	604,214	3,750	781						605,769

For the notes to this table refer to the following page.

## CR1\_A: IRB and STD: Credit risk exposures by exposure class – Defaulted and non-defaulted split continued

Exposure class	2020				
	Gross carrying values		SCRA (2)	Year-to-date accumulated write-offs	Net value
	Defaulted exposures (1)	Non-defaulted exposures			
	£m	£m	£m	£m	£m
<b>IRB</b>					
1 Central governments and central banks	—	36,704	3	—	36,701
2 Institutions	—	7,290	23	—	7,267
3 Corporates	2,412	147,279	2,793	250	146,898
4 <i>Specialised lending</i>	521	17,026	527	20	17,020
5 <i>SME</i>	574	19,922	902	85	19,594
5 <i>Other corporate</i>	1,317	110,331	1,364	145	110,284
6 Retail	3,307	234,131	2,707	652	234,731
<i>Secured by real estate property</i>					
8 - <i>SME</i>	27	1,157	25	3	1,159
9 - <i>non-SME</i>	2,001	185,796	968	218	186,829
10 <i>Qualifying revolving</i>	566	25,478	662	204	25,382
<i>Other retail</i>					
12 - <i>SME</i>	288	15,561	308	46	15,541
13 - <i>non-SME</i>	425	6,139	744	181	5,820
14 Equities	—	—	—	—	—
<i>Non-credit obligation assets</i>					
	—	5,115	—	—	5,115
15 Total IRB	5,719	430,519	5,526	902	430,712
<i>Of which: Loans</i>					
	5,043	287,451	5,252	902	287,242
<i>Debt securities</i>					
	—	20,300	4	—	20,296
<i>Other assets</i>					
	18	23,978	8	—	23,988
<i>Off-balance sheet exposures</i>					
	658	98,790	262	—	99,186
<b>STD</b>					
16 Central governments and central banks	—	96,900	10	—	96,890
17 Regional governments and local authorities	—	299	—	—	299
21 Institutions	—	806	—	—	806
22 Corporates	142	8,457	164	8	8,435
24 Retail	85	6,315	48	3	6,352
<i>Secured by mortgages on immovable property</i>					
26 - residential	224	15,680	18	8	15,886
27 - commercial	42	3,030	77	2	2,995
28 Exposures in default (3)	493	—	94	20	399
33 Equity exposures	—	1	—	—	1
34 Other exposures	—	1,757	—	—	1,757
35 Total STD	493	133,245	317	21	133,421
<i>Of which: Loans</i>					
	454	28,055	290	21	28,219
<i>Debt securities</i>					
	—	18,583	2	—	18,581
<i>Other assets</i>					
	2	77,909	10	—	77,901
<i>Off-balance sheet exposures</i>					
	37	8,698	15	—	8,720
37 Total: Loans	5,497	315,506	5,542	923	315,461
38 Debt securities	—	38,883	6	—	38,877
38 Other assets	20	101,887	18	—	101,889
39 Off-balance sheet exposures	695	107,488	277	—	107,906
36 Total IRB and STD	6,212	563,764	5,843	923	564,133

(1) Defaulted exposures are those with a PD of one and past due exposures of one day or more on the payment of a credit obligation.

(2) SCRA includes ECL for defaulted and non-defaulted customers.

(3) The breakdown of the standardised exposures in default is reported by the exposure class that corresponded to the exposure before default.

## Credit risk continued

This section contains disclosures on non-performing exposures (NPEs), forborne exposures (FBEs) and foreclosed assets.

Only templates mandatory for all institutions are disclosed. NatWest Group monitors its gross non-performing loan (NPL) ratio to ensure that it is not required to disclose the additional templates for institutions with an NPL ratio above 5%.

The PRA issued guidance on the treatment of payment holidays and covenant breaches during the COVID-19 pandemic when applying IFRS 9 and the classification of exposures as non-performing. The use of payment holidays would not automatically trigger a move to Stage 2 or Stage 3 for the calculation of ECL, nor classification as non-performing in the tables below. NatWest Group assesses each customer individually, taking into consideration a range of factors in deciding the correct stage for the calculation of ECL.

### Template 1: 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	Collateral received and financial guarantees received on forborne exposures	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures	£m	£m	£m	£m	£m	£m	£m	£m
<b>2021</b>																
1	Loans and advances	5,059	2,137	1,636	1,663	(276)	(676)	5,091								1,292
2	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	15	19	19	19	(2)	—	9	—	—	—	—	—	—	—	—
6	Non-financial corporations	3,968	719	578	582	(237)	(260)	3,144	—	—	—	—	—	—	—	338
7	Households	1,076	1,399	1,039	1,062	(37)	(416)	1,938	—	—	—	—	—	—	—	954
8	Debt securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Loan commitments given	715	128	46	47	(1)	—	235	—	—	—	—	—	—	—	32
10	<b>Total</b>	<b>5,774</b>	<b>2,265</b>	<b>1,682</b>	<b>1,710</b>	<b>(277)</b>	<b>(676)</b>	<b>5,326</b>								<b>1,324</b>
<b>2020</b>																
1	Loans and advances	5,235	3,385	2,661	2,641	(359)	(1,011)	5,732	—	—	—	—	—	—	—	2,192
2	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	69	—	—	—	(5)	—	21	—	—	—	—	—	—	—	—
6	Non-financial corporations	3,803	1,490	1,184	1,187	(291)	(507)	3,130	—	—	—	—	—	—	—	826
7	Households	1,363	1,895	1,477	1,454	(63)	(504)	2,581	—	—	—	—	—	—	—	1,366
8	Debt securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Loan commitments given	644	94	56	56	(3)	—	247	—	—	—	—	—	—	—	30
10	<b>Total</b>	<b>5,879</b>	<b>3,479</b>	<b>2,717</b>	<b>2,697</b>	<b>(362)</b>	<b>(1,011)</b>	<b>5,979</b>								<b>2,222</b>

### Template 3: Credit quality of performing and non-performing exposures by past due days

The table below shows performing and non-performing exposures by portfolio, exposure class and days past due.

		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
2021		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Loans and advances	337,195	336,238	957	5,329	2,330	727	627	582	693	125	245	4,625
2	Central banks	1,959	1,959	—	—	—	—	—	—	—	—	—	—
3	General governments	3,368	3,368	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	296	296	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	31,317	31,316	1	42	38	1	—	—	3	—	—	42
6	Non-financial corporations	91,799	91,265	534	1,766	1,002	209	167	89	174	39	86	1,586
7	Of which: SMEs	26,299	26,146	153	1,029	436	185	143	73	127	24	41	961
8	Households	208,456	208,034	422	3,521	1,290	517	460	493	516	86	159	2,997
9	Debt securities	30,305	30,305	—	—	—	—	—	—	—	—	—	—
10	Central banks	11	11	—	—	—	—	—	—	—	—	—	—
11	General governments	22,687	22,687	—	—	—	—	—	—	—	—	—	—
12	Credit institutions	5,359	5,359	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	2,224	2,224	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	24	24	—	—	—	—	—	—	—	—	—	—
15	Off-balance sheet exposures	106,411	—	—	557	—	—	—	—	—	—	—	445
16	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
17	General governments	1,305	—	—	—	—	—	—	—	—	—	—	—
18	Credit institutions	255	—	—	—	—	—	—	—	—	—	—	—
19	Other financial corporations	3,860	—	—	—	—	—	—	—	—	—	—	—
20	Non-financial corporations	59,384	—	—	220	—	—	—	—	—	—	—	142
21	Households	41,607	—	—	337	—	—	—	—	—	—	—	303
22	Total	473,911	366,543	957	5,886	2,330	727	627	582	693	125	245	5,070

(1) The gross NPL ratio for NWH Group is 1.56% (2020 – 1.94%). Loans and advances classified as held-for-sale, cash balances at central banks and other demand deposits were excluded.



## Template 3: 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												
	Performing exposures £m	Of which: Not past due or past due ≤ 30 days £m	Of which: Past due > 30 days ≤ 90 days £m	Non performing exposures £m	Of which: Unlikely to pay that are not past due or are past due ≤ 90 days £m	Of which: Past due > 90 days ≤ 180 days £m	Of which: Past due > 180 days ≤ 1 year £m	Of which: Past due > 1 year ≤ 2 years £m	Of which: Past due > 2 years ≤ 5 years £m	Of which: Past due > 5 years ≤ 7 years £m	Of which: Past due > 7 years £m	Of which: Defaulted £m	
2020													
1	Loans and advances	340,265	339,508	757	6,729	3,468	712	671	698	735	163	282	5,938
2	Central banks	1,426	1,426	—	—	—	—	—	—	—	—	—	—
3	General governments	3,042	3,042	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	920	920	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	27,502	27,501	1	13	7	—	2	—	4	—	—	13
6	Non-financial corporations	102,174	101,905	269	2,667	1,739	189	147	150	258	52	132	2,342
7	Of which: SMEs	27,862	27,783	79	862	482	30	68	89	114	29	50	774
8	Households	205,201	204,714	487	4,049	1,722	523	522	548	473	111	150	3,583
9	Debt securities	39,788	39,788	—	—	—	—	—	—	—	—	—	—
10	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
11	General governments	31,890	31,890	—	—	—	—	—	—	—	—	—	—
12	Credit institutions	5,090	5,090	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	2,782	2,782	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	26	26	—	—	—	—	—	—	—	—	—	—
15	Off-balance sheet exposures	108,959	—	—	762	—	—	—	—	—	—	—	712
16	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
17	General governments	1,857	—	—	—	—	—	—	—	—	—	—	—
18	Credit institutions	242	—	—	—	—	—	—	—	—	—	—	—
19	Other financial corporations	3,448	—	—	—	—	—	—	—	—	—	—	—
20	Non-financial corporations	63,517	—	—	407	—	—	—	—	—	—	—	375
21	Households	39,895	—	—	355	—	—	—	—	—	—	—	337
22	Total	489,012	379,296	757	7,491	3,468	712	671	698	735	163	282	6,650

### Template 4: 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	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions										m	n		o			
							Gross carrying amount/nominal amount												Accumulated partial write-off		Collateral and financial guarantees received		
							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					On performing exposures	On non-performing exposures	
							Total	Of which:	Of which:	Total	Of which:	Of which:	Total	Of which:	Of which:	Total		Of which:	Of which:				£m
£m	Stage 1	Stage 2	£m	Stage 2	Stage 3	£m	Stage 1	Stage 2	£m	Stage 2	Stage 3	£m	£m	£m	£m								
2021																							
1	Loans and advances	337,195	304,191	32,784	5,329	564	4,758	(1,610)	(257)	(1,353)	(1,954)	(36)	(1,918)	(233)	288,613	3,020							
2	Central banks	1,959	1,959	—	—	—	—	—	—	—	—	—	—	—	—	—							
3	General governments	3,368	3,177	132	—	—	—	(1)	—	(1)	—	—	—	—	2,759	—							
4	Credit institutions	296	296	—	—	—	—	—	—	—	—	—	—	—	150	—							
5	Other financial corporations	31,317	30,708	609	42	—	42	(42)	(5)	(37)	(3)	—	(3)	—	27,276	20							
6	Non-financial corporations	91,799	75,271	16,440	1,766	137	1,629	(757)	(102)	(655)	(644)	(8)	(636)	(29)	63,814	1,012							
7	Of which: SMEs	26,299	19,604	6,678	1,029	37	992	(360)	(47)	(313)	(329)	(2)	(326)	—	22,578	611							
8	Households	208,456	192,780	15,603	3,521	427	3,087	(810)	(150)	(660)	(1,307)	(28)	(1,279)	(204)	194,614	1,988							
9	Debt securities	30,305	30,077	228	—	—	—	(3)	(3)	—	—	—	—	—	—	—							
10	Central banks	11	11	—	—	—	—	—	—	—	—	—	—	—	—	—							
11	General governments	22,687	22,687	—	—	—	—	(2)	(2)	—	—	—	—	—	—	—							
12	Credit institutions	5,359	5,131	228	—	—	—	(1)	(1)	—	—	—	—	—	—	—							
13	Other financial corporations	2,224	2,224	—	—	—	—	—	—	—	—	—	—	—	—	—							
14	Non-financial corporations	24	24	—	—	—	—	—	—	—	—	—	—	—	—	—							
15	Off-balance sheet exposures	106,411	99,127	7,284	557	90	457	(77)	(14)	(63)	(10)	—	(10)	—	18,517	73							
16	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—							
17	General governments	1,305	1,301	4	—	—	—	—	—	—	—	—	—	—	327	—							
18	Credit institutions	255	232	23	—	—	—	—	—	—	—	—	—	—	—	—							
19	Other financial corporations	3,860	3,638	222	—	—	—	—	—	—	—	—	—	—	232	—							
20	Non-financial corporations	59,384	55,058	4,326	220	77	143	(42)	(6)	(36)	(10)	—	(10)	—	12,176	62							
21	Households	41,607	38,898	2,709	337	13	314	(35)	(8)	(27)	—	—	—	—	5,782	11							
22	Total	473,911	433,395	40,296	5,886	654	5,215	(1,690)	(274)	(1,416)	(1,964)	(36)	(1,928)	(233)	307,130	3,093							

## Template 4: 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			Accumulated partial write-off	Collateral and financial guarantees received	
																Total	Of which:	Of which:	Total	Of which:	Of which:	Total	Of which:	Of which:	Total	Of which:	Of which:		On performing exposures	On non-performing exposures
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m																
2020																														
1	Loans and advances	340,265	265,671	74,222	6,729	847	5,872	(3,212)	(455)	(2,757)	(2,469)	(85)	(2,384)	(220)	284,126	3,795														
2	Central banks	1,426	1,426	—	—	—	—	—	—	—	—	—	—	—	—	—														
3	General governments	3,042	2,820	150	—	—	—	(1)	—	(1)	—	—	—	—	2,240	—														
4	Credit institutions	920	817	103	—	—	—	(4)	(3)	(1)	—	—	—	—	147	—														
5	Other financial corporations	27,502	26,064	1,438	13	—	13	(44)	(7)	(37)	(4)	—	(4)	—	24,917	7														
6	Non-financial corporations	102,174	66,054	35,903	2,667	308	2,358	(1,884)	(269)	(1,615)	(1,069)	(40)	(1,029)	(29)	67,483	1,399														
7	Of which: SMEs	27,862	16,577	11,265	862	82	780	(717)	(80)	(637)	(342)	(13)	(329)	—	20,252	390														
8	Households	205,201	168,490	36,628	4,049	539	3,501	(1,279)	(176)	(1,103)	(1,396)	(45)	(1,351)	(191)	189,339	2,389														
9	Debt securities	39,788	38,789	999	—	—	—	(6)	(4)	(2)	—	—	—	—	—	—														
10	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—														
11	General governments	31,890	31,890	—	—	—	—	(2)	(2)	—	—	—	—	—	—	—														
12	Credit institutions	5,090	4,154	936	—	—	—	(3)	(1)	(2)	—	—	—	—	—	—														
13	Other financial corporations	2,782	2,719	63	—	—	—	(1)	(1)	—	—	—	—	—	—	—														
14	Non-financial corporations	26	26	—	—	—	—	—	—	—	—	—	—	—	—	—														
15	Off-balance sheet exposures	108,959	87,320	21,639	762	48	703	(141)	(27)	(114)	(21)	—	(21)	—	16,866	83														
16	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—														
17	General governments	1,857	1,826	31	—	—	—	—	—	—	—	—	—	—	389	—														
18	Credit institutions	242	56	186	—	—	—	—	—	—	—	—	—	—	7	—														
19	Other financial corporations	3,448	2,359	1,089	—	—	—	(2)	(1)	(1)	—	—	—	—	224	—														
20	Non-financial corporations	63,517	47,617	15,900	407	31	375	(86)	(16)	(70)	(21)	—	(21)	—	11,915	68														
21	Households	39,895	35,462	4,433	355	17	328	(53)	(10)	(43)	—	—	—	—	4,331	15														
22	Total	489,012	391,780	96,860	7,491	895	6,575	(3,359)	(486)	(2,873)	(2,490)	(85)	(2,405)	(220)	300,992	3,878														

## Template 5: 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/nominal amount £m	Of which: Non-performing		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
		£m	Of which: Defaulted £m				
<b>2021</b>							
1 On-balance sheet exposures	<b>372,829</b>	<b>5,329</b>	<b>4,625</b>	<b>372,608</b>	<b>(3,567)</b>		—
2 UK	<b>338,339</b>	<b>4,397</b>	<b>3,744</b>	<b>338,179</b>	<b>(2,968)</b>		—
3 RoI	<b>7,818</b>	<b>810</b>	<b>766</b>	<b>7,817</b>	<b>(456)</b>		—
4 Other Western Europe	<b>11,728</b>	<b>47</b>	<b>40</b>	<b>11,669</b>	<b>(82)</b>		—
5 US	<b>8,809</b>	—	—	<b>8,809</b>	<b>(10)</b>		—
6 Rest of the world	<b>6,135</b>	<b>75</b>	<b>75</b>	<b>6,134</b>	<b>(51)</b>		—
7 Off-balance sheet exposures	<b>106,968</b>	<b>557</b>	<b>445</b>			<b>(87)</b>	
8 UK	<b>87,548</b>	<b>497</b>	<b>386</b>			<b>(77)</b>	
9 RoI	<b>2,784</b>	<b>22</b>	<b>21</b>			<b>(3)</b>	
10 Other Western Europe	<b>9,510</b>	<b>38</b>	<b>38</b>			<b>(6)</b>	
11 US	<b>5,653</b>	—	—			<b>(1)</b>	
12 Rest of the world	<b>1,473</b>	—	—			—	
13 Total	<b>479,797</b>	<b>5,886</b>	<b>5,070</b>	<b>372,608</b>	<b>(3,567)</b>	<b>(87)</b>	—
<b>2020</b>							
1 On-balance sheet exposures	386,782	6,729	5,938	386,409	(5,687)		—
2 UK	336,853	5,213	4,544	336,616	(4,643)		—
3 RoI	19,587	1,325	1,222	19,563	(796)		—
4 Other Western Europe	13,579	130	112	13,579	(123)		—
5 US	11,069	—	—	11,069	(20)		—
6 Rest of the world	5,694	61	60	5,582	(105)		—
7 Off-balance sheet exposures	109,721	762	712			(162)	
8 UK	87,189	649	600			(142)	
9 RoI	3,479	33	32			(8)	
10 Other Western Europe	11,310	69	69			(8)	
11 US	5,987	10	10			(3)	
12 Rest of the world	1,756	1	1			(1)	
13 Total	496,503	7,491	6,650	386,409	(5,687)	(162)	—

