



**NatWest**  
Group

# **National Westminster Bank Plc**



**2023 Pillar 3 Report**

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## Forward-looking statements

This document may include forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements 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 NWB Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWB Group in respect of, but not limited to: its economic and political risks, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of NatWest Group's strategy, its climate and sustainability related targets, its access to adequate sources of liquidity and funding, increasing competition from incumbents, challengers and new entrants and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, and NWB Group's exposure to, operational risk, conduct risk, cyber, data and IT risk, financial crime risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), 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, and general economic and political conditions and the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or the NWB Group's actual results are discussed in the NWB Plc's 2023 Annual Report and Accounts (ARA). The forward-looking statements contained in this document speak only as of the date of this document and NWB Plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

## Attestation statement

We confirm that the 2023 Pillar 3 Report meets the relevant requirements for Pillar 3 disclosures and has been prepared in line with the internal control agreed by the NatWest Holding 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.

The 2023 Pillar 3 Report was approved by the NatWest Holdings Group Board on 15 February 2024.

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

Keiran Foad  
Group Chief Risk Officer  
Member, Executive Committee

## Presentation of information

This document presents the Pillar 3 disclosures for National Westminster Bank Plc (NWB Plc) as at 31 December 2023. It should be read in conjunction with the 2022 NatWest Holdings Group Pillar 3 report and NWB Plc's 2022 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)

NWB Plc is incorporated in the United Kingdom and is a wholly-owned 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 for 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.

NWB Plc, being a large, 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 NWB Plc 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 NWB 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 uniform format published by the EBA.

Certain fixed-format disclosure tables include bespoke requirements for comparatives. Where the requirements do not prescribe a particular comparative, the comparative selected is 31 December 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 NWB Plc 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 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 CR10.3	Specialised Lending: Object Finance (Slotting approach)	No reportable exposures
UK CR10.4	Specialised Lending: Commodities Finance (Slotting approach)	No reportable exposures
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK 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

## Key points

### CET1 ratio

**11.6%**

(Q3 2023 – 12.2%)

CET1 ratio decreased by 60 basis points to 11.6% at 31 December 2023, compared with 12.2% at 30 September 2023. The decrease is primarily due to a £4.0 billion increase in RWAs and a £0.2 billion decrease in CET1 capital. The decrease in CET1 capital was driven by an attributable profit of £1.0 billion offset by foreseeable charges, an increase in intangible assets deduction, and other movements on reserves and regulatory adjustments.

### RWAs

**£121.7bn**

(Q3 2023 – £117.7bn)

Total RWAs increased by £3.9 billion to £121.7 billion primarily reflecting an increase in credit risk RWAs driven by an increase in IRB Temporary Model Adjustment related to mortgages within Retail Banking as well as increased exposures within Commercial & Institutional and an increase in bonds held within Group Treasury.

### UK leverage ratio

**4.5%**

(Q3 2023 – 4.6%)

The leverage ratio decreased by 10 basis points to 4.5% at 31 December, compared with 4.6% at 30 September 2023 due to a £0.2 billion decrease in Tier 1 capital and a £2.5 billion decrease in leverage exposure. The key drivers of the decrease in leverage exposure were net central bank items, derivatives and regulatory deductions. These decreases were partially offset by an increase in other financial assets.

### UK average leverage ratio

**4.5%**

(Q3 2023 – 4.4%)

The average leverage ratio increased by 10 basis points to 4.5%. There was a £0.4 billion increase in 3 month average Tier 1 capital and a £3.0 billion decrease in average leverage exposure. The key drivers in the average leverage exposure were a decrease in net central bank items and UK core exclusion. These decreases were partially offset by an increase in other financial assets and derivatives.

## UK KM1: Key metrics template

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

	31 December 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	14,082	14,320	13,609	13,640	12,713
2 Tier 1 capital	16,360	16,563	15,852	15,883	14,956
3 Total capital	19,798	20,011	19,235	19,343	17,877
<b>Risk-weighted exposure amounts</b>					
4 Total risk-weighted exposure amount	121,740	117,745	116,811	116,122	112,428
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5 Common equity tier 1 ratio (%)	11.6	12.2	11.7	11.7	11.3
6 Tier 1 ratio (%)	13.4	14.1	13.6	13.7	13.3
7 Total capital ratio (%)	16.3	17.0	16.5	16.7	15.9
<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 (%)	0.6	0.5	0.5	0.5	0.5
UK 7c Additional Tier 2 SREP requirements (%)	0.7	0.7	0.7	0.7	0.7
UK 7d Total SREP own funds requirements (%)	10.8	10.6	10.6	10.6	10.6
<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)	1.8	1.8	0.9	0.9	0.9
11 Combined buffer requirement (%)	4.3	4.3	3.4	3.4	3.4
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)	5.4	6.3	5.8	5.8	5.4
<b>Leverage ratio</b>					
13.0 Total exposure measure excluding claims on central banks	359,897	362,422	363,052	349,719	341,308
14 Leverage ratio excluding claims on central banks (%)	4.5	4.6	4.4	4.5	4.4
<b>Additional leverage ratio disclosure requirements (3)</b>					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.5	4.5	4.3	4.5	
UK 14b Leverage ratio including claims on central banks (%)	4.0	4.1	3.9	4.1	
UK 14c Average leverage ratio excluding claims on central banks (%)	4.5	4.4	4.4	4.5	
UK 14d Average leverage ratio including claims on central banks (%)	4.1	4.0	4.0	4.0	
UK 14e Countercyclical leverage ratio buffer (%) (1)	0.6	0.6	0.3	0.3	
<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. The countercyclical leverage ratio buffer is set at 35% of NWB Plc CCyB.

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

(3) From 1 January 2023, NWB Plc is subject to additional disclosure requirements for LREQ firms therefore 2022 comparatives are not available.

(4) Under the UK DoLSub waiver NWB plc liquidity is managed and disclosed at the sub-group level rather entity level.

(5) The following rows are not presented in the table above because they are not applicable: 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. NWB Plc 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	14,082	14,320	13,609	13,640	12,713
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	13,913	14,145	13,441	13,466	12,432
3 Tier 1 capital	16,360	16,563	15,852	15,883	14,956
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	16,191	16,388	15,684	15,709	14,675
5 Total capital	19,798	20,011	19,235	19,343	17,877
6 Total capital as if IFRS 9 transitional arrangements had not been applied	19,830	20,049	19,267	19,368	17,830
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets	121,740	117,745	116,811	116,122	112,428
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	121,716	117,723	116,787	116,094	112,380
<b>Capital ratios</b>					
	%	%	%	%	%
9 Common equity tier 1 ratio	11.6	12.2	11.7	11.7	11.3
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	11.4	12.0	11.5	11.6	11.1
11 Tier 1 ratio	13.4	14.1	13.6	13.7	13.3
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	13.3	13.9	13.4	13.5	13.1
13 Total capital ratio	16.3	17.0	16.5	16.7	15.9
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	16.3	17.0	16.5	16.7	15.9
<b>Leverage ratio</b>					
15 Leverage ratio exposure measure (£m)	359,897	362,422	363,052	349,719	341,308
16 Leverage ratio (%)	4.5	4.6	4.4	4.5	4.4
17 Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.5	4.5	4.3	4.5	4.3



## 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.

		NWB Plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		31 December 2023	30 September 2023	31 December 2023
		£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	105,860	101,880	8,468
2	Of which: standardised approach	11,219	11,489	897
3	Of which: the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	9,106	8,362	729
UK 4a	Of which: equities under the simple risk-weighted approach	-	-	-
5	Of which: the advanced IRB (AIRB) approach	85,535	82,029	6,842
5a	Of which: non-credit obligation assets	3,034	2,963	243
6	Counterparty credit risk	713	757	57
7	Of which: standardised approach	138	236	11
8	Of which: internal model method (IMM)	-	-	-
UK 8a	Of which: exposures to a CCP	65	59	5
UK 8b	Of which: credit valuation adjustment (CVA)	69	120	6
9	Of which: other counterparty credit risk	441	342	35
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	836	772	67
17	Of which: SEC-IRBA approach	514	544	41
18	Of which: SEC-ERBA (including IAA)	59	14	5
19	Of which: SEC-SA approach	263	214	21
UK 19a	Of which: 1,250%/deduction	-	-	-
20	Position, foreign exchange and commodities risk (market risk)	12	17	1
21	Of which: standardised approach	12	17	1
22	Of which: IMA	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk	14,319	14,319	1,146
UK 23a	Of which: basic indicator approach	-	-	-
UK 23b	Of which: standardised approach	14,319	14,319	1,146
UK 23c	Of which: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (1)	4,743	4,940	379
29	Total	121,740	117,745	9,739

(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.

