NatWest Group

NatWest Holdings Group

2023 Pillar 3 Report

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Forward-looking statements

This document may contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NatWest Holdings Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NatWest Holdings Group in respect of, but not limited to: its credit risk; its capital, liquidity and funding risk; its non-traded market risk; its pension risk; its compliance and conduct risk; its financial crime risk; its climate risk; its operational risk; its model risk; and its reputational risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions, the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Holdings Group's actual results are discussed in NatWest Holdings Limited's 2023 Annual Report and Accounts, and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NatWest Holdings Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

Attestation statement

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

As set out in the Compliance report of the 2023 Annual Report and Accounts, the Board is responsible for the system of internal controls that is designed to maintain effective and efficient operations, compliant with applicable laws and regulations. The system of internal control is designed to manage risk or mitigate it to an acceptable residual level rather than eliminate it entirely. Systems of internal control can only provide reasonable and not absolute assurance against misstatement, fraud or loss.

The 2023 Pillar 3 Report was approved by the 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

Disclosure framework

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

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

The Pillar 3 disclosures made by NWH Ltd and its consolidated subsidiaries (together "NatWest Holdings Group" or "NWH Group") are designed to comply with the Disclosure (CRR) Part of the PRA Rulebook. Where applicable, additional disclosures are made in accordance with supervisory expectations mainly relating to the IFRS9 transitional relief in respect to ECL provisions.

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

NWH Ltd's large subsidiaries as at 31 December 2023 were:

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

In addition, under the EU CRR rules, Pillar 3 disclosures are provided for NWH Ltd's subsidiaries in Europe when they meet the definition of a large institution.

Following supervisory approvals in Q4 2023, Ulster Bank Ireland (UBIDAC) is no longer designated as an O-SII firm and its last Pillar III report was published in Q3 2023. UBIDAC's exposures are still part of the consolidated disclosures provided by NWH Group in this report. Refer to page 13 in this report for further details on EU IPU (Intermediate parent undertaking) changes impacting UBIDAC.

Disclosure roadmap

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

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

It is noted that this document should be read in conjunction with the 2023 NWH Group ARA. The Pillar 3 disclosures provide information over and above that contained in the 2023 NWH Group Annual Report and Accounts (ARA) in accordance with the current disclosure requirements.

The NWH Group Pillar 3 and ARA are published in the same location at: investors.natwestgroup.com/reports-archive/2023

Disclosure framework continued

Presentation of information

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

The following Pillar 3 templates were not applicable to NWH Group at 31 December 2023. The table below references the excluded templates together with a summary of the reason for exclusion:

PRA template reference	Template name	Reasons for exclusion
UK CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Published as supplement alongside this report
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
UK CQ2	Quality of forbearance	Threshold for disclosure not met
UK CQ6	Collateral valuation - loans and advances	Threshold for disclosure not met
UK CQ7	Collateral obtained by taking possession and execution processes	No reportable exposures
UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	No reportable exposures
UK CCR5	Composition of collateral for CCR exposures	Threshold for disclosure not met
UK CCR6	Credit derivatives exposures	No reportable exposures
UK CCR7	RWA flow statements of CCR exposures under the IMM	No reportable exposures
UK SEC2	Securitisation exposures in the trading book	No reportable exposures
UK INS1	Insurance participations	No reportable exposures
UK INS2	Financial conglomerates information on own funds and capital adequacy ratio	No reportable exposures
UK MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	The entity does not have IMA permission for market risk
UK MR2-A	Market risk under the internal Model Approach (IMA)	No reportable exposures
UK MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures
UK MR3	IMA values for trading portfolios	No reportable exposures
UK MR4	Comparison of VaR estimates with gains/losses	No reportable exposures
UK CR10.3	Specialised lending: Object Finance (slotting approach)	No reportable exposures
UK CR10.4	Specialised lending: Commodities Finance (slotting approach)	No reportable exposures
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	No reportable exposures

The Pillar 3 disclosures for NWH Ltd's large subsidiaries are provided in separate documents alongside the respective entity's annual financial statements. Disclosures for large subsidiaries that are non-UK entities are calculated in accordance with regulatory requirements applicable in the countries in which they are incorporated. These are published in the same location and are available on the NatWest Group website, located at: investors.natwestgroup.com/reports-archive/2023

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

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

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

Certain fixed-format disclosure tables include bespoke requirements for comparatives. Where the requirements do not prescribe a particular comparative, the comparative selected is 31 December 2022. Where applicable, comparatives have not been provided for first-time disclosures.

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

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

For definitions of terms, refer to the Glossary and Acronyms document available on investors.natwestgroup.com/reports-archive/2023.

Disclosure framework continued

Regulatory disclosure developments in 2023

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

As noted later in the prudential regulation changes section of this report, the PRA's Basel 3.1 near final rules relating to Pillar 3 are expected in Q2 2024. Those will be implemented in the UK on 1 July 2025; therefore, the first applicable date of any new disclosure templates is expected to be in Q3 2025.

In Q4 2023, the Basel Committee for Banking Supervision published two consultation papers with respect to the following:

a. Disclosure of banks' cryptoasset exposures, proposing quantitative and qualitative Pillar 3 disclosures including capital and liquidity treatments as well as accounting classifications.

b. Disclosure framework for climate-related financial risk, proposing quantitative and qualitative Pillar 3 disclosures that could complement other international standards (including those by the International Sustainability Standards Board) and provide a common disclosure baseline for internationally active banks.

Both Basel consultations close early in Q1 2024; however, the timing of adoption and implementation of these in the UK is currently unknown.

Finally, the EBA announced its consultation for the amendments to the Pillar 3 framework in the context of the implementation of the Basel 3.1 reforms in the EU. Those changes will only affect NWH Group's subsidiaries in Europe which are subject to disclosure requirements.

Independent review

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

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

Capital, liquidity and funding framework

Basel framework

The Basel framework is based on three pillars:

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

Pillar 1 - Minimum capital requirements

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

NatWest Group uses the following approaches to calculate RWAs:

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

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

Pillar 2 - Supervisory review process

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

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

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

Pillar 3 - Market discipline

NWH Group is committed to delivering risk and capital disclosures that ensure stakeholders understand the risks faced by NWH Group and how they are measured and capitalised. The Pillar 3 disclosures are designed to encourage and promote market transparency and stability; they represent a component of NWH Group's broader disclosure framework.

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

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

Capital

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

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

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

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

Determination of capital sufficiency

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

Going concern vs. gone concern view

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

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

Capital, liquidity and funding framework continued

Spot vs. forward-looking view

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

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

Regulatory vs. risk appetite view

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

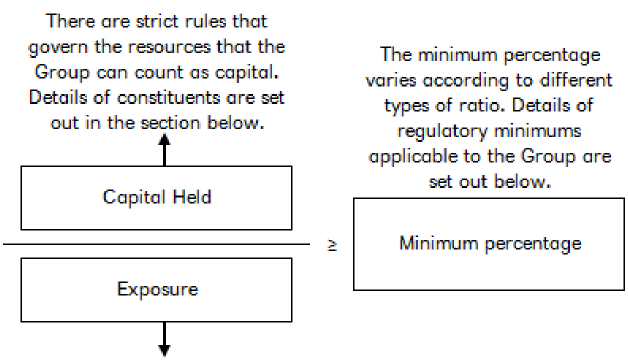
Risk appetite: This determination of capital sufficiency is an assessment of whether NWH Group has sufficient capital and other loss-absorbing debt instruments to meet risk appetite limits. NWH Group's risk appetite framework establishes quantitative and qualitative targets and limits within which NWH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

Capital sufficiency: going concern view

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

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

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



Constituents of capital held

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

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

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

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

Capital, liquidity and funding framework continued

Capital adequacy

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

Risk-weighted assets (RWAs)

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

RWAs are grouped into four categories:

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

Capital adequacy ratios

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

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

Capital, liquidity and funding framework continued

Leverage ratios

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

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

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

MREL: capital sufficiency under the gone concern view

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

Internal MREL

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

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

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

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

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

Liquidity and funding

Definition

Liquidity consists of assets that can be readily converted to cash within a short timeframe at a reliable value. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due.

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

Regulatory oversight and liquidity framework

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

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

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

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

Asset encumbrance

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

Prudential regulation changes that may impact capital requirements

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

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

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

UK and EU implementation of Basel framework

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

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

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

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

The Basel 3.1 changes mainly impact capital requirements for STD and IRB Credit Risk, Market Risk, Credit Valuation Adjustment (CVA), Counterparty Credit Risk (CCR) and Operational Risk. An aggregate "output floor" is also being introduced to ensure that total RWAs for firms using advanced or internally modelled methods and subject to the floor cannot fall below 72.5% of RWAs under the standardised approach. The proposal does not include further changes to the Leverage Ratio, Large Exposures and Liquidity Risk frameworks.

The consultation paper has been followed up with the publication of the PRA's policy statement PS17/23 Implementation of the Basel 3.1 standards near-final part 1. This contains the near final rules on Market Risk, CVA, CCR and Operational Risk sections, along with some Pillar 2 guidance relating to these topics. Part 2, containing rules on the remaining Basel 3.1 changes, is expected to be published in Q2 2024.

The PRA rules are expected to be implemented from 1 July 2025.

Equivalent changes relating to the Basel 3.1 standards will be implemented in EU by CRR3 and CRD6 for which the European Commission issued a proposal in October 2021, with the near final rules published December 2023. The EU implementation date is expected to be 1 January 2025. Their impact will be limited to NatWest Group's EU subsidiaries.

Other developments

On 13 November 2023, the PRA published PS14/13 which formally phased out the CET1 capital deduction for NPEs (Non-Performing Exposures). The requirement was originally introduced in EU CRR and adopted in the UK. However, the PRA considered that it would not be appropriate in a UK context to apply the NPE deduction requirement going forward. Capital disclosures as of 31 December 2023 reflect the benefit because of the reversal of this deduction.

On 20 November 2023, the PRA announced its 2023 list of O-SIIs (Other Systemically Important Institutions) as well as the 2023 O-SII buffers for ring-fenced banks (RFBs). The PRA is required to identify O-SIIs on an annual basis. NatWest Group Plc is part of PRA's O-SII list and the O-SII buffer for its ring-fenced sub-group (i.e. NatWest Holdings Group) was kept at 1.5%. The 2023 O-SII rates will apply from 1 January 2025. An O-SII buffer can apply to O-SIIs, or parts of an O-SII that are ring-fenced banks.

NatWest Group, as a third-country group with two or more subsidiary banking institutions in the EU, was approved by the European Central Bank (ECB) to establish a dual IPU (Intermediate Parent Undertaking) structure on behalf of its European subsidiaries. As a result, NatWest Bank Europe GmbH (NatWest Bank Europe), a wholly-owned subsidiary of NatWest Holdings (NWH Ltd), will act as the ring-fenced IPU and became subject to ECB supervision from 1 January 2024. On 1 December 2023, UBIDAC's immediate parent company changed from NWH Ltd to NatWest Bank Europe following supervisory approval.

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

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

Prudential regulation changes that may impact capital requirements continued

Area of development	Key changes	Source of changes/implementation
IFRS 9 transitional relief in respect to ECL provisions	– IFRS 9 CET1 add-back phased out in period to 31 December 2024 – The transitional factor will reduce further from 50 % to 25% from January 2024.	– Implementation: 1 January 2024
Capital – Output floor	– Level of application: Applies at highest level of application: Consolidated level for UK Groups; sub-consolidated level for Ring Fenced sub-groups. – Capital stack: Applies to full capital stack including capital buffers. – Transitional period for the application; starting with 50% at 1	– PRA Basel 3.1 CP16/22 – Implementation: 1 July 2025
Credit risk (STD, IRB, FIRB)	– Significant revisions to standardised credit risk, including to unrated corporates, SMEs, specialised lending, mortgages & equity exposures. – Changes to IRB; restrictions on IRB modelling (switch to standardised on central governments and equities, switch to FIRB on financial institutions and large corporates), inclusion of input floors and other modelling changes. – Removal of SME & Infrastructure supporting factors (IRB & standardised). – Amendments to credit risk mitigation, including the withdrawal of some internal modelling approaches, the removal of double default and a new risk weight substitution approach on some exposures.	– PRA Basel 3.1 CP16/22 – Implementation: 1 July 2025
Market risk	– Implementation of FRTB - new standardised & modelled approaches (Expected Shortfall replaces VaR), revised banking/trading book boundary. – Model approval applications are required to be provided during 2024 for standardised MR & CVA.	– PRA Basel 3.1 CP16/22 – Near final rules published in PRA PS17/23 – Implementation: 1 July 2025
CVA & counterparty credit risk	– Removal of modelled approach. – New standardised approach, aligned to Basel framework, including the removal of CVA exemptions on sovereigns, non-financial counterparties and pension funds. – Reduced SA-CCR alpha factor from 1.4 to 1 for non-financial counterparties and pension funds.	– PRA Basel 3.1 CP16/22 – Near final rules published in PRA PS17/23 – Implementation: 1 July 2025
Operational risk	– New standardised approach – Internal loss multiplier (ILM) set to 1. – Changes to the income requirements in scope of the business	– PRA Basel 3.1 CP16/22 – Near final rules published in PRA PS17/23
Disclosures & reporting	– PRA proposes to adopt the Basel 3.1 disclosure templates without material deviations. – PRA proposes that large and listed firms to disclose at the minimum frequency prescribed in Basel 3.1 Standards.	– PRA Basel 3.1 CP16/22 – Implementation: 1 July 2025
Pillar 2	– PRA commitment to review Pillar 2A methodologies in 2024, to adjust requirements ahead of implementation of the Pillar 1	– PRA Basel 3.1 CP16/22 – Implementation: 1 July 2025
Capitalisation of foreign exchange positions for market risk	– PRA proposal to clarify that items held at historical FX rates, which only re-value in certain circumstances, are not included in Pillar 1 FX risk requirements as their sensitivity to FX rates is generally zero.	– PRA consultation under CP17/23 closes on 31 January 2023 – Expected implementation: 1 July 2025
Identification and management of step-in risk, shadow banking entities and groups of connected clients	– PRA proposal to implement Basel guidelines for step-in risk in the PRA Rulebook. – PRA proposal to adopt EBA guidelines for limits on exposures to shadow banking entities and connected clients in the Large Exposures (CRR) part of the PRA Rulebook.	– PRA consultation under CP23/23 closes on 5 March 2024 – Expected implementation: 1 January 2026

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

NWH Group - Key points

CET1 ratio

12.7%

(Q3 2023 – 13.5%)

The CET1 ratio decreased 80 basis points to 12.7% at 31 December 2023, compared with 13.5% at 30 September 2023. The decrease was due to a £0.7 billion decrease in CET1 capital and a £3.4 billion increase in RWAs. The CET1 capital reduced due to foreseeable items and regulatory adjustments partially offset by the profit in the period.