## Template 6: Credit quality of loans and advances by industry

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 £m	Of which: Non-performing £m	Of which: Defaulted £m	Of which: Loans and advances subject to impairment £m	Accumulated impairment £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
<b>2021</b>						
1 Agriculture, forestry and fishing	3,853	60	38	3,853	(56)	—
2 Mining and quarrying	619	33	33	619	(35)	—
3 Manufacturing	7,588	108	93	7,583	(94)	—
4 Electricity, gas, steam and air conditioning supply	3,955	5	—	3,955	(5)	—
5 Water supply	2,896	5	4	2,894	(8)	—
6 Construction	5,526	318	295	5,526	(133)	—
7 Wholesale and retail trade	13,571	134	122	13,561	(144)	—
8 Transport and storage	5,871	111	100	5,870	(109)	—
9 Accommodation and food service activities	5,511	288	242	5,511	(275)	—
10 Information and communication	3,524	55	55	3,515	(44)	—
11 Financial and insurance activities	2	—	—	2	—	—
12 Real estate activities	22,832	221	209	22,830	(163)	—
13 Professional, scientific and technical activities	3,885	92	81	3,884	(49)	—
14 Administrative and support service activities	6,361	89	84	6,301	(133)	—
15 Public administration and defence, compulsory social security	168	6	6	168	(1)	—
16 Education	643	16	15	643	(14)	—
17 Human health services and social work activities	4,438	143	132	4,438	(100)	—
18 Arts, entertainment and recreation	1,353	18	14	1,353	(19)	—
19 Other services	969	64	63	969	(19)	—
<b>20 Total</b>	<b>93,565</b>	<b>1,766</b>	<b>1,586</b>	<b>93,475</b>	<b>(1,401)</b>	<b>—</b>
<b>2020</b>						
1 Agriculture, forestry and fishing	4,010	68	56	4,009	(114)	—
2 Mining and quarrying	999	32	32	999	(40)	—
3 Manufacturing	8,220	150	126	8,214	(184)	—
4 Electricity, gas, steam and air conditioning supply	3,280	—	—	3,280	(12)	—
5 Water supply	3,035	5	4	3,035	(18)	—
6 Construction	7,230	406	345	7,229	(281)	—
7 Wholesale and retail trade	14,468	147	122	14,438	(332)	—
8 Transport and storage	6,895	129	114	6,892	(218)	—
9 Accommodation and food service activities	6,427	349	248	6,427	(431)	—
10 Information and communication	4,006	14	9	3,993	(44)	—
11 Financial and insurance activities	3	—	—	3	—	—
12 Real estate activities	26,528	770	730	26,528	(661)	—
13 Professional, scientific and technical activities	5,270	72	68	5,269	(94)	—
14 Administrative and support service activities	5,923	321	320	5,872	(214)	—
15 Public administration and defence, compulsory social security	104	3	3	104	(1)	—
16 Education	753	14	13	753	(30)	—
17 Human health services and social work activities	5,022	155	127	5,022	(187)	—
18 Arts, entertainment and recreation	1,686	14	10	1,686	(56)	—
19 Other services	982	18	15	982	(33)	—
<b>20 Total</b>	<b>104,841</b>	<b>2,667</b>	<b>2,342</b>	<b>104,735</b>	<b>(2,950)</b>	<b>—</b>

## COVID-19 – Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

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, on loans and advances subject to moratoria.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk								
	Performing				Non-performing			Performing				Non-performing				Gross inflows to non-performing exposures
	Of which: Instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)	Of which: Exposures with forbearance measures	Of which: Exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)	Of which: Exposures with forbearance measures	Of which: Exposures that are not past due or past due <= 90 days	Of which: Exposures with forbearance measures	Of which: Exposures with forbearance measures	Of which: Exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)	Of which: Exposures with forbearance measures	Of which: Exposures with forbearance measures	Of which: Exposures that are not past due or past due <= 90 days	Of which: Exposures that are not past due or past due <= 90 days		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>31 December 2021</b>																
1 Loans and advances subject to moratorium	620	602	170	248	18	18	15	(22)	(20)	(14)	(18)	(2)	(2)	(1)	4	
2 Of which:																
Households	42	40	13	18	2	2	2	(2)	(2)	(2)	(2)	—	—	—	2	
3 Of which:																
Collateralised by residential immovable property	14	12	5	6	2	1	1	(1)	(1)	(1)	(1)	—	—	—	1	
4 Of which:																
Non-financial corporations	571	555	157	229	16	16	13	(19)	(17)	(12)	(16)	(2)	(2)	(1)	2	
5 Of which:																
Small and medium-sized enterprises	366	354	101	145	12	12	9	(12)	(10)	(6)	(9)	(2)	(2)	(1)	2	
6 Of which:																
Collateralised by commercial immovable property	456	441	146	192	15	15	13	(17)	(15)	(11)	(13)	(2)	(2)	(1)	2	
<b>30 June 2021</b>																
1 Loans and advances subject to moratorium	1,775	1,706	367	538	69	62	50	(79)	(66)	(30)	(32)	(13)	(9)	(8)	31	
2 Of which:																
Households	446	430	28	143	16	11	9	(23)	(17)	(3)	(13)	(6)	(4)	(3)	10	
3 Of which:																
Collateralised by residential immovable property	277	272	7	57	5	3	5	(3)	(2)	(1)	(1)	(1)	—	(1)	1	
4 Of which:																
Non-financial corporations	1,318	1,265	338	393	53	51	41	(56)	(49)	(26)	(19)	(7)	(5)	(5)	20	
5 Of which:																
Small and medium-sized enterprises	775	744	217	247	31	31	21	(32)	(30)	(16)	(13)	(2)	(2)	(1)	4	
6 Of which:																
Collateralised by commercial immovable property	982	934	249	289	48	48	36	(41)	(37)	(21)	(13)	(4)	(4)	(3)	20	

## COVID-19 – Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

The table below shows gross carrying amount, on loans and advances subject to moratoria, by residential maturity.

	a	b	c	d	e	f	g	h	i	
	Gross carrying amount									
	Number of obligators	£m	Of which: Legislative moratoria £m	Of which: Expired £m	Residual maturity of moratoria					
<= 3 months £m					> 3 months <= 6 months £m	> 6 months <= 9 months £m	> 9 months <= 12 months £m	> 1 year £m		
<b>31 December 2021</b>										
1	Loans and advances for which moratorium was offered	456,053	44,199	—	43,466	189	181	117	67	66
2	Loans and advances subject to moratorium (granted)	455,395	44,086	—	43,466	189	181	117	67	66
3	<i>Of which: Households</i>	34,839	—	—	34,797	29	9	3	1	—
4	<i>Of which: Collateralised by residential immovable property</i>	33,299	—	—	33,285	11	3	—	—	—
5	<i>Of which: Non-financial corporations</i>	9,186	—	—	8,615	154	172	113	66	66
6	<i>Of which: Small and medium-sized enterprises</i>	5,572	—	—	5,206	106	82	87	51	40
7	<i>Of which: Collateralised by commercial immovable property</i>	5,478	—	—	5,022	123	132	100	54	47
<b>30 June 2021</b>										
1	Loans and advances for which moratorium was offered	456,719	48,894	—	47,078	1,167	342	88	91	87
2	Loans and advances subject to moratorium (granted)	456,044	48,853	—	47,078	1,167	342	88	91	87
3	<i>Of which: Households</i>	38,643	—	—	38,197	398	32	8	6	2
4	<i>Of which: Collateralised by residential immovable property</i>	36,898	—	—	36,621	269	2	1	3	2
5	<i>Of which: Non-financial corporations</i>	10,139	—	—	8,821	764	309	75	85	85
6	<i>Of which: Small and medium-sized enterprises</i>	6,133	—	—	5,358	468	180	50	57	20
7	<i>Of which: Collateralised by commercial immovable property</i>	6,202	—	—	5,220	594	189	63	57	79

## COVID-19 – Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19

The table below shows gross carrying amount, on newly originated loans and advances subject to public guarantee schemes.

	a	b	c	d
	Gross carrying amount	Of which: Forborne	Maximum amount of the guarantee that can be considered	Gross carrying amount
	£m	£m	Public guarantees received £m	Inflows to non-performing exposures £m
<b>31 December 2021</b>				
1 Newly originated loans and advances subject to public guarantee schemes	<b>11,514</b>	<b>585</b>	<b>10,702</b>	<b>371</b>
2 <i>Of which: Households</i>	<b>1,979</b>			<b>105</b>
3 <i>Of which: Collateralised by residential immovable property</i>	<b>4</b>			<b>—</b>
4 <i>Of which: Non-financial corporations</i>	<b>9,450</b>	<b>546</b>	<b>8,690</b>	<b>266</b>
5 <i>Of which: Small and medium-sized enterprises</i>	<b>8,174</b>			<b>255</b>
6 <i>Of which: Collateralised by commercial immovable property</i>	<b>705</b>			<b>9</b>
<b>30 June 2021</b>				
1 Newly originated loans and advances subject to public guarantee schemes	13,050	557	12,090	91
2 <i>Of which: Households</i>	2,180			12
3 <i>Of which: Collateralised by residential immovable property</i>	4			—
4 <i>Of which: Non-financial corporations</i>	10,791	538	9,893	78
5 <i>Of which: Small and medium-sized enterprises</i>	9,199			64
6 <i>Of which: Collateralised by commercial immovable property</i>	1,027			18



**CR2\_A: Changes in the stock of general and specific credit risk adjustments**

The table below shows the drivers of movements in SCRA held against defaulted or impaired loans, debt securities and contingent liabilities. There is no general credit risk adjustment under NWH Group's IFRS 9 framework. The table has been prepared on an accounting basis adjusted for regulatory consolidation.

	Accumulated SCRA £m
1 At 1 January 2021	2,406
2 Increases due to amounts set aside for estimated loan losses during the period	981
3 Decreases due to amounts reversed for estimated loan losses during the period	(500)
4 Decreases due to amounts taken against accumulated credit risk adjustments	(780)
5 Transfers between credit risk adjustments	—
6 Impact of exchange rate differences	(77)
7 Business combinations, including acquisitions and disposals of subsidiaries	(22)
8 Other adjustments	(80)
9 At 31 December 2021	1,928
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	n/a
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	n/a

**CR2\_B: Changes in the stock of defaulted and impaired loans and debt securities**

The table below shows the drivers in movements in gross carrying value defaulted exposure held against loans and debt securities. It has been prepared on an accounting basis adjusted for regulatory consolidation.

	Gross carrying value defaulted exposure £m
At 1 January 2021	5,976
Loans and debt securities that have defaulted or impaired since the last reporting period	2,921
Returned to non-defaulted status	(1,513)
Amounts written-off	(780)
Other changes	(1,846)
At 31 December 2021	4,758

### Risk profile by credit risk mitigation techniques Recognition of credit risk mitigation in the calculation of RWAs

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.

Table CR3\_a indicates how different risk mitigants are incorporated into IRB risk parameters.

### CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation Credit risk mitigation

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

Mitigation techniques, as set out in the appropriate credit policies 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.

### Wholesale

NWH Group mitigates credit risk relating to Wholesale 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.
- Financial collateral – Refer to the Counterparty credit risk section on page 102.

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.

The key sector where NWH Group provides asset-backed lending is commercial real estate and residential mortgages. The valuation approach is detailed below.

**Commercial real estate 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 RICS registered valuers for particular assets are typically 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 once they are more than a year old and every three years, a formal independent valuation review is commissioned. In the Republic of Ireland, assets are revalued in line with the Central Bank of Ireland threshold requirements, which permits indexation for lower value residential assets, but demands regular valuations for higher value assets.

### 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, Royal Institution of Chartered Surveyors (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 residential property values quarterly using the relevant residential property index namely:

Region	Index used
UK (including Northern Ireland)	Office for National Statistics House Price Index
Republic of Ireland	Central Statistics Office Residential Property Price Index

For further information on credit risk mitigation, refer to Table CR3\_a.

### Counterparty credit risk

For information on how counterparty credit risk is managed and mitigated, refer to page 102.

### CR3: IRB: Credit risk mitigation techniques by exposure class

The table below shows net carrying values of credit risk exposures analysed by use of different credit risk mitigation techniques, split by regulatory approach, balance sheet caption and exposure class, as required by the CRR. It excludes counterparty credit risk and securitisations.

The guidelines require net carrying values to be analysed by exposure values of the secured assets, irrespective of the level of collateralisation. Unsecured exposure represents loans that have no security or collateral attached

2021	a	c	d	e		Total £m
	Unsecured net carrying value £m	Net carrying values secured by				
		Collateral £m	Guarantees £m	Credit derivatives £m	Total secured £m	
<b>IRB</b>						
Central governments and central banks	38,434	383	—	—	383	38,817
Institutions	5,936	2,150	1	—	2,151	8,087
Corporates	65,933	66,701	5,494	—	72,195	138,128
<i>Specialised lending</i>	3,913	11,395	492	—	11,887	15,800
SME	3,601	13,384	1,973	—	15,357	18,958
Other corporate	58,419	41,922	3,029	—	44,951	103,370
Retail	38,722	198,084	7,560	—	205,644	244,366
<i>Secured by real estate property</i>						
- SME	—	1,128	19	—	1,147	1,147
- non-SME	—	196,956	—	—	196,956	196,956
Qualifying revolving	25,921	—	—	—	—	25,921
Other retail						
- SME	7,145	—	7,541	—	7,541	14,686
- non-SME	5,656	—	—	—	—	5,656
Equities	11	—	—	—	—	11
Non-credit obligation assets	5,465	—	—	—	—	5,465
<b>Total IRB</b>	<b>154,501</b>	<b>267,318</b>	<b>13,055</b>	<b>—</b>	<b>280,373</b>	<b>434,874</b>
<i>Of which: Loans</i>	<b>44,942</b>	<b>233,641</b>	<b>11,795</b>	<b>—</b>	<b>245,436</b>	<b>290,378</b>
Debt securities	17,791	—	—	—	—	17,791
Other assets	29,251	731	4	—	735	29,986
Off-balance sheet exposures	62,517	32,948	1,255	—	34,203	96,720
Defaulted	679	1,750	556	—	2,306	2,985
<b>STD</b>						
Central governments and central banks	133,086	—	1,147	—	1,147	134,233
Regional governments and local authorities	287	—	—	—	—	287
Multilateral development banks	—	—	—	—	—	—
Institutions	2,352	—	—	—	—	2,352
Corporates	6,108	669	935	—	1,604	7,712
Retail	6,185	133	86	—	219	6,404
<i>Secured by mortgages on immovable property</i>						
- residential	—	16,186	1	—	16,187	16,187
- commercial	—	2,722	16	—	2,738	2,738
Exposures in default	413	3	22	—	25	438
Covered bonds	—	—	—	—	—	—
Equity exposures	3	—	—	—	—	3
Other exposures	541	—	—	—	—	541
<b>Total STD</b>	<b>148,975</b>	<b>19,713</b>	<b>2,207</b>	<b>—</b>	<b>21,920</b>	<b>170,895</b>
<i>Of which: Loans</i>	<b>10,426</b>	<b>18,337</b>	<b>1,542</b>	<b>—</b>	<b>19,879</b>	<b>30,305</b>
Debt securities	12,093	—	—	—	—	12,093
Other assets	119,890	—	—	—	—	119,890
Off-balance sheet exposures	6,564	1,375	667	—	2,042	8,606
Defaulted	413	3	22	—	25	438
<b>Total IRB and STD</b>	<b>303,474</b>	<b>287,032</b>	<b>15,263</b>	<b>—</b>	<b>302,295</b>	<b>605,769</b>
<b>Total: Loans</b>	<b>55,368</b>	<b>251,978</b>	<b>13,337</b>	<b>—</b>	<b>265,315</b>	<b>320,683</b>
Debt securities	29,884	—	—	—	—	29,884
Other assets	149,141	731	4	—	735	149,876
Off-balance sheet exposures	69,081	34,323	1,922	—	36,245	105,326
Defaulted	1,092	1,753	578	—	2,331	3,423

## CR3: IRB: Credit risk mitigation techniques by exposure class continued

2020	a	c	d	e	Total £m	
	Unsecured net carrying value £m	Net carrying values secured by				Total secured £m
	Collateral £m	Guarantees £m	Credit derivatives £m			
<b>IRB</b>						
Central governments and central banks	35,862	119	720	—	839	36,701
Institutions	5,318	1,930	19	—	1,949	7,267
Corporates	72,022	70,815	4,061	—	74,876	146,898
<i>Specialised lending</i>	2,873	13,688	459	—	14,147	17,020
<i>SME</i>	3,606	14,101	1,887	—	15,988	19,594
<i>Other corporate</i>	65,543	43,026	1,715	—	44,741	110,284
Retail	38,565	187,971	8,195	—	196,166	234,731
<i>Secured by real estate property</i>						
- SME	—	1,141	18	—	1,159	1,159
- non-SME	—	186,829	—	—	186,829	186,829
<i>Qualifying revolving</i>	25,382	—	—	—	—	25,382
<i>Other retail</i>						
- SME	7,363	1	8,177	—	8,178	15,541
- non-SME	5,820	—	—	—	—	5,820
Equities	—	—	—	—	—	—
Non-credit obligation assets	5,115	—	—	—	—	5,115
<b>Total IRB</b>	<b>156,882</b>	<b>260,835</b>	<b>12,995</b>	<b>—</b>	<b>273,830</b>	<b>430,712</b>
<i>Of which: Loans</i>	46,939	228,609	11,694	—	240,303	287,242
<i>Debt securities</i>	20,296	—	—	—	—	20,296
<i>Other assets</i>	23,356	629	3	—	632	23,988
<i>Off-balance sheet exposures</i>	66,291	31,597	1,298	—	32,895	99,186
<i>Defaulted</i>	1,090	2,313	77	—	2,390	3,480
<b>STD</b>						
Central governments and central banks	96,890	—	—	—	—	96,890
Regional governments and local authorities	299	—	—	—	—	299
Multilateral development banks	—	—	—	—	—	—
Institutions	806	—	—	—	—	806
Corporates	7,498	616	241	—	857	8,355
Retail	6,008	273	—	—	273	6,281
<i>Secured by mortgages on immovable property</i>						
- residential	—	15,663	—	—	15,663	15,663
- commercial	—	2,930	40	—	2,970	2,970
Exposures in default	399	—	—	—	—	399
Covered bonds	—	—	—	—	—	—
Equity exposures	1	—	—	—	—	1
Other exposures	1,757	—	—	—	—	1,757
<b>Total STD</b>	<b>113,658</b>	<b>19,482</b>	<b>281</b>	<b>—</b>	<b>19,763</b>	<b>133,421</b>
<i>Of which: Loans</i>	10,198	17,752	269	—	18,021	28,219
<i>Debt securities</i>	18,581	—	—	—	—	18,581
<i>Other assets</i>	77,830	71	—	—	71	77,901
<i>Off-balance sheet exposures</i>	7,049	1,659	12	—	1,671	8,720
<i>Defaulted</i>	400	—	—	—	—	400
<b>Total IRB and STD</b>	<b>270,540</b>	<b>280,317</b>	<b>13,276</b>	<b>—</b>	<b>293,593</b>	<b>564,133</b>
<b>Total: Loans</b>	<b>57,137</b>	<b>246,361</b>	<b>11,963</b>	<b>—</b>	<b>258,324</b>	<b>315,461</b>
Debt securities	38,877	—	—	—	—	38,877
Other assets	101,186	700	3	—	703	101,889
Off-balance sheet exposures	73,340	33,256	1,310	—	34,566	107,906
Defaulted	1,490	2,313	77	—	2,390	3,880

## CR3\_a: IRB: Credit risk mitigation – incorporation within IRB parameters

	LGD	PD	EAD
Real estate (commercial and residential)	✓		
Other physical collateral	✓		
Third party guarantees	✓		
Credit derivatives	✓		
Parental guarantees (connected parties)		✓	
Financial collateral			
- trading book			✓
- non-trading book	✓		
Netting (on and off-balance sheet)			✓
Receivables	✓		
Life policies	✓		
Credit insurance	✓		

## CR7: IRB: 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 IRB exposure class. The table excludes counterparty credit risk and securitisations.