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

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

		NWB Plc
		a
		RWAs £m
1	<b>At 31 December 2022</b>	<b>83,005</b>
2	Asset size	2,664
3	Asset quality	(303)
4	Model updates	(120)
7	Foreign exchange movements	(227)
9	<b>At 31 March 2023</b>	<b>85,019</b>
2	Asset size	1,119
3	Asset quality	(714)
4	Model updates	792
5	Methodology and policy	450
7	Foreign exchange movements	(167)
8	Other	(1,438)
9	<b>At 30 June 2023</b>	<b>85,061</b>
2	Asset size	1,687
3	Asset quality	(283)
4	Model updates	702
7	Foreign exchange movements	260
9	<b>At 30 September 2023</b>	<b>87,427</b>
2	Asset size	2,716
3	Asset quality	(19)
4	Model updates	1,684
7	Foreign exchange movements	(202)
9	<b>At 31 December 2023</b>	<b>91,606</b>

(1) The following row is not presented because it had zero values: (6) acquisitions and disposals.

### Q4 2023

- The increase in asset size RWAs primarily relates to drawdowns and new facilities within Commercial & Institutional. There was also an increase in bonds held within Group Treasury and a rise in lending within Retail Banking.
- The increase in RWAs relating to model updates was primarily due to an increase in IRB temporary model adjustments related to mortgages within Retail Banking.
- The decrease in foreign exchange movement RWAs was mainly a result of sterling strengthening against the US dollar and euro during the period.

## Annex VII: Capital

### UK CC1: Composition of regulatory own funds

The table below shows 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.

		NWB Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022
		31 December 2023 £m	£m
<b>CET1 capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts <i>of which: ordinary shares</i> <i>of which: share premium</i>	<b>3,903</b> <b>1,678</b> <b>2,225</b>	3,903 1,678 2,225
2	Retained earnings	<b>10,486</b>	10,226
3	Accumulated other comprehensive income (and other reserves)	<b>149</b>	331
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 net of any foreseeable charge or dividend	<b>1,714</b>	-
6	CET1 capital before regulatory adjustments	<b>16,252</b>	14,460
<b>CET1 capital: regulatory adjustments</b>			
7	(-) Additional value adjustments	<b>(41)</b>	(20)
8	(-) Intangible assets (net of related tax liability)	<b>(1,698)</b>	(1,458)
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)	<b>(332)</b>	(421)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	<b>601</b>	393
12	(-) Negative amounts resulting from the calculation of expected loss amounts	-	(86)
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	-	-
16	(-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments	-	-
17	(-) Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-
18	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	-	-
19	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	<b>(869)</b>	(430)
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	<i>(-) of which: qualifying holdings outside the financial sector</i>	-	-
UK-20c	<i>(-) of which: securitisation positions</i>	-	-
UK-20d	<i>(-) of which: free deliveries</i>	-	-
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)	-	-

## UK CC1: Composition of regulatory own funds continued

		NWB Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022
		31 December 2023 £m	£m
<b>CET1 capital: regulatory adjustments</b>			
22	(-) Amount exceeding the 17.65% threshold	-	-
23	(-) of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-
25	(-) of which: deferred tax assets arising from temporary differences	(b)	-
UK-25a	(-) Losses for the current financial year	-	-
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items in so far as such tax charges reduce the amount up to which those items may be used to cover risks or losses	-	-
27	(-) Qualifying AT1 deductions that exceed the AT1 items of the institution	-	-
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	169	275
28	Total regulatory adjustments to CET1	(2,170)	(1,747)
29	CET1 capital	14,082	12,713
<b>AT1 capital: instruments</b>			
30	Capital instruments and the related share premium accounts	2,518	2,518
31	of which: classified as equity under applicable accounting standards	2,518	2,518
32	of which: classified as liabilities under applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	-
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	AT1 capital before regulatory adjustments	2,518	2,518
<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)	(240)	(275)
42	(-) Qualifying T2 deductions that exceed the T2 items of the institution	-	-
42a	Other regulatory adjustments to AT1 capital	-	-
43	Total regulatory adjustments to AT1 capital	(240)	(275)
44	AT1 capital	2,278	2,243
45	T1 capital (T1 = CET1 + AT1)	16,360	14,956

## UK CC1: Composition of regulatory own funds continued

		NWB Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
31 December 2023	31 December 2022		
£m	£m		
<b>T2 capital: instruments</b>			
46	Capital instruments and the related share premium accounts	3,704	(j) 3,188
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	(j) -
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	-
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Credit risk adjustments	36	-
51	T2 capital before regulatory adjustments	3,740	3,188
<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)	(302)	(267)
UK-56a	(-) Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution	-	-
UK-56b	Other regulatory adjustments to T2 capital	-	-
57	Total regulatory adjustments to T2 capital	(302)	(267)
58	T2 capital	3,438	2,921
59	Total capital (TC = T1 + T2)	19,798	17,877
60	Total risk exposure amount	121,740	112,428
<b>Capital ratios and buffers</b>			
61	CET1 (as a percentage of total risk exposure amount)	11.6%	11.3%
62	T1 (as a percentage of total risk exposure amount)	13.4%	13.3%
63	Total capital (as a percentage of total risk exposure amount)	16.3%	15.9%
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%	9.3%
65	of which: capital conservation buffer requirement	2.5%	2.5%
66	of which: counter cyclical buffer requirement	1.8%	0.9%
67	of which: systemic risk buffer requirement	-	-
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-
68	CET1 available to meet buffers (as a percentage of risk exposure amount) (1)	5.4%	5.4%

## UK CC1: Composition of regulatory own funds continued

		NWB Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022
		31 December 2023 £m	£m
<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)	2	2
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	1,497	1,314
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)	400	530
<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	140	161
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	36	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	573	516
<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	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

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

(2) The references (a) to (k) 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.

NWB Plc			
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	
	£m	£m	References
<b>Assets</b>			
Cash and balances at central banks	48,238	48,238	
Derivatives	3,213	3,213	
Loans to banks - amortised cost	3,043	3,043	
Loans to customers - amortised cost	284,314	284,314	
Other financial assets	31,092	31,092	
Property, plant and equipment	2,021	2,021	
Current and deferred tax assets	966	966	
<i>of which: DTAs that rely on future profitability and do not arise from temporary differences</i>	332	332	(e)
Prepayments, accrued income and other assets	2,748	2,748	(d)
<i>of which: defined benefit pension fund assets</i>	-	-	(f)
Investment in group undertakings	2,615	2,615	
Amounts due from holding companies and fellow subsidiaries	33,499	33,499	
<b>Total assets</b>	<b>411,749</b>	<b>411,749</b>	
<b>Liabilities</b>			
Bank deposits	18,052	18,052	
Customer deposits	276,202	276,202	
Derivatives	2,014	2,014	
Other financial liabilities	8,147	8,147	(j)
Provisions, deferred income and other liabilities	2,488	2,488	
Current and deferred tax liabilities	46	46	
<i>of which: defined benefit pension scheme assets</i>	-	-	(g)
Subordinated liabilities	119	119	(j)
Notes in circulation	806	806	
Amounts due to holding companies and fellow subsidiaries	84,174	84,174	(j)
<b>Total liabilities</b>	<b>392,048</b>	<b>392,048</b>	
<b>Shareholders' Equity</b>			
Non-controlling interests	-	-	
Owners' equity			
Called up share capital	1,678	1,678	(a)
Reserves	18,023	18,023	
<i>of which: amount eligible for retained earnings</i>	13,131	13,131	(b)
<i>of which: amount eligible for accumulated OCI and other reserves</i>	149	149	(c) & (i)
<i>of which: amount of other equity instruments</i>	2,518	2,518	(h)
<i>of which: share premium accounts</i>	2,225	2,225	(k)
<b>Total shareholders' equity</b>	<b>19,701</b>	<b>19,701</b>	

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

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

The table below shows information regarding credit ranking for NWB Plc.

