



**NatWest**  
Group

# **Coutts & Company**

Two thick, horizontal orange brush strokes are positioned below the company name, adding a dynamic, hand-drawn element to the design.

**2023 Pillar 3 Report**

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## Forward-looking statement

This document may contain 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 Coutts & Co's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to Coutts & Co in respect of, but not limited to: credit risk, capital, liquidity and funding risk, non-traded market risk, compliance and conduct risk, financial crime risk, climate risk, operational risk, model risk, and reputational risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions, 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 Coutts & Co's actual results are discussed in Natwest Group plc's 2023 Annual Report and Accounts (ARA), and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and Coutts & Co does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

## Attestation statement

I confirm that the 2023 Pillar 3 Report meets the relevant requirements for Pillar 3 disclosures and has been prepared in line with internal controls agreed by the NatWest Holdings Group Board.

As set out in the Compliance report of the 2023 NatWest Group Annual Report and Accounts, the NatWest Group 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.

Siobhan Boylan

Finance Director

Executive Director, Coutts & Company Board

## Presentation of information

This document presents the consolidated Pillar 3 disclosures for Coutts & Company (Coutts & Co) at 31 December 2023. It should be read in conjunction with the 2023 NatWest Holdings Group Pillar 3 report and Coutts & Co's Annual Report & Accounts (ARA) which are published in the same location at: [investors.natwestgroup.com/reports-archive/2023](https://investors.natwestgroup.com/reports-archive/2023)

Coutts & Co is incorporated in the United Kingdom and is a subsidiary of NatWest Holdings Limited ('NWH Ltd'). NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

Based on the criteria set out in the UK CRR, NatWest Group primarily defines its large subsidiaries in scope of PRA Pillar 3 disclosures as those designated as an Other Systemically Important Institution (O-SII) by the PRA or those with total assets equal to or greater than €30 billion.

Coutts & Co being a large, non-listed subsidiary of NatWest Group is subject to a reduced number of disclosures as set out in the Level of Application chapter in the Disclosure (CRR) part of the PRA Rulebook. The required disclosures are as follows:

- Disclosure of own funds
- Disclosure of own funds requirements & risk weighted exposure amounts
- Disclosure of countercyclical capital buffers
- Disclosure of exposures to credit risk and dilution risk
- Disclosure of the use of credit risk mitigation techniques
- Disclosure of leverage ratio
- Disclosure of liquidity requirements
- Disclosure of remuneration policy

The disclosures for Coutts & Co are calculated in accordance with the UK CRR (split across primary legislation and the PRA Rulebook) and completed in accordance with the Disclosure (CRR) part of the PRA rulebook.

The liquidity disclosures completed at UK Domestic Liquidity Subgroup (UK DoLSub) level are published in the NatWest Holdings Group Pillar 3 report. The UK DoLSub waiver allows NWH Plc, RBS plc and Coutts & Co to manage liquidity as a single sub-group rather than at an entity level.

Within this document, row and column references are based on those prescribed in the PRA templates. The IFRS9-FL and TLAC2 disclosures have been prepared using the uniform format published by the EBA.

Certain fixed format disclosure tables include bespoke requirements for comparatives. Where a comparative is not prescribed, the comparative period provided is December 2022. Where applicable, comparatives have not been provided for first-time disclosures.

A subset of the Pillar 3 templates that are required to be disclosed were not applicable to Coutts & Co at 31 December 2023 and have therefore not been included in this report. Where appropriate, certain qualitative disclosures are provided in the NatWest Holdings Group Pillar 3 report. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

PRA template reference	Template name	Reasons for exclusion
UK CCR7	RWA flow statements of CCR exposures under the IMM	No reportable exposures
UK MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures
UK LIQ1	Quantitative information on LCR	Refer to the liquidity and funding disclosures in the NatWest Holdings Group Pillar 3 report
UK LIQB	Qualitative information on LCR	
UK LIQ2	Net Stable Funding Ratio	
UK LIQA	Liquidity risk management	
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
UK CQ2	Quality of forbearance	Threshold for disclosure not met
UK CQ4	Quality of non-performing exposures by geography	Threshold for disclosure not met
UK CQ6	Collateral valuation - loans and advances	Threshold for disclosure not met
UK CQ7	Collateral obtained by taking possession and execution processes	No reportable exposures
UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	No reportable exposures
UK CR10.1 to UK CR10.5	Specialised lending and equity exposures under the simple risk-weighted approach	No reportable exposures
UK CR7	IRB approach - Effect on the RWAs of credit derivatives used as CRM techniques	No reportable exposures
UK CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	No reportable exposures
UK CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Published as supplement alongside this report

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

The Pillar 3 disclosures in this report are presented in pounds sterling ('£') and have not been subject to external audit.

For definitions of terms, refer to the Glossary and Acronyms document available on [investors.natwestgroup.com/reports-archive/2023](https://investors.natwestgroup.com/reports-archive/2023)

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

## Coutts & Company - Key points

### CET1 ratio

**11.3%**

(Q3 2023 – 11.4%)

The CET1 ratio decreased by 10 basis points to 11.3% driven by a £51 million decrease in CET1 capital and a £0.3 billion decrease in RWAs. The key contributor to the CET1 movement was a foreseeable dividend of £0.1 billion, partially offset by attributable profit in the period.

### RWAs

**£10.6bn**

(Q3 2023 – £10.9bn)

Total RWAs decreased by £0.3 billion to £10.6 billion during Q4 2023, primarily reflecting decreased lending.

### UK leverage ratio

**7.4%**

(Q3 2023 – 7.8%)

The leverage ratio decreased by 40 basis points to 7.4%. The decrease was due to a £86 million decrease in Tier 1 capital partially offset by a £0.3 billion decrease in leverage exposure. The key driver in the leverage exposure was primarily a decrease in loans to customers.

## UK KM1: Key metrics

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

	31 December 2023 £m	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m
<b>Available own funds (amounts)</b>					
1 Common equity tier 1 (CET1) capital	1,199	1,250	1,235	1,253	1,260
2 Tier 1 capital	1,439	1,525	1,510	1,528	1,535
3 Total capital	1,739	1,870	1,855	1,873	1,790
<b>Risk-weighted exposure amounts</b>					
4 Total risk-weighted exposure amount	10,591	10,945	10,937	10,926	10,722
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5 Common equity tier 1 ratio (%)	11.3	11.4	11.3	11.5	11.8
6 Tier 1 ratio (%)	13.6	13.9	13.8	14.0	14.3
7 Total capital ratio (%)	16.4	17.1	17.0	17.1	16.7
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>					
UK 7a Additional CET1 SREP requirements (%)	1.5	1.4	1.4	1.4	1.4
UK 7b Additional AT1 SREP requirements (%)	0.5	0.5	0.5	0.5	0.5
UK 7c Additional Tier 2 SREP requirements (%)	0.7	0.6	0.6	0.6	0.6
UK 7d Total SREP own funds requirements (%)	10.7	10.5	10.5	10.5	10.5
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>					
8 Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9 Institution specific countercyclical capital buffer (%) (1)	1.9	1.9	1.0	1.0	1.0
11 Combined buffer requirement (%)	4.4	4.4	3.5	3.5	3.5
UK 11a Overall capital requirements (%)	15.1	14.9	14.0	14.0	14.0
12 CET1 available after meeting the total SREP own funds requirements (%) (2)	5.3	5.5	5.4	5.6	5.9
<b>Leverage ratio</b>					
13 Total exposure measure excluding claims on central banks	19,358	19,677	19,988	20,068	20,022
14 Leverage ratio excluding claims on central banks (%)	7.4	7.8	7.6	7.6	7.7
<b>Additional leverage ratio disclosure requirements (3)</b>					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
UK 14b Leverage ratio including claims on central banks (%)					
UK 14c Average leverage ratio excluding claims on central banks (%)					
UK 14d Average leverage ratio including claims on central banks (%)					
UK 14e Countercyclical leverage ratio buffer (%)					
<b>Liquidity coverage ratio (4)</b>					
15 Total high-quality liquid assets (HQLA) (weighted value-average)					
UK 16a Cash outflows - Total weighted value					
UK 16b Cash inflows - Total weighted value					
16 Total net cash outflows (adjusted value)					
17 Liquidity coverage ratio (%)					
<b>Net stable funding ratio (4)</b>					
18 Total available stable funding					
19 Total required stable funding					
20 NSFR ratio (%)					

(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. The UK CCyB rate increased from 1% to 2% from 5 July 2023.