RWAs

£150.4bn

(Q3 2023 - £147.1 billion)

Total RWAs increased by £3.4 billion to £150.4 billion mainly reflecting:

– An increase in credit risk RWAs of £3.4 billion, driven by IRB Temporary Model Adjustment related to mortgages within Retail Banking as well as an increase driven by exposures within Commercial & Institutional and an increase in bonds held within Group Treasury. This was partially offset by reduced lending within Private Banking and reduced exposures within Ulster Bank RoI as a result of the phased withdrawal from the Republic of Ireland.

UK leverage ratio

5.3%

(Q3 2023 – 5.4%)

The leverage ratio decreased by 10 basis points to 5.3%. The decrease was due to a £0.7 billion reduction in Tier 1 capital and a £0.5 billion increase in leverage exposure. The key drivers in the leverage exposure were an increase in other financial assets partially offset by movements in regulatory deductions and off balance sheet items.

UK average leverage ratio

5.3%

(Q3 2023 – 5.3%)

The average leverage ratio remained static at 5.3%. There was a £0.4 billion increase in 3 month average Tier 1 capital offset by a £0.6 billion increase in average leverage exposure. The key drivers in the average leverage exposure were an increase in other financial assets partially offset by movements in net central bank items and regulatory deductions.

LCR average

130%

(Q3 2023 - 131%)

The average Liquidity Coverage Ratio (LCR) for the 12 months to 31 December 2023 decreased 1% over the period from 131% to 130%, mainly due to a reduction in customer deposits partly offset by increased issuance.

NSFR average

135%

(Q3 2023 - 137%)

The Net Stable Funding Ratio (NSFR) was 135% compared to 137% in the prior quarter. The decrease was due to lower deposits combined with higher lending and secured financing transactions.

UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. The capital and leverage ratios and measures are presented on a transitional basis for the remaining IFRS 9 relief. NWH Group has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024. The remaining Tier 2 instruments subject to CRR2 grandfathering provisions were derecognised during Q3 2023 following regulatory approvals.

		31 December 2023 £m	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m
Available own funds (amounts)						
1	Common equity tier 1 (CET1) capital	**19,063**	19,787	18,961	19,505	18,426
2	Tier 1 capital	**22,745**	23,469	22,643	23,187	22,108
3	Total capital	**27,671**	29,086	28,218	28,831	27,100
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	**150,428**	147,063	146,229	146,518	143,574
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	**12.7**	13.5	13.0	13.3	12.8
6	Tier 1 ratio (%)	**15.1**	16.0	15.5	15.8	15.4
7	Total capital ratio (%)	**18.4**	19.8	19.3	19.7	18.9
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	**1.6**	1.4	1.4	1.4	1.4
UK 7b	Additional AT1 SREP requirements (%)	**0.5**	0.5	0.5	0.5	0.5
UK 7c	Additional Tier 2 SREP requirements (%)	**0.7**	0.7	0.7	0.7	0.7
UK 7d	Total SREP own funds requirements (%)	**10.8**	10.6	10.6	10.6	10.6
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
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
UK 10a	Other Systemically Important Institution buffer (%)	**1.5**	1.5	1.5	1.5	1.5
11	Combined buffer requirement (%)	**5.8**	5.8	4.9	4.9	4.9
UK 11a	Overall capital requirements (%)	**16.6**	16.4	15.5	15.5	15.5
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	**6.6**	7.6	7.1	7.4	6.9
Leverage ratio						
13	Total exposure measure excluding claims on central banks	**431,113**	430,627	430,594	421,792	412,906
14	Leverage ratio excluding claims on central banks (%)	**5.3**	5.4	5.3	5.5	5.4
Additional leverage ratio disclosure requirements						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.2**	5.4	5.2	5.4	5.3
UK 14b	Leverage ratio including claims on central banks (%)	**4.6**	4.7	4.5	4.7	4.3
UK 14c	Average leverage ratio excluding claims on central banks (%)	**5.3**	5.3	5.4	5.3	5.4
UK 14d	Average leverage ratio including claims on central banks (%)	**4.6**	4.6	4.6	4.5	4.3
UK 14e	Countercyclical leverage ratio buffer (%) (1)	**0.6**	0.6	0.3	0.3	0.3
Liquidity coverage ratio (3)						
15	Total high-quality liquid assets (HQLA) (weighted value-average)	**106,798**	112,816	123,023	137,346	150,282
UK 16a	Cash outflows - Total weighted value	**88,473**	92,887	97,532	102,450	105,814
UK 16b	Cash inflows - Total weighted value	**6,040**	6,594	7,309	7,726	8,634
16	Total net cash outflows (adjusted value)	**82,433**	86,293	90,223	94,724	97,180
17	Liquidity coverage ratio (%)	**130**	131	136	144	154
Net stable funding ratio (4)						
18	Total available stable funding	**352,155**	355,380	361,681	370,206	376,909
19	Total required stable funding	**261,428**	259,626	257,606	254,980	253,576
20	NSFR ratio (%)	**135**	137	140	145	149

(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 NWH Group CCyB.
(2) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
(3) The Liquidity Coverage Ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.
(4) The Net Stable Funding Ratio (NSFR) is calculated as an average of the preceding 4 quarters reflecting PRA's guidance which came in effect last year.
(5) The following rows are not presented in the table above because they are not applicable: UK8a, UK9a and 10.

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

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

		31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022
Available capital (amounts) - transitional		**£m**	£m	£m	£m	£m
1	Common equity tier 1	**19,063**	19,787	18,961	19,505	18,426
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**18,856**	19,560	18,733	19,278	18,052
3	Tier 1 capital	**22,745**	23,469	22,643	23,187	22,108
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**22,538**	23,242	22,415	22,960	21,734
5	Total capital	**27,671**	29,086	28,218	28,831	27,100
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**27,728**	29,136	28,255	28,864	27,135
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	**150,428**	147,063	146,229	146,518	143,574
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**150,411**	147,035	146,192	146,481	143,503
Capital ratios		**%**	%	%	%	%
9	Common equity tier 1 ratio	**12.7**	13.5	13.0	13.3	12.8
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**12.5**	13.3	12.8	13.2	12.6
11	Tier 1 ratio	**15.1**	16.0	15.5	15.8	15.4
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**15.0**	15.8	15.3	15.7	15.1
13	Total capital ratio	**18.4**	19.8	19.3	19.7	18.9
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**18.4**	19.8	19.3	19.7	18.9
Leverage ratio						
15	Leverage ratio exposure measure (£m)	**431,113**	430,627	430,594	421,792	412,906
16	Leverage ratio (%)	**5.3**	5.4	5.3	5.5	5.4
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	**5.2**	5.4	5.2	5.4	5.3

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.

		NWH Group		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		31 December 2023 £m	30 September 2023 £m	31 December 2023 £m
1	Credit risk (excluding counterparty credit risk)	**130,240**	126,836	**10,418**
2	*Of which: standardised approach*	***15,906***	*16,855*	***1,272***
3	*Of which: the foundation IRB (FIRB) approach*	-	-	-
4	*Of which: slotting approach*	***11,502***	*10,735*	***920***
UK 4a	*Of which: equities under the simple risk-weighted approach*	-	-	-
5	*Of which: the advanced IRB (AIRB) approach (1)*	***102,832***	*99,246*	***8,226***
5a	*Of which: non-credit obligation assets*	***4,184***	*4,192*	***335***
6	Counterparty credit risk	**719**	767	**58**
7	*Of which: standardised approach*	***137***	*229*	***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)*	***77***	*137*	***6***
9	*Of which: other counterparty credit risk*	***440***	*342*	***36***
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	**899**	848	**72**
17	*Of which: SEC-IRBA approach*	***577***	*620*	***46***
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)	**213**	255	**17**
21	*Of which: standardised approach*	***213***	*255*	***17***
22	*Of which: IMA*	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk	**18,357**	18,357	**1,469**
UK 23a	*Of which: basic indicator approach*	-	-	-
UK 23b	*Of which: standardised approach*	***18,357***	*18,357*	***1,469***
UK 23c	*Of which: advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	**959**	1,116	**77**
29	Total	**150,428**	147,063	**12,034**

(1) Of which £3 million RWAs (31 December 2023 - £3 million) relate to equity IRB under the probability of default/loss given default approach.
(2) 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 statement of credit risk exposures under the IRB approach

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

		NWH Group
		a
		RWAs
		£m
1	At 31 December 2022	101,522
2	Asset size	2,752
3	Asset quality	(292)
4	Model updates	(307)
7	Foreign exchange movements	(243)
9	At 31 March 2023	103,432
2	Asset size	1,143
3	Asset quality	(778)
4	Model updates	772
5	Methodology and policy	450
7	Foreign exchange movements	(297)
8	Other	(1,612)
9	At 30 June 2023	103,110
2	Asset size	1,992
3	Asset quality	(380)
4	Model updates	759
7	Foreign exchange movements	305
9	At 30 September 2023	105,786
2	Asset size	2,811
3	Asset quality	(19)
4	Model updates	1,801
7	Foreign exchange movements	(232)
9	At 31 December 2023	110,147

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

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- The increase in asset size RWAs primarily relates to drawdowns and new facilities within Commercial & Institutional. There were 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 adjustment 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 III: Risk management – objectives and policies

UK OVA: Institution risk management approach

Risk management framework

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

NWH Group follows NatWest Group's approach to strategy setting and aligns activities with NatWest Group's Strategic Principles.

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

The NatWest Group Enterprise-wide Risk management framework (EWRMF)

The NatWest Group EWRMF sets out NatWest Group's approach to managing risk. It applies to all subsidiary legal entities, business segments and functions and explains how each component of the framework helps to deliver strategy in a safe and sustainable way, in line with the Group's purpose, values and the Group CRO's Strategic Vision. NatWest Group's EWRMF is owned and implemented by the NatWest Group CRO. It is approved annually by the NatWest Group Board.

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

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

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

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

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

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

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

The NWH Group Risk Management Framework (RMF)

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

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

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

Adequacy of the Risk Management Framework

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

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

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

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

UK OVA: Institution risk management approach continued

The following diagram illustrates NatWest Group's EWRMF framework

Enterprise-wide risk management framework

01 The enterprise-wide risk management framework (EWRMF) sets out our approach to managing risk across NatWest Group and provides a common risk language and framework to facilitate effective risk management.

02 The building blocks of the EWRMF are: risk appetite, risk governance, three lines of defence and risk culture.

Risk appetite	Risk governance	Three lines of defence	Risk culture
Risk appetite is defined as the type and aggregate level of risk NatWest Group is willing to accept in pursuit of its strategic objectives and business plans.	NatWest Group's governance structure facilitates sound risk management decision making, in line with standards of good corporate governance.	NatWest Group adopts a three lines of defence model of risk governance. Everyone has a responsibility for intelligent risk taking.	The EWRMF is centred on the embedding of a strong risk culture that encompasses both prudential and conduct risk outcomes and prescribed behaviours.

03 The EWRMF sets out a common risk language and standard definitions to ensure consistency in the application of risk management terminology.