		NWB Plc								
		Insolvency ranking								
		Preference shares and contingent capital								Total £m
		Shareholders equity		notes		Subordinated debt		Senior non-preferential debt		
		Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	
31 December 2023										
3	Total liabilities and own funds	17,183	-	2,518	-	3,704	116	6,879	-	30,400
4	o/w excluded liabilities	-	-	-	-	-	116	-	-	116
5	Total liabilities and own funds less excluded liabilities	17,183	-	2,518	-	3,704	-	6,879	-	30,284
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	17,183	-	2,518	-	3,704	-	6,879	-	30,284
7	o/w residual maturity ≥ 1 year < 2 years	-	-	-	-	-	-	1,177	-	1,177
8	o/w residual maturity ≥ 2 year < 5 years	-	-	-	-	-	-	2,396	-	2,396
9	o/w residual maturity ≥ 5 years < 10 years	-	-	-	-	3,096	-	3,306	-	6,402
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	608	-	-	-	608
11	o/w perpetual securities	17,183	-	2,518	-	-	-	-	-	19,701

		NWB Plc								
		Insolvency ranking								
		Preference shares and contingent capital				Senior				
		Shareholders equity		notes		Subordinated debt		non-preferential debt		
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2022										
3	Total liabilities and own funds	15,725	-	2,518	-	3,188	147	6,911	-	28,489
4	o/w excluded liabilities	-	-	-	-	-	147	-	-	147
5	Total liabilities and own funds less excluded liabilities	15,725	-	2,518	-	3,188	-	6,911	-	28,342
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	15,725	-	2,518	-	3,188	-	6,911	-	28,342
7	o/w residual maturity ≥ 1 year < 2 years	-	-	-	-	-	-	166	-	166
8	o/w residual maturity ≥ 2 year < 5 years	-	-	-	-	-	-	2,492	-	2,492
9	o/w residual maturity ≥ 5 years < 10 years	-	-	-	-	2,488	-	4,253	-	6,741
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-	-	-	-	-
11	o/w perpetual securities	15,725	-	2,518	-	700	-	-	-	18,943

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

	NWB Plc												
	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 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	%	%
<b>Breakdown by country (with existing CCyB rates)</b>													
Norway	107	213	-	-	-	320	18	-	-	18	221	0.22%	2.50%
Denmark	-	120	-	-	-	120	4	-	-	4	56	0.05%	2.50%
United Kingdom	19,603	281,913	-	-	4,430	305,946	7,121	-	61	7,182	89,774	88.77%	2.00%
Sweden	541	864	-	-	-	1,405	87	-	-	87	1,085	1.07%	2.00%
Czech Republic	-	2	-	-	-	2	-	-	-	-	-	-	2.00%
Bulgaria	-	2	-	-	-	2	-	-	-	-	-	-	2.00%
Iceland	-	-	-	-	-	-	-	-	-	-	-	-	2.00%
Estonia	-	-	-	-	-	-	-	-	-	-	-	-	1.50%
Slovakia	-	1	-	-	-	1	-	-	-	-	-	-	1.50%
Netherlands	324	1,203	-	-	72	1,599	73	-	1	74	925	0.91%	1.00%
Ireland	52	1,075	-	-	-	1,127	53	-	-	53	657	0.65%	1.00%
Australia	5	132	-	-	-	137	4	-	-	4	45	0.04%	1.00%
Hong Kong	-	63	-	-	2	65	1	-	-	1	16	0.02%	1.00%
Romania	-	1	-	-	-	1	-	-	-	-	-	-	1.00%
Lithuania	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Croatia	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Germany	51	1,835	-	-	258	2,144	94	-	2	96	1,221	1.21%	0.75%
France	46	1,811	-	-	175	2,032	53	-	1	54	675	0.67%	0.50%
Luxembourg	27	177	-	-	-	204	12	-	-	12	147	0.15%	0.50%
Cyprus	-	8	-	-	-	8	-	-	-	-	1	-	0.50%
<b>Total (countries with existing CCyB rates)</b>	<b>20,756</b>	<b>289,420</b>	<b>-</b>	<b>-</b>	<b>4,937</b>	<b>315,113</b>	<b>7,520</b>	<b>-</b>	<b>65</b>	<b>7,585</b>	<b>94,823</b>	<b>93.76%</b>	

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

	NWB Plc												
	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	%	%
Total (rest of the world with zero CCyB rate and below 1% requirement)													
United States	133	7,560	-	-	13	7,706	265	-	-	265	3,316	3.28%	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)	133	7,560	-	-	13	7,706	265	-	-	265	3,316	3.28%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	763	4,480	-	-	24	5,267	239	-	2	241	2,997	2.96%	-
Total	21,652	301,460	-	-	4,974	328,086	8,024	-	67	8,091	101,136	100%	

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

	NWB Plc													
	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	Securitisations Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit risk exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	
31 December 2022														
Breakdown by country (with existing CCyB rates)														
Norway	171	509	-	-	-	680	21	-	-	21	257	0	2.00%	
Denmark	-	96	-	-	-	96	2	-	-	2	27	0	2.00%	
Iceland	-	-	-	-	-	-	-	-	-	-	-	-	2.00%	
Czech Republic	-	-	-	-	-	-	-	-	-	-	-	-	1.50%	
Great Britain	20,708	277,361	-	-	1,412	299,481	6,458	-	14	6,472	80,899	1	1.00%	
Sweden	510	739	-	-	-	1,249	75	-	-	75	935	0	1.00%	
Hong Kong	-	57	-	-	-	57	1	-	-	1	15	0	1.00%	
Slovakia	-	1	-	-	-	1	-	-	-	-	-	-	1.00%	
Estonia	-	-	-	-	-	-	-	-	-	-	-	-	1.00%	
Bulgaria	-	-	-	-	-	-	-	-	-	-	-	-	1.00%	
Luxembourg	55	490	-	-	-	545	27	-	-	27	337	0.36%	0.05%	
Romania	-	2	-	-	-	2	-	-	-	-	-	-	0.05%	
Total (countries with existing CCyB rates)	21,444	279,255	-	-	1,412	302,111	6,584	-	-	-	82,470	89.22%		

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

NWB Plc													
a	b	c	d	e	f	g	h	i	j	k	l	m	
Relevant credit exposures -													
General credit exposures		Market risk		Securitisation		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	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	
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	
<b>31 December 2022</b>													
Total (rest of the world with zero CCyB rate and below 1% requirement)													
US	51	6,772	-	-	-	6,823	240	-	-	240	3,004	3.25%	
Germany	62	1,698	-	-	-	1,760	89	-	-	89	1,113	1.21%	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)													
	113	8,470	-	-	-	8,538	329	-	-	329	4,118	4.45%	
Total (rest of the world with zero CCyB rate and below 1% requirement)													
	1,174	8,352	-	-	107	9,633	467	-	1	468	5,845	6.32%	
<b>Total</b>	<b>22,731</b>	<b>296,077</b>	<b>-</b>	<b>-</b>	<b>1,519</b>	<b>320,327</b>	<b>7,380</b>	<b>-</b>	<b>15</b>	<b>7,395</b>	<b>92,432</b>	<b>100%</b>	

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

	NWB Plc
	31 December
	2023
	£m
1 Total risk exposure amount	121,740
2 Institution specific countercyclical capital buffer	1.83%
3 Institution specific countercyclical capital buffer requirement (1)	2,231

	NWB Plc
	31 December
	2022
	£m
1 Total risk exposure amount	112,428
2 Institution specific countercyclical capital buffer	0.89%
3 Institution specific countercyclical capital buffer requirement (1)	1,005

(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.

		NWB Plc	
		31 December 2023 £m	31 December 2022 £m
1	Total assets as per published financial statements	411,749	401,747
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)	(47,297)	(62,228)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (1) of Article 429a(1) of the CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(4)	(2)
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustment for derivative financial instruments	(1,675)	(1,621)
9	Adjustment for securities financing transactions (SFTs)	383	2,391
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	29,664	29,621
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(72)	(133)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(26,753)	(22,080)
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	(6,098)	(6,387)
13	Total exposure measure	359,897	341,308

## 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.

		NWB Plc	
		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)	379,293	373,593
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)	(3,460)	(3,695)
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))	(3,011)	(2,022)
7	Total on-balance sheet exposures (excluding derivatives, and SFTs)	372,822	367,876
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation)	3,461	4,812
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	1,537	1,692
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	4,998	6,504
<b>Securities financing transaction (SFT) exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	34,682	23,341
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(8,570)	(4,090)
16	Counterparty credit risk exposure for SFT assets	383	2,391
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	26,495	21,642
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	91,128	94,608
20	(Adjustments for conversion to credit equivalent amounts)	(61,464)	(64,987)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	(32)	(27)
22	Off-balance sheet exposures	29,632	29,594

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

		NWB Plc	
		31 December 2023 £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)		(26,753)	(22,080)
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)		(26,753)	(22,080)
<b>Capital and total exposure measure</b>			
23 Tier 1 capital (leverage)		16,360	14,956
24 Total exposure measure including claims on central banks		407,194	403,536
UK-24a (-) Claims on central banks excluded		(47,297)	(62,228)
UK-24b Total exposure measure excluding claims on central banks		359,897	341,308
<b>Leverage ratio</b>			
25 Leverage ratio excluding claims on central banks (%)		4.5	4.4
UK-25a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)		4.5	4.3
UK-25b Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)		4.5	4.4
UK-25c Leverage ratio including claims on central banks (%)		4.0	3.7
26 Regulatory minimum leverage ratio requirement (%) <sup>(1)</sup>		3.25	
<b>Additional leverage ratio disclosure requirements - leverage ratio buffers (1)</b>			
27 Leverage ratio buffer (%)		0.6	
UK-27a Of which: G-SII or O-SII additional leverage ratio buffer (%)		-	
UK-27b Of which: countercyclical leverage ratio buffer (%)		0.6	
<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 netted of amounts of associated cash payables and cash receivable		26,335	
29 Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		26,112	
UK-31 Average total exposure measure excluding claims on central banks		364,826	
UK-32 Average total exposure measure including claims on central banks		404,702	
UK-33 Average leverage ratio excluding claims on central banks		4.5	
UK-34 Average leverage ratio including claims on central banks		4.1	

(1) As of 1 January 2023, NWB Plc is subject to additional disclosure requirements for LREQ firms for averaging and the countercyclical leverage ratio buffer.