(2) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).

(3) Coutts & Co is not an LREQ firm, therefore not subject to the additional leverage ratio disclosure requirements.

(4) Under the UK DoLS waiver Coutts & Co liquidity and funding are managed and disclosed at the sub-group level rather than entity level.

(5) The following rows are not presented in the table above because they have zero values: UK8a, UK9a, 10 and UK10a

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

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

	31 December 2023 £m	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m
<b>Available capital (amounts) - transitional</b>					
1 Common equity tier 1	<b>1,199</b>	1,250	1,235	1,253	1,260
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>1,179</b>	1,234	1,216	1,231	1,223
3 Tier 1 capital	<b>1,439</b>	1,525	1,510	1,528	1,535
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>1,419</b>	1,509	1,491	1,506	1,498
5 Total capital	<b>1,739</b>	1,870	1,855	1,873	1,790
6 Total capital as if IFRS 9 transitional arrangements had not been applied	<b>1,719</b>	1,854	1,836	1,851	1,753
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets	<b>10,591</b>	10,945	10,937	10,926	10,722
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	<b>10,571</b>	10,929	10,918	10,903	10,685
<b>Capital ratios</b>					
	%	%	%	%	%
9 Common equity tier 1 ratio	<b>11.3</b>	11.4	11.3	11.5	11.8
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>11.2</b>	11.3	11.1	11.3	11.4
11 Tier 1 ratio	<b>13.6</b>	13.9	13.8	14.0	14.3
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>13.4</b>	13.8	13.7	13.8	14.0
13 Total capital ratio	<b>16.4</b>	17.1	17.0	17.1	16.7
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	<b>16.3</b>	17.0	16.8	17.0	16.4
<b>Leverage ratio</b>					
15 Leverage ratio exposure measure (£m)	<b>19,358</b>	19,677	19,988	20,068	20,022
16 Leverage ratio (%)	<b>7.4</b>	7.8	7.6	7.6	7.7
17 Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	<b>7.3</b>	7.7	7.5	7.5	7.5



## UK OV1: Overview of risk-weighted exposure amounts

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

		Coultts & Co		
		a	b	c
		Risk-weighted exposure amounts (RWAs)	Risk-weighted exposure amounts (RWAs)	Total own funds requirements
		31 December 2023 £m	31 December 2022 £m	31 December 2023 £m
1	Credit risk (excluding counterparty credit risk)	9,420	9,665	754
2	Of which: standardised approach	9,420	9,665	754
3	Of which: the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
UK 4a	Of which: equities under the simple risk-weighted approach	-	-	-
5	Of which: the advanced IRB (AIRB) approach	-	-	-
6	Counterparty credit risk	1	6	-
7	Of which: standardised approach	1	5	-
8	Of which: internal model method (IMM)	-	-	-
UK 8a	Of which: exposures to a CCP	-	-	-
UK 8b	Of which: credit valuation adjustment (CVA)	-	-	-
9	Of which: other counterparty credit risk	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which: SEC-IRBA approach	-	-	-
18	Of which: SEC-ERBA (including IAA)	-	-	-
19	Of which: SEC-SA approach	-	-	-
UK 19a	Of which: 1,250%/deduction	-	-	-
20	Position, foreign exchange and commodities risk (market risk)	2	9	-
21	Of which: standardised approach	2	9	-
22	Of which: IMA	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk	1,168	1,043	93
UK 23a	Of which: basic indicator approach	-	-	-
UK 23b	Of which: standardised approach	1,168	1,043	93
UK 23c	Of which: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (1)	280	282	22
29	Total	10,591	10,722	847

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

## UK OVC: ICAAP information

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

# Annex VII: Capital

## UK CC1: Composition of regulatory own funds

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

		Coutts & Co	
		31 December 2023 £m	31 December 2022 £m
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
<b>CET1 capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts <i>of which: ordinary shares</i>	41 41 (a)	41 41
2	Retained earnings	1,225 (b)	1,277
3	Accumulated other comprehensive income (and other reserves)	1 (c)	1
UK-3a	Funds for general banking risk	-	-
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-
5	Minority interests (amount allowed in consolidated CET1)	-	-
UK-5a	Independently reviewed interim profits of any foreseeable charge or dividend	- (b)	-
6	CET1 capital before regulatory adjustments	1,267	1,319
<b>CET1 capital: regulatory adjustments</b>			
7	(-) Additional value adjustments	-	-
8	(-) Intangible assets (net of related tax liability)	(87) (d)	(94)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met)	- (e)	-
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(1) (i)	(1)
12	(-) Negative amounts resulting from the calculation of expected loss amounts	-	-
13	(-) Any increase in equity that results from securitised assets	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-
15	(-) Defined-benefit pension fund assets	- (f) & (g)	-
16	(-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments	-	-
17	(-) Direct, indirect and synthetic holding of the CET1 instruments of financial sector entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-
18	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (above the 10% threshold and net of eligible short positions)	-	-
19	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
UK-20b	(-) of which: qualifying holdings outside the financial sector	-	-
UK-20c	(-) of which: securitisation positions	-	-
UK-20d	(-) of which: free deliveries	-	-
21	(-) Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	-
22	(-) Amount exceeding the 17.65% threshold	-	-
23	(-) of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-

## UK CC1: Composition of regulatory own funds continued

		Coutts & Co	
		31 December 2023	31 December 2022
		£m	£m
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
<b>CET1 capital: regulatory adjustments</b>			
25	(-) of which: deferred tax assets arising from temporary differences	-	-
UK-25a	(-) Losses for the current financial period	-	-
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-
27	(-) Qualifying AT1 deductions that exceed the AT1 items of the institution	-	-
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	20	36
28	Total regulatory adjustments to CET1	(68)	(59)
29	CET1 capital	1,199	1,260
<b>AT1 capital: instruments</b>			
30	Capital instruments and the related share premium accounts	240	275
31	of which: classified as equity under applicable accounting standards	240	275
32	of which: classified as liabilities 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 as described in Article 486 (3) CRR	-	-
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	AT1 capital before regulatory adjustments	240	275
<b>AT1 capital: regulatory adjustments</b>			
37	(-) Direct, indirect and synthetic holdings by an institution of own AT1 instruments	-	-
38	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-
39	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-
40	(-) Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-	-
42	(-) Qualifying T2 deductions that exceed the T2 items of the institution	-	-
42a	Other regulatory adjustments to AT1 capital	-	-

## UK CC1: Composition of regulatory own funds continued

		Coutts & Co	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
	31 December 2023 £m		31 December 2022 £m
43	Total regulatory adjustments to AT1 capital	-	-
44	AT1 capital	240	275
45	T1 capital (T1 = CET1 + AT1)	1,439	1,535
<b>T2 capital: instruments</b>			
46	Capital instruments and the related share premium accounts	300	(j) 255
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-
47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	-
47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Credit risk adjustments	-	-
51	T2 capital before regulatory adjustments	300	255
<b>T2 capital: regulatory adjustments</b>			
52	(-)Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans	-	-
53	(-)Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-
54	(-)Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-
55	(-)Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-	-
56a	(-)Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution	-	-
56b	Other regulatory adjustments to T2 capital	-	-
57	Total regulatory adjustments to T2 capital	-	-
58	T2 capital	300	255
59	Total capital (TC = T1 + T2)	1,739	1,790
60	Total Risk exposure amount	10,591	10,722
<b>Capital ratios and buffers</b>			
61	CET1 (as a percentage of total risk exposure amount)	11.3%	11.8%
62	T1 (as a percentage of total risk exposure amount)	13.6%	14.3%
63	Total capital (as a percentage of total risk exposure amount)	16.4%	16.7%
UK-63a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	10.3%	9.4%