Common risk language, architecture and approach

Group risk directory and principal risks	Principal risk policies	Risk standards	Risk toolkits
The risk directory provides a common language to ensure that consistent terminology is used across NWM Group to describe the principal risks.	Risk policies are in place for each principal risk and define, at a high level, the cascade of qualitative expectations, guidance and standards for risk.	Risk standards provide a more granular expression of the risk policies and provide the detail for the first line of defence to develop operational policies/procedures.	Risk toolkits define the approaches, tools and techniques for managing risk (split by all principal risks, financial and non-financial risks).

04 The risk toolkit cycle outlines the NatWest Group-wide approach to identify, assess, mitigate, monitor and report risks.

Report	Identify and assess
Reporting of the risk profile, emerging themes, current issues and other key information.	Effective risk identification and assessment to understand the risk profile.
Monitor	**Mitigate**
Monitoring of the risk profile through principal risk indicators or other key metrics.	Determination of the appropriate action for how risks are managed or mitigated.

05 Principal risks are used as the basis for setting risk appetite and risk identification.

Principal risks

Financial risks	Non-financial risks
Capital risk	Financial crime risk
Liquidity and funding risk	Model risk
Credit risk	Operational risk
Earnings stability risk	Reputational risk
Traded market risk	Regulatory compliance risk
Non-traded market risk	
Pension risk	
Climate risk	

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

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

UK OVA: Institution risk management approach continued

Risk appetite

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

Risk appetite measures are:

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

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

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

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

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

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

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

- Stress-testing the current and future risk profile across a range of scenarios provides evidence that risk-taking across the range of principal risks is within overall risk appetite.
- Sensitivity analysis explores how the risk profile changes when one or more principal risks move from current levels to full utilisation of risk appetite and is used to confirm that NatWest Group will remain within overall risk appetite even if utilisation moves to the limits.
- Scenario analysis explores how the risk profile reacts to specific changes in the economic environment and is a useful supplement to stress testing.
- Where a direct linkage is possible, measures are used to calibrate risk appetite with capital, liquidity, funding and earnings stability requirements.

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

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

Material transactions in 2023

During 2023, the material transactions within NWH Group, affiliates or related parties considered to have had a material impact on the risk profile of the institution were the following:

There were no Material Transactions in NWH Group in 2023.

Any such transactions would be reviewed by NatWest Group's Acquisition and Disposal Committee to ensure compliance with the risk framework, with oversight by the risk function with the NWH Group CRO as a member of the committee.

Risk governance structure

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

NWH Board

Considers material risks and approves, as appropriate, actions recommended by the NWH Board Risk Committee. It monitors performance against risk appetite. It reviews and approves the Risk Management Framework and the risk appetite for principal risks, in accordance with the Risk Appetite Framework.

NWH Board Risk Committee (BRC)

Provides oversight and advice to the Board on current and future risk exposures and future risk profile, including risk appetite; the approval and effectiveness of the Risk Management Framework and internal controls required to manage risk. Approves Key Risk Policies specific to NWH Ltd. Reviews the operating model, adequacy and effectiveness of Risk resource.

NWH Executive Risk Committee

Supports the NWH Group CEO in discharging their risk management accountabilities. Reviews, challenges and debates all material risk and control matters across NWH Group and the performance of NWH relative to risk appetite. Reviews the NWH Risk Management Framework and supports the recommendation of it to NWH BRC and oversees its implementation.

UK OVA: Institution risk management approach continued

NWH Executive Committee

Supports the NWH Group CEO in discharging their individual accountabilities delegated to them by the Board, including matters relating to strategy, financials, capital, and operational issues. Considers material enterprise-wide risk and control matters across the group as appropriate. Supports the CEO in forming recommendations to the boards and committees and in forming recommendations on relevant items before their escalation

NWH Asset & Liability Management Committee

Supports the CFO in overseeing the effective management of each of the NWH Sub-Group legal entities, ensuring that they operate within NatWest Group and NWH risk appetites, policies and chosen business strategy, and comply with regulatory and legal requirements (including ring-fencing requirements) on a forward-looking basis.

NWH Executive Disclosure Committee

Supports the CFO in discharging their accountabilities, including the review of all material financial and non-financial disclosures made by the NWH Sub-Group to ensure that they are accurate, complete and fairly represent the business and financial condition of the NWH-Sub Group with no material misstatements or omissions. Supports the CRO in reviewing and evaluating all significant expected credit losses and the CFO in reviewing and evaluating related provisions and valuations.

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

The Directors of Risk within the NWH Group receive delegated accountability from the NWH Group CRO to oversee business segments and functions. They primarily set operational limits in line with the delegated authority and the relevant legal entity, business segment or function Executive to enable the monitoring and management of principal risks at a business level in line with risk appetite. Operational Limits of significant importance to the management of principal risks within risk appetite may be approved by the relevant CEO and CRO following recommendation by the relevant ERC to ensure appropriate visibility and oversight Operational Limits should align to and support the Risk appetite measures and associated risk appetite limits set for each principal risk to provide a comprehensive top down and bottom-up view to ensure that each business segment and legal entity is operating within the parameters set by the Board. This alignment is validated via independent review and verification.

Heads of Internal control

During 2023 the following changes to the heads of internal control, risk management, compliance and internal audit took place:

Alison Rose resigned as Chief Executive Officer (CEO), NatWest Group and Paul Thwaite was appointed CEO, NatWest Group for an initial period of 12 months in July 2023. The new NatWest Group Chief Risk Officer, Keiran Foad, formally took up his role in April 2023. Other changes to internal control, risk management, compliance and internal audit below the level of CEO-1 took place.

Risk culture

NWH supports the Group's multi-year programme to enhance risk management capability at every level of the organisation which has an ongoing emphasis on risk culture. The approach to risk culture under the banner of intelligent taking, ensures a focus on robust risk management behaviours and practices. This underpins our purpose-led strategy and our values across all three lines of defence, enables us to support better customer outcomes, develop a stronger and more sustainable business, and deliver an improved cost base.

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

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

The target Intelligent risk-taking behaviours are embedded in NatWest Group's critical people capabilities and are clearly aligned to NatWest Group's core values. These act as an effective basis for a strong risk culture because the critical people capabilities form the basis of all recruitment and selection processes.

UK OVA: Institution risk management approach continued

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

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

A review of the effectiveness of controls is undertaken through the Control Environment Certification (CEC) process. This is a half-yearly self-assessment by the CEOs of NatWest Group's customer-facing business areas, as well as the heads of the bank's support functions. It provides a consistent and comparable view on the adequacy and effectiveness of the internal control environment. NatWest Group's and NWH Group's Executive Risk and Board Risk Committees receive bi-annual updates on the CEC assessment for all of NatWest Group's and NWH Group's customer-facing business areas and support functions.

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

Risk disclosure and measurement systems

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

- The Strategic Principles which articulate the high-level NatWest Group wide risk perimeter or "Guard Rails" set by NatWest Group Board
- The NWH Board's Risk Appetite, as expressed across the 14 principal risks
- The Target Control Environment rating (CE2)

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

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

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

- Assessing the adequacy of the framework when compared to internal and external expectations.
- Ensuring the framework remains effective and acts as a strong control environment for risk appetite.
- Assessing the level of embedding of risk appetite across the organisation. The NWH Board approves the risk appetite framework annually. It also approves the capital plans, including those for key legal entities and businesses as well as the results of the stress tests relating to those capital plans.

The Control Environment Certification (CEC) process is a half-yearly self-assessment by the CEOs of NatWest Group's customer-facing business areas, as well as the heads of the bank's support functions. It provides a consistent and comparable view on the adequacy and effectiveness of the internal control environment.

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

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

The process is designed to confirm that risks are effectively managed in line with risk appetite. Controls are tested at the appropriate frequency to verify that they remain fit-for-purpose and operate effectively to reduce the identified risks.

Strategies and processes to manage risks

Stress testing

Stress testing – capital management

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

Stress testing includes:

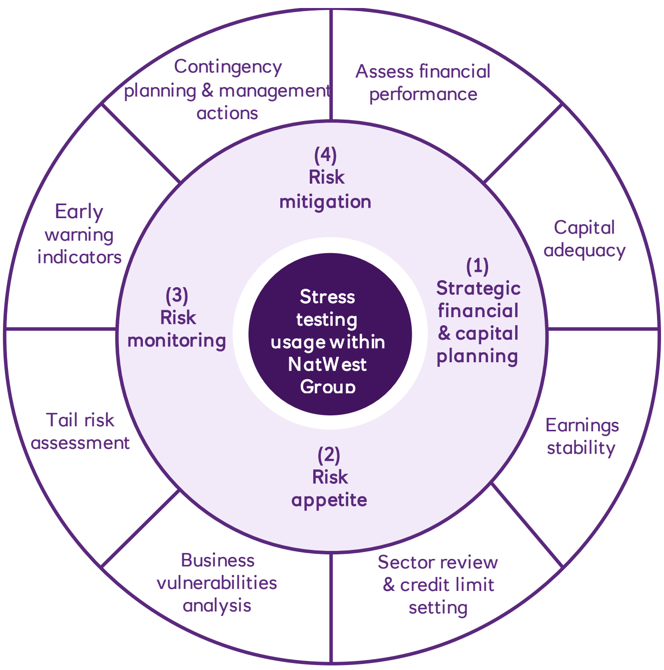
- Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.
- Sensitivity testing, which examines the impact of an incremental change to one or more risk factors.

UK OVA: Institution risk management approach continued

The process for stress testing consists of four broad stages:

Define scenarios	– Identify macro and NatWest Group-specific vulnerabilities and risks. – Define and calibrate scenarios to examine risks and vulnerabilities. – Formal governance process to agree scenarios.
Assess impact	– Translate scenarios into risk drivers. – Assess impact to current and projected P&L and balance sheet across NatWest Group.
Calculate results and assess implications	– Aggregate impacts into overall results. – Results form part of the risk management process. – Scenario results are used to inform NatWest Group's business and capital plans.
Develop and agree management actions	– Scenario results are analysed by subject matter experts. Appropriate management actions are then developed. – Scenario results and management actions are reviewed by the relevant Executive Risk Committees and Board Risk Committees, and agreed by the relevant Boards.

Stress testing is used widely across NatWest Group. The diagram below summarises key areas of focus.



Specific areas that involve capital management include:

- **Strategic financial and capital planning** – by assessing the impact of sensitivities and scenarios on the capital plan and capital ratios.
- **Risk appetite** – by gaining a better understanding of the drivers of, and the underlying risks associated with, risk appetite.
- **Risk monitoring** – by monitoring the risks and horizon-scanning events that could potentially affect NatWest Group's financial strength and capital position.
- **Risk mitigation** – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment. Principal risk mitigating actions are documented in NatWest Group's recovery plan.

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

Capital sufficiency – going concern forward-looking view

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

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

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

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

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

Internal assessment of capital adequacy

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

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

UK OVA: Institution risk management approach continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Scenario analysis based on hypothetical adverse scenarios is performed on non-traded exposures as part of the Bank of England and European Banking Authority stress test exercises. NatWest Group also produces an internal scenario analysis as part of its financial planning cycles.

UK OVA: Institution risk management approach continued

Non-traded exposures are capitalised through the ICAAP. This covers gap risk, basis risk, credit spread risk, pipeline risk, structural foreign exchange risk, prepayment risk, equity risk and accounting volatility risk. The ICAAP is completed with a combination of value and earnings measures. The total non-traded market risk capital requirement is determined by adding the different charges for each sub risk type. The ICAAP methodology captures at least ten years of historical volatility, produced with a 99% confidence level. Methodologies are reviewed by NatWest Group Model Risk and the results are approved by the NatWest Group Technical Asset & Liability Management Committee.

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

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

Internal scenarios

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

This involved running the following two climate scenarios:

- A disruptive policy response scenario, where the introduction of policy from the Network for Greening the Financial System delayed transition scenario, is accelerated to this decade.
- The inevitable policy response 1.8°C scenario which anticipates investor, corporate and civil society pressure will push policymakers to make changes between 2023 and 2033, that could result in warming at or below 1.8°C by 2100.

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

The corporate transition risk model and internal exercise builds on the learnings from the Climate Biennial Exploratory Scenario and integrates climate into ICAAP. The model is capable of accounting for sector specific exposure to climate-related transition risks and counterparty specific response to a limited set of demand shocks and rising carbon prices, by mitigating emissions and passing costs through to customers.

Regulatory stress testing

The Bank of England published the results of the 2022 annual cyclical scenario (ACS) stress test on 12 July 2023. The results of this stress test, and other relevant information, will be used to help inform NatWest Group capital buffers (both the UK countercyclical capital buffer rate and PRA buffers).

The 2022 stress test aimed to assess the impact of a UK and global macroeconomic stress on UK banks, spanning a five-year period from Q3 2022 to Q2 2027. It is a coherent 'tail risk' scenario, designed to be severe and broad enough to assess the resilience of UK banks to a range of adverse shocks.