Exposures under IRB	2021	
	a	b
	Pre-credit derivatives RWAs £m	Actual RWAs £m
Central governments and central banks	2,347	2,347
Institutions	1,623	1,623
Corporates - SMEs	6,419	6,419
Corporates - Specialised lending	9,299	9,299
Corporates - Other	31,343	31,344
Retail - Secured by real estate SMEs	383	383
Retail - Secured by real estate non-SMEs	17,236	17,235
Retail - Qualifying revolving	4,550	4,550
Retail - Other SMEs	3,794	3,794
Retail - Other non-SMEs	6,448	6,448
Equity IRB	30	30
Other non-credit obligation assets	4,398	4,398
<b>Total</b>	<b>87,870</b>	<b>87,870</b>

Exposures under IRB	2020	
	a	b
	Pre-credit derivatives RWAs £m	Actual RWAs £m
Central governments and central banks	2,809	2,809
Institutions	1,537	1,537
Corporates - SMEs	7,252	7,252
Corporates - Specialised lending	10,038	10,038
Corporates - Other	38,264	38,264
Retail - Secured by real estate SMEs	398	398
Retail - Secured by real estate non-SMEs	17,135	17,135
Retail - Qualifying revolving	4,731	4,731
Retail - Other SMEs	3,768	3,768
Retail - Other non-SMEs	7,028	7,028
Other non-credit obligation assets	3,953	3,953
<b>Total</b>	<b>96,913</b>	<b>96,913</b>

## NWH Group profile by RWA calculation approach

NWH Group uses the PD/LGD slotting and standardised approaches to calculate RWAs for credit risk exposures.

### IRB approach: PD/LGD

#### CR6\_a: IRB: Exposures by exposure class and PD range – Retail

The table below shows the key parameters used to calculate MCR for credit risk exposures in Retail exposure classes under the IRB approach, split by PD range. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty credit risk and securitisations. A maturity adjustment is not a component of the IRB RWA formula for retail exposures and is therefore not reported in this table. Original on-balance sheet gross exposure includes SCRA.

In accordance with regulatory requirements, for defaulted exposures, RWAs are calculated as the difference between the LGD for an economic downturn and the best estimate LGD. This is the unexpected loss amount for which capital must be held. Retail EAD models estimate EAD directly, so CCFs are not reported in this table for retail exposure classes.

	a	b	d	e	f	g	i	l	j	k	l
	PD Range	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	RWAs	RWA density	Expected loss	IFRS 9 ECL Provisions
2021	%	£m	£m	£m	%		%	£m	%	£m	£m
Retail - Secured by real estate SME	0.00 to <0.15	—	—	—	0.14	1	72	—	—	—	—
Retail - Secured by real estate SME	0.15 to <0.25	—	1	—	0.17	69	60	—	—	—	—
Retail - Secured by real estate SME	0.25 to <0.50	—	83	54	0.31	5,678	62	15	28	—	1
Retail - Secured by real estate SME	0.50 to <0.75	61	2	63	0.63	1,322	30	14	22	—	—
Retail - Secured by real estate SME	0.75 to <2.50	684	37	707	1.19	9,539	21	176	25	2	6
Retail - Secured by real estate SME	2.50 to <10.0	230	2	232	4.77	2,507	23	138	59	3	5
Retail - Secured by real estate SME	10.0 to <100.00	42	—	42	25.32	457	18	32	77	2	2
Retail - Secured by real estate SME	100.00 (default)	30	—	31	100.00	498	23	8	26	7	11
<b>Total - Retail - Secured by real estate SME</b>		<b>1,047</b>	<b>125</b>	<b>1,129</b>	<b>5.48</b>	<b>20,071</b>	<b>24</b>	<b>383</b>	<b>34</b>	<b>14</b>	<b>25</b>
Retail - Secured by real estate non-SME	0.00 to <0.15	5,934	2,092	8,069	0.09	54,601	17	378	5	2	3
Retail - Secured by real estate non-SME	0.15 to <0.25	23,112	852	23,990	0.16	179,695	10	885	4	4	8
Retail - Secured by real estate non-SME	0.25 to <0.50	108,813	12,208	119,975	0.33	868,085	10	7,799	7	45	75
Retail - Secured by real estate non-SME	0.50 to <0.75	32,267	101	32,444	0.59	196,264	13	3,904	12	27	27
Retail - Secured by real estate non-SME	0.75 to <2.50	7,333	92	7,443	1.12	51,966	13	1,314	18	11	26
Retail - Secured by real estate non-SME	2.50 to <10.0	1,318	10	1,332	5.57	11,020	12	707	53	10	24
Retail - Secured by real estate non-SME	10.0 to <100.00	1,883	2	1,895	23.38	15,584	13	1,408	74	60	60
Retail - Secured by real estate non-SME	100.00 (default)	1,677	7	1,654	100.00	15,839	19	840	51	246	522
<b>Total - Retail - Secured by real estate non-SME</b>		<b>182,337</b>	<b>15,364</b>	<b>196,802</b>	<b>1.47</b>	<b>1,393,054</b>	<b>11</b>	<b>17,235</b>	<b>9</b>	<b>405</b>	<b>745</b>
Retail - Qualifying revolving	0.00 to <0.15	10	5,881	10,711	0.04	9,937,607	53	167	2	2	12
Retail - Qualifying revolving	0.15 to <0.25	193	390	603	0.17	424,973	66	39	7	1	5
Retail - Qualifying revolving	0.25 to <0.50	272	1,237	1,487	0.36	1,564,726	59	158	11	3	14
Retail - Qualifying revolving	0.50 to <0.75	789	5,997	1,655	0.60	1,534,182	68	306	18	7	18
Retail - Qualifying revolving	0.75 to <2.50	1,451	6,954	3,142	1.40	2,988,218	70	1,144	36	31	66
Retail - Qualifying revolving	2.50 to <10.0	1,677	811	2,229	4.57	1,112,717	74	1,973	89	76	148
Retail - Qualifying revolving	10.0 to <100.00	205	38	273	22.89	174,714	72	518	190	44	56
Retail - Qualifying revolving	100.00 (default)	250	280	256	100.00	300,227	83	245	95	194	196
<b>Total - Retail - Qualifying revolving</b>		<b>4,847</b>	<b>21,588</b>	<b>20,356</b>	<b>2.38</b>	<b>18,037,364</b>	<b>60</b>	<b>4,550</b>	<b>22</b>	<b>358</b>	<b>515</b>

## CR6\_a: IRB: Exposures by exposure class and PD range – Retail continued

	PD Range %	a	b	d	e	f	g	i	j	k	l
		Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL Provisions £m
<b>2021</b>											
Retail - Other SME	0.00 to <0.15	—	77	136	0.14	19,371	72	24	18	—	—
Retail - Other SME	0.15 to <0.25	—	11	8	0.17	3,950	60	1	18	—	—
Retail - Other SME	0.25 to <0.50	—	860	885	0.32	387,953	63	249	28	2	5
Retail - Other SME	0.50 to <0.75	776	45	892	0.63	91,130	33	196	22	2	2
Retail - Other SME	0.75 to <2.50	8,078	352	8,610	1.24	542,942	22	1,709	20	25	37
Retail - Other SME	2.50 to <10.0	3,201	55	3,393	4.66	288,144	26	1,047	31	42	51
Retail - Other SME	10.0 to <100.00	754	10	775	25.47	52,437	24	328	42	42	28
Retail - Other SME	100.00 (default)	752	—	765	100.00	36,750	24	240	31	170	163
<b>Total - Retail - Other SME</b>		<b>13,561</b>	<b>1,410</b>	<b>15,464</b>	<b>7.99</b>	<b>1,422,677</b>	<b>27</b>	<b>3,794</b>	<b>25</b>	<b>283</b>	<b>286</b>
Retail - Other non-SME	0.00 to <0.15	—	—	—	0.13	4	71	—	—	—	—
Retail - Other non-SME	0.15 to <0.25	—	—	—	0.17	3	75	—	—	—	—
Retail - Other non-SME	0.25 to <0.50	38	—	39	0.36	6,864	74	18	47	—	—
Retail - Other non-SME	0.50 to <0.75	108	—	109	0.68	19,461	70	69	63	1	—
Retail - Other non-SME	0.75 to <2.50	3,967	—	4,059	1.44	575,602	72	3,578	88	43	114
Retail - Other non-SME	2.50 to <10.0	1,356	—	1,384	5.03	142,913	76	1,654	120	53	92
Retail - Other non-SME	10.0 to <100.00	395	—	395	25.21	47,592	77	701	177	77	46
Retail - Other non-SME	100.00 (default)	464	—	486	100.00	70,213	82	428	88	366	419
<b>Total - Retail - Other non-SME</b>		<b>6,328</b>	<b>—</b>	<b>6,472</b>	<b>11.04</b>	<b>862,652</b>	<b>74</b>	<b>6,448</b>	<b>100</b>	<b>540</b>	<b>671</b>
<b>Total - Retail all portfolios</b>		<b>208,120</b>	<b>38,487</b>	<b>240,223</b>	<b>2.24</b>	<b>21,735,818</b>	<b>18</b>	<b>32,410</b>	<b>13</b>	<b>1,600</b>	<b>2,242</b>

## CR6\_a: IRB: Exposures by exposure class and PD range – Retail continued

	a	b	d	e	f	g	i	l	j	k	l
	PD Range	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	RWAs	RWA density	Expected loss	IFRS 9 ECL Provisions
2020	%	£m	£m	£m	%		%	£m	%	£m	£m
Retail - Secured by real estate SME	0.00 to <0.15	—	76	48	0.14	4,965	62	7	16	—	—
Retail - Secured by real estate SME	0.15 to <0.25	—	10	7	0.15	373	58	1	16	—	—
Retail - Secured by real estate SME	0.25 to <0.50	—	17	12	0.31	1,678	66	3	28	—	—
Retail - Secured by real estate SME	0.50 to <0.75	50	2	52	0.69	890	37	13	25	—	—
Retail - Secured by real estate SME	0.75 to <2.50	710	30	728	1.30	9,763	41	272	37	4	5
Retail - Secured by real estate SME	2.50 to <10.0	205	9	211	4.67	2,677	31	76	36	3	5
Retail - Secured by real estate SME	10.0 to <100.00	47	—	48	21.24	583	8	7	14	1	6
Retail - Secured by real estate SME	100.00 (default)	27	—	28	100.00	554	44	19	69	11	9
<b>Total - Retail - Secured by real estate SME</b>		<b>1,039</b>	<b>144</b>	<b>1,134</b>	<b>5.06</b>	<b>21,483</b>	<b>39</b>	<b>398</b>	<b>35</b>	<b>19</b>	<b>25</b>
Retail - Secured by real estate non-SME	0.00 to <0.15	47,759	3,526	51,360	0.13	386,040	11	1,672	3	8	17
Retail - Secured by real estate non-SME	0.15 to <0.25	4,788	192	4,998	0.16	62,173	10	193	4	1	4
Retail - Secured by real estate non-SME	0.25 to <0.50	91,532	10,206	100,901	0.33	708,521	11	6,889	7	39	62
Retail - Secured by real estate non-SME	0.50 to <0.75	18,214	84	18,366	0.61	121,257	18	3,148	17	22	69
Retail - Secured by real estate non-SME	0.75 to <2.50	5,513	99	5,629	1.18	40,626	13	1,047	19	9	25
Retail - Secured by real estate non-SME	2.50 to <10.0	1,315	17	1,336	6.28	10,944	12	606	45	11	27
Retail - Secured by real estate non-SME	10.0 to <100.00	2,547	4	2,567	27.14	20,394	14	2,146	84	100	162
Retail - Secured by real estate non-SME	100.00 (default)	1,993	9	1,960	100.00	18,347	21	1,434	73	291	602
<b>Total - Retail - Secured by real estate non-SME</b>		<b>173,661</b>	<b>14,137</b>	<b>187,117</b>	<b>1.78</b>	<b>1,368,302</b>	<b>12</b>	<b>17,135</b>	<b>9</b>	<b>481</b>	<b>968</b>
Retail - Qualifying revolving	0.00 to <0.15	38	5,742	10,217	0.04	9,527,894	53	168	2	2	10
Retail - Qualifying revolving	0.15 to <0.25	131	215	346	0.22	121,526	65	27	8	—	4
Retail - Qualifying revolving	0.25 to <0.50	650	5,098	2,133	0.38	2,210,312	64	258	12	5	23
Retail - Qualifying revolving	0.50 to <0.75	409	3,291	1,260	0.62	1,353,320	63	222	18	5	24
Retail - Qualifying revolving	0.75 to <2.50	1,455	5,824	3,135	1.37	2,993,796	69	1,109	35	30	100
Retail - Qualifying revolving	2.50 to <10.0	1,639	640	2,285	4.59	1,274,937	73	2,005	88	77	203
Retail - Qualifying revolving	10.0 to <100.00	279	67	359	21.60	208,705	72	674	188	56	82
Retail - Qualifying revolving	100.00 (default)	279	286	284	100.00	326,941	83	268	94	216	216
<b>Total - Retail - Qualifying revolving</b>		<b>4,880</b>	<b>21,163</b>	<b>20,019</b>	<b>2.65</b>	<b>18,017,431</b>	<b>60</b>	<b>4,731</b>	<b>24</b>	<b>391</b>	<b>662</b>



## CR6\_a: IRB: Exposures by exposure class and PD range – Retail continued

	a	b	d	e	f	g	i	j	k	l	
	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL Provisions £m	
2020	PD Range %										
Retail - Other SME	0.00 to <0.15	—	865	825	0.13	278,018	64	128	16	1	4
Retail - Other SME	0.15 to <0.25	—	60	81	0.15	13,461	58	13	16	—	—
Retail - Other SME	0.25 to <0.50	7	266	407	0.33	244,692	66	120	30	1	3
Retail - Other SME	0.50 to <0.75	487	37	590	0.68	76,853	42	169	29	2	3
Retail - Other SME	0.75 to <2.50	3,672	291	4,117	1.39	346,021	45	1,716	42	27	43
Retail - Other SME	2.50 to <10.0	7,035	74	7,254	6.92	325,840	11	984	14	42	44
Retail - Other SME	10.0 to <100.00	2,756	10	2,807	21.41	117,978	8	386	14	46	58
Retail - Other SME	100.00 (default)	288	—	297	100.00	20,204	58	252	85	157	153
<b>Total - Retail - Other SME</b>		<b>14,245</b>	<b>1,603</b>	<b>16,378</b>	<b>8.94</b>	<b>1,423,067</b>	<b>25</b>	<b>3,768</b>	<b>23</b>	<b>276</b>	<b>308</b>
Retail - Other non-SME	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—
Retail - Other non-SME	0.15 to <0.25	—	—	—	0.19	77	75	—	—	—	—
Retail - Other non-SME	0.25 to <0.50	61	—	63	0.37	9,023	74	30	47	—	—
Retail - Other non-SME	0.50 to <0.75	97	—	99	0.67	15,773	69	63	64	1	1
Retail - Other non-SME	0.75 to <2.50	4,144	—	4,229	1.42	593,584	72	3,870	92	51	125
Retail - Other non-SME	2.50 to <10.0	1,300	—	1,323	5.08	134,356	76	1,638	124	59	131
Retail - Other non-SME	10.0 to <100.00	537	—	520	29.49	69,177	77	1,037	200	138	122
Retail - Other non-SME	100.00 (default)	425	—	444	100.00	65,404	82	390	88	333	365
<b>Total - Retail - Other non-SME</b>		<b>6,564</b>	<b>—</b>	<b>6,678</b>	<b>10.87</b>	<b>887,394</b>	<b>74</b>	<b>7,028</b>	<b>105</b>	<b>582</b>	<b>744</b>
<b>Total - Retail all portfolios</b>		<b>200,389</b>	<b>37,047</b>	<b>231,326</b>	<b>2.64</b>	<b>21,717,677</b>	<b>19</b>	<b>33,060</b>	<b>14</b>	<b>1,749</b>	<b>2,707</b>

## CR6\_b: IRB: Exposures by exposure class and PD range – Wholesale

The table below shows the key parameters used to calculate MCR for credit risk exposures in Wholesale exposure classes under the IRB approach, split by PD range. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty risk and securitisations. The average maturity used in the RWA calculation is capped at five years in accordance with regulatory requirements. The corporates – specialised lending exposure class includes only exposures modelled under the PD/LGD method (relating to shipping). For specialised lending exposures under the supervisory slotting approach, refer to CR10. Original on-balance sheet gross exposure includes SCRA.