## UK CC1: Composition of regulatory own funds continued

		Coutts & Co	
		31 December 2023	31 December 2022
		£m	£m
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
65	of which: capital conservation buffer requirement	2.5%	2.5%
66	of which: countercyclical buffer requirement	1.9%	1.0%
67	of which: systemic risk buffer requirement	-	-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-
68	CET1 available to meet buffers (as a percentage of risk exposure amount)	5.4%	5.9%
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	110	110
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	2	3
<b>Applicable 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	118	121
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

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

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

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

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

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

	Coutts & Co		
	As at period end 31 December 2023		
	a	b	
	Balance sheet as in published financial statements as at period end	Under regulatory scope of consolidation as at period end	References
	£m	£m	
Assets			
Cash and balances at central banks	3	3	
Derivatives	23	23	
Loans to banks - amortised cost	98	98	
Loans to customers - amortised cost	18,333	18,333	
Intangible assets	87	87	(d)
Property, plant and equipment	257	257	
Current and deferred tax assets	2	2	
of which: DTAs that rely on future profitability and do not arise from temporary differences	-	-	(e)
Prepayments, accrued income and other assets	37	37	
of which: defined benefit pension fund assets	-	-	(f)
Investment in group undertakings	110	110	
Amounts due from ultimate holding company and fellow subsidiaries	36,623	36,623	(j)
Total assets	55,573	55,573	
Liabilities			
Customer deposits	37,549	37,549	
Derivatives	20	20	
Provisions, deferred income and other liabilities	143	143	
Current and deferred tax liabilities	-	-	
of which: defined benefit pension scheme assets	-	-	(g)
Amounts due to ultimate holding company and fellow subsidiaries	16,243	16,243	(j)
Total liabilities	53,955	53,955	
Shareholders' Equity			
Non-controlling interests	-	-	
Owners' equity			
Called up share capital	41	41	(a)
Reserves	1,577	1,577	
of which: amount eligible for retained earnings	1,336	1,336	(b)
of which: amount eligible for accumulated OCI and other reserves	1	1	(c) & (i)
of which: amount of other equity instruments	240	240	(h)
of which: share premium accounts	-	-	
Total shareholders' equity	1,618	1,618	

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

## TLAC 2: Creditor ranking – Entity that is not a resolution entity

The table below shows information regarding credit ranking for Coutts & Co.

		Insolvency ranking							
		Preference shares and contingent capital				Senior			
		Shareholders equity		notes		Subordinated debt		non-preferential debt	
		Resolution	Other	Resolution	Other	Resolution	Other	Resolution	Other
		entity		entity		entity		entity	
		£m	£m	£m	£m	£m	£m	£m	£m
<b>Coutts &amp; Co</b>									
<b>31 December 2023</b>									
3	Total liabilities and own funds	1,378	-	240	-	300	-	562	-
4	o/w excluded liabilities	-	-	-	-	-	-	-	-
5	Total liabilities and own funds less excluded liabilities	1,378	-	240	-	300	-	562	-
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	1,378	-	240	-	300	-	562	-
7	o/w residual maturity ≥ 1 year < 2 years	-	-	-	-	-	-	260	-
8	o/w residual maturity ≥ 2 year < 5 years	-	-	-	-	-	-	-	-
9	o/w residual maturity ≥ 5 years < 10 years	-	-	-	-	-	-	302	-
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	300	-	-	-
11	o/w perpetual securities	1,378	-	240	-	-	-	-	-

		Insolvency ranking							
		Preference shares and contingent capital				Senior			
		Shareholders equity		notes		Subordinated debt		non-preferential debt	
		Resolution	Other	Resolution	Other	Resolution	Other	Resolution	Other
		entity		entity		entity		entity	
		£m	£m	£m	£m	£m	£m	£m	£m
<b>Coutts &amp; Co</b>									
<b>31 December 2022</b>									
3	Total liabilities and own funds	1,325	-	275	-	266	-	617	-
4	o/w excluded liabilities	-	-	-	-	-	-	-	-
5	Total liabilities and own funds less excluded liabilities	1,325	-	275	-	266	-	617	-
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	1,325	-	275	-	266	-	617	-
7	o/w residual maturity ≥ 1 year < 2 years	-	-	-	-	-	-	50	-
8	o/w residual maturity ≥ 2 year < 5 years	-	-	-	-	221	-	260	-
9	o/w residual maturity ≥ 5 years < 10 years	-	-	-	-	45	-	307	-
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-	-	-	-
11	o/w perpetual securities	1,325	-	275	-	-	-	-	-

(1) Amounts shown include balances indirectly due to resolution entity (NWG plc) through NWB Plc, a wholly owned subsidiary of NWH Limited (NWH Ltd is a wholly-owned subsidiary of NWG Plc).

## Annex IX: Countercyclical capital buffers

### UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical 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 Coutts & Co's total exposures and own funds requirements based on country of economic operation of the customer. Where applicable, a countercyclical capital buffer rate is applied to the own funds requirement for the geographic region to capture an additional countercyclical requirement. General credit and trading book exposures exclude those with central governments/banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions. The exposures below therefore differ from those presented in the credit and counterparty credit risk sections.

Coutts & Co														
	a	b	c	d	e	f	g	h	i	j	k	l	m	
	Relevant credit exposures -													
	General credit exposures				Own fund requirements									
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate	
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	
010 Breakdown by country (with existing CCyB rates)														
Norway	—	—	—	—	—	—	1	—	—	1	—	—	2.50%	
Denmark	—	—	—	—	—	—	—	—	—	—	—	—	2.50%	
United Kingdom	18,042	—	—	—	—	18,042	717	—	—	717	8,967	95.32%	2.00%	
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—	2.00%	
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	—	2.00%	
Sweden	—	—	—	—	—	—	—	—	—	—	—	—	2.00%	
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.50%	
Slovakia	—	—	—	—	—	—	—	—	—	—	—	—	1.50%	
Ireland	14	—	—	—	—	14	1	—	—	1	14	0.15%	1.00%	
Australia	1	—	—	—	—	1	—	—	—	—	1	0.01%	1.00%	
Hong Kong	1	—	—	—	—	1	—	—	—	—	1	0.01%	1.00%	
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	1.00%	
Croatia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%	
Lithuania	—	—	—	—	—	—	—	—	—	—	—	—	1.00%	
Romania	—	—	—	—	—	—	—	—	—	—	—	—	1.00%	
Germany	—	—	—	—	—	—	—	—	—	—	—	—	0.75%	
Cyprus	—	—	—	—	—	—	—	—	—	—	—	—	0.50%	
France	—	—	—	—	—	—	—	—	—	—	—	—	0.50%	
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	0.50%	
Slovenia	—	—	—	—	—	—	—	—	—	—	—	—	0.50%	
Total (countries with existing CCyB rates)	18,058	—	—	—	—	18,058	719	—	—	719	8,983	95.48%		



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

		Coutts & Co													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
		Relevant credit exposures -													
		General credit exposures		Market risk		Own fund requirements									
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate	
31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)															
Jersey		263	—	—	—	—	263	20	—	—	20	253	2.69%		
Virgin Island		138	—	—	—	—	138	10	—	—	10	122	1.29%		
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)		401	—	—	—	—	401	30	—	—	30	375	3.98%		
Total (rest of the world with zero CCyB rate and below 1% requirement)		61	—	—	—	—	61	4	—	—	4	50	0.53%		
020	Total	18,520	—	—	—	—	18,520	753	—	—	753	9,408	100.00%		