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

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

		NWB Plc	
		31 December 2023 £m	31 December 2022 £m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	<b>299,291</b>	284,248
UK-2	Trading book exposures	-	-
UK-3	Banking book exposures, of which:	<b>299,291</b>	284,248
UK-4	Covered bonds	<b>5,495</b>	4,568
UK-5	Exposures treated as sovereigns	<b>17,803</b>	18,718
UK-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	<b>5,410</b>	3,435
UK-7	Institutions	<b>3,527</b>	4,966
UK-8	Secured by mortgages of immovable properties	<b>196,522</b>	190,209
UK-9	Retail exposures	<b>16,069</b>	13,848
UK-10	Corporate	<b>44,862</b>	39,300
UK-11	Exposures in default	<b>3,914</b>	3,201
UK-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	<b>5,689</b>	6,003

## 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 4.5%. The leverage ratio increased by 10 points compared with 31 December 2022. The increase was due to a £1.4 billion increase in Tier 1 capital partially offset by an £18.6 billion increase in leverage exposure. The key driver in the leverage exposure was an increase in other financial assets partially offset by a decrease in net central bank items.

## 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.

		NWB Plc							
		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		
		£m	£m	£m	£m	£m	£m	£m	£m
31 December 2023									
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	2,640	1,459	1,350	1,369	(91)	(358)	2,545	940
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	14	22	22	22	-	(2)	34	20
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	125	2	2	2	(3)	(2)	39	-
060	Non-financial corporations	1,887	592	554	555	(79)	(197)	1,250	279
070	Households	614	843	772	790	(9)	(157)	1,222	641
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	457	69	61	61	(1)	-	102	20
100	Total	3,097	1,528	1,411	1,430	(92)	(358)	2,647	960

## UK CQ1: Credit quality of forborne exposures continued

		NWB Plc							
		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		
		£m	£m	£m	£m	£m	£m	£m	£m
31 December 2022									
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	2,714	1,143	1,049	1,057	(105)	(301)	2,386	688
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	23	-	-	-	-	-	23	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	21	28	28	28	(1)	(13)	9	2
060	Non-financial corporations	2,285	455	421	423	(94)	(168)	1,573	170
070	Households	385	660	600	606	(10)	(120)	781	516
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	414	104	40	41	(1)	(1)	163	8
100	Total	3,128	1,247	1,089	1,098	(106)	(302)	2,549	696

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

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

NWB Plc												
	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures				Non-performing exposures							
	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted	
	£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	49,519	49,519	-	-	-	-	-	-	-	-	-	-
1 Loans and advances	316,455	316,044	411	4,178	2,085	442	505	524	503	85	34	3,937
2 Central banks	1,112	1,112	-	-	-	-	-	-	-	-	-	-
3 General governments	2,328	2,323	5	22	22	-	-	-	-	-	-	22
4 Credit institutions	17,251	17,251	-	-	-	-	-	-	-	-	-	-
5 Other financial corporations	44,230	44,229	1	11	6	2	1	1	1	-	-	10
6 Non-financial corporations	58,418	58,263	155	1,291	801	36	76	158	156	40	24	1,241
7 Of which: SMEs	12,995	12,882	113	598	195	31	70	123	149	12	18	574
8 Households	193,116	192,866	250	2,854	1,256	404	428	365	346	45	10	2,664
9 Debt securities	31,207	31,207	-	-	-	-	-	-	-	-	-	-
10 Central banks	97	97	-	-	-	-	-	-	-	-	-	-
11 General governments	15,972	15,972	-	-	-	-	-	-	-	-	-	-
12 Credit institutions	9,131	9,131	-	-	-	-	-	-	-	-	-	-
13 Other financial corporations	6,007	6,007	-	-	-	-	-	-	-	-	-	-
14 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
15 Off-balance sheet exposures	89,183	-	-	386	-	-	-	-	-	-	-	355
16 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
17 General governments	262	-	-	17	-	-	-	-	-	-	-	17
18 Credit institutions	1,689	-	-	-	-	-	-	-	-	-	-	-
19 Other financial corporations	14,839	-	-	2	-	-	-	-	-	-	-	2
20 Non-financial corporations	46,294	-	-	82	-	-	-	-	-	-	-	62
21 Households	26,099	-	-	285	-	-	-	-	-	-	-	274
22 Total	486,364	396,770	411	4,564	2,085	442	505	524	503	85	34	4,292

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

NWB Plc												
	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures				Non-performing exposures							
	<i>Of which:</i>	<i>Of which:</i>			<i>Unlikely to pay</i>	<i>Of which:</i>	<i>Of which:</i>	<i>Of which:</i>	<i>Of which:</i>	<i>Of which:</i>	<i>Of which:</i>	
	<i>Not past due or</i>	<i>Past due</i>			<i>that are not past</i>	<i>Past due</i>	<i>Past due</i>	<i>Past due</i>	<i>Past due</i>	<i>Past due</i>	<i>Past due</i>	<i>Of which:</i>
	<i>past due</i>	<i>&gt; 30 days</i>			<i>due or are past</i>	<i>&gt; 90 days</i>	<i>&gt; 180 days</i>	<i>&gt; 1 year</i>	<i>&gt; 2 years</i>	<i>&gt; 5 years</i>	<i>&gt; 7 years</i>	<i>Defaulted</i>
	<i>≤ 30 days</i>	<i>≤ 90 days</i>			<i>due ≤ 90 days</i>	<i>≤ 180 days</i>	<i>≤ 1 year</i>	<i>≤ 2 years</i>	<i>≤ 5 years</i>	<i>≤ 7 years</i>	<i>&gt; 7 years</i>	
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	73,936	73,936	-	-	-	-	-	-	-	-	-	-
1 Loans and advances	298,379	297,749	630	3,549	1,824	414	428	421	371	42	49	3,345
2 <i>Central banks</i>	1,275	1,275	-	-	-	-	-	-	-	-	-	-
3 <i>General governments</i>	2,389	2,382	7	22	22	-	-	-	-	-	-	22
4 <i>Credit institutions</i>	14,342	14,342	-	-	-	-	-	-	-	-	-	-
5 <i>Other financial corporations</i>	37,735	37,733	2	34	8	23	2	1	-	-	-	34
6 <i>Non-financial corporations</i>	57,862	57,471	391	1,090	644	66	112	114	103	13	38	1,044
7 <i>Of which: SMEs</i>	15,394	15,226	168	600	219	63	103	114	71	12	18	581
8 <i>Households</i>	184,776	184,546	230	2,403	1,150	325	314	306	268	29	11	2,245
9 Debt securities	14,361	14,361	-	-	-	-	-	-	-	-	-	-
10 <i>Central banks</i>	37	37	-	-	-	-	-	-	-	-	-	-
11 <i>General governments</i>	5,912	5,912	-	-	-	-	-	-	-	-	-	-
12 <i>Credit institutions</i>	5,706	5,706	-	-	-	-	-	-	-	-	-	-
13 <i>Other financial corporations</i>	2,682	2,682	-	-	-	-	-	-	-	-	-	-
14 <i>Non-financial corporations</i>	24	24	-	-	-	-	-	-	-	-	-	-
15 Off-balance sheet exposures	94,021			517								361
16 <i>Central banks</i>	-			-								-
17 <i>General governments</i>	554			19								19
18 <i>Credit institutions</i>	6,429			-								-
19 <i>Other financial corporations</i>	9,396			1								1
20 <i>Non-financial corporations</i>	44,414			237								93
21 <i>Households</i>	33,228			260								248
22 Total	480,697	386,046	630	4,066	1,824	414	428	421	371	42	49	3,706