The stress scenario is broadly similar to the 2019 ACS and more severe overall than the global financial crisis, with the key difference being elevated levels of inflation. Annual UK inflation averaged around 11% over the first three years of the scenario, peaking at 17% in early 2023.

The stress test was based on an end-of-June 2022 balance sheet starting position.

Further details can be found at:
https://www.bankofengland.co.uk/stress-testing/2023/bank-of-england-stress-testing-results

Following the UK's exit from the European Union, only relevant European subsidiaries of NatWest Group take part in the European Banking Authority stress tests. NatWest Group itself does not participate.

NatWest Group is taking part in the Bank of England's system-wide exploratory scenario in 2023/24. The objective of the exercise is to understand the risks and behaviours flowing from non-bank financial institutions under stress, and how these risks could amplify market shocks and pose a risk to financial stability. The Bank of England will publish a report on this scenario in 2024 following completion of the exercise.

Risk management and monitoring

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

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

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

Risk mitigation and hedging

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

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that arise from risk mitigation actions themselves) are also considered. Monitoring and review processes are in place to evaluate results. Early identification, and effective management of changes in legislation and regulation are critical to the successful mitigation of compliance and conduct risk. The effects of all changes are managed to ensure the timely achievement of compliance. Those changes assessed as having a high or medium-high impact are managed more closely. Emerging threats that could affect future results and performance are also closely monitored. Action is taken to mitigate potential risks as and when required. Further in-depth analysis, including the stress testing of exposures (see above), is also carried out.

Some key areas of risk mitigation are highlighted below.

UK OVA: Institution risk management approach continued

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

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

UK OVB: Disclosure on governance arrangements

Number of directorships held by members of the Board of NatWest Holdings Limited ("NWH Ltd") as at 31 December 2023 (1)

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

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

Number of directorships "effectively held" by members of the Board as at 31 December 2023 (2):-

Name	No. of directorships
Howard Davies	2
Paul Thwaite	2
Katie Murray	2
Francesca Barnes	3
Ian Cormack	2
Roisin Donnelly	3
Patrick Flynn	2
Yasmin Jetha	3
Stuart Lewis	1
Mark Rennison	2
Mark Seligman	5
Lena Wilson	2

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

Recruitment policy

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

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

The matrix is also used to identify any gaps and opportunities to enhance the collective balance of skills through additional recruitment to the Board.

The matrix reflects directors' self-assessment of the skills and experience they bring to Board discussions. In December 2023 the committee reviewed, and the Board approved, an updated version of the Board skills matrix.

The most significant recruitment activity of the committee during 2023 was the Chair succession search. On 6 September 2023 the Boards of NatWest Group plc (NWG plc) and NWH Ltd approved the appointment of Rick Haythornthwaite as the next Chair of NWG plc, NWH Ltd, National Westminster Bank Plc (NWB Plc) and The Royal Bank of Scotland plc (RBS plc). Mr Haythornthwaite joined the Board as an independent non-executive director and Chair Designate on 8 January 2024 and will succeed Howard Davies as Chair on 15 April 2024. The appointment followed a rigorous search process led by the Senior Independent Directors of NWG plc and NWH Ltd, overseen by the committee alongside the Group Nominations and Governance Committee of NWG plc (Group N&G) and supported by an external search firm. The wider Board was closely involved through regular updates and broader discussions. To support the Board's decision, a detailed paper described the process leading to Mr Haythornthwaite's identification as the preferred candidate. This included the role specification criteria, how candidate long and short lists were compiled and reviewed, directors' interview feedback on skills, experience and suitability, and a review of external appointments, time commitment and independence.

Following the committee's review of the skills matrix and noting the tenure of a number of non-executive directors, the committee supported implementation of the Board's succession plans by overseeing, together with Group N&G (the committees), the search for a new independent non-executive director of NWG plc,

UK OVB: Disclosure on governance arrangements continued

NWH Ltd, NWB Plc and RBS plc and a new DINED (double independent non-executive director) of NWH Ltd, NWB Plc and RBS plc (the NWH Sub Group).

A subset of the Board's membership selected an external search firm to support a comprehensive candidate search with diversity and inclusion considerations at the forefront of the search criteria. The committee held a number of discussions on potential candidates as the search progressed, assessing the credentials of each candidate against the qualities and capabilities set out in the role specification agreed by the committees.

Following a rigorous process the committees recommended Mark Rennison for appointment to the NWH Sub Group Boards as a DINED and Geeta Gopalan for appointment as an independent non-executive director of NWG plc and the NWH Sub Group Boards. These appointments were subsequently approved by the NWG plc and NWH Sub Group Boards. Mark Rennison joined the NWH Sub Group Boards on 1 September 2023 and Geeta Gopalan will join the NWG plc and NWH Sub Group Boards on 1 July 2024.

Policy on diversity

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

The boardroom inclusion policy's objectives ensure that the Board, and any committee to which it delegates nomination responsibilities, follows an inclusive process when making nomination decisions. That includes ensuring that the nomination process is based on the principles of fairness, respect and inclusion, that all nominations and appointments are made on the basis of individual competence, skills and expertise measured against identified objective criteria and that searches for Board candidates are conducted with due regard to the benefits of diversity and inclusion.

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

As at 31 December 2023:-

- NWH Ltd exceeded the FTSE Women Leaders Review voluntary target of 40% women's representation on boards by the end of 2025, with 42% of the Board being women; and
- With a woman as CFO, NWH Ltd met the FTSE Women Leaders Review recommendation that companies should have at least one woman in the Chair or Senior Independent Director roles on the board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025.
- NWH Ltd met the recommendation of the Parker Review with at least one member of the Board being from an ethnic minority background and it intends to continue to meet that recommendation.

Changes since 1 January 2024: Rick Haythornthwaite joined the Board as an independent non-executive director on 8 January 2024. This appointment to the Board means women's representation will be 38% between 8 January and 15 April 2024. Mr Haythornthwaite will succeed Howard Davies as Chair on 15 April 2024 (at which point Howard Davies will step down as a director). After Howard steps down, women's representation on the Board will revert to 42%, assuming no other changes to Board composition. In addition, Geeta Gopalan will join the NWG plc and NWH Sub Group Boards on 1 July 2024 as an independent non-executive director.

The boardroom inclusion policy also acknowledges NatWest Group's ambition to have gender balance in the global top three levels (CEO-3 and above) by 2030, and progress against this ambition is set out on pages 38 to 39 of the NatWest Group plc 2023 Annual Report and Accounts (Strategic report).

The NWH Ltd Board has established a Board Risk Committee, which held eight scheduled meetings during 2023.

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

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

Risk appetite measures are in place for all principal risks, with performance against these measured on a regular basis. The NWH Group CRO provides regular reporting to the NWH Group Executive Risk Committee, the NWH Board Risk Committee and the NWH Board. This includes an outline of performance against risk appetite measures for all principal risks and details of mitigants and management actions in place to address any areas of concern. The NWH Group CRO(1) also undertakes regular engagement with the Chair of the NWH Board Risk Committee (BRC) (2), including before and after each scheduled meeting of the NatWest Board Risk Committee.

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

Annex V: Scope of application

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

The table below shows both the NWH Group's consolidated balance sheet as at 31 December 2023 on an accounting consolidated basis and under the regulatory scope of consolidation. The differences between the accounting scope of consolidation and the regulatory scope of consolidation are further explained in template UK LI3. Detailed information relating to the consolidated balance sheet is available in NWH Group's ARA.

	a	b	c	d	d	f	g
	NWH Group						
			Carrying value of items:				
31 December 2023	Carrying values as reported in published financial statements £m	Carrying values under scope of regulatory consolidation £m	Subject to credit risk framework £m	Subject to securitisation framework £m	Subject to counterparty credit risk framework £m	Subject to the market risk framework £m	Not subject to capital requirements or subject to deduction from capital £m
Assets							
Cash and balances at central banks	72,733	72,766	72,766	-	-	-	-
Trading assets	-	-	-	-	-	-	-
Derivatives	1,137	1,137	-	-	1,137	1,137	-
Settlement balances	-	-	-	-	-	-	-
Loans to banks - amortised cost	4,423	4,482	3,752	174	556	-	-
Loans to customers - amortised cost	354,028	354,023	328,467	-	25,556	-	-
Other financial assets	32,374	32,005	29,304	2,701	-	-	-
Intangible assets	7,060	7,060	-	-	-	-	7,060
Other assets	7,277	7,291	6,282	-	-	-	1,009
Assets of disposal groups	902	902	902	-	-	-	-
Amounts due from holding company and fellow subsidiaries	291	291	284	-	-	-	-
Total assets	480,225	479,957	441,757	2,875	27,249	1,137	8,069
Liabilities							
Bank deposits	19,079	19,577	-	-	2,632	-	16,945
Customer deposits	391,454	391,528	-	-	10,427	-	381,101
Settlement balances	-	-	-	-	-	-	-
Trading liabilities	-	-	-	-	-	-	-
Derivatives	1,254	1,254	-	-	1,254	1,254	-
Other financial liabilities	9,011	8,147	-	-	-	-	8,147
Subordinated liabilities	122	119	-	-	-	-	119
Notes in circulation	3,237	3,237	-	-	-	-	3,237
Other liabilities	4,436	4,463	-	-	-	-	4,463
Liabilities of disposal groups							
Amounts due to holding company and fellow subsidiaries	20,608	20,608	-	-	-	-	20,608
Total liabilities	449,201	448,933	-	-	14,313	1,254	434,620

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

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

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

		a	b	c	d	e
		NWH Group				
			Items subject to:			
		Total (1)	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
31 December 2023		£m	£m	£m	£m	£m
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	**471,881**	**441,757**	**2,875**	**27,249**	**1,137**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	**(14,313)**	**-**	**-**	**(14,313)**	**(1,254)**
3	Total net amount under regulatory scope of consolidation	**457,568**	**441,757**	**2,875**	**12,936**	**(117)**
4	Off-balance sheet amounts	**59,983**	**59,911**	**72**	**-**	
5	Difference in valuations	**-**	**-**	**-**	**-**	
6	Differences due to different netting rules, other than those already included above	**(17,853)**	**(8,753)**	**-**	**(9,100)**	
7	Differences due to consideration of provisions	**3,271**	**3,271**	**-**	**-**	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	**-**	**-**	**-**	**-**	
9	Differences due to credit conversion factors	**-**	**-**	**-**	**-**	
10	Differences due to Securitisation with risk transfer	**-**	**-**	**-**	**-**	
11	Other differences	**(171)**	**453**	**-**	**(624)**	
12	Exposure amounts considered for regulatory purposes (2)	**502,798**	**496,639**	**2,947**	**3,212**	**213**

(1) The Total column above (column a) represents the sum of columns b, c and d.
(2) For Market Risk the exposure is only considered for positions treated under the standardised approach. The remaining exposure is considered under the internally developed market risk models.

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

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

a	b	c	d	e	f	g	h
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
Better With Money Ltd	Full consolidation				X		Other / non financial
Creative Auto-Enrolment Limited	Full consolidation				X		Other / non financial
Creative Benefit Solutions Limited	Full consolidation				X		Other / non financial
Cushon Group Limited	Full consolidation				X		Other / non financial
Cushon Holdings Limited	Full consolidation				X		Other / non financial
Cushon Mt Limited	Full consolidation				X		Other / non financial
Cushon Mt Ni Limited	Full consolidation				X		Other / non financial
Cushon Pension Trustees Limited	Full consolidation				X		Ancillary services undertaking
Gatehouse Way Developments Ltd	Full consolidation				X		Other / non financial
German Biogas Holdco Limited	Full consolidation				X		Financial institution
Gwnw City Developments Limited	Equity Accounting				X		Other / non financial
Kuc Properties Limited	Full consolidation				X		Other / non financial
Land Options (West) Limited	Full consolidation				X		Other / non financial
London Rail Leasing Limited	Equity Accounting		X				Financial institution
Lothbury Insurance Company Limited	Full consolidation				X		Insurance undertaking
Natwest Property Investments Limited	Full consolidation				X		Other / non financial
Nightingale Project Finance Ii 2023-1 Limited	Full consolidation				X		Financial institution
Nw A Holdings Limited	Pro-rata consolidation				X		Other / non financial
Pollinate Networks Limited	Associate held at cost				X		Other / non financial
The Rbs Group Ireland Retirement Savings Trustee Limited	Full consolidation				X		Other / non financial
Ulster Bank Pension Trustees (Ri) Limited	Full consolidation				X		Other / non financial
Ulster Bank Pension Trustees Limited	Full consolidation				X		Other / non financial
Walton Lake Developments Ltd	Full consolidation				X		Other / non financial

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

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

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

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

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

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

- Off-balance sheet amounts which principally consist of undrawn credit facilities after the application of credit conversion factors (CCF)
- Differences due to different netting rules which reflects the effects of master netting agreements in addition to the netting permitted under International Accounting Standards (IAS) framework
- Differences due to consideration of provisions which relates to the impairment loss provisions on loans and advances and securities, and credit valuation adjustments on derivatives
- Other differences which include regulatory consolidation differences, the IFRS9 transition adjustment and adjustments due to exposures being calculated by prescribed risk factors which are not considered in financial statement carrying values.