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

Coutts & Co													
	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -												
	General credit exposures		Market risk		Own fund requirements								
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
010 Breakdown by country (with existing CCyB rates)													
Norway	-	-	-	-	-	-	-	-	-	-	-	-	2.00%
Denmark	-	-	-	-	-	-	-	-	-	-	-	-	2.00%
Czech Republic	-	-	-	-	-	-	-	-	-	-	-	-	1.50%
Great Britain	18,592	-	-	-	-	18,592	739	-	-	739	9,234	95.64%	1.00%
Hong Kong	2	-	-	-	-	2	-	-	-	-	2	0.02%	1.00%
Sweden	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Slovakia	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Romania	-	-	-	-	-	-	-	-	-	-	-	-	0.50%
Luxembourg	-	-	-	-	-	-	-	-	-	-	-	-	0.50%
Total (countries with existing CCyB rates)	18,594	-	-	-	-	18,594	739	-	-	739	9,236	95.66%	
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
Jersey	212	-	-	-	-	212	16	-	-	16	201	2.08%	
Virgin Island	191	-	-	-	-	191	12	-	-	12	145	1.51%	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)	403	-	-	-	-	403	28	-	-	28	346	3.58%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	88	-	-	-	-	88	5	-	-	5	73	0.76%	
020 Total	19,085	-	-	-	-	19,085	772	-	-	772	9,655	100.00%	

## UK CCyB2: Amount of institution-specific countercyclical capital buffer

		Coutts & Co	
		31 December	31 December
		2023	2022
		£m	£m
1	Total risk exposure amount	10,591	10,722
2	Institution specific countercyclical capital buffer rate	1.91%	0.96%
3	Institution specific countercyclical capital buffer requirement (1)	202	103

(1) The Financial Policy Committee increased the UK CCyB rate from 1% to 2% effective from 5 July 2023. The rate may vary in either direction in the future depending on how risks develop.

## Annex XI: Leverage

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

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

		Coutts & Co	
		31 December 2023	31 December 2022
		£m	£m
1	Total assets as per published financial statements	55,573	54,270
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for exemption of exposures to central banks)	(3)	(3)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (1) of Article 429a(1) of the CRR)	-	-
6	(Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting)	-	-
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustment for derivative financial instruments	22	36
9	Adjustment for securities financing transactions (SFTs)	-	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	648	1,067
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital (leverage))	(1)	(1)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(36,779)	(35,244)
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-	-
12	Other adjustments	(102)	(103)
13	Total exposure measure	19,358	20,022

## UK LR2 - LRCom: Leverage ratio common disclosure

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

		Coutts & Co	
		31 December 2023	31 December 2022
		£m	£m
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	55,516	54,189
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital (leverage))	(68)	(59)
7	Total on-balance sheet exposures (excluding derivatives, and SFTs)	55,448	54,130
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	31	51
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for PFE associated with SA-CCR derivatives transactions	15	22
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
UK-9b	Exposure determined under the original exposure method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures	46	73
<b>Securities financing transaction (SFT) exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-	-
UK-17	Agent transaction exposures	-	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-	-
18	Total securities financing transaction exposures	-	-
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	3,612	4,435
20	(Adjustments for conversion to credit equivalent amounts)	(2,965)	(3,368)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	(1)	(1)
22	Off-balance sheet exposures	646	1,066

## UK LR2 - LRCom: Leverage ratio common disclosure continued

		Coutts & Co	
		31 December 2022 £m	31 December 2022 £m
<b>Excluded exposures</b>			
UK-22a (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)		(36,779)	(35,244)
UK-22b (Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off-balance sheet))		-	-
UK-22g (Excluded excess collateral deposited at triparty agents)		-	-
UK-22k (Total exempted exposures)		(36,779)	(35,244)
<b>Capital and total exposure measure</b>			
23 Tier 1 capital (leverage)		1,439	1,535
24 Total exposure measure including claims on central banks		19,361	20,025
UK-24a (-) Claims on central banks excluded		(3)	(3)
UK-24b Total exposure measure excluding claims on central banks		19,358	20,022
<b>Leverage ratio</b>			
25 Leverage ratio excluding claims on central banks (%)		7.4	7.7
UK-25a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)		7.3	7.5
UK-25b Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains comprehensive income had not been applied (%) and losses measured at fair value through other		7.4	7.7
UK-25c Leverage ratio including claims on central banks (%)		7.4	7.7
26 Regulatory minimum leverage ratio requirement (%) (1)			
<b>Additional leverage ratio disclosure requirements - leverage ratio buffers (1)</b>			
27 Leverage ratio buffer (%)			
UK-27a Of which: G-SII or O-SII additional leverage ratio buffer (%)			
UK-27b Of which: countercyclical leverage ratio buffer (%)			
<b>Additional leverage ratio disclosure requirements - disclosure of mean values (1)</b>			
28 Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and receivable netted of amounts of associated cash payables and cash			
29 Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and receivable netted of amounts of associated cash payables and cash			
UK-31 Average total exposure measure excluding claims on central banks			
UK-32 Average total exposure measure including claims on central banks			
UK-33 Average leverage ratio excluding claims on central banks			
UK-34 Average leverage ratio including claims on central banks			

(1) Coutts & Co is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.

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

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

		Coutts & Co	
		31 December 2023 £m	31 December 2022 £m
UK-1	Total on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	<b>18,805</b>	19,387
UK-2	Trading book exposures	-	-
UK-3	Banking book exposures, of which:	<b>18,805</b>	19,387
UK-4	Covered bonds	-	-
UK-5	Exposures treated as sovereigns	<b>62</b>	66
UK-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	-	-
UK-7	Institutions	<b>39</b>	30
UK-8	Secured by mortgages of immovable properties	<b>15,624</b>	15,823
UK-9	Retail exposures	<b>1,006</b>	1,109
UK-10	Corporate	<b>1,414</b>	1,722
UK-11	Exposures in default	<b>253</b>	262
UK-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	<b>407</b>	375

## UK LRA: Disclosure of LR qualitative information

### Processes used to manage the risk of excessive leverage

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

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

The leverage ratio as at 31 December 2023 is 7.4%. The ratio decreased by 30 basis points in the period since 31 December 2022. The key driver is a £0.1 billion decrease in Tier 1 capital, partially offset by a £0.7 billion decrease in leverage exposure. The key driver in the leverage exposure was a decrease in loans to customers.

## Annex XV: Credit risk quality

### UK CQ1: Credit quality of forborne exposures

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

		Coutts & Co							
		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
		Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures		
31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	166	69	69	64	(5)	(9)	215	60
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	149	39	39	34	(5)	(7)	171	32
070	Households	17	30	30	30	-	(2)	44	28
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	5	1	1	1	-	-	1	-
100	Total	171	70	70	65	(5)	(9)	216	60



## UK CQ1: Credit quality of forborne exposures continued

		Coutts & Co							
		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
		Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures		
31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	158	49	49	24	(3)	(7)	196	42
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	157	31	31	18	(3)	(5)	179	26
070	Households	1	18	18	6	-	(2)	17	16
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	158	49	49	24	(3)	(7)	196	42

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

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

		Coutts & Co											
		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: Defaulted	
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
005	Cash balances at central banks and other demand deposits	785	785	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	54,061	54,016	45	289	93	85	40	21	27	12	11	289
020	Central banks	63	63	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	35,730	35,730	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	166	166	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	3,700	3,673	27	73	44	14	4	8	3	-	-	73
070	Of which: SMEs	2,767	2,740	27	71	43	13	4	8	3	-	-	71
080	Households	14,402	14,384	18	216	49	71	36	13	24	12	11	216
090	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	3,602			10								9
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	220			1								1
200	Non-financial corporations	398			6								6
210	Households	2,984			3								2
220	Total	58,448	54,801	45	299	93	85	40	21	27	12	11	298

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

Coutts & Co												
	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures				Non- Performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: Defaulted
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	474	474	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	52,989	52,962	27	304	111	80	34	28	35	8	8	303
020 Central banks	66	66	-	-	-	-	-	-	-	-	-	-
030 General governments	-	-	-	-	-	-	-	-	-	-	-	-
040 Credit institutions	34,011	34,011	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	242	242	-	-	-	-	-	-	-	-	-	-
060 Non-financial corporations	3,502	3,486	16	54	43	3	4	3	1	-	-	54
070 Of which: SMEs	2,673	2,657	16	52	43	3	2	3	1	-	-	52
080 Households	15,168	15,157	11	250	68	77	30	25	34	8	8	249
090 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	-	-	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	4,409			26								26
160 Central banks	-			-								-
170 General governments	-			-								-
180 Credit institutions	8			-								-
190 Other financial corporations	1,039			-								-
200 Non-financial corporations	373			23								23
210 Households	2,989			3								3
220 Total	57,872	53,436	27	330	111	80	34	28	35	8	8	329