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

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

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

		NWB Plc						
		a	b	c	d	e	f	g
		Gross carrying/ nominal amount	Of which; Non-performing	Of which: defaulted	Of which: subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risks on non-performing exposures
		£m	£m	£m	£m	£m	£m	£m
31 December 2023								
010	On-balance sheet exposures	351,840	4,178	3,937	351,052	(2,665)	-	-
020	UK	321,428	3,985	3,744	320,640	(2,481)	-	-
030	Rol	930	-	-	930	(2)	-	-
040	Other Western Europe	12,218	144	144	12,218	(135)	-	-
050	US	7,308	-	-	7,308	(11)	-	-
060	Other countries	9,956	49	49	9,956	(36)	-	-
070	Off-balance sheet exposures	89,569	386	355	-	-	(53)	-
080	UK	71,576	330	313	-	-	(47)	-
090	Rol	1,535	-	-	-	-	-	-
100	Other Western Europe	7,171	36	22	-	-	(3)	-
110	US	7,841	-	-	-	-	(3)	-
120	Other countries	1,446	20	20	-	-	-	-
130	Total	441,409	4,564	4,292	351,052	(2,665)	(53)	-

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

		NWB Plc						
		a	b	c	d	e	f	g
		Gross carrying/ nominal amount	Of which: non-performing	Of which: defaulted	Of which: subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
31 December 2022		£m	£m	£m	£m	£m	£m	£m
010	On-balance sheet exposures	316,289	3,549	3,345	315,551	(2,380)	-	-
020	UK	292,755	3,435	3,234	292,017	(2,218)	-	-
030	Rol	3,504	1	1	3,504	(7)	-	-
040	Other Western Europe	7,136	31	28	7,136	(71)	-	-
050	US	7,104	-	-	7,104	(43)	-	-
060	Other countries	5,790	82	82	5,790	(41)	-	-
070	Off-balance sheet exposures	94,538	517	361	-	-	(56)	-
080	UK	72,613	298	282	-	-	(47)	-
090	Rol	6,300	-	-	-	-	-	-
100	Other Western Europe	7,841	141	60	-	-	(4)	-
110	US	6,578	59	-	-	-	(5)	-
120	Other countries	1,206	19	19	-	-	-	-
130	Total	410,827	4,066	3,706	315,551	(2,380)	(56)	-

(1) The geographical breakdown disclosed is based on combined on and off-balance sheet exposures and represent 97% (31 December 2022 – 98%) of total exposure.

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

## UK CQ5: Credit quality of loans and advances 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.

NWB Plc						
	a	b	c	d	e	f
				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	Gross carrying amount £m	Of which: non- performing £m	Of which: defaulted £m	£m	£m	£m
010 Agriculture, forestry and fishing	2,296	56	51	2,296	(39)	-
020 Mining and quarrying	159	25	25	159	(26)	-
030 Manufacturing	4,561	108	95	4,561	(79)	-
040 Electricity, gas, steam and air conditioning supply	5,309	39	39	5,309	(47)	-
050 Water supply	2,633	5	5	2,633	(8)	-
060 Construction	3,286	175	174	3,286	(90)	-
070 Wholesale and retail trade	6,922	232	230	6,745	(168)	-
080 Transport and storage	2,799	14	14	2,799	(25)	-
090 Accommodation and food service activities	3,269	165	151	3,269	(97)	-
100 Information and communication	3,763	23	23	3,763	(43)	-
110 Financial and insurance activities	8	-	-	8	-	-
120 Real estate activities	14,172	155	145	14,172	(115)	-
130 Professional, scientific and technical activities	2,434	32	31	2,434	(40)	-
140 Administrative and support service activities	3,502	44	44	3,502	(36)	-
150 Public administration and defence, compulsory social security	85	1	1	85	(1)	-
160 Education	364	10	6	364	(7)	-
170 Human health services and social work activities	2,651	75	75	2,651	(54)	-
180 Arts, entertainment and recreation	1,050	22	22	1,050	(19)	-
190 Other services	446	110	110	446	(26)	-
200 Total	59,709	1,291	1,241	59,532	(920)	-

NWB Plc						
	a	b	c	d	e	f
				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	Gross carrying amount £m	Of which: non- performing £m	Of which: defaulted £m	£m	£m	£m
010 Agriculture, forestry and fishing	2,366	42	37	2,366	(43)	-
020 Mining and quarrying	178	35	35	178	(27)	-
030 Manufacturing	5,187	111	99	5,187	(76)	-
040 Electricity, gas, steam and air conditioning supply	4,022	1	1	4,022	(17)	-
050 Water supply	2,166	5	4	2,166	(8)	-
060 Construction	3,330	191	190	3,330	(90)	-
070 Wholesale and retail trade	7,541	64	59	7,469	(96)	-
080 Transport and storage	2,688	17	17	2,688	(50)	-
090 Accommodation and food service activities	3,274	96	94	3,274	(109)	-
100 Information and communication	3,924	57	57	3,924	(44)	-
110 Financial and insurance activities	8	-	-	8	-	-
120 Real estate activities	13,282	143	129	13,282	(112)	-
130 Professional, scientific and technical activities	2,779	40	40	2,779	(41)	-
140 Administrative and support service activities	3,210	43	43	3,210	(59)	-
150 Public administration and defence, compulsory social security	136	-	-	136	(1)	-
160 Education	400	5	5	400	(5)	-
170 Human health services and social work activities	2,814	94	88	2,814	(57)	-
180 Arts, entertainment and recreation	1,148	9	9	1,148	(18)	-
190 Other services	499	137	137	499	(25)	-
200 Total	58,952	1,090	1,044	58,880	(878)	-

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



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

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

		NWB Plc														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value														
		Gross carrying amount/nominal amount due to credit risk and provisions														
		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	
		Performing exposures			Non-performing exposures			impairment and provisions		value due to credit risk and provisions			Accumulated	On	On non-	
Of which:		Of which:	Of which:		Of which:	Of which:		Of which:	Of which:		Of which:	partial	performing	performing		
Total	Stage 1	Stage 2	Total	Stage 2	Stage 3	Total	Stage 1	Stage 2	Total	Stage 2	Stage 3	write-off	exposures	exposures		
31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
005	Cash balances at central banks and other demand deposits	49,519	49,519	-	-	-	-	(6)	(6)	-	-	-	-	4	-	
010	Loans and advances	316,455	288,387	27,842	4,178	159	3,998	(1,218)	(523)	(695)	(1,431)	(15)	(1,416)	(153)	244,307	2,350
020	Central banks	1,112	1,112	-	-	-	-	-	-	-	-	-	-	-	-	
030	General governments	2,328	2,277	50	22	-	22	-	-	-	(2)	-	(2)	-	2,257	20
040	Credit institutions	17,251	17,251	-	-	-	-	(26)	(26)	-	-	-	-	-	527	-
050	Other financial corporations	44,230	44,046	184	11	-	11	(28)	(24)	(4)	(3)	-	(3)	-	26,927	4
060	Non-financial corporations	58,418	50,224	8,018	1,291	40	1,251	(460)	(195)	(265)	(460)	(3)	(457)	(19)	33,168	672
070	Of which: SMEs	12,995	9,977	3,018	598	14	584	(166)	(54)	(112)	(233)	(1)	(232)	-	11,379	316
080	Households	193,116	173,477	19,590	2,854	119	2,714	(704)	(278)	(426)	(966)	(12)	(954)	(134)	181,428	1,654
090	Debt securities	31,207	30,394	254	-	-	-	(16)	(12)	(4)	-	-	-	-	-	-
100	Central banks	97	97	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	15,972	15,972	-	-	-	-	(2)	(2)	-	-	-	-	-	-	-
120	Credit institutions	9,131	8,365	207	-	-	-	(7)	(5)	(2)	-	-	-	-	-	-
130	Other financial corporations	6,007	5,960	47	-	-	-	(7)	(5)	(2)	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	89,183	82,397	6,786	386	24	356	(53)	(22)	(31)	-	-	-	-	7,338	40
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	262	262	-	17	-	17	-	-	-	-	-	-	-	80	8
180	Credit institutions	1,689	1,682	7	-	-	-	-	-	-	-	-	-	-	87	-
190	Other financial corporations	14,839	14,773	66	2	-	2	(1)	(1)	-	-	-	-	-	192	1
200	Non-financial corporations	46,294	42,510	3,784	82	20	62	(27)	(12)	(15)	-	-	-	-	6,308	23
210	Households	26,099	23,170	2,929	285	4	275	(25)	(9)	(16)	-	-	-	-	671	8
220	Total	486,364	450,697	34,882	4,564	183	4,354	(1,293)	(563)	(730)	(1,431)	(15)	(1,416)	(153)	251,649	2,390