UK LIB: Other qualitative information on the scope of application

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

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

Prudential valuation is a regulatory provision that requires additional valuation adjustments (AVAs) to be made over and above fair value adjustments that are calculated in accordance with accounting standards. AVAs represent excess valuation adjustments required to achieve a prudential value over the reported fair value. The purpose of these adjustments is to achieve an appropriate degree of certainty that the valuation is sufficiently prudent having regard to the dynamic nature of trading positions. Prudential valuation adjustments (PVAs) result in a deduction to CET1 capital in accordance with Article 105 UK CRR. NWH Group applies prudential valuation to all positions that are subject to fair value accounting (both regulatory trading and non-trading books). The prudential valuation is the value of the positions at the lower bound (downside) of the valuation uncertainty range and is always equal to or lower than the fair value for assets, and equal to or higher than the fair value for liabilities. Types of financial instruments on which the highest PVA is observed include interest rate swaps, and equity positions.

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

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

		NWH Group									
		31 December 2022									
		a	b	c	d	e	UK e1	UK e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty				
Category level AVA		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	1	14	-	5	-	-	-	10	-	10
2	Set not applicable in the UK										
3	Close-out cost	-	5	-	-	-	-	-	3	-	3
4	Concentrated positions	-	3	-	-	-	-	-	3	-	3
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	14	-	1	-	-	-	7	-	7
7	Operational risk	-	1	-	-	-	-	-	1	-	1
8	Set not applicable in the UK										
9	Set not applicable in the UK										
10	Future administrative costs	-	-	-	-	-	-	-	1	-	1
11	Set not applicable in the UK										
12	Total additional valuation adjustments (AVAs)								25	-	25

(1) For more information regarding valuation methodologies of modelled and non-modelled products, the independent price verification process and the control and governance framework, please refer to the 2023 NatWest Group ARA Financial instruments – valuation (Note 11).

Annex VII: Capital

UK CC1: Composition of regulatory own funds

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

		NWH Group		
	CET1 capital: instruments and reserves	**31 December 2023 £m**	**Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation**	31 December 2022 £m
1	Capital instruments and the related share premium accounts	**3,263**		3,263
	of which: ordinary shares	***3,263***	**(a)**	*3,263*
2	Retained earnings	**34,451**	**(b)**	33,881
3	Accumulated other comprehensive income (and other reserves)	**(12,834)**	**(c)**	(13,406)
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	**1,232**	**(b)**	246
6	CET1 capital before regulatory adjustments	**26,112**		23,984
	CET1 capital: regulatory adjustments			
7	(-) Additional value adjustments	**(60)**		(25)
8	(-) Intangible assets (net of related tax liability)	**(7,060)**	**(d)**	(6,769)
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)	**(924)**	**(e)**	(866)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**1,192**	**(i)**	1,797
12	(-) Negative amounts resulting from the calculation of expected loss amounts	**-**		(6)
13	(-) Any increase in equity that results from securitised assets	**-**		-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**-**		-
15	(-) Defined-benefit pension fund assets (1)	**(404)**	**(f) & (g)**	(46)
16	(-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments	**-**		-
17	(-) Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	**-**		-
18	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	**-**		-
19	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	**-**		-
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	**-**		-
UK-20b	*(-) of which: qualifying holdings outside the financial sector*	**-**		-
UK-20c	*(-) of which: securitisation positions*	**-**		-
UK-20d	*(-) of which: free deliveries*	**-**		-

UK CC1: Composition of regulatory own funds continued

		NWH Group		
	CET1 capital: regulatory adjustments	31 December 2023 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022 £m
21	(-) Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	**-**		-
22	(-) Amount exceeding the 17.65% threshold	**-**		-
23	*(-) of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	**-**		-
25	*(-) of which: deferred tax assets arising from temporary differences*	**-**		-
UK-25a	(-) Losses for the current financial year	**-**	(b)	-
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items 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)	**207**		357
28	Total regulatory adjustments to CET1	**(7,049)**		(5,558)
29	CET1 capital	**19,063**		18,426
	AT1 capital: instruments			
30	Capital instruments and the related share premium accounts	**3,682**	(h)	3,682
31	*of which: classified as equity under applicable accounting standards*	***3,682***		*3,682*
32	*of which: classified as liabilities under applicable accounting standards*	**-**		-
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	**-**	(j)	-
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	**-**		-
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	**-**		-
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	**-**	(j)	-
35	*of which: instruments issued by subsidiaries subject to phase out*	**-**		-
36	AT1 capital before regulatory adjustments	**3,682**		3,682
	AT1 capital: regulatory adjustments			
37	(-) Direct, indirect and synthetic holdings by an institution of own AT1 instruments	**-**		-
38	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	**-**		-
39	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	**-**		-
40	(-) Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	**-**		-

UK CC1: Composition of regulatory own funds continued

		NWH Group 31 December 2023 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022 £m
AT1 capital: regulatory adjustments				
42	(-) Qualifying T2 deductions that exceed the T2 items of the institution	**-**		-
42a	Other regulatory adjustments to AT1 capital	**-**		-
43	Total regulatory adjustments to AT1 capital	**-**		-
44	AT1 capital	**3,682**		3,682
45	T1 capital (T1 = CET1 + AT1)	**22,745**		22,108
T2 capital: instruments				
46	Capital instruments and the related share premium accounts	**4,805**	(j)	4,917
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	**-**	(j)	75
49	*of which: instruments issued by subsidiaries subject to phase out*	**-**		*75*
50	Credit risk adjustments	**121**		431
51	T2 capital before regulatory adjustments	**4,926**		4,992
T2 capital: regulatory adjustments				
52	(-) Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans	**-**		-
53	(-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	**-**		-
54	(-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	**-**		-
55	(-) Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	**-**		-
UK-56a	(-) Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution	**-**		-
UK-56b	Other regulatory adjustments to T2 capital	**-**		-
57	Total regulatory adjustments to T2 capital	**-**		-
58	T2 capital	**4,926**		4,992
59	Total capital (TC = T1 + T2)	**27,671**		27,100
60	Total risk exposure amount	**150,428**		143,574
Capital ratios and buffers				
61	CET1 (as a percentage of total risk exposure amount)	**12.7%**		12.8%
62	T1 (as a percentage of total risk exposure amount)	**15.1%**		15.4%
63	Total capital (as a percentage of total risk exposure amount)	**18.4%**		18.9%

UK CC1: Composition of regulatory own funds continued

		NWH Group		
		31 December 2023 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022 £m
Amounts below the thresholds for deduction (before risk weighting)				
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	11.9%		10.8%
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*	1.5%		1.5%
68	CET1 available to meet buffers (as a percentage of risk exposure amount) (2)	6.6%		6.9%
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4		3
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	-		-
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	382		512
Applicable caps on the inclusion of provisions in T2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	199		248
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	121		-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	691		635
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-		-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-
82	Current cap on AT1 instruments subject to phase out arrangements	-		-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-
84	Current cap on T2 instruments subject to phase out arrangements	-		-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-

(1) FY2023, it also includes a prudent deduction in respect of agreement with the pension fund to establish legal structure to remove dividend linked contribution. See Notes 5 and 33 in Natwest Group 2023 Annual Report and Accounts.
(2) Row 68: represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
(3) The references (a) to (j) identify balance sheet components in table UK CC2 that are used in the calculation of regulatory capital in table UK CC1. Amounts between UK CC2 and UK CC1 are not always directly comparable due to differences in definitions and application of Capital Requirements Directive for the calculation of regulatory capital.
(4) The following lines are not presented as they are not applicable under the UK disclosure requirements: 9, 20, 24, 26, 41, 54a, 56, 69, 70, 71 and 74.

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

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

	NWH Group		
	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	
Assets	£m	£m	References
Cash and balances at central banks	72,733	72,766	
Derivatives	1,137	1,137	
Loans to banks - amortised cost	4,423	4,482	
Loans to customers - amortised cost	354,028	354,023	
Other financial assets	32,374	32,005	
Intangible assets	7,060	7,060	(d)
Property, plant and equipment	3,869	3,869	
Current and deferred tax assets	1,861	1,861	
of which: DTAs that rely on future profitability and do not arise from temporary differences	*924*	*924*	*(e)*
Prepayments, accrued income and other assets	1,547	1,561	
of which: defined benefit pension fund assets	*45*	*45*	*(f)*
Assets of Disposal groups	902	902	
Amounts due from holding company and fellow subsidiaries	291	291	
Total assets	480,225	479,957	
Liabilities			
Bank deposits	19,079	19,577	
Customer deposits	391,454	391,528	
Derivatives	1,254	1,254	
Other financial liabilities	9,011	8,147	
Provisions, deferred income and other liabilities	3,893	3,921	
Current and deferred tax liabilities	543	542	
of which: defined benefit pension scheme assets	*6*	*6*	*(g)*
Subordinated liabilities	122	119	*(j)*
Notes in circulation	3,237	3,237	
Amounts due to holding company and fellow subsidiaries	20,608	20,608	*(j)*
Total liabilities	449,201	448,933	
Shareholders' Equity			
Non-controlling interests	35	35	
Owners' equity			
Called up share capital	3,263	3,263	*(a)*
Reserves	27,726	27,726	
of which: amount eligible for retained earnings	*36,878*	*36,878*	*(b)*
of which: amount eligible for accumulated OCI and other reserves	*(12,834)*	*(12,834)*	*(c) & (i)*
of which: amount of other equity instruments	*3,682*	*3,682*	*(h)*
Total shareholders' equity	31,024	31,024	

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

Annex IX: Countercyclical capital buffers

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

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

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

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

	NWH Group												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures - Market risk				Own fund requirements						
31 December 2023	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Securitisation exposures - exposure value for non-trading book £m	Total exposure value £m	Relevant credit risk exposures - Credit risk £m	Relevant credit exposures - Market risk £m	Relevant credit exposures - Securitisation positions in the non trading book £m	Total £m	Risk weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
010 Breakdown by country (with existing CCyB rates)													
Norway	19	452	-	-	-	471	14	-	-	14	179	0.14%	2.50%
Denmark	-	385	-	-	-	385	7	-	-	7	92	0.07%	2.50%
United Kingdom	23,182	339,574	-	-	4,698	367,454	8,941	-	67	9,008	112,575	89.45%	2.00%
Sweden	130	1,455	-	-	-	1,585	64	-	-	64	798	0.63%	2.00%
Czech Republic	-	2	-	-	-	2	-	-	-	-	1	-	2.00%
Bulgaria	-	2	-	-	-	2	-	-	-	-	-	-	2.00%
Iceland	-	-	-	-	-	-	-	-	-	-	-	-	2.00%
Estonia	-	-	-	-	-	-	-	-	-	-	-	-	1.50%
Slovakia	-	1	-	-	-	1	-	-	-	-	-	-	1.50%
Ireland	1,270	1,139	-	-	-	2,409	106	-	-	106	1,324	1.05%	1.00%
Netherlands	386	1,296	-	-	72	1,754	84	-	1	85	1,060	0.84%	1.00%
Australia	8	160	-	-	-	168	4	-	-	4	49	0.04%	1.00%
Hong Kong	1	68	-	-	2	71	1	-	-	1	17	0.01%	1.00%
Romania	-	1	-	-	-	1	-	-	-	-	-	-	1.00%
Lithuania	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Croatia	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Germany	53	2,001	-	-	258	2,312	101	-	2	103	1,293	1.03%	0.75%
France	97	2,204	-	-	175	2,476	76	-	1	77	958	0.76%	0.50%
Luxembourg	49	270	-	-	-	319	21	-	-	21	268	0.21%	0.50%
Cyprus	-	9	-	-	-	9	-	-	-	-	1	-	0.50%
Slovenia	-	-	-	-	-	-	-	-	-	-	-	-	0.50%
Total (countries with existing CCyB rates)	25,195	349,019	-	-	5,205	379,419	9,419	-	71	9,490	118,615	94.23%	

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

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

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

NWH Group

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures - Market risk				Own fund requirements						
31 December 2022	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Securitisation exposures - exposure value for non-trading book £m	Total exposure value £m	Relevant credit risk exposures - Credit risk £m	Relevant credit exposures - Market risk £m	Relevant credit exposures - Securitisation positions in the non trading book £m	Total £m	Risk weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
010 Breakdown by country (with existing CCyB rates)													
Iceland	-	-	-	-	-	-	-	-	-	-	-	0.20%	2.00%
Norway	142	763	-	-	-	905	19	-	-	19	242	0.02%	1.50%
Czech Republic	-	-	-	-	-	-	-	-	-	-	-	0.00%	1.50%
Great Britain	23,641	337,169	-	-	1,412	362,222	8,367	-	14	8,381	104,765	0.00%	1.00%
Sweden	169	1,325	-	-	-	1,494	54	-	-	54	677	86.13%	1.00%
Hong Kong	2	63	-	-	-	65	1	-	-	1	17	0.56%	1.00%
Denmak	-	174	-	-	-	174	2	-	-	2	29	0.01%	1.00%
Slovakia	-	1	-	-	-	1	-	-	-	-	-	0.00%	1.00%
Estonia	-	1	-	-	-	1	-	-	-	-	-	0.00%	1.00%
Bulgaria	-	-	-	-	-	-	-	-	-	-	-	0.00%	1.00%
Luxembourg	56	580	-	-	-	636	32	-	-	32	386	0.32%	0.50%
Romania	-	2	-	-	-	2	-	-	-	-	-	0.00%	0.50%
Total (countries with existing CCyB rates)	24,010	340,078	-	-	1,412	365,500	8,475	-	14	8,489	106,116	87.24%	
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
Ireland	8,095	1,092	-	-	-	9,187	381	-	-	381	4,768	3.92%	
US	70	8,838	-	-	-	8,908	274	-	-	274	3,424	2.82%	
Total (Countries with zero CCyB rate and own funds requirement weights 1% and above)	8,165	9,930	-	-	-	18,095	655	-	-	655	8,192	6.73%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	1,586	11,176	-	-	107	12,869	585	-	1	586	7,323	6.03%	
020 Total	33,761	361,184	-	-	1,519	396,464	9,715	-	15	9,730	121,631	100.00%	

UK CCyB2: Amount of institution-specific countercyclical capital buffer

		NWH Group	
		31 December 2023 £m	31 December 2022 £m
1	Total risk exposure amount	**150,428**	143,574
2	Institution specific countercyclical capital buffer rate	**1.84%**	0.87%
3	Institution specific countercyclical capital buffer requirement (1)	**2,766**	1,254

(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. The CCyB on Irish exposures increased from 0.5% to 1.0% from 24 November 2023. A further increase to 1.5% will be effective June 2024.