## UK CQ5: Credit quality of loans and advances by industry

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

Coutts & Co						
	a	b	c	d	e	f
	Gross carrying amount	Of which: non-performing	Of which: defaulted	Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
31 December 2023	£m	£m	£m	£m	£m	£m
010 Agriculture, forestry and fishing	534	1	1	534	(4)	-
020 Mining and quarrying	-	-	-	-	-	-
030 Manufacturing	19	5	5	19	(1)	-
040 Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050 Water supply	2	-	-	2	-	-
060 Construction	61	4	4	61	(4)	-
070 Wholesale and retail trade	91	1	1	91	(1)	-
080 Transport and storage	3	-	-	3	-	-
090 Accommodation and food service activities	601	18	18	601	(12)	-
100 Information and communication	161	5	5	161	(2)	-
110 Financial and insurance activities	5	1	1	5	-	-
120 Real estate activities	1,749	17	17	1,749	(14)	-
130 Professional, scientific and technical activities	111	3	3	111	(2)	-
140 Administrative and support service activities	24	2	2	24	(1)	-
150 Public administration and defence, compulsory social security	-	-	-	-	-	-
160 Education	7	-	-	7	-	-
170 Human health services and social work activities	307	14	14	307	(5)	-
180 Arts, entertainment and recreation	28	2	2	28	(1)	-
190 Other services	70	-	-	70	(1)	-
200 Total	3,773	73	73	3,773	(48)	-

Coutts & Co						
	a	b	c	d	e	f
	Gross carrying amount	Of which: non-performing	Of which: defaulted	Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
31 December 2022	£m	£m	£m	£m	£m	£m
010 Agriculture, forestry and fishing	484	5	5	484	(3)	-
020 Mining and quarrying	-	-	-	-	-	-
030 Manufacturing	26	1	1	26	(1)	-
040 Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050 Water supply	1	-	-	1	-	-
060 Construction	62	4	4	62	(1)	-
070 Wholesale and retail trade	49	2	2	49	(1)	-
080 Transport and storage	1	-	-	1	-	-
090 Accommodation and food service activities	592	14	14	592	(10)	-
100 Information and communication	131	1	1	131	(2)	-
110 Financial and insurance activities	5	-	-	5	-	-
120 Real estate activities	1,642	10	10	1,642	(10)	-
130 Professional, scientific and technical activities	120	4	4	120	(1)	-
140 Administrative and support service activities	32	1	1	32	(1)	-
150 Public administration and defence, compulsory social security	-	-	-	-	-	-
160 Education	9	-	-	9	-	-
170 Human health services and social work activities	281	10	10	281	(3)	-
180 Arts, entertainment and recreation	51	1	1	51	(1)	-
190 Other services	70	1	1	70	(1)	-
200 Total	3,556	54	54	3,556	(35)	-

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

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

		Coutts & Co														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantee received		
		Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3	Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>31 December 2023</b>																
005	Cash balances at central banks and other demand deposits	785	785	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	54,061	53,189	872	289	33	247	(64)	(46)	(18)	(33)	(1)	(32)	-	16,933	251
020	Central banks	63	63	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	35,730	35,730	-	-	-	-	(26)	(26)	-	-	-	-	-	-	-
050	Other financial corporations	166	166	-	-	-	-	-	-	-	-	-	-	-	12	-
060	Non-financial corporations	3,700	3,091	609	73	16	56	(33)	(17)	(16)	(15)	(1)	(14)	-	3,398	57
070	Of which: SMEs	2,767	2,240	527	71	16	55	(27)	(13)	(14)	(14)	(1)	(13)	-	2,592	54
080	Households	14,402	14,139	263	216	17	191	(5)	(3)	(2)	(18)	-	(18)	-	13,523	194
090	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	3,602	3,431	171	10	6	2	(1)	-	(1)	-	-	-		2,116	7
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	220	212	8	1	-	1	-	-	-	-	-	-		12	-
200	Non-financial corporations	398	362	36	6	5	1	(1)	-	(1)	-	-	-		115	6
210	Households	2,984	2,857	127	3	1	-	-	-	-	-	-	-		1,989	1
220	Total	58,448	57,405	1,043	299	39	249	(65)	(46)	(19)	(33)	(1)	(32)	-	19,049	258

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

		Coutts & Co														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantees received		
		Of which:	Of which:		Of which:	Of which:		Of which:	Of which:		Of which:	Of which:		Accumulated partial write-off	On performing exposures	On non-performing exposures
		Total	Stage 1	Stage 2	Total	Stage 2	Stage 3	Total	Stage 1	Stage 2	Total	Stage 2	Stage 3	£m	£m	£m
31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	474	474	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	52,989	52,222	767	304	28	230	(72)	(59)	(13)	(24)	-	(24)	-	17,062	264
020	Central banks	66	66	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	34,011	34,011	-	-	-	-	(37)	(37)	-	-	-	-	-	-	-
050	Other financial corporations	242	241	1	-	-	-	-	-	-	-	-	-	-	21	-
060	Non-financial corporations	3,502	2,932	570	54	12	35	(26)	(15)	(11)	(9)	-	(9)	-	3,218	44
070	Of which: SMEs	2,673	2,147	525	52	12	33	(23)	(12)	(11)	(8)	-	(8)	-	2,503	42
080	Households	15,168	14,972	196	250	16	195	(9)	(7)	(2)	(15)	-	(15)	-	13,823	220
090	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	4,409	4,275	134	26	1	23	-	-	-	-	-	-		1,984	8
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180	Credit institutions	8	8	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	1,039	1,032	7	-	-	-	-	-	-	-	-	-		16	-
200	Non-financial corporations	373	265	108	23	1	22	-	-	-	-	-	-		119	7
210	Households	2,989	2,970	19	3	-	1	-	-	-	-	-	-		1,849	1
220	Total	57,872	56,971	901	330	29	253	(72)	(59)	(13)	(24)	-	(24)	-	19,046	272

(1) The gross NPL ratio for Coutts and Co is 0.53% (31 December 2022 - 0.57%). Cash balances at central banks and other demand deposits were excluded from the ratio calculation.

## UK CR1-A: Maturity of exposures

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

		Coutts & Co				
		a	b	c	d	e
		Net exposure value				
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity
		£m	£m	£m	£m	£m
<b>31 December 2023</b>						
1	Loans and advances	974	23,524	19,276	10,479	-
2	Debt securities	-	-	-	-	-
3	<b>Total</b>	<b>974</b>	<b>23,524</b>	<b>19,276</b>	<b>10,479</b>	<b>-</b>
						<b>54,253</b>

		Coutts & Co				
		a	b	c	d	e
		Net exposure value				
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity
		£m	£m	£m	£m	£m
<b>31 December 2022</b>						
1	Loans and advances	1,105	21,515	20,050	10,527	-
2	Debt securities	-	-	-	-	-
3	<b>Total</b>	<b>1,105</b>	<b>21,515</b>	<b>20,050</b>	<b>10,527</b>	<b>-</b>
						<b>53,197</b>

(1) Cash balances at central banks and other demand deposits are excluded.

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

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

		Coutts & Co
		a
		Gross carrying amount
		£m
010	Initial stock of non-performing loans and advances at 1 January 2023	304
020	Inflows to non-performing portfolios	301
030	Outflows from non-performing portfolios	(316)
040	Outflows due to write-offs	(2)
050	Outflow due to other situations	(314)
060	Final stock of non-performing loans and advances at 31 December 2023	289

(1) Outflow due to other situations in the table above primarily includes outflow due to loan repayment and transfer to performing portfolio.