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

		NWB Plc															
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions															
		Gross carrying amount/nominal amount															
							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		
		Performing exposures			Non-performing exposures									Accumulated		On non-	
		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	partial write-off	On performing exposures	performing exposures	
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	73,936	73,935	1	-	-	-	(8)	(8)	-	-	-	-	-	-	-	
010	Loans and advances	298,379	264,895	33,353	3,549	156	3,381	(1,190)	(471)	(719)	(1,185)	(13)	(1,172)	(144)	231,076	2,079	
020	Central banks	1,275	1,275	-	-	-	-	-	-	-	-	-	-	-	-	-	
030	General governments	2,389	2,321	68	22	-	22	-	-	-	-	-	-	-	2,247	22	
040	Credit institutions	14,342	14,333	8	-	-	-	(28)	(28)	-	-	-	-	-	274	-	
050	Other financial corporations	37,735	36,410	1,325	34	-	34	(35)	(27)	(8)	(14)	-	(14)	-	19,831	6	
060	Non-financial corporations	57,862	45,455	12,335	1,090	35	1,055	(517)	(188)	(329)	(361)	(2)	(359)	(21)	34,092	633	
070	Of which: SMEs	15,394	11,675	3,719	600	12	588	(186)	(63)	(123)	(203)	-	(203)	-	13,684	357	
080	Households	184,776	165,101	19,617	2,403	121	2,270	(610)	(228)	(382)	(810)	(11)	(799)	(123)	174,632	1,418	
090	Debt securities	14,361	13,002	756	-	-	-	(5)	(4)	(1)	-	-	-	-	-	-	
100	Central banks	37	37	-	-	-	-	-	-	-	-	-	-	-	-	-	
110	General governments	5,912	5,912	-	-	-	-	-	-	-	-	-	-	-	-	-	
120	Credit institutions	5,706	4,347	756	-	-	-	(5)	(4)	(1)	-	-	-	-	-	-	
130	Other financial corporations	2,682	2,682	-	-	-	-	-	-	-	-	-	-	-	-	-	
140	Non-financial corporations	24	24	-	-	-	-	-	-	-	-	-	-	-	-	-	
150	Off-balance sheet exposures	94,021	83,822	10,199	517	148	362	(55)	(25)	(30)	(1)	(1)	-		7,135	42	
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-	
170	General governments	554	550	4	19	-	19	-	-	-	-	-	-		152	9	
180	Credit institutions	6,429	6,414	15	-	-	-	-	-	-	-	-	-		-	-	
190	Other financial corporations	9,396	8,878	518	1	-	1	(2)	(1)	(1)	-	-	-		148	1	
200	Non-financial corporations	44,414	36,365	8,049	237	144	93	(32)	(13)	(19)	-	-	-		6,007	26	
210	Households	33,228	31,615	1,613	260	4	249	(21)	(11)	(10)	(1)	(1)	-		828	6	
220	Total	480,697	435,654	44,309	4,066	304	3,743	(1,258)	(508)	(750)	(1,186)	(14)	(1,172)	(144)	238,211	2,121	

(1) The gross NPL ratio for NWB Plc is 1.30% (31 December 2022 - 1.18%). Cash balances at central banks and other demand deposits were excluded from the ratio calculation.

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

## UK CR1-A: Maturity of exposures

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

		NWB Plc				
		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
31 December 2023						Total £m
1	Loans and advances	15,136	15,324	84,798	202,726	-
2	Debt securities	-	7,311	15,966	7,914	-
3	Total	15,136	22,635	100,764	210,640	-

		NWB Plc				
		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
31 December 2022						Total £m
1	Loans and advances	13,616	39,931	52,390	193,616	-
2	Debt securities	-	813	9,415	4,128	-
3	Total	13,616	40,744	61,805	197,744	-

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

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

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

		NWB Plc
		a
		Gross carrying amount £m
010	Initial stock of non-performing loans and advances at 1 January 2023	3,549
020	Inflows to non-performing portfolios	2,352
030	Outflows from non-performing portfolios	(1,723)
040	Outflows due to write-offs	(219)
050	Outflow due to other situations	(1,504)
060	Final stock of non-performing loans and advances at 31 December 2023	4,178

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

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

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

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel probability of defaults. Performing loans are defined as AQ1-AQ9 (where the probability of default (PD) is less than xx%) and defaulted non-performing loans as AQ10 or Stage 3 under IFRS 9 (where the PD is xx%). 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. NWB Plc'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.
- **Lifetime measurement** – IFRS 9 PD, LGD and EAD are provided as multi-period term structures up to exposure lifetimes instead of over a fixed one-year horizon.

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

### PD estimates

#### Personal models

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

#### Wholesale models

Wholesale 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.

#### Personal

Forward-looking information has only been incorporated for the secured portfolios, where changes in property prices can be readily accommodated. Analysis has shown minimal impact of economic conditions on LGDs for the other Personal portfolios.

#### Wholesale

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

#### Personal

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

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

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

### Wholesale

For Wholesale, EAD values are projected using product specific credit conversion factors (CCFs), closely following the product segmentation and approach of the respective Basel 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.

### Governance and post model adjustments

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

Post model adjustments will remain a key focus area of NWB Plc'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). NWB Plc 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 NWB Plc and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

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

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

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

## Annex XVII: Credit risk mitigation

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

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

		NWB Plc				
		a	b	c	d	e
		Unsecured carrying amount £m	Secured carrying amount £m	Of which: secured by collateral £m	Of which: secured by financial guarantees £m	Of which: secured by credit derivatives £m
<b>31 December 2023</b>						
1	Loans and advances	114,395	253,102	240,303	6,358	-
2	Debt securities	31,191	-	-	-	-
3	Total	145,586	253,102	240,303	6,358	-
4	Of which: non-performing exposures	325	2,422	2,083	267	-
5	Of which: defaulted	299	2,231	1,901	261	-

		NWB Plc				
		a	b	c	d	e
		Unsecured carrying amount £m	Secured carrying amount £m	Of which: secured by collateral £m	Of which: secured by financial guarantees £m	Of which: secured by credit derivatives £m
<b>31 December 2022</b>						
1	Loans and advances	135,718	237,763	225,183	7,972	-
2	Debt securities	14,356	-	-	-	-
3	Total	150,074	237,763	225,183	7,972	-
4	Of which: non-performing exposures	258	2,106	1,704	375	-
5	Of which: defaulted	231	1,986	1,555	373	-

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

## UK CRC: Qualitative disclosure

### Requirements related to CRM techniques

#### Credit risk mitigation

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

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

Mitigation techniques, as set out in the appropriate credit risk toolkits and transactional acceptance standards, are used in the management of credit portfolios across NWB Plc. These techniques mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset, the use of credit derivatives including credit default swaps, credit-linked debt instruments and securitisation structures, and the use of guarantees and similar instruments (for example, credit insurance) from related and third parties. When seeking to mitigate risk, at a minimum NWB Plc 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. NWB Plc uses industry-standard loan and security documentation wherever possible. However, when non-standard documentation is used, external lawyers are employed to review the documentation on a case-by-case basis. Mitigants (including any associated insurance) are monitored throughout the life of the transaction to ensure they perform as anticipated. Similarly, documentation is also monitored to ensure it remains enforceable.

#### Wholesale

NWB Plc mitigates credit risk relating to Wholesale customers through the use of netting, collateral and market standard documentation, depending on the nature of the counterparty and its assets. The most common types of mitigation are:

- Commercial real estate.
- **Other physical assets** – Including stock, plant, equipment, machinery, vehicles, ships and aircraft. Such assets are suitable collateral only if NWB Plc can identify, locate, and segregate them from other assets on which it does not have a claim. NWB Plc 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 NWB Plc's counterparties by their own customers. Valuation takes into account the quality of the counterparty's receivable management processes and excludes any that are past due.

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

#### Personal

NWB Plc takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. NWB Plc 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. NWB Plc updates residential property values quarterly using country (Scotland, Wales and Northern Ireland) or English regional specific Office for National Statistics House Price indices.