Annex XI: Leverage

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

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

		NWH Group	
		31 December 2023 £m	31 December 2022 £m
1	Total assets as per published financial statements	**480,225**	493,725
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(268)**	(154)
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)	**(69,208)**	(101,973)
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	**(2,746)**	(3,194)
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)	**34,806**	33,157
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital (leverage))	**(101)**	(72)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**-**	-
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	**-**	-
12	Other adjustments	**(11,974)**	(10,972)
13	Total exposure measure	**431,113**	412,906

UK LR2 - LRCom: Leverage ratio common disclosure

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

		NWH Group	
		31 December 2023 £m	31 December 2022 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**448,911**	467,344
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)**	(3,768)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	**-**	-
5	(General credit risk adjustments to on-balance sheet items)	**-**	-
6	(Asset amounts deducted in determining Tier 1 capital (leverage))	**(8,241)**	(5,558)
7	Total on-balance sheet exposures (excluding derivatives, and SFTs)	**437,210**	458,018
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**994**	1,068
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	**857**	1,035
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	**1,851**	2,103
Securities financing transaction (SFT) exposures			
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
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**106,954**	111,954
20	(Adjustments for conversion to credit equivalent amounts)	**(72,148)**	(78,797)
21	(General provisions deducted in determining Tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	**(41)**	(41)
22	Off-balance sheet exposures	**34,765**	33,116

UK LR2 - LRCom: Leverage ratio common disclosure continued

		NWH Group	
		31 December 2023 £m	31 December 2022 £m
Excluded exposures			
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**-**	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	**-**	-
UK-22g	(Excluded excess collateral deposited at triparty agents)	**-**	-
UK-22k	(Total exempted exposures)	**-**	-
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**22,745**	22,108
24	Total exposure measure including claims on central banks	**500,321**	514,879
UK-24a	(-) Claims on central banks excluded	**(69,208)**	(101,973)
UK-24b	Total exposure measure excluding claims on central banks	**431,113**	412,906
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.3**	5.4
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.2**	5.3
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 (%)	**5.3**	5.4
UK-25c	Leverage ratio including claims on central banks (%)	**4.6**	4.3
26	Regulatory minimum leverage ratio requirement (%)	**3.25**	3.25
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**1.125**	0.825
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	**0.525**	0.525
UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.6**	0.3
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**26,338**	21,164
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**	19,251
UK-31	Average total exposure measure excluding claims on central banks	**434,536**	411,581
UK-32	Average total exposure measure including claims on central banks	**500,425**	526,041
UK-33	Average leverage ratio excluding claims on central banks	**5.3**	5.4
UK-34	Average leverage ratio including claims on central banks	**4.6**	4.3

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

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

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

		NWH Group	
		31 December 2023 £m	31 December 2022 £m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**368,002**	356,045
UK-2	Trading book exposures	**-**	-
UK-3	Banking book exposures, of which:	**368,002**	356,045
UK-4	Covered bonds	**5,495**	4,868
UK-5	Exposures treated as sovereigns	**20,973**	16,231
UK-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	**5,729**	4,127
UK-7	Institutions	**3,934**	3,405
UK-8	Secured by mortgages of immovable properties	**233,947**	235,589
UK-9	Retail exposures	**21,863**	20,015
UK-10	Corporate	**63,958**	60,499
UK-11	Exposures in default	**5,371**	4,987
UK-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	**6,732**	6,324

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 5.3%. The ratio decreased 10 basis points in the period since 31 December 2022. This is driven by a £18.2 billion increase in leverage exposure partially offset by a £0.6 billion increase in Tier 1 capital. The key driver in the leverage exposure was an increase in other financial assets partially offset by a reduction in held for sale assets and net central bank items.

Annex XIII: Liquidity

UK LIQ1: Quantitative information of LCR

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

		NWH Group							
		Total unweighted value (average)				Total weighted value (average)			
		31 December 2023	30 September 2023	30 June 2023	31 March 2023	**31 December 2023**	30 September 2023	30 June 2023	31 March 2023
	Number of data points used in the calculation of averages	**12**	12	12	12	**12**	12	12	12
		£m	£m	£m	£m	**£m**	£m	£m	£m
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					**106,798**	112,816	123,023	137,346
	Cash - outflows								
2	Retail deposits and deposits from small business customers	**247,681**	249,741	253,935	258,628	**18,314**	18,856	19,497	20,098
	of which:								
3	*Stable deposits*	**147,043**	150,081	153,479	156,567	**7,352**	7,504	7,674	7,828
4	*Less stable deposits*	**84,231**	87,525	91,530	94,948	**10,594**	11,014	11,526	11,969
5	Unsecured wholesale funding	**131,092**	138,004	146,004	155,011	**56,797**	59,900	63,530	67,859
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	**56,612**	58,909	61,189	63,438	**13,840**	14,414	14,984	15,547
7	*Non-operational deposits (all counterparties)*	**72,591**	77,332	83,664	90,790	**41,068**	43,723	47,395	51,529
8	*Unsecured debt*	**1,889**	1,763	1,151	783	**1,889**	1,763	1,151	783
9	Secured wholesale funding					**5**	2	6	6
10	Additional requirements	**55,923**	55,493	54,913	54,352	**9,512**	9,326	9,127	8,860
11	*Outflows related to derivative exposures and other collateral requirements*	**2,190**	2,193	2,097	2,026	**2,145**	2,171	2,094	2,008
12	*Outflows related to loss of funding on debt products*	**146**	63	63	63	**146**	63	63	63
13	*Credit and liquidity facilities*	**53,587**	53,237	52,753	52,263	**7,221**	7,092	6,970	6,789
14	Other contractual funding obligations	**712**	615	580	477	**125**	113	97	13
15	Other contingent funding obligations	**47,398**	48,805	48,883	49,253	**3,720**	4,690	5,275	5,614
16	Total cash outflows					**88,473**	92,887	97,532	102,450
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	**11,382**	9,584	8,790	8,382	**23**	2	1	1
18	Inflows from fully performing exposures	**5,222**	5,771	6,415	6,802	**3,855**	4,361	4,996	5,328
19	Other cash inflows	**9,758**	9,859	10,047	10,364	**2,162**	2,231	2,312	2,397
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					**-**	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					**-**	-	-	-
20	Total cash inflows	**26,362**	25,214	25,252	25,548	**6,040**	6,594	7,309	7,726
UK-20a	Fully exempt inflows								
UK-20b	*Inflows subject to 90% cap*								
UK-20c	*Inflows subject to 75% cap*	**26,362**	25,214	25,252	25,548	**6,040**	6,594	7,309	7,726
	Total adjusted value								
UK-21	Liquidity buffer					**106,798**	112,816	123,023	137,346
22	Total net cash outflows					**82,433**	86,293	90,223	94,724
23	Liquidity coverage ratio (%)					**130**	131	136	144

UK LIQ1: Quantitative information of LCR continued

		UK DoLSub							
		Total unweighted value (average)				Total weighted value (average)			
		31 December 2023	30 September 2023	30 June 2023	31 March 2023	**31 December 2023**	30 September 2023	30 June 2023	31 March 2023
	Number of data points used in the calculation of averages	**12**	12	12	12	**12**	12	12	12
		£m	£m	£m	£m	**£m**	£m	£m	£m
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					**105,754**	110,914	119,973	132,954
	Cash - outflows								
2	Retail deposits and deposits from small business customers, *of which:*	**247,354**	248,694	251,268	253,751	**18,292**	18,785	19,319	19,778
3	*Stable deposits*	**146,825**	149,418	151,776	153,436	**7,341**	7,471	7,589	7,672
4	*Less stable deposits*	**84,124**	87,158	90,618	93,323	**10,583**	10,977	11,433	11,803
5	Unsecured wholesale funding	**132,208**	138,196	144,781	152,151	**58,235**	60,975	64,006	67,603
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	**56,493**	58,539	60,463	62,313	**13,810**	14,322	14,803	15,265
7	*Non-operational deposits (all counterparties)*	**73,826**	77,894	83,167	89,055	**42,536**	44,890	48,052	51,555
8	*Unsecured debt*	**1,889**	1,763	1,151	783	**1,889**	1,763	1,151	783
9	Secured wholesale funding					**4**	2	6	6
10	Additional requirements	**55,179**	56,018	56,915	57,570	**9,898**	10,226	10,664	10,948
11	*Outflows related to derivative exposures and other collateral requirements*	**2,126**	2,129	2,052	2,000	**2,081**	2,107	2,049	1,982
12	*Outflows related to loss of funding on debt products*	**146**	63	63	63	**146**	63	63	63
13	*Credit and liquidity facilities*	**52,907**	53,826	54,800	55,507	**7,671**	8,056	8,552	8,903
14	Other contractual funding obligations	**752**	684	706	690	**165**	183	223	230
15	Other contingent funding obligations	**45,223**	46,836	47,168	48,008	**3,718**	4,686	5,265	5,599
16	Total cash outflows					**90,312**	94,857	99,483	104,164
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	**11,382**	9,636	8,898	8,682	**23**	55	109	171
18	Inflows from fully performing exposures	**6,108**	6,576	7,012	7,456	**4,857**	5,308	5,751	6,154
19	Other cash inflows	**9,870**	10,023	10,224	10,530	**2,275**	2,397	2,493	2,569
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					**-**	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					**-**	-	-	-
20	Total cash inflows	**27,360**	26,235	26,134	26,668	**7,155**	7,760	8,353	8,894
UK-20a	Fully exempt inflows								
UK-20b	*Inflows subject to 90% cap*								
UK-20c	*Inflows subject to 75% cap*	**27,360**	26,235	26,134	26,668	**7,155**	7,760	8,353	8,894
	Total adjusted value								
UK-21	Liquidity buffer					**105,754**	110,914	119,973	132,954
22	Total net cash outflows					**83,157**	87,097	91,130	95,270
23	Liquidity coverage ratio (%)					**127**	127	131	139

UK LIQ2: Net Stable Funding Ratio (NSFR)

31 December 2023		NWH Group a	b	c	d	e
(In £m)		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	29,854	-	-	5,306	35,160
2	*Own funds*	29,854	-	-	5,306	35,160
3	*Other capital instruments*		-	-	-	-
4	Retail Deposits		238,278	6,310	2,685	230,392
5	*Stable deposits*		148,217	3,362	1,945	145,945
6	*Less stable deposits*		90,061	2,948	740	84,447
7	Wholesale funding		154,959	6,825	24,455	86,258
8	*Operational deposits*		51,312	-	5	6,569
9	*Other wholesale funding*		103,647	6,825	24,450	79,689
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	2,525	6,448	-	345	345
12	*NSFR derivative liabilities*	2,525				
13	*All other liabilities and capital instruments not included in the above categories*		6,448	-	345	345
14	Total available stable funding (ASF)					352,155
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					2,058
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		55,640	15,889	286,973	235,046
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		20,127	1,812	116	1,288
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		3,823	304	3,942	4,444
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		25,917	8,704	82,939	93,610
21	*With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk*		9,113	2,284	24,138	29,837
22	*Performing residential mortgages, of which:*		5,773	5,069	198,796	134,638
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		5,773	5,069	198,796	134,638
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	1,180	1,066
25	Interdependent assets		-	-	-	-
26	Other assets:	-	6,043	103	18,933	19,901
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	1,226	1,042
29	*NSFR derivative assets*		653	-	-	653
30	*NSFR derivative liabilities before deduction of variation margin posted*		3,356	-		168
31	*All other assets not included in the above categories*		2,034	103	17,706	18,038
32	Off-balance sheet items		88,450	-	-	4,423
33	Total RSF					261,428
34	Net Stable Funding Ratio (%)					135