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

### Commercial Banking approach

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

### Impairment, provisioning and write-offs

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

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

#### Model build:

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

#### Model application:

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

### IFRS 9 ECL model design principles

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

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

- **Unbiased** – material regulatory conservatism has been removed from IFRS 9 parameters to produce unbiased estimates.
- **Point-in-time** – IFRS 9 parameters reflect actual economic conditions at the reporting date instead of long-run average or downturn conditions.
- **Economic forecasts** – IFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflect forward-looking economic conditions.

IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the PD over the remaining lifetime at the reporting date) and the equivalent lifetime PD as determined at the date of initial recognition.

For assets originated before IFRS 9 was introduced, comparable lifetime origination PDs did not exist. These have been retrospectively created using the relevant model inputs applicable at initial recognition.

#### PD estimates

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

#### LGD estimates

The general approach for the IFRS 9 LGD models is to leverage corresponding Basel IRB models with bespoke adjustments to ensure estimates are unbiased and, where relevant, forward-looking.

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

#### EAD estimates

##### Commercial

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

No explicit forward-looking information is incorporated, on the basis of analysis showing the temporal variation in CCFs is mainly attributable to changes in exposure management practices rather than economic conditions.



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

### Governance and post model adjustments

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

- **Economic uncertainty** – ECL adjustments primarily arising from uncertainties associated with increased inflation and cost of living risks as well as supply chain disruption, along with the residual effect of COVID-19 and government support schemes. In all cases, management judged that additional ECL was required until further credit performance data became available as the full effects of these issues matures.
- **Other adjustments** – ECL adjustments where it was judged that the modelled ECL required to be amended.

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

### Significant increase in credit risk (SICR)

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

The framework comprises the following elements:

- **IFRS 9 lifetime PD assessment (the primary driver)** – in Commercial modelled portfolios, the assessment is based on the relative deterioration in forward-looking lifetime PD and is assessed monthly. To assess whether credit deterioration has occurred, the residual lifetime PD at balance sheet date (which PD is established at date of initial recognition) is compared to the current PD. If the current lifetime PD exceeds the residual origination PD by more than a threshold amount, deterioration is assumed to have occurred and the exposure transferred into Stage 2 for a lifetime loss assessment. A doubling of PD would indicate a SICR subject to a minimum PD uplift of 0.1%.
- **Qualitative high-risk backstops** – the PD assessment is complemented with the use of qualitative high-risk backstops to further inform whether significant deterioration in lifetime risk of default has occurred. The qualitative high-risk backstop assessment includes the use of the mandatory 30+ days past due backstop, as prescribed by IFRS 9 guidance, and other features such as forbearance support, Commercial exposures managed within the Risk of Credit Loss framework, and adverse credit bureau results for Retail customers.

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

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

### Retail IFRS 9 calculation

Coutts Retail good book assets are standardised for the purposes of Basel capital and as such do not have systematically modelled PDs, EADs and LGDs. Therefore, for IFRS 9 provisioning they have bespoke treatments both for: i) to enable the calculation of the expected credit loss (ECL) provisioning requirement, and ii) the purposes of the identification of a significant increase in credit risk (SICR).

With respect to the calculation of ECL for good book assets (Stage 1 and Stage 2), benchmark PDs, EADs and LGDs are sourced from the NatWest Group Private core modelled book. This portfolio has been identified as the portfolio most similar in profile to the Retail Coutts book, reflective of higher net worth customers in the NatWest Group portfolio, which is also consistent with the ongoing approach used by Enterprise-Wide Risk for their Bank of England stress testing activity.

For the purposes of SICR, no PD deterioration assessment is possible due to the unavailability of bespoke PDs. SICR is therefore based purely on backstop triggers covering days past due, forbearance, and an internal credit risk assessment watchlist flag.

Ongoing governance of the above approach is managed via the quarterly Metrics Oversight Committee (MOC) which is attended by key stakeholders across Finance, Credit Risk, and the Coutts Business.

The IFRS 9 PD, EAD and LGD models upon which benchmarks are sourced are governed by the Model Risk Policy and framework, that stipulates periodic model monitoring and re-validation and also defines the required approval procedures and authorities in line with model materiality.

## Annex XVII: Credit risk mitigation

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

The table below shows net carrying values of credit risk exposures analysed by use of different credit risk mitigation techniques as recognised under the applicable accounting framework regardless of whether these techniques are recognised under CRR. Counterparty credit risk exposures are excluded.

		Coutts & Co				
		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount	Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
		£m	£m	£m	£m	£m
<b>31 December 2023</b>						
1	Loans and advances	<b>37,764</b>	<b>17,274</b>	<b>17,081</b>	<b>103</b>	-
2	Debt securities	-	-	-	-	-
3	Total	<b>37,764</b>	<b>17,274</b>	<b>17,081</b>	<b>103</b>	-
4	<i>Of which: non-performing exposures</i>	<b>4</b>	<b>252</b>	<b>236</b>	<b>15</b>	-
5	<i>Of which: defaulted</i>	<b>4</b>	<b>251</b>	<b>236</b>	<b>15</b>	-

		Coutts & Co				
		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount	Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
		£m	£m	£m	£m	£m
<b>31 December 2022</b>						
1	Loans and advances	35,828	17,843	17,143	183	-
2	Debt securities	-	-	-	-	-
3	Total	35,828	17,843	17,143	183	-
4	<i>Of which: non-performing exposures</i>	11	269	254	10	-
5	<i>Of which: defaulted</i>	11	269	254	10	-

## UK CRC: Qualitative disclosure requirements related to CRM techniques

### Credit risk mitigation

Credit risk mitigation (CRM) is defined as the use of collateral or guarantees to reduce potential loss if a client fails to settle all or part of its obligations to Coutts & Co. 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.

Coutts & Co uses a number of credit risk mitigation approaches. These differ for Commercial and Retail clients.

Mitigation techniques, as set out in the appropriate credit risk toolkits and transactional acceptance standards, are used in the management of credit portfolios across Coutts & Co. These techniques mitigate credit concentrations in relation to an individual client, a borrower group or a collection of related borrowers. Where possible, client 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 Coutts & Co 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. Coutts & Co 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.

### Commercial

Coutts & Co mitigates credit risk relating to Commercial clients 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 Coutts & Co can identify, locate, and segregate them from other assets on which it does not have a claim. Coutts & Co 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 Coutts & Co's counterparties by their own clients. Valuation takes into account the quality of the counterparty's receivable management processes and excludes any that are past due.

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

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

For CRE valuations, Coutts & Co has an actively managed panel of chartered surveying firms that cover the spectrum of geography and property sectors in which Coutts & Co takes collateral. Suitable Royal Institution of Chartered Surveyors (RICS) registered valuers for particular assets are contracted through a service agreement to ensure consistency of quality and advice. Valuations are generally commissioned when an asset is taken as security; a material increase in a facility is requested; or a default event is anticipated or has occurred.

### Retail

Coutts & Co takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. Coutts & Co values residential property individually during the loan underwriting process, either by obtaining an appraisal by a suitably qualified appraiser (for example, RICS) or using a statistically valid model. In both cases, a sample of the valuation outputs are periodically reviewed by an independent RICS qualified appraiser. Coutts & Co updates residential property values quarterly using Office for National Statistics House Price indices.

# Annex XIX: Credit risk – standardised approach

## UK CR4: Standardised approach – Credit risk exposure and CRM effects

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

Coutts & Co						
Exposure classes	a	b	c	d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance sheet £m	Off-balance sheet £m	On-balance sheet £m	Off-balance sheet £m	RWA £m	RWA density %
<b>31 December 2023</b>						
1 Central governments or central banks	66	-	174	-	6	3
2 Regional governments or local authorities	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	36,505	-	36,505	-	8	-
7 Corporates	1,573	770	1,119	110	899	73
8 Retail	1,049	1,616	917	26	509	54
9 Secured by mortgages on immovable property	15,679	1,217	15,553	127	7,161	46
10 Exposures in default	259	9	241	1	250	103
11 Items associated with particularly high risk	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	110	-	110	-	274	250
16 Other items	316	-	316	-	313	99
17 Total	55,557	3,612	54,935	264	9,420	17

Coutts & Co						
Exposure classes	a	b	c	d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance sheet £m	Off-balance sheet £m	On-balance sheet £m	Off-balance sheet £m	RWA £m	RWA density %
<b>31 December 2022</b>						
1 Central governments or central banks	69	-	258	-	8	3
2 Regional governments or local authorities	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	34,890	-	34,890	-	6	-
7 Corporates	1,974	1,601	1,311	83	1,003	72
8 Retail	1,167	1,587	993	35	620	60
9 Secured by mortgages on immovable property	15,863	1,213	15,782	170	7,151	45
10 Exposures in default	266	26	240	1	250	104
11 Items associated with particularly high risk	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	110	-	110	-	274	250
16 Other items	356	-	356	-	353	99
17 Total	54,695	4,427	53,940	289	9,665	18

## Annex XXXIII: Remuneration

This section contains disclosures which are required in accordance with UK regulatory requirements and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. They also take into account the European Banking Authority (EBA) guidelines on sound remuneration policies. It should be read in conjunction with the Directors' Remuneration Report starting on page 127 of the NatWest Group 2023 ARA.