## Annex XIX: Credit risk – standardised approach

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

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

NWB Plc						
	a	b	c	d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
31 December 2023	£m	£m	£m	£m	£m	%
1 Central governments or central banks	50,733	165	51,317	213	1,000	2
2 Regional governments or local authorities	183	28	182	-	-	-
3 Public sector entities	-	-	-	-	-	-
4 Multilateral development banks	1,964	-	1,964	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	17,995	10,275	17,995	4,955	838	4
7 Corporates	17,318	12,427	16,691	520	4,081	24
8 Retail	1,887	1,658	1,887	-	806	43
9 Secured by mortgages on immovable property	463	298	462	147	628	103
10 Exposures in default	88	35	63	1	91	143
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	1,500	-	1,500	-	3,745	250
16 Other items	30	-	30	-	30	100
17 Total	92,161	24,886	92,091	5,836	11,219	11

NWB Plc						
	a	b	c	d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
31 December 2022	£m	£m	£m	£m	£m	%
1 Central governments or central banks	62,626	327	63,226	166	1,325	2
2 Regional governments or local authorities	89	168	79	-	-	-
3 Public sector entities	-	-	-	-	-	-
4 Multilateral development banks	1,843	-	1,843	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	15,550	28,185	15,550	13,984	3,026	10
7 Corporates	18,487	7,157	17,790	446	3,618	20
8 Retail	903	1,656	903	-	598	66
9 Secured by mortgages on immovable property	1,768	249	1,766	123	938	50
10 Exposures in default	51	18	47	-	68	142
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	1,297	-	1,297	-	3,239	250
16 Other items	53	-	53	-	53	100
17 Total	102,667	37,760	102,554	14,719	12,865	11



## Annex XXI: Credit risk – IRB approach

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

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

		NWB Plc	
		31 December 2023	
		a	b
		Pre-credit derivatives RWAs	Actual RWAs
		£m	£m
5	Exposures under AIRB	82,500	82,500
6	Central governments and central banks	979	979
7	Institutions	3,083	3,083
8	Corporates	31,785	31,785
8.1	Of which: SME	5,108	5,108
8.2	Of which: specialised lending	-	-
8.3	Of which: Other	26,677	26,677
9	Retail	46,653	46,653
9.1	Of which: secured by real estate SME - secured by immovable property collateral	301	301
9.2	Of which: secured by real estate non-SME - secured by immovable property collateral	31,444	31,444
9.3	Of which: qualifying revolving	5,347	5,347
9.4	Of which: other SMEs	2,654	2,654
9.5	Of which: other non-SME	6,907	6,907
10	Total	82,500	82,500

		NWB Plc	
		31 December 2022	
		a	b
		Pre-credit derivatives RWAs	Actual RWAs
		£m	£m
5	Exposures under AIRB	74,651	74,651
6	Central governments and central banks	405	405
7	Institutions	1,893	1,893
8	Corporates	31,086	31,086
8.1	Of which: SME	5,339	5,339
8.2	Of which: specialised lending	-	-
8.3	Of which: Other	25,746	25,748
9	Retail	41,265	41,265
9.1	Of which: secured by real estate SME - secured by immovable property collateral	313	313
9.2	Of which: secured by real estate non-SME - secured by immovable property collateral	27,849	27,849
9.3	Of which: qualifying revolving	4,098	4,098
9.4	Of which: other SMEs	2,728	2,728
9.5	Of which: other non-SME	6,277	6,277
10	Total	74,651	74,651

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

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

A-IRB		NWB Plc																
			Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWAs				
			Funded credit protection (FCP)									Unfunded credit protection (UFCP)						
			Total exposures £m	Part of exposures covered by financial collaterals %	Part of exposures covered by other eligible collaterals %	Part of exposures covered by immovable property collaterals		Part of exposures covered by other physical collaterals		Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA assigned to the obligor exposure class £m		RWA with substitution effects £m
						Part of exposures covered by receivables %	Part of exposures covered by physical collaterals %											
31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n			
1	Central governments and central banks	15,248	0.40	-	-	-	-	-	-	-	-	-	-	979	979			
2	Institutions	9,609	16.19	-	-	-	-	-	-	-	-	-	-	3,083	3,083			
3	Corporates	61,507	10.09	128.76	59.34	0.01	69.41	-	-	-	-	2.28	-	31,785	31,785			
3.1	Of which: SME	9,526	3.45	136.74	62.38	0.01	74.35	0.01	-	-	0.01	7.06	-	5,108	5,108			
3.3	Of which: other	51,981	11.31	127.30	58.78	0.01	68.51	-	-	-	-	1.41	-	26,677	26,677			
4	Retail	220,313	-	182.00	182.00	-	-	-	-	-	-	1.92	-	46,653	46,653			
4.1	Of which: immovable property SME	732	-	-	-	-	-	-	-	-	-	1.13	-	301	301			
4.2	Of which: immovable property non-SME	185,185	-	216.52	216.52	-	-	-	-	-	-	-	-	31,444	31,444			
4.3	Of which: qualifying revolving	18,598	-	-	-	-	-	-	-	-	-	-	-	5,347	5,347			
4.4	Of which: other SME	10,019	-	-	-	-	-	-	-	-	-	42.15	-	2,654	2,654			
4.5	Of which: other non-SME	5,779	-	-	-	-	-	-	-	-	-	-	-	6,907	6,907			
5	Total	306,677	2.55	156.57	142.65	-	13.92	-	-	-	-	1.84	-	82,500	82,500			

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

A-IRB		NWB Plc														
		Total exposures	Credit risk mitigation techniques										Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
			Funded credit protection (FCP)													
			Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post all CRM assigned to the obligor exposure class	RWA with substitution effects	
£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m			
31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	
6	Specialised lending under the slotting approach	14,219												9,106	9,106	
7	Equity Exposures	-												-	-	
8	Total	14,219												9,106	9,106	

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

A-IRB		NWB Plc														
			Credit risk mitigation techniques										Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
			Funded credit protection (FCP)													
			Total exposures	Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post all CRM assigned to the obligor exposure class	RWA with substitution effects
		£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m	
31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n	
1	Central governments and central banks	18,579	0.32	-	-	-	-	-	-	-	-	-	-	405	405	
2	Institutions	5,197	31.51	-	-	-	-	-	-	-	-	-	-	1,893	1,893	
3	Corporates	59,324	10.26	101.47	47.00	0.04	54.43	-	-	-	-	3.45	-	31,087	31,087	
3.1	Of which: SME	10,712	5.13	136.96	61.79	0.01	75.16	0.01	-	-	0.01	9.46	-	5,340	5,340	
3.3	Of which: other	48,612	11.39	93.65	43.74	0.04	49.86	-	-	-	-	2.13	-	25,747	25,747	
4	Retail	218,989	-	181.49	181.49	-	-	-	-	-	-	2.38	-	41,266	41,266	
4.1	Of which: immovable property SME	813	-	-	-	-	-	-	-	-	-	1.45	-	313	313	
4.2	Of which: immovable property non-SME	184,699	-	215.19	215.19	-	-	-	-	-	-	-	-	27,850	27,850	
4.3	Of which: qualifying revolving	16,903	-	-	-	-	-	-	-	-	-	-	-	4,098	4,098	
4.4	Of which: other SME	11,189	-	-	-	-	-	-	-	-	-	46.52	-	2,728	2,728	
4.5	Of which: other non-SME	5,385	-	-	-	-	-	-	-	-	-	-	-	6,277	6,277	
5	Total	302,089	2.58	151.50	140.80	0.01	10.69	-	-	-	-	2.40	-	74,651	74,651	

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

A-IRB

NWB Plc

		RWAs											Credit risk mitigation methods in the calculation of RWAs		
		Credit risk mitigation techniques									Unfunded credit protection (UFCP)				
		Funded credit protection (FCP)													
		Total exposures	Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees			Part of exposures covered by credit derivatives
£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m		
31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n
6	Specialised lending under the slotting approach	13,442												8,354	8,354
7	Equity Exposures	-												-	-
8	Total	13,442												8,354	8,354

## Annex XXIII: Specialised lending

### UK CR10: Specialised lending exposures

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

#### CR10.1

		NWB Plc					
		a	b	c	d	e	f
		Specialised lending: project finance (slotting approach)					
		On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
31 December 2023	Remaining maturity						
Category 1	Less than 2.5 years	846	464	50%	1,168	499	-
	Equal to or more than 2.5 years	3,235	2,381	70%	5,285	3,153	21
Category 2	Less than 2.5 years	15	86	70%	95	67	-
	Equal to or more than 2.5 years	375	175	90%	496	394	4
Category 3	Less than 2.5 years	18	18	115%	32	37	1
	Equal to or more than 2.5 years	114	6	115%	117	109	3
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	43	3	250%	44	83	4
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	63	9	-	71	-	35
Total	Less than 2.5 years	879	568		1,295	603	1
	Equal to or more than 2.5 years	3,830	2,574		6,013	3,739	67