UK LIQ2: Net Stable Funding Ratio (NSFR) continued

		NWH Group				
31 December 2022		a	b	c	d	e
(In £m)		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	29,228	-	-	4,965	34,193
2	*Own funds*	29,228	-	-	4,965	34,193
3	*Other capital instruments*		-	-	-	-
4	Retail Deposits		259,799	1,649	721	244,030
5	*Stable deposits*		159,430	677	431	152,533
6	*Less stable deposits*		100,369	972	290	91,497
7	Wholesale funding		185,724	3,577	26,740	98,334
8	*Operational deposits*		60,307	-	7	7,712
9	*Other wholesale funding*		125,417	3,577	26,734	90,622
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	2,944	6,303	-	353	353
12	*NSFR derivative liabilities*	2,944				
13	*All other liabilities and capital instruments not included in the above categories*		6,303	-	353	353
14	Total available stable funding (ASF)					376,909
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					495
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		61,568	17,033	277,222	230,085
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		21,527	2,636	63	3,020
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		6,478	265	3,963	4,743
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		27,389	8,766	81,042	91,503
21	*With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk*		9,193	2,219	22,720	28,427
22	*Performing residential mortgages, of which:*		6,174	5,366	191,414	130,189
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		6,174	5,366	191,414	130,189
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	740	629
25	Interdependent assets		-	-	-	-
26	Other assets:		4,390	131	17,715	18,844
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				1,540	1,309
29	*NSFR derivative assets*		501			501
30	*NSFR derivative liabilities before deduction of variation margin posted*		2,971			149
31	*All other assets not included in the above categories*		918	131	16,175	16,886
32	Off-balance sheet items		83,041	-	-	4,152
33	Total RSF					253,576
34	Net Stable Funding Ratio (%)					149

UK LIQ2: Net Stable Funding Ratio (NSFR) continued

31 December 2023		UK DoLSub a	b	c	d	e
(In £m)		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	19,210	-	-	4,716	23,926
2	*Own funds*	19,210	-	-	4,716	23,926
3	*Other capital instruments*		-	-	-	-
4	Retail Deposits		238,162	6,310	2,685	230,280
5	*Stable deposits*		148,066	3,362	1,945	145,801
6	*Less stable deposits*		90,096	2,948	740	84,479
7	Wholesale funding		157,302	8,267	20,391	82,766
8	*Operational deposits*		51,253	-	5	6,564
9	*Other wholesale funding*		106,049	8,267	20,386	76,202
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	2,491	13,074	-	142	142
12	*NSFR derivative liabilities*	2,491				
13	*All other liabilities and capital instruments not included in the above categories*		13,074	-	142	142
14	Total available stable funding (ASF)					337,114
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					2,175
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		53,675	16,310	286,733	236,548
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		20,127	1,812	116	1,288
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		6,631	2,344	17,580	19,369
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		21,320	7,223	72,527	82,596
21	*With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk*		7,294	1,646	19,635	24,105
22	*Performing residential mortgages, of which:*		5,597	4,931	195,331	132,229
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		5,597	4,931	195,331	132,229
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	1,179	1,066
25	Interdependent assets		-	-	-	-
26	Other assets:	-	4,299	86	17,922	17,993
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	1,226	1,042
29	*NSFR derivative assets*		618	-	-	618
30	*NSFR derivative liabilities before deduction of variation margin posted*		3,314	-	-	166
31	*All other assets not included in the above categories*		368	86	16,695	16,167
32	Off-balance sheet items		77,938	-	-	3,897
33	Total RSF					260,613
34	Net Stable Funding Ratio (%)					129

UK LIQ2: Net Stable Funding Ratio (NSFR) continued

31 December 2022		UK DoLSub				
		a	b	c	d	e
(In £m)		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	18,433	-	-	4,513	22,946
2	*Own funds*	18,433	-	-	4,513	22,946
3	*Other capital instruments*		-	-	-	-
4	Retail Deposits		253,204	1,587	718	237,816
5	*Stable deposits*		155,082	632	429	148,358
6	*Less stable deposits*		98,121	955	289	89,458
7	Wholesale funding		182,667	3,930	21,776	91,043
8	*Operational deposits*		58,962	-	7	7,641
9	*Other wholesale funding*		123,705	3,930	21,769	83,403
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	2,915	12,753	-	117	117
12	*NSFR derivative liabilities*	2,915				
13	*All other liabilities and capital instruments not included in the above categories*		12,753	-	117	117
14	Total available stable funding (ASF)					351,922
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					481
EU-15a	Assets encumbered for more than 12 million in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		59,124	17,223	268,446	224,648
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		21,527	2,636	63	3,020
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		9,321	2,174	14,960	16,950
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		22,483	7,374	70,024	79,904
21	*With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk*		7,367	1,639	18,143	22,647
22	*Performing residential mortgages, of which:*		5,793	5,039	182,660	124,145
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		5,793	5,039	182,660	124,145
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	739	628
25	Interdependent assets		-	-	-	-
26	Other assets:		3,912	112	15,174	15,956
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				1,540	1,309
29	*NSFR derivative assets*		418			418
30	*NSFR derivative liabilities before deduction of variation margin posted*		2,915			146
31	*All other assets not included in the above categories*		579	112	13,634	14,083
32	Off-balance sheet items		78,799	-	-	3,940
33	Total RSF					245,025
34	Net Stable Funding Ratio (%)					144

UK LIQA: Liquidity risk management

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

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

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

Structure and organisation of the liquidity risk management function

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

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

NWH Group's subject to these Group approaches.

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

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

Scope and nature of liquidity risk reporting and measurement systems

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

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

Policies and processes for hedging and mitigating the liquidity risk

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

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

Contingency funding plans

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

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

Key elements of the Recovery Plan include:

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

Stress Testing

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

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

UK LIQA: Liquidity risk management continued

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

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

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

Adequacy of liquidity risk management arrangements

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

Management statement on liquidity risk profile

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

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

LCR inputs & results over time

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

All figures included in the table represent a 12-month rolling average for the period January 2022 - December 2023.

NWH Group

The average LCR ratio for the 12 months to 31 December 2023 has decreased 1% over the previous quarter, from 131% to 130%, mainly due to a reduction in customer deposits partly offset by increased issuance.

UK DoLSub

The average LCR ratio for the 12 months to 31 December 2023 unchanged over the previous quarter at 127%, mainly due a reduction in customer deposits offset by increased issuance.

Concentration of funding sources

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

Liquidity buffer composition

NWH Group

The NWH Group HQLA is primarily held in Level 1 cash and central bank Reserves (71%) and Level 1 high quality securities (25%). Level 2 securities account for 4%.

UK DoLSub

The UK DoLSub HQLA is primarily held in Level 1 cash and central bank Reserves (71%) and Level 1 high quality securities (25%). Level 2 securities account for 4%.

Derivative exposures and potential collateral calls

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

Currency mismatch in the LCR

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

Annex XXXV: Encumbrance

UK AE1: Encumbered and unencumbered assets

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

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

		NWH Group							
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
31 December 2022		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	40,155	12,111			486,917	141,839		
030	Equity instruments	-	-	-	-	4	-	4	-
040	Debt securities	5,715	5,715	5,715	5,715	12,912	11,641	12,912	11,641
050	*of which: covered bonds*	*11*	*11*	*11*	*11*	*3,597*	*3,211*	*3,597*	*3,211*
060	*of which: securitisations*	-	-	-	-	*861*	*861*	*861*	*861*
070	*of which: issued by general governments*	*5,313*	*5,313*	*5,313*	*5,313*	*4,475*	*3,931*	*4,475*	*3,931*
080	*of which: issued by financial corporations*	*342*	*342*	*342*	*342*	*8,099*	*7,187*	*8,099*	*7,187*
090	*of which: issued by non-financial corporations*	-	-	-	-	*24*	-	*24*	-
120	Other assets	34,440	6,002			472,978	127,092		

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

UK AE2: Collateral received and own debt securities issued

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

		NWH Group							
		31 December 2023				31 December 2022			
				Unencumbered				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which nationally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which nationally eligible EHQLA and HQLA		Of which EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
		010	030	040	060	010	030	040	060
130	Collateral received by the reporting institution	7,705	7,957	16,695	16,695	14,298	14,298	10,460	10,460
140	Loans on demand	-	-	-	-	-	-	-	-
150	Equity instruments	-	-	-	-	-	-	-	-
160	Debt securities	7,705	7,957	16,695	16,695	14,298	14,298	10,460	10,460
170	*of which: covered bonds*	-	-	-	-	-	-	-	-
180	*of which: securitisations*	-	-	-	-	-	-	-	-
190	*of which: issued by general governments*	7,705	7,957	16,695	16,695	14,298	14,298	10,460	10,460
200	*of which: issued by financial corporations*	-	-	-	-	-	-	-	-
210	*of which: issued by non-financial corporations*	-	-	-	-	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-	-	-	-	-
230	Other collateral received	-	-	-	-	-	-	-	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	-	-	-	-	-	-
241	Own covered bonds and securitisations securities issued and not yet pledged			-	-			24	24
250	Total assets, collateral received and own debt securities issued	47,533	20,452	-	-	55,237	29,208	-	-

(1) The total collateral received as shown in row 130 is the median of the sums of four quarterly end of period values over the previous twelve months for rows 140 to 160, 220 and 230.
(2) The total in row 250 is the median of the sums of four quarterly end-of-period values over the previous twelve months for row 010 in Template UK AE1 and rows 130 and 240 in Template UK AE2.

UK AE3: Sources of encumbrance

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

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

	NWH Group	
31 December 2022	Matching liabilities, contingent liabilities or securities lent £m 010	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered £m 030
010 Carrying amount of selected financial liabilities	34,566	46,617

UK AE4: Accompanying narrative information

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

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

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

NWH Group have a regulated covered bond programme compromised of residential mortgages. The covered bond pool has sufficient headroom over it’s 3 bonds it has in issued, these mature from March 2023 to May 2024.

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

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

The cover pool total is £9.7bn as at year end 2023 based on the latest investor report.

Row 120 "Other assets" of Template UK AE1 is predominately made up of cash collateral held to function UBIDAC's Single European Payments Area. The unencumbered other assets include derivative assets and intangible assets.

Annex XV: Credit risk quality

UK CQ1: Credit quality of forborne exposures

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

		NWH Group							
		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			
	31 December 2023	Performing forborne £m	Non-performing forborne £m	*Of which: defaulted* £m	*Of which: impaired* £m	On performing forborne exposures £m	On non-performing forborne exposures £m	Collateral received and financial guarantees received on forborne exposures £m	*Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures* £m
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	**3,557**	**2,001**	**1,850**	**1,864**	**(119)**	**(492)**	**3,778**	**1,335**
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	***14***	***22***	***22***	***22***	-	***(2)***	***34***	***20***
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	***125***	***3***	***3***	***3***	***(3)***	***(2)***	***40***	-
060	*Non-financial corporations*	***2,691***	***841***	***777***	***773***	***(107)***	***(264)***	***2,159***	***458***
070	*Households*	***727***	***1,135***	***1,048***	***1,066***	***(9)***	***(224)***	***1,545***	***857***
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	**620**	**85**	**74**	**74**	**(2)**	-	**149**	**31**
100	Total	**4,177**	**2,086**	**1,924**	**1,938**	**(121)**	**(492)**	**3,927**	**1,366**

UK CQ1: Credit quality of forborne exposures continued

	NWH Group							
	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			
31 December 2022	Performing forborne £m	Non-performing forborne £m	*Of which: defaulted £m*	*Of which: impaired £m*	On performing forborne exposures £m	On non-performing forborne exposures £m	Collateral received and financial guarantees received on forborne exposures £m	*Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures £m*
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	3,986	2,020	1,894	1,586	(159)	(624)	3,961	1,218
020 *Central banks*	-	-	-	-	-	-	-	-
030 *General governments*	*23*	-	-	-	-	-	*23*	-
040 *Credit institutions*	-	-	-	-	-	-	-	-
050 *Other financial corporations*	*22*	*29*	*29*	*29*	*(1)*	*(13)*	*10*	*3*
060 *Non-financial corporations*	*3,440*	*760*	*714*	*702*	*(146)*	*(274)*	*2,698*	*358*
070 *Households*	*501*	*1,231*	*1,151*	*855*	*(12)*	*(337)*	*1,230*	*857*
080 Debt securities	-	-	-	-	-	-	-	-
090 Loan commitments given	656	116	51	51	(1)	(1)	220	17
100 Total	4,642	2,136	1,945	1,637	(160)	(625)	4,181	1,235