### UK REM A - Remuneration policy for all colleagues

The remuneration policy supports the business strategy and is designed to promote the long-term success of NatWest Group. It aims to reward the delivery of good performance provided this is achieved in a manner consistent with NatWest Group values and within acceptable risk parameters.

The remuneration policy applies the same principles to everyone, including Material Risk Takers (MRTs), with some minor adjustments where necessary to comply with 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. Certain junior roles are not eligible for an annual bonus. Annual bonus is offered to our more senior colleagues, including MRTs, the executive directors and members and attendees of NatWest Group's senior executive committees, as it is appropriate for them to have some variable pay at risk if performance is not at the required level.

#### Operation

The annual bonus pool is based on a balanced scorecard of measures including financial, customer, people and culture, climate, financial capability and enterprise. 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. Performance goals and remuneration are set according to the priorities of the control area, not the targets of the businesses they support. The Group Chief Risk Officer and the Group Chief Audit Executive have the authority to escalate matters to Board level if management do not respond appropriately.

Independent control functions exist for the main legal entities outside the ring fence (NWM Plc and RBS International). Multiple 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. NatWest Group has operated a variable pay cap of one times fixed pay since the regulations came into force in 2014. However, following the removal of the variable pay cap for UK banks, we have increased our normal maximum variable to fixed pay ratio to 2:1, although this is expected to be used on a gradual and targeted basis. We do not anticipate making any immediate changes to our existing construct. No changes are being made to the Executive Directors whose remuneration will be determined based on the terms of our Policy, approved at the 2022 Annual General Meeting.

For awards made in respect of the 2023 performance year, immediate cash awards continue to be limited to a maximum of £2,000. In line with regulatory requirements, for MRTs, 40% of awards under £500,000 will be deferred over four, five or seven years. This rises to 60% for awards over £500,000, and awards granted to the directors of significant UK firms. For MRTs, a minimum of 50% of any variable pay is delivered in shares and a 12-month retention period applies to the shares after vesting.

The deferral period is four years for standard MRTs and Risk Manager MRTs who meet the 'non-higher paid' condition. It rises to five years for 'higher paid' Risk Manager MRTs, FCA Senior Management Functions (SMF), and PRA SMFs who meet the 'non-higher paid' condition; and to seven years for 'higher paid' PRA SMF roles. All awards are subject to malus and clawback provisions.

## UK REM A - Remuneration policy for all colleagues continued

Guaranteed awards may only be granted for new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to first year of service. NatWest Group does not offer sign-on awards. Retention awards are only used in truly exceptional circumstances such as major restructuring and where the individual is a 'flight risk' and is viewed as critical to the successful operation of the business or delivery of a business critical project. Whilst no performance conditions are attached to retention awards, the colleague must continue to deliver to the standard expectations of conduct, behaviour and minimum performance levels prior to the award vesting.

Severance payments and/or arrangements can be made to colleagues who leave NatWest Group in certain situations, including redundancy. Such payments are calculated by a pre-determined formula set out within the relevant social plans, policies, agreements or local laws. Where local laws require, there is a cap on the maximum amount that can be paid.

### Restricted Share Plan (RSP) awards

The purpose and operation of RSP awards is explained in detail in the Directors' Remuneration Report. NatWest Group provides executive directors and certain members of NatWest Group's senior executive committees with RSP awards which are delivered entirely in shares. Any awards made are subject to a performance assessment prior to grant and a further assessment against underpin criteria prior to vesting.

### Sharing in Success awards

The purpose and operation of the Sharing in Success awards is explained in detail in the Directors' Remuneration Report. Our new Sharing in Success scheme for all employees (individuals eligible to participate and who remain employed by the Group on the award date), is intended to recognise One Bank behaviours, drive a performance culture with purpose-led outcomes and further align colleagues with our strategic direction. For 2023, we measured success based on financial performance, our approach to risk, helping our customers thrive, living up to our climate commitments and delivering value for shareholders. All colleagues are eligible to receive a Sharing in Success award, and these awards are delivered entirely in shares.

### Shareholding requirements

The requirements promote long-term alignment between senior executives and shareholders.

#### Operation

Executive directors and certain members of NatWest Group's senior executive committees are required to build up and hold a shareholding equivalent to a percentage of salary. There is a restriction on the number of shares that individuals can sell until this requirement is met.

### Company share plans

The purpose is to provide an easy way for individuals to hold shares in NatWest Group plc, which helps to encourage financial capability and long-term thinking and provides a direct involvement in NatWest Group's performance.

#### Operation

Colleagues in certain jurisdictions are offered the opportunity to contribute from salary and acquire shares in NatWest Group plc through company share plans. This includes Sharesave and the Buy As You Earn plan in the UK. Any shares held are not subject to performance conditions.

### Criteria for identifying MRTs

The EBA, as well as the PRA Rulebook and FCA Handbook have issued criteria for identifying MRT roles, which includes those staff whose activities have a material influence over NatWest Group's performance or risk profile. These criteria are both qualitative (based on the nature of the role) and quantitative (based on the amount a colleague is paid).

In 2023, MRTs were identified for 12 legal entities (including at parent, holding company and consolidated levels) within NatWest Group. The MRT criteria are applied for each of these entities, and consequently many MRTs are identified in relation to more than one entity.

The qualitative criteria can be summarised as: staff within the management body; senior management; other staff with key functional or managerial responsibilities including for risk management; and staff who individually, or as part of a Committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels.

The quantitative criteria are: individuals earning £660,000 or more in the previous year; individuals earning less than £660,000 in the previous year, but more than a threshold set at the higher of £440,000 or the average total earnings of the management body and senior management for the relevant legal entity and who can impact the risk profile of a material business unit; and individuals in the top 0.3% of earners of the relevant legal entity for the previous year. Although quantitative criteria are stated in GBP above, the criteria for European entities is applied based on local currency equivalent. In addition to the qualitative and quantitative criteria, NatWest Group has applied its own minimum standards to identify roles that are considered to have a material influence over its risk profile.

### Personal hedging strategies

The conditions attached to discretionary share-based awards prohibit the use of any personal hedging strategies to lessen the impact of a reduction in the value of such awards. Recipients explicitly acknowledge and accept these conditions when any share-based awards are granted.

### Risk in the remuneration process

NatWest Group's approach to remuneration promotes effective risk management through having a clear distinction between fixed remuneration (which reflects the role undertaken by an individual) and variable remuneration (which is directly linked to performance and can be risk-adjusted). Fixed pay is set at an appropriate level to discourage excessive risk-taking and which would allow NatWest Group to pay zero variable pay.

We achieve focus on risk through clear inclusion of risk in performance goals, performance reviews, the determination of variable pay pools, incentive plan design and the application of malus and clawback. The Group Performance and Remuneration Committee (RemCo) is supported in this by the Group Board Risk Committee (BRC) and the Risk function, as well as independent oversight by the Internal Audit function.



We use a robust process to assess risk performance, including how risk has been managed against the appetite levels agreed by the Board. We consider a range of measures, specifically: capital; earnings stability; liquidity and funding risk; credit risk; market risk; pension risk; compliance & conduct risk; financial crime; model risk; climate risk; operational risk and reputational risk. We also consider our overall risk culture.