		a	b	c	d	e	f	g	h	i	j	k	l
		Original on-balance sheet exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	IFRS 9 ECL provisions
2021	PD Range %	£m	£m	%	£m	%		%	years	£m	%	£m	£m
Central governments and central banks	0.00 to <0.15	38,430	60	24	38,429	0.01	45	45	1.36	2,347	6	3	2
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 <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total - Central governments and central banks</b>		<b>38,430</b>	<b>60</b>	<b>24</b>	<b>38,429</b>	<b>0.01</b>	<b>45</b>	<b>45</b>	<b>1.36</b>	<b>2,347</b>	<b>6</b>	<b>3</b>	<b>2</b>
Institutions	0.00 to <0.15	3,462	206	52	3,456	0.10	207	42	1.11	736	21	1	1
Institutions	0.15 to <0.25	1,802	155	25	1,845	0.19	94	32	2.30	726	39	1	1
Institutions	0.25 to <0.50	517	20	29	524	0.35	47	14	2.40	117	22	—	—
Institutions	0.50 to <0.75	1	3	50	3	0.64	9	59	1.27	3	88	—	—
Institutions	0.75 to <2.50	27	13	38	32	1.14	22	26	2.24	18	57	—	—
Institutions	2.50 to <10.0	12	3	67	15	3.01	105	53	1.07	22	145	—	—
Institutions	10.0 to <100.00	—	1	20	—	29.32	5	59	1.18	1	330	—	—
Institutions	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total - Institutions</b>		<b>5,821</b>	<b>401</b>	<b>40</b>	<b>5,875</b>	<b>0.16</b>	<b>489</b>	<b>36</b>	<b>1.61</b>	<b>1,623</b>	<b>28</b>	<b>2</b>	<b>2</b>
Corporates - Specialised lending	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.75 to <2.50	—	—	100	—	1.81	1	1	5.00	—	—	—	—
Corporates - Specialised lending	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	100.00 (default)	—	—	—	—	100.00	1	90	1.00	—	—	—	—
<b>Total - Corporates - Specialised lending</b>		<b>—</b>	<b>—</b>	<b>100</b>	<b>—</b>	<b>54.29</b>	<b>2</b>	<b>49</b>	<b>2.86</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## CR6\_b: IRB: Exposures by exposure class and PD range – Wholesale continued

		a	b	c	d	e	f	g	h	i	j	k	l
		Original on-balance sheet exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	IFRS 9 ECL provisions
2021	PD Range %	£m	£m	%	£m	%		%	years	£m	%	£m	£m
Corporates - SME	0.00 to <0.15	23	2	79	25	0.11	49	35	3.43	5	22	—	—
Corporates - SME	0.15 to <0.25	481	167	57	578	0.21	1,475	25	3.40	110	19	—	1
Corporates - SME	0.25 to <0.50	2,854	985	53	3,376	0.40	5,997	23	3.28	843	25	3	21
Corporates - SME	0.50 to <0.75	2,375	697	47	2,706	0.64	3,761	23	2.74	769	28	4	25
Corporates - SME	0.75 to <2.50	5,757	1,808	46	6,614	1.29	9,057	21	2.88	2,595	39	18	106
Corporates - SME	2.50 to <10.0	2,724	562	50	3,022	3.46	3,807	21	2.78	1,293	43	22	158
Corporates - SME	10.0 to <100.00	274	31	48	292	14.87	462	23	2.70	227	78	10	33
Corporates - SME	100.00 (default)	443	39	27	455	100.00	1,054	45	2.36	577	127	168	204
<b>Total - Corporates - SME</b>		<b>14,931</b>	<b>4,291</b>	<b>49</b>	<b>17,068</b>	<b>4.22</b>	<b>25,662</b>	<b>23</b>	<b>2.92</b>	<b>6,419</b>	<b>38</b>	<b>225</b>	<b>548</b>
Corporates - Other	0.00 to <0.15	17,395	25,783	44	28,573	0.06	1,517	40	3.47	6,748	24	7	8
Corporates - Other	0.15 to <0.25	4,909	7,156	41	7,778	0.18	1,193	39	2.49	2,894	37	5	9
Corporates - Other	0.25 to <0.50	5,094	6,355	46	7,937	0.38	2,548	38	2.41	4,180	53	10	47
Corporates - Other	0.50 to <0.75	3,255	2,645	43	4,351	0.64	2,100	32	2.48	2,444	56	9	20
Corporates - Other	0.75 to <2.50	9,855	6,601	44	12,643	1.34	9,002	30	2.41	9,133	72	49	117
Corporates - Other	2.50 to <10.0	4,526	2,128	44	5,410	3.66	4,231	27	2.34	4,730	87	54	171
Corporates - Other	10.0 to <100.00	821	167	47	897	14.87	562	24	1.87	1,056	118	31	70
Corporates - Other	100.00 (default)	387	70	34	394	100.00	653	42	2.30	159	40	160	188
<b>Total - Corporates - Other</b>		<b>46,242</b>	<b>50,905</b>	<b>44</b>	<b>67,983</b>	<b>1.45</b>	<b>21,806</b>	<b>36</b>	<b>2.85</b>	<b>31,344</b>	<b>46</b>	<b>325</b>	<b>630</b>
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.75 to <2.50	11	—	—	11	1.28	1	90	5.00	30	281	—	—
Equities	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Equities	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total - Equities</b>		<b>11</b>	<b>—</b>	<b>—</b>	<b>11</b>	<b>1.28</b>	<b>1</b>	<b>90</b>	<b>5.00</b>	<b>30</b>	<b>281</b>	<b>—</b>	<b>—</b>
<b>Total - Wholesale all portfolios</b>		<b>105,435</b>	<b>55,657</b>	<b>44</b>	<b>129,366</b>	<b>1.33</b>	<b>48,005</b>	<b>37</b>	<b>2.36</b>	<b>41,763</b>	<b>32</b>	<b>555</b>	<b>1,182</b>

## CR6\_b: IRB: Exposures by exposure class and PD range – Wholesale continued

	a	b	c	d	e	f	g	h	i	j	k	l	
		Off-balance sheet											
	PD Range	Original on-balance sheet exposure	exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	IFRS 9 ECL provisions
2020	%	£m	£m	%	£m	%		%	years	£m	%	£m	£m
Central governments and central banks	0.00 to <0.15	35,910	733	35	36,101	0.02	45	45	1.87	2,809	8	3	3
Central governments and central banks	0.15 to <0.25	—	—	—	—	0.23	1	60	1.00	—	—	—	—
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 <10.0	—	—	—	—	2.50	—	50	1.00	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total - Central governments and central banks</b>		<b>35,910</b>	<b>733</b>	<b>35</b>	<b>36,101</b>	<b>0.02</b>	<b>46</b>	<b>45</b>	<b>1.87</b>	<b>2,809</b>	<b>8</b>	<b>3</b>	<b>3</b>
Institutions	0.00 to <0.15	2,599	205	53	2,644	0.10	214	42	1.28	598	23	1	1
Institutions	0.15 to <0.25	1,818	141	36	1,874	0.20	97	33	1.72	629	34	1	18
Institutions	0.25 to <0.50	734	14	37	739	0.39	41	16	3.53	263	36	—	3
Institutions	0.50 to <0.75	1	3	62	3	0.64	14	60	1.22	3	99	—	—
Institutions	0.75 to <2.50	29	15	31	34	1.52	25	27	2.79	23	68	—	1
Institutions	2.50 to <10.0	15	—	67	16	3.01	33	46	1.02	19	126	—	—
Institutions	10.0 to <100.00	—	1	20	1	29.30	65	60	1.99	2	299	—	—
Institutions	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total - Institutions</b>		<b>5,196</b>	<b>379</b>	<b>45</b>	<b>5,311</b>	<b>0.19</b>	<b>489</b>	<b>35</b>	<b>1.76</b>	<b>1,537</b>	<b>29</b>	<b>2</b>	<b>23</b>
Corporates - Specialised lending	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.75 to <2.50	—	—	100	—	1.81	2	1	5.00	—	—	—	—
Corporates - Specialised lending	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	100.00 (default)	4	1	101	4	100.00	3	40	4.12	—	—	2	1
<b>Total - Corporates - Specialised lending</b>		<b>4</b>	<b>1</b>	<b>101</b>	<b>4</b>	<b>97.48</b>	<b>5</b>	<b>39</b>	<b>4.14</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>1</b>

## CR6\_b: IRB: Exposures by exposure class and PD range – Wholesale continued

	a	b	c	d	e	f	g	h	i	j	k	l	
		Off-balance sheet											
	PD Range	Original on-balance sheet exposure	exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	IFRS 9 ECL provisions
2020	%	£m	£m	%	£m	%		%	years	£m	%	£m	£m
Corporates - SME	0.00 to <0.15	22	2	80	24	0.11	45	32	3.69	5	20	—	—
Corporates - SME	0.15 to <0.25	483	200	69	621	0.21	1,502	30	3.39	154	25	—	6
Corporates - SME	0.25 to <0.50	2,681	800	53	3,109	0.41	5,935	22	3.25	707	23	3	50
Corporates - SME	0.50 to <0.75	2,208	716	52	2,580	0.64	4,077	23	3.13	772	30	4	58
Corporates - SME	0.75 to <2.50	6,293	2,162	45	7,275	1.31	10,925	23	2.99	3,046	42	22	280
Corporates - SME	2.50 to <10.0	2,724	877	44	3,127	3.66	4,488	21	2.78	1,386	44	25	220
Corporates - SME	10.0 to <100.00	405	73	50	447	13.88	724	22	2.64	318	71	14	64
Corporates - SME	100.00 (default)	520	50	20	534	100.00	1,231	40	2.46	864	162	218	224
<b>Total - Corporates - SME</b>		<b>15,336</b>	<b>4,880</b>	<b>48</b>	<b>17,717</b>	<b>4.72</b>	<b>28,927</b>	<b>23</b>	<b>3.01</b>	<b>7,252</b>	<b>41</b>	<b>286</b>	<b>902</b>
Corporates - Other	0.00 to <0.15	17,005	26,948	43	28,477	0.06	1,558	42	3.42	7,630	27	8	15
Corporates - Other	0.15 to <0.25	5,341	7,400	42	8,432	0.19	1,421	41	2.54	3,438	41	6	21
Corporates - Other	0.25 to <0.50	4,938	6,679	43	7,667	0.39	2,549	40	2.41	4,208	55	10	59
Corporates - Other	0.50 to <0.75	3,747	2,545	44	4,818	0.64	2,132	34	2.50	3,018	63	10	53
Corporates - Other	0.75 to <2.50	11,069	6,787	47	14,189	1.34	10,697	33	2.61	11,497	81	61	377
Corporates - Other	2.50 to <10.0	6,464	3,054	43	7,632	3.57	5,277	30	2.09	7,123	93	83	310
Corporates - Other	10.0 to <100.00	646	246	49	764	14.41	804	28	2.33	1,045	137	32	103
Corporates - Other	100.00 (default)	893	300	42	1,005	100.00	644	42	1.89	305	30	422	426
<b>Total - Corporates - Other</b>		<b>50,103</b>	<b>53,959</b>	<b>43</b>	<b>72,984</b>	<b>2.29</b>	<b>25,082</b>	<b>38</b>	<b>2.82</b>	<b>38,264</b>	<b>52</b>	<b>632</b>	<b>1,364</b>
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.75 to <2.50	—	—	—	—	—	1	—	—	—	—	—	—
Equities	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Equities	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total - Equities</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total - Wholesale all portfolios</b>		<b>106,549</b>	<b>59,952</b>	<b>44</b>	<b>132,117</b>	<b>1.91</b>	<b>54,550</b>	<b>38</b>	<b>2.55</b>	<b>49,862</b>	<b>38</b>	<b>925</b>	<b>2,293</b>

## CR6\_c: IRB: Geographical split of PD and LGD

The table below shows weighted-average PD and LGD for credit risk, analysed by geography, split by exposure class. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty credit risk and securitisations.

	Total		UK		Rol		Other Western Europe		US		Rest of World	
	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %
<b>2021</b>												
Central governments and central banks	0.01	45	0.03	50	0.06	45	0.01	45	0.01	45	0.03	46
Institutions	0.16	36	0.26	18	0.15	45	0.11	32	0.13	45	0.17	42
Corporates	2.01	33	2.07	32	4.58	34	0.97	38	0.38	44	2.20	43
<i>Specialised lending</i>	<b>54.29</b>	<b>49</b>	—	—	—	—	—	—	—	—	<b>54.29</b>	<b>49</b>
<i>SME</i>	4.22	23	3.91	22	9.73	26	1.81	10	0.64	5	3.31	26
<i>Other corporate</i>	1.45	36	1.50	35	2.95	37	0.97	38	0.38	44	2.19	43
Retail	2.24	18	2.09	17	4.96	30	3.38	57	1.68	55	2.56	56
<i>Secured by real estate property</i>												
- SME	5.48	24	5.46	24	5.55	25	18.29	18	3.63	24	11.74	23
- non SME	1.47	11	1.24	10	4.94	27	—	—	—	—	—	—
<i>Qualifying revolving</i>	2.38	60	2.38	60	3.14	72	1.93	58	1.30	56	1.58	57
<i>Other retail</i>												
- SME	7.99	27	8.06	25	5.45	72	10.41	29	3.75	33	7.69	29
- non-SME	11.04	74	11.07	74	8.48	73	31.04	76	24.03	76	26.58	77
Equities	1.28	90	1.28	90	—	—	—	—	—	—	—	—
<b>Total</b>	<b>1.92</b>	<b>25</b>	<b>2.07</b>	<b>21</b>	<b>3.87</b>	<b>34</b>	<b>0.25</b>	<b>43</b>	<b>0.15</b>	<b>45</b>	<b>0.70</b>	<b>45</b>
	Total		UK		Rol		Other Western Europe		US		Rest of World	
	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %
<b>2020</b>												
Central governments and central banks	0.02	45	0.03	42	0.06	45	0.01	44	0.01	45	0.03	45
Institutions	0.19	35	0.25	25	0.15	45	0.12	34	0.18	42	0.39	53
Corporates	2.77	35	3.04	33	3.56	36	1.41	40	0.64	46	1.14	44
<i>Specialised lending</i>	<b>97.48</b>	<b>39</b>	—	—	—	—	—	—	—	—	<b>97.48</b>	<b>39</b>
<i>SME</i>	4.72	23	4.41	23	9.53	33	92.76	37	6.92	17	12.29	23
<i>Other corporate</i>	2.29	38	2.63	37	2.15	37	1.32	40	0.64	46	0.80	44
Retail	2.64	19	2.37	18	6.45	30	3.58	57	2.25	56	3.17	57
<i>Secured by real estate property</i>												
- SME	5.06	39	5.05	39	6.74	20	5.11	27	8.36	31	14.27	35
- non SME	1.78	12	1.39	10	6.54	27	—	—	—	—	—	—
<i>Qualifying revolving</i>	2.65	60	2.65	60	3.29	72	1.95	58	1.52	57	2.18	57
<i>Other retail</i>												
- SME	8.94	25	9.05	24	5.66	72	7.64	32	4.53	37	6.01	37
- non-SME	10.87	74	10.92	74	7.89	73	36.32	75	34.26	79	24.01	76
Equities	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>2.37</b>	<b>26</b>	<b>2.52</b>	<b>22</b>	<b>4.61</b>	<b>34</b>	<b>0.45</b>	<b>43</b>	<b>0.22</b>	<b>45</b>	<b>0.44</b>	<b>45</b>

## CR10: IRB: IRB specialised lending

The table below shows EAD post CRM (exposure amount) for IRB specialised lending exposures subject to the supervisory slotting approach (income producing real estate and project finance portfolios), analysed by type of lending and regulatory category. It excludes counterparty credit risk and securitisations. For specialised lending exposures under the PD/LGD method (relating to shipping), refer to CR6\_b.

2021		On-balance sheet amount	Off-balance sheet amount	Risk-weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
1 - Strong	Less than 2.5 years	3,113	527	50	3,459	1,652	—
	Equal to or more than 2.5 years	5,207	1,531	70	6,365	3,851	25
2 - Good	Less than 2.5 years	2,717	418	70	2,972	2,081	12
	Equal to or more than 2.5 years	1,221	206	90	1,379	1,180	11
3 - Satisfactory	Less than 2.5 years	236	4	115	240	276	7
	Equal to or more than 2.5 years	67	2	115	69	80	2
4 - Weak	Less than 2.5 years	25	—	250	25	62	2
	Equal to or more than 2.5 years	47	—	250	47	117	4
5 - Default	Less than 2.5 years	62	1	—	63	—	33
	Equal to or more than 2.5 years	105	3	—	106	—	53
Total	Less than 2.5 years	6,153	950		6,759	4,071	54
	Equal to or more than 2.5 years	6,647	1,742		7,966	5,228	95
2020							
1 - Strong	Less than 2.5 years	2,785	495	50	3,053	1,487	—
	Equal to or more than 2.5 years	5,624	1,276	70	6,605	4,094	26
2 - Good	Less than 2.5 years	3,167	393	70	3,463	2,424	14
	Equal to or more than 2.5 years	1,587	261	90	1,786	1,566	14
3 - Satisfactory	Less than 2.5 years	102	1	115	103	119	3
	Equal to or more than 2.5 years	168	4	115	172	198	5
4 - Weak	Less than 2.5 years	38	3	250	41	103	3
	Equal to or more than 2.5 years	18	1	250	19	47	2
5 - Default	Less than 2.5 years	241	9	—	249	—	126
	Equal to or more than 2.5 years	257	4	—	258	—	130
Total	Less than 2.5 years	6,333	901		6,909	4,133	146
	Equal to or more than 2.5 years	7,654	1,546		8,840	5,905	177

## Standardised approach

### Calculation of RWAs under the standardised approach

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 credit ratings issued by external rating agencies, namely Standard & Poor's (S&P), Moody's, Fitch and ARC.

### Recognition of credit risk mitigation in the calculation of RWAs

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 and Table CR3\_a indicates how different risk mitigants are incorporated into IRB risk parameters.

## CR4: STD: Exposures 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.

	a		b		c		d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		On-balance sheet £m	Off-balance sheet £m	RWA £m	RWA density %	
	On-balance sheet £m	Off-balance sheet £m	On-balance sheet £m	Off-balance sheet £m					
<b>2021</b>									
1 Central governments and central banks	133,380	853	134,397	330			1,075	1	
2 Regional governments and local authorities	25	258	24	—			5	21	
4 Multilateral development banks	—	—	—	—			—	—	
6 Institutions	2,344	8	2,344	3			532	23	
7 Corporates	5,327	2,120	3,951	633			4,310	94	
8 Retail	2,454	3,951	2,278	47			1,375	59	
9 Secured by mortgages on immovable property									
- residential	14,924	1,265	14,832	176			5,269	35	
- commercial	2,641	99	2,621	40			2,577	97	
10 Exposures in default	374	64	378	5			430	112	
11 Items associated with particularly high risk	—	—	—	—			—	—	
12 Covered bonds	—	—	—	—			—	—	
15 Equity exposures	3	—	3	—			4	123	
16 Other exposures	541	—	593	—			550	93	
17 Total	162,013	8,618	161,421	1,234			16,127	10	
<b>2020</b>									
1 Central governments and central banks	96,287	602	96,543	119			1,158	1	
2 Regional governments and local authorities	2	267	2	—			1	61	
4 Multilateral development banks	—	—	—	—			—	—	
6 Institutions	782	25	757	25			269	34	
7 Corporates	5,725	2,364	5,205	651			4,512	77	
8 Retail	2,225	4,056	2,134	24			1,278	59	
9 Secured by mortgages on immovable property									
- residential	14,506	1,157	14,508	203			5,403	37	
- commercial	2,727	228	2,654	103			2,737	99	
10 Exposures in default	363	38	388	4			455	116	
11 Items associated with particularly high risk	—	—	—	—			—	—	
12 Covered bonds	—	—	—	—			—	—	
15 Equity exposures	1	—	1	—			1	247	
16 Other exposures	1,757	—	1,854	—			1,299	70	
17 Total	124,375	8,737	124,046	1,129			17,113	14	

## CR5a: STD: CQS mapping to external credit ratings

Under the STD approach, NWH Group uses credit quality steps (CQS) to calculate the RWAs associated with non-counterparty 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



## CR5: STD: Credit risk exposure class and risk-weights

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 with no exposure are excluded.