		NWB Plc					
		a	b	c	d	e	f
		Specialised lending: project finance (slotting approach)					
		On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
31 December 2022	Remaining maturity						
Category 1	Less than 2.5 years	883	273	50%	1,081	439	-
	Equal to or more than 2.5 years	3,133	1,874	70%	4,800	2,882	19
Category 2	Less than 2.5 years	-	76	70%	75	52	-
	Equal to or more than 2.5 years	223	245	90%	410	316	3
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	51	4	115%	55	52	2
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	-	-	250%	-	-	-
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	61	-	-	61	-	31
Total	Less than 2.5 years	883	349		1,156	491	-
	Equal to or more than 2.5 years	3,468	2,123		5,326	3,250	55

## UK CR10: Specialised lending and equity exposures under the simple risk-weighted approach continued

### CR10.2

		NWB Plc					
		a	b	c	d	e	f
		Specialised lending: income-producing real estate and high volatility commercial real estate (slotting approach)					
		On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
31 December 2023	Remaining maturity						
Category 1	Less than 2.5 years	1,573	163	50%	1,657	828	-
	Equal to or more than 2.5 years	1,673	229	70%	1,806	1,264	7
Category 2	Less than 2.5 years	1,711	169	70%	1,818	1,272	7
	Equal to or more than 2.5 years	1,166	270	90%	1,401	1,261	12
Category 3	Less than 2.5 years	42	-	115%	42	49	1
	Equal to or more than 2.5 years	14	1	115%	15	17	-
Category 4	Less than 2.5 years	26	-	250%	26	65	2
	Equal to or more than 2.5 years	3	-	250%	3	8	-
Category 5	Less than 2.5 years	121	2	-	122	-	62
	Equal to or more than 2.5 years	21	-	-	21	-	10
Total	Less than 2.5 years	3,473	334		3,665	2,214	72
	Equal to or more than 2.5 years	2,877	500		3,246	2,550	29

		NWB Plc					
		a	b	c	d	e	f
		Specialised lending: income-producing real estate and high volatility commercial real estate (slotting approach)					
		On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
31 December 2022	Remaining maturity						
Category 1	Less than 2.5 years	2,358	209	50%	2,453	1,227	-
	Equal to or more than 2.5 years	1,616	269	70%	1,754	1,227	7
Category 2	Less than 2.5 years	1,547	168	70%	1,684	1,178	7
	Equal to or more than 2.5 years	742	116	90%	843	759	7
Category 3	Less than 2.5 years	137	1	115%	138	159	4
	Equal to or more than 2.5 years	11	1	115%	12	14	-
Category 4	Less than 2.5 years	17	-	250%	17	43	1
	Equal to or more than 2.5 years	3	-	250%	3	8	-
Category 5	Less than 2.5 years	40	-	-	40	-	20
	Equal to or more than 2.5 years	17	1	-	18	-	9
Total	Less than 2.5 years	4,099	378		4,332	2,607	32
	Equal to or more than 2.5 years	2,389	387		2,630	2,008	23

## 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') – National Westminster Bank Plc

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 322 individuals who have been identified as MRTs for National Westminster Bank Plc (NWB).

We have excluded 46 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.

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

- reviewing and recommending, or where appropriate ratifying, remuneration arrangements for key employees;
- providing input on the proposed bonus pool for relevant entities, and ensuring such proposals are adjusted for performance and risk and meet capital adequacy requirements; and
- inputting to and subsequently adopting the NatWest Group Remuneration Policy Principles on behalf of NWB and the other entities within the NWH Sub Group.

The NWH RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo held five scheduled meetings and a further seven ad hoc meetings in 2023.

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

	Other senior management and other MRTs split by business area									Total
	NWB NEDs	NWB EDs	Other senior mngt.	Other MRTs	Commercial Banking	Retail Banking	Wealth	Corporate Functions	Control Functions	
<b>Fixed remuneration</b>										
Total number of MRTs	10	3	12	251						276
Other senior management - split by business area					-	1	-	8	3	12
Other MRTs - split by business area					42	8	7	40	154	251
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	2.62	5.83	13.05	68.30	14.46	4.67	2.08	23.30	36.83	89.80
Cash-based	2.62	3.27	11.12	68.24	14.46	4.34	2.08	22.70	35.78	85.25
Share-based	-	2.56	1.93	0.06	-	0.33	-	0.61	1.05	4.54
Other instruments or forms	-	-	-	-	-	-	-	-	-	-
<b>Variable remuneration</b>										
Total number of MRTs	-	2	12	251						265
Other senior management - split by business area					-	1	-	8	3	12
Other MRTs - split by business area					42	8	7	40	154	251
Total variable remuneration of MRTs	-	3.26	9.36	33.85	9.23	3.35	0.76	13.80	16.08	46.47
Cash-based	-	0.44	2.34	18.70	4.78	1.19	0.38	6.84	7.86	21.48
Of which: deferred cash	-	-	0.71	6.20	1.84	0.41	0.15	2.37	2.14	6.90
Share-based (annual bonus)	-	0.44	2.34	15.14	4.45	1.19	0.38	5.72	5.75	17.91
Of which: deferred shares	-	-	0.71	6.20	1.84	0.41	0.15	2.37	2.14	6.90
Share-based (RSP awards)	-	2.39	4.69	-	-	0.98	-	1.24	2.48	7.08
Of which: deferred shares	-	2.39	4.69	-	-	0.98	-	1.24	2.48	7.08
Other instruments or forms	-	-	-	-	-	-	-	-	-	-
<b>Total remuneration of MRTs</b>	<b>2.62</b>	<b>9.09</b>	<b>22.41</b>	<b>102.14</b>	<b>23.68</b>	<b>8.02</b>	<b>2.84</b>	<b>37.10</b>	<b>52.91</b>	<b>136.27</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 92 MRTs in respect of performance year 2023. Total remuneration for these individuals in 2023 was £13.56 million, of which £11.79 million was fixed pay and £1.77 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 lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2023 was approximately 1 to 0.50. The majority of MRTs were based in the UK.

**UK REM2 - Guaranteed awards (including 'sign-on' awards) and severance payments**

	NWB Plc NEDs	NWB Plc EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
Number of MRTs	-	-	-	<b>1</b>
	£m	£m	£m	£m
Total amount	-	-	-	<b>0.51</b>
Of which: paid during the financial year that are not taken into account in the bonus cap	-	-	-	-
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	-	-	-	<b>1</b>
	£m	£m	£m	£m
Total amount	-	-	-	<b>0.39</b>
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	-	-	-	<b>7</b>
	£m	£m	£m	£m
Total amount	-	-	-	<b>1.98</b>
Of which: paid during the financial year	-	-	-	<b>1.38</b>
Of which: deferred	-	-	-	<b>0.60</b>
Of which: paid during the financial year that are not taken into account in the bonus cap	-	-	-	-
Of which: highest payment that has been awarded to a single person	-	-	-	<b>0.30</b>

(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 explicit adjustments (2)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Deferred and retained remuneration</b>								
<b>NWB NEDs - No deferred or retained remuneration held</b>								
<b>NWB EDs</b>								
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent interests	10.94	1.51	9.42	-	-	(2.38)	1.51	1.38
Share-linked or equivalent non-cash instruments								
Other instruments or forms								
<b>Other senior management</b>								
Cash-based	1.95	0.76	1.20	-	-	-	0.76	-
Shares or equivalent interests	13.34	2.51	10.84	-	-	(3.18)	1.84	1.59
Share-linked or equivalent non-cash instruments								
Other instruments or forms								
<b>Other MRTs</b>								
Cash-based	5.37	1.22	3.97	-	-	-	1.21	-
Shares or equivalent interests	22.44	7.97	14.26	0.01	0.01	(5.11)	7.99	6.03
Share-linked or equivalent non-cash instruments								
Other instruments or forms								
<b>Total amount</b>	<b>54.05</b>	<b>13.96</b>	<b>39.68</b>	<b>0.01</b>	<b>0.01</b>	<b>(10.67)</b>	<b>13.32</b>	<b>9.00</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 >€1million**

Total remuneration by band for employees earning >€1 million for 2023	Number of MRTs
€1.0 million to below €1.5 million	16
€1.5 million to below €2.0 million	5
€2.0 million to below €2.5 million	1
€2.5 million to below €3.0 million	4
€3.0 million to below €3.5 million	-
€3.5 million to below €4.0 million	1
More than €4.0 million	-
<b>Total</b>	<b>27</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.