Remuneration arrangements are in line with regulatory requirements and we fully disclose and discuss the steps taken to ensure appropriate and thorough risk adjustment with the PRA and the FCA.

## Variable pay determination

For the 2023 performance year, NatWest Group operated a robust control function-led multi-step process to assess performance and determine the appropriate bonus pool by business area and function. At multiple points throughout the process, we made reference to Group-wide business performance (from both affordability and appropriateness perspectives).

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

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, shareholder alignment and capital and liquidity adequacy, the CEO will make a final recommendation to the RemCo, informed by all the previous steps and their strategic view of the business. The RemCo will then make an independent decision on the final bonus pool taking all of these earlier steps into account.

The assessment process for RSP awards to executive directors and other eligible senior executives uses our internal ratings scale to determine whether satisfactory performance has been delivered in the year prior to grant. A further assessment of performance against underpin criteria including risk considerations takes place before vesting.

## Remuneration and culture

NatWest Group continues to assess conduct and its impact on remuneration as part of the annual Group-wide bonus pool process and also via the accountability review framework. Many colleagues receive fixed pay only, which provides them with greater security and allows them to fully focus on the needs of the customer. The RemCo will continue to review workforce remuneration and the alignment of incentives and reward with culture.

The governance of culture is clearly laid out. Senior management function roles have clearly defined accountabilities which are taken into account in their performance and pay decisions. The Board and Sustainable Banking Committee also play essential roles in 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 failure of risk management, material error or employee misbehaviour 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. 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 2023 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.

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

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 313 individuals who have been identified as MRTs for Coutts & Company (Coutts & Co).

We have excluded 248 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 NatWest Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at [natwestgroup.com](https://natwestgroup.com). Note the numbers in the tables all agree to the underlying source data, but when presented to two decimal places and aggregated, this can result in small rounding differences.

Following the publication of the updated EBA Guidelines on Remuneration Benchmarking in June 2022, in order to ensure consistency across remuneration disclosures, we continue to exclude from the total number of MRTs, colleagues who left the Group prior to year end (but their remuneration remains within the pay values reported); and all severance payments made to MRTs are now included in the variable remuneration value disclosed, even when some or all of that severance does not count towards the calculation of the ratio of fixed to variable pay.

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 6 times in 2023.

### UK REM1 and UK REM5 - Total remuneration awarded to MRTs for the financial year

	Coutts NEDs	Coutts EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area			Total
					Control functions	Corporate functions	Wealth	
<b>Fixed remuneration</b>								
Total number of MRTs	4	3	16	42				65
Other senior management - split by business area					2	9	5	16
Other MRTs - split by business area					24	11	7	42
	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.39	2.17	4.67	4.48	2.71	3.44	3.00	11.71
Cash-based	0.39	1.92	4.67	4.48	2.71	3.44	3.00	11.46
Share-based	-	0.25	-	-	-	-	-	0.25
Other instruments or forms	-	-	-	-	-	-	-	-
<b>Variable remuneration</b>								
Total number of MRTs	-	2	16	36				54
Other senior management - split by business area					2	9	5	16
Other MRTs - split by business area					24	5	7	36
Total variable remuneration of MRTs	-	0.75	2.63	1.01	0.55	1.74	1.35	4.40
Cash-based	-	0.50	1.51	0.70	0.44	1.08	0.69	2.71
Of which: deferred cash	-	0.11	0.45	0.11	0.04	0.26	0.26	0.67
Share-based (annual bonus)	-	0.25	1.12	0.31	0.11	0.66	0.66	1.69
Of which: deferred shares	-	0.11	0.45	0.11	0.04	0.26	0.26	0.67
Share-based (RSP awards)	-	-	-	-	-	-	-	-
Of which: deferred shares	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
<b>Total remuneration of MRTs</b>	<b>0.39</b>	<b>2.92</b>	<b>7.30</b>	<b>5.50</b>	<b>3.27</b>	<b>5.18</b>	<b>4.35</b>	<b>16.11</b>

(1) The breakdown by business areas required in template UK REM5 has been combined with UK REM1 above, as permitted under regulatory guidance for the templates.

(2) Fixed remuneration consists of salaries, allowances, pension and benefit funding.

(3) Variable remuneration consists of a combination of annual bonus and RSP awards, deferred over a four to seven year period in accordance with regulatory requirements; and (where applicable) severance payments. Under the NatWest Group bonus deferral structure, immediate cash awards are limited to £2,000 per person, with a further payment of cash and shares within Year 0.

(4) RSP awards vest subject to the extent to which performance conditions are met and can result in zero payment.



**UK REMA - Derogations**

The regulations allow some flexibility not to apply certain requirements that would normally apply to MRTs where an individual's annual variable remuneration does not exceed £44,000 and does not represent more than one third of the individual's total annual remuneration (derogations permitted under point (b) of Article 94(3) of CRD V). We have used this flexibility to disapply MRT rules relating to deferral and delivery of awards in shares for 32 MRTs in respect of performance year 2023. Total remuneration for these individuals in 2023 was £3.97 million, of which £3.42 million was fixed pay and £0.55 million was variable pay.

**UK REMA - Ratio between fixed and variable remuneration**

The variable component of total remuneration for MRTs at NatWest Group may be awarded up to 100% of the fixed component (except where local jurisdictions permit a higher or apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2023 was approximately 1 to 0.33. The majority of MRTs were based in the UK.

**UK REM2 - 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	-	-	1	1
	£m	£m	£m	£m
Total amount	-	-	0.25	0.15
<i>Of which: paid during the financial year that are not taken into account in the bonus cap</i>	-	-	-	-
<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	-	1	1	-
	£m	£m	£m	£m
Total amount	-	0.25	0.29	-
<i>Of which: paid during the financial year</i>	-	0.25	0.29	-
<i>Of which: deferred</i>	-	-	-	-
<i>Of which: paid during the financial year that are not taken into account in the bonus cap</i>	-	-	-	-
<i>Of which: highest payment that has been awarded to a single person</i>	-	0.25	0.29	-

(1) This table reports details of new hire guarantees and severance. The disclosures do not include buy-outs or retention bonuses (where these have been granted).

(2) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

**UK REM3 - Outstanding deferred remuneration**

The table below includes deferred remuneration awarded or paid out in 2023 relating to prior performance years.

	Total amount of deferred remuneration awarded for previous performance periods	Of which: due to vest in the financial year	Of which: vesting in subsequent financial years	Amount of performance adjustment to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment to deferred remuneration due to vest in future financial years	Total amount of adjustment during the financial year due to ex post implicit adjustments (2)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention
Deferred and retained remuneration	£m	£m	£m	£m	£m	£m	£m	£m
<b>Coutts NEDs - No deferred or retained remuneration held</b>								
<b>Coutts EDs</b>								
Cash-based	0.12	0.02	0.11	-	-	-	0.02	-
Shares or equivalent interests	2.54	0.35	2.19	-	-	(0.56)	0.35	0.30
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
<b>Other senior management</b>								
Cash-based	0.48	0.08	0.31	-	-	-	0.08	-
Shares or equivalent interests	1.73	0.67	0.95	-	-	(0.39)	0.67	0.60
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
<b>Other MRTs</b>								
Cash-based	0.09	0.02	0.07	-	-	-	0.02	-
Shares or equivalent interests	0.13	0.05	0.08	-	-	(0.03)	0.05	0.02
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
<b>Total amount</b>	<b>5.09</b>	<b>1.19</b>	<b>3.71</b>	<b>-</b>	<b>-</b>	<b>(0.97)</b>	<b>1.19</b>	<b>0.92</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.

(2) I.e. Changes of value of deferred remuneration due to the changes of prices of instruments.

**UK REM4 - Total remuneration by band for all colleagues earning >€1 million**

Total remuneration by band for employees earning >€1 million for 2023	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 €2.5 million	-
€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 (including severance, where applicable).

(2) Where applicable, the table is based on an average exchange rate of €1.1499313 to £1 for 2023.