EAD post CRM	Risk-weight																Of which:		
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150% (1)	250%	370%	1250%	Others	Deducted	Total	Unrated	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2021																			
1 Central governments and central banks	134,297	—	—	—	—	—	—	—	—	—	—	430	—	—	—	—	134,727	431	
2 Regional governments and local authorities	—	—	—	—	24	—	—	—	—	—	—	—	—	—	—	—	24	24	
3 Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
4 Institutions	—	—	—	—	2,138	—	209	—	—	—	—	—	—	—	—	—	2,347	5	
5 Corporates	2	—	—	—	160	—	14	—	—	4,389	1	—	—	—	18	—	4,584	1,581	
6 Retail	—	—	—	—	346	2	—	—	1,975	—	2	—	—	—	—	—	2,325	—	
7 Secured by mortgages on immovable property																			
- residential	—	—	—	—	—	14,967	—	—	—	41	—	—	—	—	—	—	15,008	15,007	
- commercial	—	—	—	—	—	—	—	—	—	2,661	—	—	—	—	—	—	2,661	2,626	
10 Exposures in default	—	—	—	—	—	—	—	—	—	289	94	—	—	—	—	—	383	383	
11 Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
12 Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
14 Equity exposures	—	—	—	—	—	—	—	—	—	3	—	—	—	—	—	—	3	—	
15 Other exposures	3	—	—	—	30	—	25	—	—	530	—	—	—	—	5	—	593	593	
16 Total EAD post CRM	134,302	—	—	—	2,698	14,969	248	—	1,975	7,913	97	430	—	—	23	—	162,655	20,650	
17 EAD pre CRM	135,885	—	—	—	2,700	15,054	251	—	2,150	8,785	104	430	—	—	23	—	165,382	22,112	

EAD post CRM	Risk-weight																Of which:		
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150% (1)	250%	370%	1250%	Others	Deducted	Total	Unrated	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2020																			
1 Central governments and central banks	96,175	—	—	—	26	—	—	—	—	—	—	461	—	—	—	—	96,662	598	
2 Regional governments and local authorities	—	—	—	—	1	—	—	—	—	1	—	—	—	—	—	—	2	2	
3 Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
4 Institutions	—	—	—	—	408	—	374	—	—	—	—	—	—	—	—	—	782	4	
5 Corporates	986	—	—	—	171	—	148	—	—	4,543	2	—	—	—	6	—	5,856	2,781	
6 Retail	—	—	—	—	297	—	—	—	1,861	—	—	—	—	—	—	—	2,158	—	
7 Secured by mortgages on immovable property																			
- residential	1	—	—	—	—	14,284	—	—	62	364	—	—	—	—	—	—	14,711	14,711	
- commercial	3	—	—	—	—	—	—	—	—	2,724	27	—	—	—	3	—	2,757	2,757	
10 Exposures in default	4	—	—	—	—	—	—	—	—	253	135	—	—	—	—	—	392	389	
11 Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
12 Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
14 Equity exposures	—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—	1	—	
15 Other exposures	477	—	—	—	44	—	31	—	—	1,268	—	—	—	—	34	—	1,854	1,854	
16 Total EAD post CRM	97,646	—	—	—	947	14,284	553	—	1,923	9,154	164	461	—	—	43	—	125,175	23,096	
17 EAD pre CRM	97,424	—	—	—	977	14,283	553	—	2,013	9,930	165	461	—	—	82	—	125,888	23,475	

(1) Relates to legacy assets.

# Counterparty credit risk

## Counterparty credit risk

### CCRA: CCR: General qualitative information

#### 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 the 2021 ARA 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 the maximum potential future exposure of transactions, based on 95th percentile confidence levels. 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 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 2021, 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 £10 million, without taking mitigating management actions into account. A two-notch downgrade would have required £584 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.

### CCR1: CCR: Analysis of exposure by EAD calculation approach

The table below shows the methods used to calculate counterparty credit risk exposure and RWAs. It excludes CVA charges, securitisations and exposures cleared through a CCP.

	a	b	c	e	f	g
	Notional	Replacement cost/current market value	Potential future exposure	Multiplier	EAD post-CRM	RWA
	£m	£m	£m		£m	£m
<b>2021</b>						
1 Mark-to-market method	n/a	145	263	n/a	413	207
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	1,702	159
11 Total	—	145	263	—	2,115	366
<b>2020</b>						
1 Mark-to-market method	n/a	343	376	n/a	507	254
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	1,365	169
11 Total	—	343	376	—	1,872	423

- The RWA decrease related to the mark-to-market method mainly reflected movements in intra-group exposure.
- The increase in exposure to SFTs mainly reflected a net increase in the use of central bank term funding over the year. However, associated RWAs decreased reflecting a reduction in exposure to bank counterparties.

## IRB Approach PD &amp; LGD approach

## CCR4: CCR IRB: Exposures by portfolio and PD scale

The table below shows a detailed view of counterparty credit risk positions subject to the IRB approach by exposure class and PD scale. It excludes CVA charges, securitisations and exposures cleared through a CCP. Counterparty credit risk exposures are managed on a portfolio basis, hence it is not meaningful to report valuation adjustments and provisions at the regulatory exposure class level.

	PD scale	a	b	c	d	e	f	g
		EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
<b>2021</b>								
Central governments and central banks	0.00 to <0.15	157	0.01	2	49	0.25	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)	—	—	—	—	—	—	—
<b>Total - Central governments and central banks</b>		<b>157</b>	<b>0.01</b>	<b>2</b>	<b>49</b>	<b>0.25</b>	<b>1</b>	<b>—</b>
Institutions	0.00 to <0.15	4	0.11	2	50	0.07	1	21
Institutions	0.15 to <0.25	159	0.21	7	45	0.25	53	33
Institutions	0.25 to <0.50	82	0.43	2	45	0.51	39	48
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)	—	—	—	—	—	—	—
<b>Total - Institutions</b>		<b>245</b>	<b>0.28</b>	<b>11</b>	<b>45</b>	<b>0.33</b>	<b>93</b>	<b>38</b>
Corporates - SME	0.00 to <0.15	—	—	—	—	—	—	—
Corporates - SME	0.15 to <0.25	—	—	—	—	—	—	—
Corporates - SME	0.25 to <0.50	—	0.32	1	78	2.11	—	80
Corporates - SME	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - SME	0.75 to <2.50	—	—	—	—	—	—	—
Corporates - SME	2.50 to <10.00	—	—	—	—	—	—	—
Corporates - SME	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - SME	100.00 (Default)	—	—	—	—	—	—	—
<b>Total - Corporates - SME</b>		<b>—</b>	<b>0.32</b>	<b>1</b>	<b>78</b>	<b>2.11</b>	<b>—</b>	<b>80</b>

## CCR4: CCR IRB: Exposures by portfolio and PD scale continued

		a	b	c	d	e	f	g
	PD scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
<b>2021</b>								
Corporates - Specialised lending	Strong	18	—	9	—	4.77	11	61
Corporates - Specialised lending	Good	—	—	2	—	4.63	—	90
Corporates - Specialised lending	Satisfactory	—	—	—	—	—	—	—
Corporates - Specialised lending	Weak	—	—	—	—	—	—	—
Corporates - Specialised lending	Default	—	—	—	—	—	—	—
<b>Total - Corporates - Specialised lending (1)</b>		<b>18</b>	<b>—</b>	<b>11</b>	<b>—</b>	<b>4.77</b>	<b>11</b>	<b>61</b>
Corporates - Other	0.00 to <0.15	954	0.04	156	45	0.65	104	11
Corporates - Other	0.15 to <0.25	104	0.19	7	42	1.16	37	35
Corporates - Other	0.25 to <0.50	1	0.32	1	50	2.58	1	68
Corporates - Other	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - Other	0.75 to <2.50	—	1.28	1	31	1.49	—	64
Corporates - Other	2.50 to <10.00	—	—	—	—	—	—	—
Corporates - Other	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - Other	100.00 (Default)	—	—	—	—	—	—	—
<b>Total - Corporates - Other</b>		<b>1,059</b>	<b>0.06</b>	<b>165</b>	<b>45</b>	<b>0.70</b>	<b>142</b>	<b>13</b>
<b>Total - Wholesale all portfolios</b>		<b>1,479</b>	<b>0.09</b>	<b>190</b>	<b>45</b>	<b>0.64</b>	<b>247</b>	<b>17</b>

## CCR4: CCR IRB: Exposures by portfolio and PD scale continued

	PD scale	a	b	c	d	e	f	g
		EAD post CRM and post-CCF €m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs €m	RWA density %
2020								
Central governments and central banks	0.00 to <0.15	245	0.01	3	50	0.35	2	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)	—	—	—	—	—	—	—
<b>Total - Central governments and central banks</b>		<b>245</b>	<b>0.01</b>	<b>3</b>	<b>50</b>	<b>0.35</b>	<b>2</b>	<b>1</b>
Institutions	0.00 to <0.15	7	0.11	4	49	0.18	2	21
Institutions	0.15 to <0.25	184	0.21	8	49	0.06	64	35
Institutions	0.25 to <0.50	92	0.44	2	49	0.37	46	50
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)	—	—	—	—	—	—	—
<b>Total - Institutions</b>		<b>283</b>	<b>0.29</b>	<b>14</b>	<b>49</b>	<b>0.16</b>	<b>112</b>	<b>39</b>
Corporates - SME	0.00 to <0.15	—	—	—	—	—	—	—
Corporates - SME	0.15 to <0.25	—	—	—	—	—	—	—
Corporates - SME	0.25 to <0.50	1	0.45	1	78	2.83	1	110
Corporates - SME	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - SME	0.75 to <2.50	—	—	—	—	—	—	—
Corporates - SME	2.50 to <10.00	—	—	—	—	—	—	—
Corporates - SME	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - SME	100.00 (Default)	—	—	—	—	—	—	—
<b>Total - Corporates - SME</b>		<b>1</b>	<b>0.45</b>	<b>1</b>	<b>78</b>	<b>2.83</b>	<b>1</b>	<b>110</b>

## CCR4: CCR IRB: Exposures by portfolio and PD scale continued

	PD scale	a	b	c	d	e	f	g
		EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
2020								
Corporates - Specialised lending	Strong	29	—	12	—	4.91	18	64
Corporates - Specialised lending	Good	—	—	—	—	—	—	—
Corporates - Specialised lending	Satisfactory	—	—	—	—	—	—	—
Corporates - Specialised lending	Weak	—	—	—	—	—	—	—
Corporates - Specialised lending	Default	—	—	—	—	—	—	—
<b>Total - Corporates - Specialised lending (1)</b>		<b>29</b>	<b>—</b>	<b>12</b>	<b>—</b>	<b>4.91</b>	<b>18</b>	<b>64</b>
Corporates - Other	0.00 to <0.15	681	0.04	152	49	0.96	86	13
Corporates - Other	0.15 to <0.25	106	0.18	6	48	0.55	39	36
Corporates - Other	0.25 to <0.50	2	0.43	2	46	3.47	2	82
Corporates - Other	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - Other	0.75 to <2.50	—	—	—	—	—	—	—
Corporates - Other	2.50 to <10.00	—	2.56	1	35	2.49	—	101
Corporates - Other	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - Other	100.00 (Default)	—	—	—	—	—	—	—
<b>Total - Corporates - Other</b>		<b>789</b>	<b>0.06</b>	<b>161</b>	<b>49</b>	<b>0.91</b>	<b>127</b>	<b>16</b>
<b>Total - Wholesale all portfolios</b>		<b>1,347</b>	<b>0.10</b>	<b>191</b>	<b>49</b>	<b>0.74</b>	<b>260</b>	<b>19</b>

(1) For these specialised lending exposures, the supervisory slotting method is used to calculate RWAs, rather than the PD/LGD method.

- The decrease in RWAs in the Institutions class mainly reflects a reduction in exposure to bank counterparties.
- The increase in exposure and RWAs in the Corporates – Other class reflects an increase in SFTs with highly-rated asset management funds.

## CCR3: CCR: STD: Exposures by regulatory portfolio and risk-weight

Exposure class	Risk-weight						Total £m	Of which: Unrated £m
	0% £m	2% £m	20% £m	50% £m	75% £m	100% £m		
<b>2021</b>								
1 Central governments and central banks	385	—	—	—	—	—	385	—
6 Institutions	—	1,248	97	104	—	—	1,449	—
7 Corporates	—	—	—	—	—	49	49	—
11 Total	385	1,248	97	104	—	49	1,883	—
<b>2020</b>								
1 Central governments and central banks	186	—	—	—	—	—	186	—
6 Institutions	—	838	63	151	—	—	1,052	—
7 Corporates	—	—	—	93	—	33	126	—
11 Total	186	838	63	244	—	33	1,364	—

- The increase in exposures to central governments and central banks reflects a net increase in the use of central bank term funding over the year.
- The increase in exposures to institutions mainly reflects increased exposure to qualifying central counterparties.

## CCR2: CCR: Credit valuation adjustment capital charge

The table below shows the CVA charge split by approach.

	2021		2020	
	a	b	a	b
	Exposure amount £m	RWAs £m	Exposure amount £m	RWAs £m
4 All portfolios subject to the standardised CVA capital charge	292	165	340	468

- The reduction in exposure and RWAs reflected lower intra-group derivative activity.

## CCR5\_A: Impact of netting and collateral held on exposure values

The table below shows the effect of netting and collateral by exposure type.

	a	b	c	d	e
	Gross positive fair value £m	Netting benefits £m	Netted current credit exposure £m	Collateral held (1) £m	Net credit exposure £m
<b>2021</b>					
1 Derivatives	9,552	9,394	158	158	—
2 SFTs	77,326	—	77,326	77,190	136
4 Total	86,878	9,394	77,484	77,348	136
<b>2020</b>					
1 Derivatives	13,177	13,177	—	—	—
2 SFTs	64,029	—	64,029	63,830	199
4 Total	77,206	13,177	64,029	63,830	199

(1) Any excess collateral held is not included.

- Net credit exposure declined marginally.

**CCR6: CCR: Credit derivatives**

The table below presents credit derivatives bought and sold by notional and fair values. The notional value shown in the table represents a legacy position.

	2021		2020	
	a	b	a	b
	Protection bought £m	Protection sold £m	Protection bought £m	Protection sold £m
<b>Notionals</b>				
Single-name credit default swaps	—	—	12	—
Total notionals	—	—	12	—
Of which: Own credit portfolio - notionals (1)	—	—	12	—
<b>Fair values</b>				
Positive fair value (asset)	—	—	12	—
Negative fair value (liability)	—	—	—	—

(1) Comprises trades held in the regulatory banking book used for hedging and credit management. Fair values are not material. Intermediation activities cover all other credit derivatives.

- The single-name credit default swap was settled in H1 2021.

**CCR8: CCR: Exposures (EAD post CRM) to central counterparties**

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

	2021		2020	
	a	b	a	b
	EAD post-CRM £m	RWA £m	EAD post-CRM £m	RWA £m
1 Exposures to QCCPs (total)	1,512	174	881	70
2 Exposures for trades at QCCPs (excluding OTC initial margin and default fund contributions)	1,248	25	839	17
Of which:				
3 (i) OTC derivatives	858	17	713	14
5 (iii) Securities financing transactions	390	8	126	3
9 Pre-funded default fund contributions	264	149	42	53

- The increase in EAD and RWAs to QCCPs was mainly driven by an increase in structural hedging activity.



# Market risk

## MRA: MR: Qualitative information 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.

At 31 December 2021, NWH Group solely uses the standardised approach to calculate its market risk capital requirements. Market risk RWAs for NWH Group relate solely to the foreign exchange banking book charge.

### Market risk governance and management

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.

For more information on the governance and management, mitigation, monitoring and reporting of market risk, refer to the Market risk section of the NWH Group 2021 ARA.

### Calculation of regulatory capital for non-trading book exposures

Market risk exposures in the non-trading book that are not captured under Pillar 1 are capitalised through the Internal Capital Adequacy Assessment Process (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.

## MR1: MR IMA and STD: RWAs and MCR – NWH Group and large subsidiaries

The table below shows market risk RWAs and MCR by calculation method and type of risk for NWH Group and large subsidiaries. MCR is calculated as 8% of RWAs.

	NWH Group		NWB Plc		RBS plc		UBIDAC		Coutts & Co	
	a	b	a	b	a	b	a	b	a	b
	RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR
<b>2021</b>	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
3 Foreign exchange position risk (outright products)	203	16	53	4	7	1	17	1	4	—
<b>2020</b>	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
3 Foreign exchange position risk (outright products)	106	9	18	1	14	1	62	5	6	1

### NWH Group

- NWH Group's RWA exposure includes the position in NatWest Holdings Limited and its subsidiaries.
- During the year, NWH Group also increased net investment hedging in US dollar and other non-sterling currencies to reduce the potential impact on RWAs of changes to its regulatory foreign exchange hedging permission.

### NWB Plc

- RWA movements are driven by interest accruals in the euro and US dollar and mark-to-market adjustments on derivative positions.

### RBS plc

- RWA movements are driven by interest accruals in the euro and US dollar and mark-to-market adjustments on derivative positions.

### UBIDAC

- UBIDAC exposure mainly arises from costs and accruals in foreign currency and associated hedges.
- This exposure decreased over the period due to changes in the costs and accruals.

# Securitisation

## Securitisation

### SECA: SEC qualitative disclosures

#### Framework, roles and definitions

This section presents descriptive information on NWH Group's securitisation activities and related risk management processes and accounting policies, followed by quantitative disclosures on its exposures to securitisations.

#### 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 (further details on page 113). 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.

**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).

#### 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. For details of CRR rules governing the calculation of regulatory capital required in respect of securitisations, refer to page 113.

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

**Originator** – To diversify its sources of funding and manage its balance sheet, NWH Group securitises assets it has purchased or originated. As an originator NWH Group may be exposed to credit risk and market risk on the underlying assets, particularly if the structure of the transaction does not transfer these risks to third parties. Even if these risks have been transferred, it may nevertheless be exposed to credit and market risks to the extent it retains exposure to the securitisation, for example, by providing the SSPE with a liquidity facility or entering into derivative transactions.

**Investor** – To generate financial returns, NWH Group may:

- Purchase securities issued by an SSPE; or
- Lend to an SSPE, often by providing a liquidity facility that the SSPE can use if it is unable to issue securities, particularly commercial paper.

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.

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

**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.

#### 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 in the course of its exposure to securitisation activity.

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

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 credit default swaps, but also 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	<p>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.</p>	<p>NWH Group manages this risk in accordance with its policy on non-traded market risk, including structural interest rate risk. For further information, refer to the Non-traded market risk section of the 2021 ARA.</p>
Liquidity and funding risk	<p>Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base. 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.</p>	<p>NWH Group manages these risks in accordance with its policy on liquidity and funding risk. For further information, refer to Liquidity management and Funding risk management in the Capital, liquidity and funding risk section of the 2021 ARA.</p>

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>	<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.</p>
Compliance & conduct risk	<p>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.</p>	<p>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 franchises and functions. For further information, refer to the Compliance &amp; conduct risk section of the 2021 ARA.</p>
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 NatWest Group’s values and the public agenda; and contagion (when NatWest Group’s reputation is damaged by failures in the wider financial sector).</p>	<p>NWH Group manages reputational risk in accordance with its reputational risk management framework. For further information, refer to the Reputational risk section of the 2021 ARA.</p>
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>	<p>NWH Group manages operational risk in accordance with its operational risk management framework. For further information, refer to Operational risk section of the 2021 ARA.</p>

## Regulatory treatment

NatWest 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 must be held against the underlying assets as if the securitisation had never taken place.

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.

## Calculation of risk-weighted exposures

Risk weighted exposures for securitisation positions are calculated in accordance with the CRR, which was amended in 2019.

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).

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

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 under accounting rules, depends on a securitisation's residual risk. By contrast, significant risk transfer assessments take place at regular intervals. The resulting capital calculations can differ depending on the change in residual risk over time.

### Recognition of sales

Securitisation vehicles are assessed for consolidation in accordance with NWH Group's published accounting policy Presentation of financial statements (refer to page 108 of the 2021 ARA). The transfer of assets to a securitisation vehicle is treated as a sale if the securitised assets are derecognised from the consolidated balance sheet in accordance with NWH Group's published accounting policy Derecognition (refer to page 111 of the 2021 ARA).

NWH Group applies its accounting policies Provisions and contingent liabilities (set out on page 110 of the 2021 ARA) to contractual commitments, such as liquidity lines, that could require it to provide financial support for securitised assets.

### Key assumptions for valuing securitisation positions

Securitisation positions are valued using external information, such as market data for recent transactions, price information from third-party managers and advisors, and asset performance data provided to all bond holders at interest payment dates.

### Synthetic securitisations

Synthetic securitisations are assessed using the same approach as non-synthetic securitisations. Any derivatives are treated in accordance with NWH Group's published accounting policy Derivatives and hedging (refer to page 112 of the 2021 ARA).

### Assets awaiting securitisation

Financial assets are valued using NWH Group's accounting policy for Financial instruments (refer to page 110 of the 2021 ARA). At both 31 December 2021 and 31 December 2020, no assets were categorised as awaiting securitisation.

### Implicit support

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

### Securitisation and re-securitisation exposures

Additional information detailing accounting policies and treatment of securitisations and re-securitisations can be found on pages 108 to 113 of the 2021 ARA.

## 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.

### Other loan types

NWH Group selectively securitises other loans that it originates, principally those to corporates and small and medium-sized enterprises.

### 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).

Following synthetic securitisations in previous years primarily of loans to corporates, SMEs and commercial mortgages, in 2021 NWH Group completed a synthetic securitisation of loans to corporates of £1.1 billion. No gain or loss was recognised on the synthetic transfer of the risk of these assets into the securitisation.

### Notes on the following tables

Tables SEC 1, SEC 3 & SEC 4 show total securitisation positions, as discussed under Regulatory treatment of securitisation on page 113. The exposures included those retained from NWH Group's own securitised assets, investments in SSPE notes, credit lines to SSPEs and derivative transactions with SSPEs.

The term 'exposure amount' used in the following tables refers to EAD, which is calculated according to CRR rules.

## Securitisation exposures: retained and purchased

### SEC 1: Securitisation exposures in the banking book

	Originator			Sponsor			Investor		
	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m
<b>Retail (total)</b>	—	—	—	—	—	—	1,196	—	1,196
Residential mortgages	—	—	—	—	—	—	1,196	—	1,196
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	—	—	—	—	—	—
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	—	—	—
<b>Wholesale (total)</b>	—	4,808	4,808	—	—	—	—	—	—
Commercial Mortgages	—	1,096	1,096	—	—	—	—	—	—
Leasing	—	—	—	—	—	—	—	—	—
Loans to corporates	—	3,712	3,712	—	—	—	—	—	—
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	—	—	—
<b>Total at 31 December 2021</b>	—	4,808	4,808	—	—	—	1,196	—	1,196
<b>Retail (total)</b>	—	—	—	—	—	—	1,308	—	1,308
Residential mortgages	—	—	—	—	—	—	1,308	—	1,308
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	—	—	—	—	—	—
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	—	—	—
<b>Wholesale (total)</b>	—	6,342	6,342	—	—	—	—	—	—
Commercial Mortgages	—	1,706	1,706	—	—	—	—	—	—
Leasing	—	—	—	—	—	—	—	—	—
Loans to corporates	—	4,636	4,636	—	—	—	—	—	—
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	—	—	—
<b>Total at 31 December 2020</b>	—	6,342	6,342	—	—	—	1,308	—	1,308

- The decrease in exposures mainly reflected expired and amortised facilities in NWH Group originated transactions.



## Securitisation exposures: retained and purchased

## SEC 3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

	31 December 2021												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20%	>20% to	>50% to	>100% to	1250%	SEC-	SEC-	SEC-		SEC-	SEC-	SEC-	
	RW £m	50% RW £m	100% RW £m	<1250% RW £m	RW £m	ERBA £m	IRBA £m	SA £m	12.5 £m	ERBA £m	IRBA £m	SA £m	12.5 £m
<b>Total Exposures</b>	<b>4,793</b>	—	—	—	<b>15</b>	—	<b>4,808</b>	—	—	—	<b>911</b>	—	—
Traditional securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	<b>4,793</b>	—	—	—	<b>15</b>	—	<b>4,808</b>	—	—	—	<b>911</b>	—	—
Of which securitisation	<b>4,793</b>	—	—	—	<b>15</b>	—	<b>4,808</b>	—	—	—	<b>911</b>	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	<b>4,793</b>	—	—	—	<b>15</b>	—	<b>4,808</b>	—	—	—	<b>911</b>	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

	31 December 2020												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20%	>20% to	>50% to	>100% to	1250%	SEC-	SEC-	SEC-		SEC-	SEC-	SEC-	
	RW £m	50% RW £m	100% RW £m	<1250% RW £m	RW £m	ERBA £m	IRBA £m	SA £m	12.5 £m	ERBA £m	IRBA £m	SA £m	12.5 £m
<b>Total Exposures</b>	<b>6,341</b>	—	—	—	<b>1</b>	—	<b>6,342</b>	—	—	—	<b>1,004</b>	—	—
Traditional securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	<b>6,341</b>	—	—	—	<b>1</b>	—	<b>6,342</b>	—	—	—	<b>1,004</b>	—	—
Of which securitisation	<b>6,341</b>	—	—	—	<b>1</b>	—	<b>6,342</b>	—	—	—	<b>1,004</b>	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	<b>6,341</b>	—	—	—	<b>1</b>	—	<b>6,342</b>	—	—	—	<b>1,004</b>	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—



## Securitisation exposures: retained and purchased

## SEC 4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

	31 December 2021												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC- ERBA	SEC- IRBA	SEC- SA	12.5	SEC- ERBA	SEC- IRBA	SEC- SA	12.5
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Total Exposures</b>	<b>1,043</b>	—	<b>49</b>	<b>104</b>	—	<b>153</b>	—	<b>1,043</b>	—	<b>173</b>	—	<b>152</b>	—
Traditional securitisation	1,043	—	49	104	—	153	—	1,043	—	173	—	152	—
Of which securitisation	1,043	—	49	104	—	153	—	1,043	—	173	—	152	—
Of which retail	1,043	—	49	104	—	153	—	1,043	—	173	—	152	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-													
securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-													
securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

	31 December 2020												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC- ERBA	SEC- IRBA	SEC- SA	12.5	SEC- ERBA	SEC- IRBA	SEC- SA	12.5
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Total Exposures</b>	<b>1,156</b>	—	<b>49</b>	<b>103</b>	—	<b>152</b>	—	<b>1,156</b>	—	<b>199</b>	—	<b>169</b>	—
Traditional securitisation	1,156	—	49	103	—	152	—	1,156	—	199	—	169	—
Of which securitisation	1,156	—	49	103	—	152	—	1,156	—	199	—	169	—
Of which retail	1,156	—	49	103	—	152	—	1,156	—	199	—	169	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-													
securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-													
securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

# Summary of Remuneration Policy

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 136 of the NatWest Group 2021 ARA.

## 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 local 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 recognise the importance of helping people, families and businesses to thrive and are rewarded for superior performance.

## Operation

The annual bonus pool is based on a balanced scorecard of measures including financial and business delivery, customer, people and culture, climate and risk and control measures. Allocation from the pool depends on the performance of the business area and the individual.

We use a structured performance management framework to support individual performance assessment. This 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. We use a balanced scorecard to align with the business strategy. Each individual will have defined measures of success for their role.

We also take risk and conduct performance into account. Control functions are assessed independently of the business units that they oversee. Objectives 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.

Independent control functions exist for the main legal entities outside the ring fence (NWM Plc and RBS International). Dual solid reporting lines are in place into the respective legal entity CEOs and the NatWest Group Control Function Head.

Awards may be granted up to a maximum of 100% of fixed pay. For awards made in respect of the 2021 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. 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.

## Long-term incentive (LTI) awards

The purpose and operation of LTI awards is explained in detail in the Directors' Remuneration Report. Instead of an annual bonus, NatWest Group provides executive directors and certain members of NatWest Group's senior executive committees with LTI awards. Any awards made are subject to a performance assessment prior to grant and again prior to vesting.

## 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.

## Company share plans

The purpose is to provide an easy way for individuals to hold shares in NatWest Group plc, which helps to encourage 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 has 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 2021, MRTs were identified for 11 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 £658,000 or more in the previous year; individuals earning less than £658,000 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. 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 reviews, the determination of variable pay pools, incentive plan design and the application of malus and clawback. The RemCo is supported in this by the BRC and the Risk function, as well as independent oversight by the Internal Audit function.

We use a robust process to assess risk performance. We consider a range of measures, specifically: capital; liquidity and funding risk; credit risk; market risk; pension risk; compliance & conduct risk; financial crime; climate risk; operational

risk; business 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 2021 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) and the need to distinguish between 'go-forward' and 'resolution' activities.

The process uses financial, climate, customer and people measures to consider a balanced scorecard of performance assessments at the level of each business area or function. We then undertake risk and conduct assessments at the same level to ensure performance achieved without appropriate consideration of risk, risk culture and conduct controls, is not inappropriately rewarded.

BRC reviews any material risk and conduct events and, if appropriate, an underpin 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 and capital and liquidity adequacy, the CEO will make a final recommendation to the RemCo, informed by all the previous steps and her 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 LTI awards to executive directors and other recipients is also founded on a balanced scorecard approach. The scorecard is aligned with the multi-step bonus pool process, reflecting a consistent risk management performance assessment.

#### 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 SBC also play essential roles in building cultural priorities. Frameworks are in place to measure progress.

#### Accountability review process and malus/clawback

We introduced the accountability review process in 2012 to identify any material risk management, control and general policy breach failures, and to ensure accountability for those events. This allows NatWest Group to respond to instances where new information would change the variable pay decisions made in previous years and/or the decisions to be made in the current year. 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. Since the 2016 performance year onwards, 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.

During 2021 a number of issues and events were considered under the accountability review framework. The outcomes covered a range of actions including reduction (to zero where appropriate) of unvested awards through malus, in-year bonus reduction and the suspension of awards pending further investigation.

# NatWest Holdings Group Remuneration Disclosure

## Remuneration of Material Risk Takers ('MRTs')

### 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'), National Westminster Bank Plc ('NWB'), The Royal Bank of Scotland plc ('RBS'), Ulster Bank Limited ('UBL'), and Coutts and Company ('Coutts'). Separate disclosures are made for other CRR firms within NatWest Group. Details of remuneration policy and remuneration paid to all MRTs of NatWest Group can be found in the Directors' Remuneration Report, NatWest Group and Ulster Bank Ireland DAC ('UBIDAC') Pillar 3 disclosures.

### 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 UBL, 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 NWH, NWB, RBS, UBL, Coutts and Ulster Bank Ireland DAC ('UBIDAC'). 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, 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.

# NatWest Holdings Limited Remuneration Disclosure

## Remuneration of Material Risk Takers ('MRTs') – NatWest Holdings Limited

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 446 individuals who have been identified as MRTs for NatWest Holdings Limited (NWH). NWH is the holding company of The Royal Bank of Scotland plc and National Westminster Bank Plc (together the NWH Sub Group) and other subsidiary and associated undertakings including Ulster Bank Limited, Ulster Bank Ireland DAC and Coutts & Co (together the 'NWH Group'). These disclosures relate to colleagues identified as MRTs for NWH at a sub-consolidated level. Separate disclosures are made for other relevant subsidiary entities within the NWH Group.

NWH Group 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 the entities within the NWH Sub Group.

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 met 11 times in 2021.

## Total remuneration awarded to 'Material Risk Takers' for the financial year

	NWH Ltd NEDs	NWH Ltd EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area					Total
					Corporate functions	Control functions	Commercial Banking	Retail Banking	Wealth	
<b>Fixed remuneration</b>										
Total number of MRTs	11	2	18	415						446
Other senior management - split by business area					9	6	1	1	1	
Other MRTs - split by business area					63	191	51	80	30	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	2.72	3.94	16.48	93.49	28.13	41.85	15.53	16.83	7.63	116.63
Cash-based	2.72	2.09	13.97	93.49	27.33	40.94	15.28	16.51	7.40	112.27
Share-based	—	1.85	2.51	—	0.80	0.91	0.25	0.32	0.23	4.36
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>										
Total number of MRTs	—	2	16	356						374
Other senior management - split by business area					9	4	1	1	1	
Other MRTs - split by business area					54	173	41	66	22	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	2.65	9.99	39.65	14.73	17.00	8.26	5.42	4.23	52.29
Cash-based	—	—	1.25	21.17	6.21	7.95	3.77	2.70	1.79	22.42
Of which: deferred cash	—	—	0.55	7.56	2.58	2.60	1.50	0.73	0.70	8.11
Share-based (annual bonus)	—	—	1.24	18.48	6.17	6.36	3.74	1.69	1.76	19.72
Of which: deferred shares	—	—	0.55	7.56	2.58	2.60	1.50	0.73	0.70	8.11
Share-based (LTI awards)	—	2.65	7.50	—	2.35	2.69	0.75	1.03	0.68	10.15
Of which: deferred shares	—	2.65	7.50	—	2.35	2.69	0.75	1.03	0.68	10.15
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	<b>2.72</b>	<b>6.59</b>	<b>26.47</b>	<b>133.14</b>	<b>42.86</b>	<b>58.85</b>	<b>23.79</b>	<b>22.25</b>	<b>11.86</b>	<b>168.92</b>

(1) Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

(2) Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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 in Year 0.

(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.

(4) Under CRD V regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2021 performance year.

## 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 126 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £19.02 million (of which £16.38 million was fixed pay and £2.64 million was variable pay).

## Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2021 was approximately 1 to 0.45. The majority of MRTs were based in the UK.

## Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 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 explicit adjustments*	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
Deferred and retained remuneration	£m	£m	£m	£m	£m	£m	£m	£m
<b>NWH Ltd NEDs - No deferred or retained remuneration held</b>								
<b>NWH Ltd EDs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	7.23	0.88	6.35	(0.01)	(0.06)	1.93	0.86	0.36
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other senior management</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	18.45	3.08	15.37	—	—	4.96	3.08	2.04
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other MRTs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	43.79	17.94	25.85	0.17	—	11.96	18.12	12.61
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Total amount</b>	<b>69.47</b>	<b>21.90</b>	<b>47.57</b>	<b>0.16</b>	<b>(0.06)</b>	<b>18.85</b>	<b>22.06</b>	<b>15.01</b>

(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 of prior year deferred awards and long-term incentives.

## Guaranteed awards (including 'sign-on' awards) and severance payments

	NWH Ltd NEDs	NWH Ltd EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
Number of MRTs	—	—	1	2
	£m	£m	£m	£m
Total amount	—	—	0.12	0.26
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	2	5
	£m	£m	£m	£m
Total amount	—	—	0.42	1.25
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	2	26
	£m	£m	£m	£m
Total amount	—	—	0.26	5.42
Of which: paid during the financial year	—	—	0.26	4.98
Of which: deferred	—	—	—	0.44
Of which: paid during the financial year that are not taken into account	—	—	—	—
in the bonus cap	—	—	0.26	5.42
Of which: highest payment that has been awarded to a single person	—	—	0.16	0.39

- (1) NatWest Group does not offer sign-on awards. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to the first year of service.
- (2) 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 permit, there is a cap on the maximum amount that can be awarded.
- (3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year, other than payments to four individuals of £443,973. The four non-standard payments of £443,973 were all in relation to litigation.

## Total remuneration by band for all colleagues earning >€1 million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	22
€1.5 million to below €2.0 million	6
€2.0 million to below €2.5million	3
€2.5 million to below €3.0 million	—
€3.0 million to below €3.5 million	1
€3.5 million to below €4.0 million	—
More than €4.0 million	—
<b>Total</b>	<b>32</b>

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
- (2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.



# National Westminster Bank Plc Remuneration Disclosure

## Remuneration of Material Risk Takers ('MRTs') – National Westminster Bank Plc

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 302 individuals who have been identified as MRTs for National Westminster Bank Plc (NWB).

We have excluded 32 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within a subsidiary entity, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

Performance and Remuneration matters for NWB are overseen by the NatWest Holdings Performance & Remuneration Committee (NWH RemCo), which is a committee of the Boards of NatWest Holdings Limited, The Royal Bank of Scotland plc and National Westminster Bank Plc (collectively, the NWH Sub Group). The NWH RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for NWB and the other entities within the NWH Sub Group.

The key areas of focus for the NWH RemCo includes:

- 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 NWB and the other entities within the NWH Sub Group.

The NWH RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo met 11 times in 2021.

## Total remuneration awarded to 'Material Risk Takers' for the financial year

	NWB Plc NEDs	NWB Plc EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area					Total
					Corporate functions	Control functions	Commercial Banking	Retail Banking	Wealth	
<b>Fixed remuneration</b>										
Total number of MRTs	11	2	15	274						302
Other senior management - split by business area					7	6	1	1	—	
Other MRTs - split by business area					45	170	46	8	5	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	2.72	3.94	13.25	64.91	21.11	37.28	14.25	4.07	1.45	84.82
Cash-based	2.72	2.09	11.43	64.91	20.79	36.37	13.99	3.74	1.45	81.15
Share-based	—	1.85	1.82	—	0.32	0.91	0.26	0.33	—	3.67
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>										
Total number of MRTs	—	2	13	246						261
Other senior management - split by business area					7	4	1	1	—	
Other MRTs - split by business area					39	156	39	7	5	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	2.65	7.89	30.22	10.80	15.64	8.06	2.51	1.10	40.76
Cash-based	—	—	1.24	15.90	4.94	7.23	3.69	0.73	0.55	17.14
Of which: deferred cash	—	—	0.55	5.84	2.08	2.35	1.44	0.30	0.22	6.39
Share-based (annual bonus)	—	—	1.24	14.32	4.91	5.73	3.63	0.74	0.55	15.56
Of which: deferred shares	—	—	0.55	5.84	2.08	2.35	1.44	0.30	0.22	6.39
Share-based (LTI awards)	—	2.65	5.41	—	0.95	2.68	0.74	1.04	—	8.06
Of which: deferred shares	—	2.65	5.41	—	0.95	2.68	0.74	1.04	—	8.06
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	<b>2.72</b>	<b>6.59</b>	<b>21.14</b>	<b>95.13</b>	<b>31.91</b>	<b>52.92</b>	<b>22.31</b>	<b>6.58</b>	<b>2.55</b>	<b>125.58</b>

(1) Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

(2) Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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 in Year 0.

(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.

(4) Under CRD V regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2021 performance year.



## 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 79 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £10.72 million (of which £9.14 million was fixed pay and £1.58 million was variable pay).

## Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2021 was approximately 1 to 0.48. The majority of MRTs were based in the UK.

## Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 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*	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
Deferred and retained remuneration	£m	£m	£m	£m	£m	£m	£m	£m
<b>NWB Plc NEDs - No deferred or retained remuneration held</b>								
<b>NWB Plc EDs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	7.23	0.88	6.35	(0.01)	(0.06)	1.93	0.86	0.36
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other senior management</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	14.64	2.26	12.38	—	—	3.92	2.26	1.56
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other MRTs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	33.13	13.63	19.50	0.17	—	9.09	13.80	9.87
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Total amount</b>	<b>55.00</b>	<b>16.77</b>	<b>38.23</b>	<b>0.16</b>	<b>(0.06)</b>	<b>14.94</b>	<b>16.92</b>	<b>11.79</b>

(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 of prior year deferred awards and long-term incentives.

## Guaranteed awards (including 'sign-on' awards) and severance payments

	NWB Plc NEDs	NWB Plc EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
Number of MRTs	—	—	—	2
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total amount	—	—	—	0.26
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	2	2
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total amount	—	—	0.42	0.51
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	2	15
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total amount	—	—	0.26	2.87
Of which: paid during the financial year	—	—	0.26	2.73
Of which: deferred	—	—	—	0.14
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	0.26	2.87
Of which: highest payment that has been awarded to a single person	—	—	0.16	0.30

- (1) NatWest Group does not offer sign-on awards. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to the first year of service.
- (2) 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 permit, there is a cap on the maximum amount that can be awarded.
- (3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year, other than payments to four individuals of £443,973. The four non-standard payments of £443,973 were all in relation to litigation.

## Total remuneration by band for all colleagues earning &gt;€1 million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	18
€1.5 million to below €2.0 million	4
€2.0 million to below €2.5million	3
€2.5 million to below €3.0 million	—
€3.0 million to below €3.5 million	1
€3.5 million to below €4.0 million	—
More than €4.0 million	—
<b>Total</b>	<b>26</b>

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
- (2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

# The Royal Bank of Scotland plc Remuneration Disclosure

## Remuneration of Material Risk Takers ('MRTs') – The Royal Bank of Scotland plc

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 64 individuals who have been identified as MRTs for The Royal Bank of Scotland plc (RBS).

We have excluded 301 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within a subsidiary entity, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

Performance and Remuneration matters for RBS are overseen by the NatWest Holdings Performance & Remuneration Committee (NWH RemCo), which is a committee of the Boards of NatWest Holdings Limited, The Royal Bank of Scotland plc and National Westminster Bank (collectively, the NWH Sub Group). The NWH RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for the entities within the NWH Sub Group.

The key areas of focus for the NWH RemCo includes:

- 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 RBS and the other entities within the NWH Sub Group.

The NWH RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo met 11 times in 2021.

## Total remuneration awarded to 'Material Risk Takers' for the financial year

	RBS plc NEDs	RBS plc EDs	Other senior mngt.	Other senior management and other MRTs split by business area					Total
				Other MRTs	Corporate functions	Control functions	Commercial Banking	Retail Banking	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fixed remuneration</b>									
Total number of MRTs	—	—	—	64					64
Other senior management - split by business area					—	—	—	—	—
Other MRTs - split by business area					—	64	—	—	—
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	—	—	—	4.48	—	4.48	—	—	4.48
Cash-based	—	—	—	4.48	—	4.48	—	—	4.48
Share-based	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>									
Total number of MRTs	—	—	—	55					55
Other senior management - split by business area					—	—	—	—	—
Other MRTs - split by business area					—	55	—	—	—
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	—	—	0.44	—	0.44	—	—	0.44
Cash-based	—	—	—	0.44	—	0.44	—	—	0.44
Of which: deferred cash	—	—	—	—	—	—	—	—	—
Share-based (annual bonus)	—	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—	—
Share-based (LTI awards)	—	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4.92</b>	<b>—</b>	<b>4.92</b>	<b>—</b>	<b>—</b>	<b>4.92</b>

(1) Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

(2) Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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 in Year 0.

(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.

(4) Under CRD V regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2021 performance year.

## 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 55 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £4.44 million (of which £4.00 million was fixed pay and £0.44 million was variable pay).

## Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2021 was approximately 1 to 0.10. The majority of MRTs were based in the UK.

## Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 relating to prior performance years.

Deferred and retained remuneration	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*	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	£m	£m	£m	
<b>RBS plc NEDs - No deferred or retained remuneration held</b>												
<b>RBS plc EDs</b>												
Cash-based	—	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—	—
<b>Other senior management</b>												
Cash-based	—	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—	—
<b>Other MRTs</b>												
Cash-based	—	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total amount</b>	—	—	—	—	—	—	—	—	—	—	—	—

(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 of prior year deferred awards and long-term incentives.

## Guaranteed awards (including 'sign-on' awards) and severance payments

	RBS plc NEDs	RBS plc EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
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	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	—	5
	£m	£m	£m	£m
Total amount	—	—	—	0.58
Of which: paid during the financial year	—	—	—	0.58
Of which: deferred	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	0.58
Of which: highest payment that has been awarded to a single person	—	—	—	0.17

- (1) NatWest Group does not offer sign-on awards. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to the first year of service.
- (2) 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 permit, there is a cap on the maximum amount that can be awarded.
- (3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

## Total remuneration by band for all colleagues earning >€1 million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	—
€1.5 million to below €2.0 million	—
€2.0 million to below €2.5million	—
€2.5 million to below €3.0 million	—
€3.0 million to below €3.5 million	—
€3.5 million to below €4.0 million	—
More than €4.0 million	—
<b>Total</b>	<b>—</b>

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
- (2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

# Ulster Bank Limited Remuneration Disclosure

## Remuneration of Material Risk Takers ('MRTs') – Ulster Bank Limited

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 11 individuals who have been identified as MRTs for Ulster Bank Limited (UBL).

We have excluded 295 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within a subsidiary entity, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

Until July 2021, UBL was part of the NatWest Holdings Sub-Group and its performance and remuneration matters were overseen by the NatWest Holdings Performance & Remuneration Committee (NWH RemCo), which was a committee of the Board of UBL. Following UBL ceasing to be part of the NatWest Holdings Sub-Group, its performance and remuneration matters have been overseen by the Group Performance and Remuneration Committee (Group RemCo)

The key areas of focus for the NWH RemCo and Group RemCo includes:

- reviewing and recommending (or in the case of Group RemCo, approving) remuneration arrangements for key employees;
- providing input on the proposed bonus pool for relevant entities (and in the case of Group RemCo, approving the bonus pool), 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.

The NWH and Group RemCos must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The Group and NWH RemCos met 11 times in 2021.

## Total remuneration awarded to 'Material Risk Takers' for the financial year

	UBL NEDs	UBL EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area					Total
					Corporate functions	Control functions	Commercial Banking	Retail Banking	Wealth	
<b>Fixed remuneration</b>										
Total number of MRTs	—	—	—	11						11
Other senior management - split by business area					—	—	—	—	—	
Other MRTs - split by business area					—	9	2	—	—	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	—	—	—	0.84	—	0.61	0.23	—	—	0.84
Cash-based	—	—	—	0.84	—	0.61	0.23	—	—	0.84
Share-based	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>										
Total number of MRTs	—	—	—	10						10
Other senior management - split by business area					—	—	—	—	—	
Other MRTs - split by business area					—	8	2	—	—	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	—	—	0.21	—	0.06	0.15	—	—	0.21
Cash-based	—	—	—	0.14	—	0.06	0.08	—	—	0.14
Of which: deferred cash	—	—	—	0.03	—	—	0.03	—	—	0.03
Share-based (annual bonus)	—	—	—	0.07	—	—	0.07	—	—	0.07
Of which: deferred shares	—	—	—	0.03	—	—	0.03	—	—	0.03
Share-based (LTI awards)	—	—	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	—	—	—	1.05	—	0.67	0.38	—	—	1.05

(1) Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

(2) Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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 in Year 0.

(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.

(4) Under CRD V regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2021 performance year

## 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 nine MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £0.70 million (of which £0.63 million was fixed pay and £0.07 million was variable pay).

## Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2021 was approximately 1 to 0.25. The majority of MRTs were based in the UK.

## Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 relating to prior performance years.

Deferred and retained remuneration	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*	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	£m	£m	£m
<b>UBL NEDs - No deferred or retained remuneration held</b>											
<b>UBL EDs</b>											
Cash-based	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—
<b>Other senior management</b>											
Cash-based	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—
<b>Other MRTs</b>											
Cash-based	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.03	0.01	0.02	—	—	—	—	0.01	—	0.01	0.01
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—
<b>Total amount</b>	<b>0.03</b>	<b>0.01</b>	<b>0.02</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.01</b>	<b>—</b>	<b>0.01</b>	<b>0.01</b>

(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 of prior year deferred awards and long-term incentives.

## Guaranteed awards (including 'sign-on' awards) and severance payments

	UBL NEDs	UBL EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
Number of MRTs	—	—	—	—
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total amount	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	—	—
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total amount	—	—	—	—
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	—	—
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total amount	—	—	—	—
Of which: paid during the financial year	—	—	—	—
Of which: deferred	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
Of which: highest payment that has been awarded to a single person	—	—	—	—

- (1) NatWest Group does not offer sign-on awards. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to the first year of service.
- (2) 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 permit, there is a cap on the maximum amount that can be awarded.
- (3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

## Total remuneration by band for all colleagues earning >€1 million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	—
€1.5 million to below €2.0 million	—
€2.0 million to below €2.5million	—
€2.5 million to below €3.0 million	—
€3.0 million to below €3.5 million	—
€3.5 million to below €4.0 million	—
More than €4.0 million	—
<b>Total</b>	<b>—</b>

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
- (2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.



# Coutts & Co Remuneration Disclosure

## Remuneration of Material Risk Takers ('MRTs') – Coutts & Company

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 65 individuals who have been identified as MRTs for Coutts & Company (Coutts & Co).

We have excluded 207 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within a subsidiary entity, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

Coutts & Co has a Performance and Remuneration Committee (the Coutts RemCo). The Coutts RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for Coutts & Co.

The key areas of focus for the Coutts & Co RemCo includes:

- 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.

The Coutts RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The Coutts RemCo met six times in 2021.

## Total remuneration awarded to 'Material Risk Takers' for the financial year

	Coutts & Co NEDs	Coutts & Co EDs	Other senior mngt.	Other senior management and other MRTs split by business area				Total
				Other MRTs	Corporate functions	Control functions	Wealth	
<b>Fixed remuneration</b>								
Total number of MRTs	4	2	14	45				65
Other senior management - split by business area					4	2	8	
Other MRTs - split by business area					2	29	14	
	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.33	1.24	4.08	4.43	1.28	2.80	4.43	10.08
Cash-based	0.33	1.01	4.08	4.43	1.28	2.80	4.43	9.85
Share-based	—	0.23	—	—	—	—	—	0.23
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>								
Total number of MRTs	—	2	13	31				46
Other senior management - split by business area					4	2	7	
Other MRTs - split by business area					—	23	8	
	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	0.83	2.08	0.73	0.54	0.45	1.82	3.64
Cash-based	—	0.08	1.05	0.54	0.27	0.34	0.98	1.67
Of which: deferred cash	—	0.03	0.41	0.08	0.11	0.05	0.33	0.52
Share-based (annual bonus)	—	0.08	1.03	0.19	0.27	0.11	0.84	1.30
Of which: deferred shares	—	0.03	0.41	0.08	0.11	0.05	0.33	0.52
Share-based (LTI awards)	—	0.67	—	—	—	—	—	0.67
Of which: deferred shares	—	0.67	—	—	—	—	—	0.67
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	<b>0.33</b>	<b>2.07</b>	<b>6.16</b>	<b>5.16</b>	<b>1.82</b>	<b>3.25</b>	<b>6.25</b>	<b>13.72</b>

(1) Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

(2) Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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 in Year 0.

(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.

(4) Under CRD V regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2021 performance year.

## 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 27 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £2.63 million (of which £2.26 million was fixed pay and £0.37 million was variable pay).

## Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2021 was approximately 1 to 0.36. The majority of MRTs were based in the UK.

## Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 relating to prior performance years.

Deferred and retained remuneration	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*	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	£m	£m	£m
<b>Coutts &amp; Co NEDs - No deferred or retained remuneration held</b>											
<b>Coutts &amp; Co EDs</b>											
Cash-based	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	1.24	0.19	1.05	—	—	—	—	0.33	0.19	0.13	0.13
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—
<b>Other senior management</b>											
Cash-based	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	3.16	1.07	2.09	—	—	—	—	0.85	1.07	1.01	1.01
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—
<b>Other MRTs</b>											
Cash-based	—	—	—	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.21	0.12	0.09	—	—	—	—	0.06	0.12	0.12	0.12
Other instruments or forms	—	—	—	—	—	—	—	—	—	—	—
<b>Total amount</b>	<b>4.61</b>	<b>1.38</b>	<b>3.23</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.24</b>	<b>1.38</b>	<b>1.38</b>	<b>1.14</b>

(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 of prior year deferred awards and long-term incentives.

## Guaranteed awards (including 'sign-on' awards) and severance payments

	Coutts & Co NEDs	Coutts & Co EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
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	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	2	2
	£m	£m	£m	£m
Total amount	—	—	0.56	0.20
Of which: paid during the financial year	—	—	0.26	0.20
Of which: deferred	—	—	0.30	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	0.56	0.20
Of which: highest payment that has been awarded to a single person	—	—	0.30	0.11

- (1) NatWest Group does not offer sign-on awards. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to the first year of service.
- (2) 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 permit, there is a cap on the maximum amount that can be awarded.
- (3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

## Total remuneration by band for all colleagues earning >€1 million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	3
€1.5 million to below €2.0 million	—
€2.0 million to below €2.5million	—
€2.5 million to below €3.0 million	—
€3.0 million to below €3.5 million	—
€3.5 million to below €4.0 million	—
More than €4.0 million	—
<b>Total</b>	<b>3</b>

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
- (2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

# Appendix 1 - CRR Roadmap

The following table provides a reference signposting for part 8 of the Capital Requirements Regulation (CRR) covering Pillar 3 disclosures.

CRR ref	High-level summary	Compliance reference
<b>Scope of disclosure requirements</b>		
431 (1)	Requirement to publish Pillar 3 disclosures.	NWH Group publishes Pillar 3 disclosures as required.
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	NWH Group ARA: Risk and capital management - Operational risk section.
431 (3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and appropriateness.	NWH Group has a Pillar 3 policy.
431 (4)	Explanation of ratings decision upon request.	If requested, NWH Group provides an explanation in writing on rating decisions to SMEs and other corporate applicants.
<b>CRR 432: Non-material, proprietary or confidential information</b>		
432 (1)	Institutions may omit information that is not material if certain conditions are respected.	NWH Group complies with all relevant disclosure requirements.
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	NWH Group does not omit any information on the grounds that it may be proprietary or confidential.
432 (3)	Where 432 (2) applies this must be stated in the disclosures, and more general information must be disclosed.	N/A
432 (4)	Use of 432 (1), (2) or (3) is without prejudice to scope of liability for failure to disclose material information.	N/A
<b>CRR 433: Frequency of disclosure</b>		
433	Disclosures must be published once a year at a minimum, and more frequently if necessary.	Required disclosures are published annually at a minimum, with quarterly disclosures for key elements and metrics including Own Funds, RWA, Capital Requirements and Leverage.
<b>CRR 434: Means of disclosures</b>		
434 (1)	To include all disclosures in one appropriate medium or provide clear cross-references.	Majority of the disclosure requirements are covered by the Pillar 3 Report. Other disclosures including certain qualitative requirements are covered within the NWH Group ARA and NatWest Group ARA. Signposting is used to direct users to relevant sections.
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate.	This reference guide sets out the cross-references.
<b>CRR 434a: Uniform disclosure formats</b>		
434 (a)	The FCA and PRA may each make technical standards specifying uniform disclosure formats, and associated instructions.	NatWest Group uses uniform disclosures where these have been provided.
<b>CRR 435: Risk management objectives and policies</b>		
435 (1)	Disclose information on:	
435 (1) (a)	The strategies and processes to manage those risks.	NatWest Group ARA: Corporate governance – Report of the Group Board Risk Committee. Additional information on risk strategies and management processes found throughout this document and specifically ARA: Risk and capital management section.
435 (1) (b)	Structure and organisation of risk management function.	NWH Group ARA: Risk and capital management – Risk management framework.  Additional information on risk management structure processes found throughout this document, and specifically NWH Group ARA: Risk and capital management section.
435 (1) (c)	Risk reporting and measurement systems.	NWH Group ARA: Risk and capital management - Risk management framework. Additional information on the scope and nature of risk reporting and measurement systems found throughout this document, and NWH Group ARA: Risk and capital management section.

Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 435: Risk management objectives and policies</b>		
435 (1) (d)	Hedging and mitigating risk - policies and processes.	NWH Group ARA: Risk and capital management - Risk management framework; Credit risk; Non-traded market risk; Pension risk; Operational risk; and, Accounting policies - Derivatives and Hedging.
435 (1) (e)	Adequacy of risk management arrangements.	NatWest Group ARA: Corporate Governance – Report of the Group Audit Committee and Board Risk Committee.
435 (1) (f)	Concise risk statement approved by the Board	NWH Group ARA: Risk and capital management - Risk management framework.
435 (2)	Information on governance arrangements, including information on Board composition and recruitment, and risk committees.	Refer to sub-articles below.
435 (2) (a)	Number of directorships held by directors.	NatWest Group ARA: Corporate governance – Our Board.
435 (2) (b)	Recruitment policy of the Board, their experience and expertise.	NatWest Group ARA: Corporate governance – Report of the Group Nominations and Governance Committee <a href="https://www.natwestgroup.com/who-we-are/board-and-governance/board-and-committees.html">https://www.natwestgroup.com/who-we-are/board-and-governance/board-and-committees.html</a>
435 (2) (c)	Policy on diversity of Board membership and results against targets.	NatWest Group ARA: Corporate governance – Report of the Group Nominations and Governance Committee.
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meeting in the year.	NatWest Group ARA: Corporate governance – Report of the Group Board Risk Committee.
435 (2) (e)	Description of information flow risk to Board.	NatWest Group ARA: Report on the Group Board Risk Committee & NWH Group ARA: Risk and capital management - Risk management framework.
<b>CRR 436: Scope of application</b>		
436	See sub paragraphs below.	
436 (a)	Name of institution.	NatWest Holding Group and its consolidated subsidiaries.
436 (b)	Difference in basis of consolidation for accounting and prudential purposes, naming entities that are:	LI1, CC1 & Consolidation.
436 (b) (i)	Fully consolidated;	NWH Group ARA: Parent company financial statements and notes - Note 8 Investments in Group undertakings and Note 11 Related undertakings.
436 (b) (ii)	Proportionally consolidated;	
436 (b) (iii)	Deducted from own funds;	
436 (b) (iv)	Neither consolidated nor deducted.	
436 (c)	Impediments to transfer of funds between parent and subsidiaries.	There are no such impediments. Refer to Pillar 3 – Disclosure framework.
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation.	Entities outside the scope of consolidation are appropriately capitalised.
<b>CRR 437: Own funds</b>		
436 (e)	Making use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries/entities.	N/A
437 (1)	Requirement to disclose following information regarding own funds:	
437 (1) (a)	Reconciliation of regulatory values for Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions to statutory balance sheet;	LI1 & CC1.
437 (1) (b)	Description of the main features of Capital Instruments issued by institution;	Pillar 3 Capital Instruments Common Disclosure template available on NatWest Group Investor Relations website <a href="http://www.investors.natwestgroup.com">www.investors.natwestgroup.com</a>

Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 437: Own funds</b>		
437 (1) (c)	Full terms and conditions of Capital Instruments issued by institution;	Pillar 3 Capital Instruments Common Disclosure template available on NatWest Group Investor Relations website <a href="http://www.investors.natwestgroup.com">www.investors.natwestgroup.com</a>
437 (1) (d)	Disclosure of the nature and amounts of the following:	CC1.
437 (1) (d) (i)	each prudential filter applied;	
437 (1) (d) (ii)	each capital deduction applied;	
437 (1) (d) (iii)	items not deducted from capital;	
437 (1) (e)	a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	CC1.
437 (1) (f)	where institutions disclose capital ratios calculated using elements of own funds determined on a different basis.	N/A
437 (2)	EBA shall develop draft implementing technical standards to specify uniform templates for disclosure.	EBA published technical standards introducing Common Disclosure Templates for Own Funds; available on CC1.
<b>CRR 438: Capital requirements</b>		
438	See sub paragraphs below.	
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Pillar 3 – Disclosure framework & NWH Group ARA: Risk and capital management - Risk management framework.
438 (b)	Result of ICAAP on demand from authorities.	N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised approach exposure class.	CR2.
438 (d)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class.	CR2, OV1 & CR10-B & CR8.
438 (d) (i)		
438 (d) (ii)		
438 (d) (iii)		
438 (d) (iv)		
438 (e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.	OV1 & MR1.
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	NWH Group uses Standardised approach; OV1 includes operational risk capital requirements.
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	CR10.
<b>CRR 439: Exposure to counterparty credit risk</b>		
439	See sub paragraphs below.	
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	CCR - EAD calculation methods for counterparty credit risk & counterparty credit limit setting.
439 (b)	Discussion of process to secure collateral and establishing reserves.	CCR – Counterparty credit risk management & Credit Valuation Adjustments & NWH Group ARA: Notes on the Consolidated Accounts - 10 Financial Instruments – valuation.
439 (c)	Discussion of management of wrong-way exposures	CCR – Wrong-way risks.
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	EAD calculation methods for counterparty credit risk & Counterparty credit limit setting.
439 (e)	Derivation of net derivative credit exposure.	CCR5_A
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	CCR1, CCR2 & CCR8.
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	CCR_6

Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 439: Exposure to counterparty credit risk</b>		
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	CCR_6
439 (i)	Estimate of alpha, if applicable.	EAD calculation methods for counterparty credit risk.
<b>CRR 440: Capital buffers</b>		
440 (1)	See sub paragraphs below.	N/A
440 (1) (a)	Geographical distribution of relevant credit exposures.	CCyB1.
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	CCyB1.
440 (2)	EBA will issue technical implementation standards related to 440 (1).	NWH Group follows the current standards.
<b>CRR 441: Indicators of global systemic importance</b>		
441 (1)	Disclosure of the indicators of global systemic importance.	GSIB indicators as of and for the year ended 31 December 2021 will be published in April 2022 on <a href="http://www.investors.natwestgroup.com">www.investors.natwestgroup.com</a> .
441 (2)	EBA will issue technical implementation standards related to 441 (1).	NWH Group follows the current standards.
<b>CRR 442: Credit risk adjustments</b>		
442	See sub paragraphs below.	
442 (a)	Disclosure of bank's definitions of past due and impaired.	NWH Group ARA: Risk and capital management and Notes on the consolidated accounts - 13 Loan impairment provisions.
442 (b)	Approaches for calculating credit risk adjustments.	NWH Group ARA: Accounting policies: 12 Impairment: expected credit losses.
442 (c)	Disclosure of EAD by exposure class.	CRB_B.
442 (d)	Disclosures of EAD by geography and exposure class.	CRB_C.
442 (e)	Disclosures of EAD by industry and exposure class.	CRB_D.
442 (f)	Disclosures of EAD by residual maturity and exposure class.	CRB_E.
442 (g)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	CR1_A, NPL templates: Template1, Template 3, Template 4.
442 (g) (i)		
442 (g) (ii)		
442 (g) (iii)		
442 (g) (ii)		NWH Group ARA: Risk and capital management - Segmental loans and impairment metrics.
442 (g) (iii)		
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	NPL template: Template 5 NWH Group ARA: Risk and capital management - Segmental loans and impairment metrics.
442 (i)	Reconciliation of changes in specific and general credit risk adjustments.	CR2-A.
442 (i) (i- v)		
442 Endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	CR2-A
<b>CRR 443: Unencumbered assets</b>		
443	Disclosures on unencumbered assets.	Asset Encumbrance.

Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 444: Use of ECAs</b>		
444	See sub paragraphs below.	
444 (a)	Names of the ECAs used in the calculation of Standardised approach RWAs, and reasons for any changes.	Credit risk: Standardised approach.
444 (b)	Exposure classes associated with each ECAI.	Credit risk: Standardised approach.
444 (c)	Process for translating external ratings into credit quality steps.	Credit risk: Standardised approach.
444 (d)	Mapping of external rating to credit quality steps.	CCyB1.
444 (e)	Exposure value pre and post-credit risk mitigation, by CQS.	Majority of exposure where ECAI ratings are used to calculate the risk-weight are within central governments and banks exposure class. Refer to CR5 and CCR3 for risk-weights.
<b>CRR 445: Exposure to market risk</b>		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	MR1 for Specific Interest Rate Risk of Securitisation Positions; and, Market Risk components including position risk, foreign exchange risk and IMM. Settlement Risk is included within OV1.
<b>CRR 446: Operational risk</b>		
446	Scope of approaches used to calculate operational risk.	NWH Group uses the standardised approach, refer to OV1 and NWH Group ARA: Risk and capital management - Operational risk
<b>CRR 447: Exposures in equities not included in the trading book</b>		
447		
447 (a)	Differentiation between exposures based on their objectives, and an overview of the accounting techniques and valuation methodologies used.	NWH Group ARA: Risk and capital management - Credit risk and Non-traded market risk.  For further detail on accounting refer to NWH Group ARA: Accounting policies - 11 Financial Instruments.
447 (b)	Comparison between the balance sheet value, fair value and market price where materially different.	N/A
447 (c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures.	N/A
447 (d)	The cumulative realised gains or losses arising from sales and liquidations in the period.	
447 (e)	The total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds.	
<b>CRR 448: Exposure to interest rate risk on positions not included in the trading book</b>		
448		
448 (a)	For Non-Traded Interest Rate Risk, the nature and frequency of measurement.	NWH Group ARA: Risk and capital management - Non-Traded Market Risk - Interest rate risk.
448 (b)	The variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	NWH Group ARA: Risk and capital management - Non-Traded Market Risk - Interest rate risk.



Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 449: Exposure to securitisation positions</b>		
449	Exposure to securitisations positions.	NWH Group has no correlation trading portfolio.
449 (a)	Objectives in relation to securitisation activity.	Securitisation – Objectives and roles.
449	Exposure to securitisations positions.	NWH Group has no correlation trading portfolio.
449 (a)	Objectives in relation to securitisation activity.	Securitisation – Objectives and roles.
449 (b)	Nature of other risks in securitised assets, including liquidity.	Securitisation – Risk management.
449 (c)	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets.	Securitisation – Risk management.
449 (d)	The roles played by institutions in the securitisation process.	Securitisation – Objectives and roles.
449 (e)	Indication of the extent of involvement in these roles.	Securitisation – Objectives and roles.
449 (f)	Processes in place to monitor changes in credit and market risks of securitisation exposures, and how the processes differ for re-securitisation exposures.	SEC 4. Securitisation – Risk management.
449 (g)	Description of the institution’s policies with respect to hedging and unfunded protection, and identification of material hedge counterparties.	Securitisation – Risk management.
449 (h)	Approaches to calculation of RWA for securitisations mapped to types of exposures.	Securitisation – Calculation of risk-weighted exposures.
449 (j)	Summary of accounting policies for securitisations.	Securitisation – Summary of accounting policies.
449 (j) (i)	Treatment of sales or financings;	Securitisation – Recognition of sales
449 (j) (iii)	Approach to valuing securitisation positions;	Securitisation - Key assumptions for valuing securitisation positions
449 (j) (iv)	Treatment of synthetic securitisations;	Securitisation - Synthetic securitisations
449 (j) (v)	Valuation of assets awaiting securitisations;	Securitisation - Assets awaiting securitisation
449 (j) (vi)	Recognition of arrangements that could require the bank to provide support to securitised assets.	Securitisation - Implicit support
449 (k)	Names of ECAs used for securitisations.	Securitisation – Calculation of risk-weighted exposures.
449 (l)	Full description of Internal Assessment Approach.	Securitisation – Summary of Internal Assessment Approach.
449 (m)	Explanation of changes in quantitative disclosures.	SEC 1.
449 (n)	Banking and trading book securitisation exposures:	
449 (n) (i)	Amount of outstanding exposures securitised;	SEC 3.
449 (n) (ii)	On balance sheet securitisation retained or purchased, and off-balance sheet exposures;	SEC 3 & SEC 4.
449 (n) (iii)	Amount of assets awaiting securitisation;	Securitisation - Assets awaiting securitisation.
449 (n) (iv)	Early amortisation treatment; aggregate drawn exposures, capital requirements;	NWH Group has no securitisation positions treated subject to early amortisation treatment.
449 (n) (v)	Deducted or 1,250%-weighted securitisation positions;	SEC 1, SEC 2 & SEC 3.
449 (n) (vi)	Amount of exposures securitised and recognised gains or losses on sales.	SECA & SEC 3.
449 (o)	Banking and trading book securitisations by risk band:	
449 (o) (i)	Retained and purchased exposure and associated capital requirements, broken down by risk-weight bands;	SEC 1 & SEC 2.
449 (o) (ii)	Retained and purchased re-securitisation exposures before and after hedging and insurance; exposure to financial guarantors broken down by guarantor credit worthiness.	SEC 1 & SEC 2.
449 (p)	Impaired assets and recognised losses related to banking book securitisations, by exposure type.	
449 (q)	Exposure and capital requirements for trading book securitisations, separately into traditional.	SEC 2.
449 (r)	Whether the institution has provided non-contractual financial support to securitisation vehicles.	Securitisation – Implicit support.

Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 450: Remuneration policy</b>		
450	Remuneration	
450 (1) (a)	Decision-making process for determining remuneration policy;	Summary of Remuneration Policy.
450 (1) (b)	Link between pay and performance;	Summary of Remuneration Policy.
450 (1) (c)	Design characteristics of the remuneration system, criteria for performance measurement, risk adjustment, deferral policy and vesting criteria;	Summary of Remuneration Policy.
450 (1) (d)	Ratios between fixed and variable remuneration;	Summary of Remuneration Policy.
450 (1) (e)	Performance criteria on which entitlement to shares, options or variable components of remuneration is based;	Summary of Remuneration Policy.
450 (1) (f)	Parameters and rationale for variable components schemes and other non-cash benefits;	Summary of Remuneration Policy.
450 (1) (g)	Aggregate quantitative information on remuneration;	Total remuneration awarded to 'MRTs for the financial year.
450 (1) (h)	Aggregate quantitative information on remuneration, broken down by senior management and members staff with significant impact on risk profile of the institution:	
450 (1) (h) (i)	The amounts of remuneration for the financial year, split into fixed and flexible and number of beneficiaries;	Total remuneration awarded to 'MRTs for the financial year.
450 (1) (h) (ii)	The amounts and forms of variable remuneration;	Total remuneration awarded to 'MRTs for the financial year.
450 (1) (h) (iii)	The amounts of outstanding deferred remuneration, split into vested and unvested;	Outstanding deferred remuneration.
450 (1) (h) (iv)	The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;	Outstanding deferred remuneration.
450 (1) (h) (v)	New sign-on and severance payments made during the financial year, number of beneficiaries;	Guaranteed awards (including 'sign-on' awards) and severance payments.
450 (1) (h) (vi)	The amount of severance payments awarded during the financial year, number of beneficiaries and highest award;	Guaranteed awards (including 'sign-on' awards) and severance payments.
450 (1) (i)	The number of individuals been remunerated EUR 1 million or more, between EUR 1 and 5 million and of EUR 5 million or above;	Total remuneration by band for all colleagues earning >€1million.
450 (1) (j)	Upon demand from the PRA or FCA, total remuneration for each member of management body or senior management;	If requested, NatWest Group provides the information.
450 (1) (k)	Exceptions for disclosure based on proportionality of entity or materiality of employee pension.	n/a
450 (2)	For large institutions, internal organisation and the nature, scope and the complexity of their activities and other quantitative information as per the article;	Refer to UBIDAC remuneration disclosures and NatWest Holdings, NatWest Bank Plc, RBS plc and Coutts & Co remuneration disclosure sections within this document.
<b>CRR 451: Leverage</b>		
451 (1)	See sub paragraphs below.	
451 (1) (a)	Leverage ratio, and breakdown of total exposure measure,	LRSum
451 (1) (b)	including reconciliation to financial statements, and derecognised fiduciary items.	LRSum
451 (1) (c)		N/A
451 (1) (d)	Description of the risk management approach to mitigate excessive leverage.	NWH Group ARA: Risk and capital management – Capital Management.
451 (1) (e)	Factors that impacted the leverage ratio during the year.	Capital, liquidity and funding – Key points.
451 (2)	EBA to publish implementation standards for points above.	NWH Group follows the current standards.

Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 452: Use of the IRB Approach to credit risk</b>		
452	See sub paragraphs below.	
452 (a)	Permission for use of the IRB approach from authority.	CRE_1: IRB Models.
452 (b)	Explanation of:	
452 (b) (i)	Internal rating scales, mapped to external ratings;	CR9_a_2 & ARA: Risk and capital management - Credit Risk. Asset quality.
452 (b) (ii)	Use of internal ratings for purposes other than capital requirement calculations;	CRE: Qualitative disclosures relating to IRB models.
452 (b) (iii)	Management and recognition of credit risk mitigation;	Credit risk – Risk profile by credit risk mitigation technique.
452 (b) (iv)	Controls around ratings systems.	Credit risk – IRB modelling governance & Independent model validation.
452 (c)	Ratings processes for each IRB asset class.	CRE: Qualitative disclosures relating to IRB models (credit and counterparty risk), including CRE_2a & CRE_2b.
452 (c) (i)		
452 (c) (ii)		
452 (c) (iii)		
452 (c) (iv)		
452 (c) (v)		
452 (d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	CR2 and numerous other tables throughout the report.
452 (e)	Disclosure by exposure classes, separately by obligor grade:	CR6_b & CCR4.
452 (e) (i)	Total exposure, separating drawn and undrawn exposure	CR6_b & CCR4.
452 (e) (ii)	Exposure-weighted average risk weight	CR6_b & CCR4.
452 (e) (iii)	Undrawn commitments and the exposure-weighted average Credit Conversion Factor (CCF)	CR6_b.
452 (f)	The requirements laid out in 452(e) for the Retail exposure class.	CR6_a.
452 (g)	Actual specific credit risk adjustments by exposure class.	CR6_a & CR6_b.
452 (h)	Commentary on drivers of losses in preceding period.	CR9, CR9_A, CR9_B.
452 (i)	Predicted against actual losses for sufficient period, and historical analysis to help assess the performance of the rating system over a sufficient period.	CR9_a; CR9_a_1; CR9_a_2; CR9_b;
452 (j)	For all IRB exposure classes, where applicable, PD and LGD by each country where the bank operates.	CR6_C.
452 (j) (i)	Exposures in the United Kingdom; or	
452 (j) (ii)	Exposures in a third country in which the institution carries out activities through a branch or a subsidiary.	
<b>CRR 453: Use of credit risk mitigation techniques</b>		
453	See sub paragraphs below.	
453 (a)	Use of on and off-balance sheet netting.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation. Wholesale IRB models - Exposure at default models. LI2.
453 (b)	How collateral valuation is managed.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (c)	Description of types of collateral used by NWH Group.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (d)	Guarantor and credit derivative counterparty, creditworthiness.	Recognition of credit risk mitigation in the calculation of RWAs.
453 (e)	Market or credit risk concentrations within risk mitigation exposures.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (f)	Standardised or Foundation IRB approach, exposure value covered by eligible collateral.	CR4.
453 (g)	Exposures covered by guarantees, credit derivatives or collateral.	CR3.

Appendix 1 – CRR roadmap continued

CRR ref	High-level summary	Compliance reference
<b>CRR 454: Use of the Advanced Measurement Approaches to operational risk</b>		
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A
<b>CRR 455: Use of Internal Market Risk Models</b>		
455		
455(a)	See sub paragraphs below.	
455(a)(i)	Characteristics of the market risk models.	NWH Group no longer has positions under the internal model approach (IMA) and intends to request permission to cancel its waiver to use the IMA.
455 (a) (ii)	Methodology for all-price risk measure and incremental risk charge.	N/A
455 (a) (iii)	Descriptions of stress tests applied to the portfolios.	N/A
455 (a) (iv)	Methodology for back-testing and validating the models.	N/A
455 (b)	Scope of permission for use of the models.	N/A
455 (c)	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	Market Risk qualitative information PV1.
455 (d)	High/Low/Mean values over the year of VaR, SVaR, all-price risk measure and incremental risk charge.	N/A
455 (d) (i)		
455 (d) (ii)		
455 (d) (iii)		
455 (e)	The elements of the own fund calculation.	N/A
455 (f)	Weighted average liquidity horizons of portfolios covered by models.	N/A
455 (g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value.	N/A