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

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

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

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

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

		a	b	c	d	e	f	g	h	i	j	k	l
		NWH Group											
		Gross carrying amount/nominal amount											
31 December 2022		Performing exposures £m	*Of which: Not past due or past due ≤ 30 days £m*	*Of which: Past due > 30 days ≤ 90 days £m*	*Non performing exposures £m*	*Of which: Unlikely to pay that are not past due or are past due ≤ 90 days £m*	*Of which: Past due > 90 days ≤ 180 days £m*	*Of which: Past due > 180 days ≤ 1 year £m*	*Of which: Past due > 1 year ≤ 2 years £m*	*Of which: Past due > 2 years ≤ 5 years £m*	*Of which: Past due > 5 years ≤ 7 years £m*	*Of which: Past due > 7 years £m*	*Of which: Defaulted £m*
005	Cash balances at central banks and other demand deposits	111,639	111,639	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	340,779	339,808	971	5,588	2,771	655	615	609	641	132	165	5,299
020	*Central banks*	*1,617*	*1,617*	-	-	-	-	-	-	-	-	-	-
030	*General governments*	*3,057*	*3,050*	*7*	*23*	*23*	-	-	-	-	-	-	*23*
040	*Credit institutions*	*533*	*533*	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	*23,205*	*23,202*	*3*	*45*	*14*	*24*	*4*	*1*	*2*	-	-	*44*
060	*Non-financial corporations*	*94,668*	*94,017*	*651*	*1,752*	*1,075*	*110*	*151*	*164*	*160*	*32*	*60*	*1,666*
070	*Of which: SMEs*	*26,769*	*26,534*	*235*	*1,012*	*474*	*84*	*136*	*155*	*108*	*28*	*27*	*957*
080	*Households*	*217,699*	*217,389*	*310*	*3,768*	*1,659*	*521*	*460*	*444*	*479*	*100*	*105*	*3,566*
090	Debt securities	14,319	14,319	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	*37*	*37*	-	-	-	-	-	-	-	-	-	-
110	*General governments*	*5,935*	*5,935*	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	*5,384*	*5,384*	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	*2,939*	*2,939*	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	*24*	*24*	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	111,160			685								523
160	*Central banks*	-			-								-
170	*General governments*	*875*			*19*								*19*
180	*Credit institutions*	*443*			-								-
190	*Other financial corporations*	*3,930*			*1*								*1*
200	*Non-financial corporations*	*61,892*			*321*								*175*
210	*Households*	*44,020*			*344*								*328*
220	Total	577,897	465,766	971	6,273	2,771	655	615	609	641	132	165	5,822

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

UK CQ4: Quality of non-performing exposures by geography

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

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

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

		NWH Group						
		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	360,686	5,588	5,299	359,778	(3,236)	-	(197)
020	*UK*	*335,688*	*4,956*	*4,672*	*335,553*	*(2,955)*	-	*(3)*
030	*RoI*	*2,024*	*503*	*501*	*1,306*	*(105)*	-	*(192)*
040	*Other Western Europe*	*7,869*	*31*	*28*	*7,814*	*(73)*	-	-
050	*US*	*8,704*	-	-	*8,704*	*(45)*	-	*(1)*
060	*Other countries*	*6,401*	*98*	*98*	*6,401*	*(58)*	-	*(1)*
070	Off-balance sheet exposures	111,845	685	523	-	-	(79)	-
080	*UK*	*92,564*	*426*	*404*	-	-	*(63)*	-
090	*RoI*	*1,569*	*20*	*20*	-	-	*(2)*	-
100	*Other Western Europe*	*8,654*	*141*	*60*	-	-	*(4)*	-
110	*US*	*7,672*	*59*	-	-	-	*(10)*	-
120	*Other countries*	*1,386*	*39*	*39*	-	-	-	-
130	Total	472,531	6,273	5,822	359,778	(3,236)	(79)	(197)

(1) The geographical breakdown disclosed is based on combined on and off-balance sheet exposures and represent 98% (31 December 2022 – 98%) of total exposure.
(2) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions. Cash balances at central banks and other demand deposits are also excluded.

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

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

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

		NWH Group					
		a	b	c	d	e	f
31 December 2022		Gross carrying amount £m	Of which: non-performing £m	Of which: defaulted £m	Of which: loans and advances subject to impairment £m	Accumulated impairment £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
010	Agriculture, forestry and fishing	3,661	65	57	3,661	(61)	-
020	Mining and quarrying	605	38	38	605	(33)	-
030	Manufacturing	9,032	155	138	9,032	(110)	-
040	Electricity, gas, steam and air conditioning supply	4,538	6	6	4,538	(18)	-
050	Water supply	3,307	7	6	3,307	(10)	-
060	Construction	5,137	287	272	5,137	(134)	-
070	Wholesale and retail trade	14,393	92	85	14,328	(140)	-
080	Transport and storage	5,741	113	112	5,741	(109)	-
090	Accommodation and food service activities	5,190	187	179	5,190	(190)	-
100	Information and communication	4,945	68	67	4,945	(53)	-
110	Financial and insurance activities	13	-	-	13	-	-
120	Real estate activities	21,485	268	257	21,484	(196)	-
130	Professional, scientific and technical activities	3,811	68	67	3,811	(55)	-
140	Administrative and support service activities	7,171	70	64	7,171	(92)	-
150	Public administration and defence, compulsory social security	146	1	1	146	(2)	-
160	Education	535	9	9	535	(9)	-
170	Human health services and social work activities	4,419	142	133	4,419	(83)	-
180	Arts, entertainment and recreation	1,353	13	12	1,353	(23)	-
190	Other services	938	163	163	938	(27)	-
200	Total	96,420	1,752	1,666	96,354	(1,345)	-

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

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

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

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

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

	NWH Group														
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
31 December 2022	£m	Of which: Stage 1 £m	Of which: Stage 2 £m	Total £m	Of which: Stage 2 £m	Of which: Stage 3 £m	£m	Of which: Stage 1 £m	Of which: Stage 2 £m	£m	Of which: Stage 2 £m	Of which: Stage 3 £m	£m	On performing exposures £m	On non-performing exposures £m
005 Cash balances at central banks and other demand deposits	111,639	111,638	1	-	-	-	(11)	(11)	-	-	-	-	-	6	-
010 Loans and advances	340,779	295,027	45,235	5,588	229	4,912	(1,515)	(552)	(963)	(1,913)	(18)	(1,699)	(195)	287,747	3,274
020 *Central banks*	*1,617*	*1,617*	-	-	-	-	-	-	-	-	-	-	-	-	-
030 *General governments*	*3,057*	*2,846*	*161*	*23*	-	*23*	*(2)*	*(1)*	*(1)*	-	-	-	-	*2,746*	*23*
040 *Credit institutions*	*533*	*525*	*8*	-	-	-	-	-	-	-	-	-	-	*274*	-
050 *Other financial corporations*	*23,205*	*22,484*	*720*	*45*	-	*45*	*(19)*	*(10)*	*(9)*	*(17)*	-	*(17)*	-	*20,850*	*14*
060 *Non-financial corporations*	*94,668*	*73,236*	*21,367*	*1,752*	*60*	*1,684*	*(736)*	*(263)*	*(473)*	*(609)*	*(4)*	*(605)*	*(26)*	*60,548*	*1,005*
070 *Of which: SMEs*	*26,769*	*20,449*	*6,320*	*1,012*	*31*	*973*	*(290)*	*(95)*	*(195)*	*(352)*	*(2)*	*(350)*	-	*22,768*	*576*
080 *Households*	*217,699*	*194,319*	*22,979*	*3,768*	*169*	*3,160*	*(758)*	*(278)*	*(480)*	*(1,287)*	*(14)*	*(1,077)*	*(169)*	*203,329*	*2,232*
090 Debt securities	14,319	13,563	756	-	-	-	(5)	(4)	(1)	-	-	-	-	-	-
100 *Central banks*	*37*	*37*	-	-	-	-	-	-	-	-	-	-	-	-	-
110 *General governments*	*5,935*	*5,935*	-	-	-	-	-	-	-	-	-	-	-	-	-
120 *Credit institutions*	*5,384*	*4,628*	*756*	-	-	-	*(4)*	*(3)*	*(1)*	-	-	-	-	-	-
130 *Other financial corporations*	*2,939*	*2,939*	-	-	-	-	*(1)*	*(1)*	-	-	-	-	-	-	-
140 *Non-financial corporations*	*24*	*24*	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	111,160	95,979	15,181	685	151	523	(74)	(31)	(43)	(5)	(1)	(4)		17,145	76
160 *Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 *General governments*	*875*	*871*	*4*	*19*	-	*19*	-	-	-	-	-	-		*153*	*9*
180 *Credit institutions*	*443*	*425*	*18*	-	-	-	-	-	-	-	-	-		-	-
190 *Other financial corporations*	*3,930*	*3,264*	*666*	*1*	-	*1*	*(2)*	*(1)*	*(1)*	-	-	-		*259*	-
200 *Non-financial corporations*	*61,892*	*49,704*	*12,188*	*321*	*146*	*174*	*(46)*	*(18)*	*(28)*	*(4)*	*(1)*	*(3)*		*11,543*	*49*
210 *Households*	*44,020*	*41,715*	*2,305*	*344*	*5*	*329*	*(26)*	*(12)*	*(14)*	*(1)*	-	*(1)*		*5,190*	*18*
220 Total	577,897	516,207	61,173	6,273	380	5,435	(1,605)	(598)	(1,007)	(1,918)	(19)	(1,703)	(195)	304,898	3,350

(1) The gross NPL ratio for NWH Group is 1.58% (31 December 2022 – 1.61%). Loans and advances classified as held-for-sale, cash balances at central banks and other demand deposits were excluded from the ratio calculation.
(2) Exposures classified as held-for-trading and held-for-sale are excluded from the table in accordance with FINREP definitions.

UK CR1-A: Maturity of exposures

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

		NWH Group					
		a	b	c	d	e	f
		Net exposure value					
31 December 2023		On demand £m	<= 1 year £m	> 1 year <= 5 years £m	> 5 years £m	No stated maturity £m	Total £m
010	Loans and advances	**20,345**	**21,021**	**86,800**	**228,861**	**-**	**357,027**
020	Debt securities	**-**	**7,311**	**16,189**	**7,615**	**-**	**31,115**
030	Total	**20,345**	**28,332**	**102,989**	**236,476**	**-**	**388,142**

		NWH Group					
		a	b	c	d	e	f
		Net exposure value					
31 December 2022		On demand £m	<= 1 year £m	> 1 year <= 5 years £m	> 5 years £m	No stated maturity £m	Total £m
010	Loans and advances	19,257	40,993	59,053	223,636	-	342,939
020	Debt securities	-	1,065	9,414	3,835	-	14,314
030	Total	19,257	42,058	68,467	227,471	-	357,253

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

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

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

		NWH Group
		a
		Gross carrying amount £m
010	Initial stock of non-performing loans and advances at 1 January 2023	**5,588**
020	Inflows to non-performing portfolios	**3,468**
030	Outflows from non-performing portfolios	**(3,365)**
040	Outflows due to write-offs	**(312)**
050	Outflow due to other situations	**(3,053)**
060	Final stock of non-performing loans and advances at 31 December 2023	**5,691**

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

UK CRA: General qualitative information about credit risk

Definition

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

Sources of risk

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

The Credit Risk function provides oversight and challenge of frontline credit risk management activities. The approach to credit risk governance, risk appetite, identification, measurement, assessment and monitoring applies consistently for credit risk arising to entities within the NatWest Group as it does to third parties.

Governance

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

Risk appetite

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

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

Risk appetite framework

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

To facilitate this, a detailed annual review of the framework is carried out. The review includes:
- Assessing the adequacy of the framework when compared to internal and external expectations.
- Ensuring the framework remains effective and acts as a strong control environment for risk appetite.
- Assessing the level of embedding of risk appetite across the organisation.

The Board approves the risk appetite framework annually.

Establishing risk appetite

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

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

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

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

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

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

Credit risk appetite aligns to the strategic risk appetite set by the Board and is set and monitored through risk appetite frameworks tailored to NWH Group's Personal and Wholesale segments.

Personal

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

Wholesale

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

Operational limits are used to manage concentrations of risk which may arise across four lenses – single name, sector, country and product and asset classes.

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

UK CRA: General qualitative information about credit risk continued

Identification and measurement

Identification and measurement within the risk management process comprises:

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

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

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

Counterparty credit risk

Counterparty credit risk arises from the obligations of customers under derivative and securities financing transactions.

NWH Group mitigates counterparty credit risk through collateralisation and netting agreements, which allow amounts owed by NWH Group to a counterparty to be netted against amounts the counterparty owes NWH Group.

Three lines of defence

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

First line of defence

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

Second line of defence

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

Third line of defence

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

Assessment and monitoring

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

Personal

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

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

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

UK CRA: General qualitative information about credit risk continued

Wholesale

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

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

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

For all other transactions, credit is only granted to customers following joint approval by an approver from the business and the credit risk function or by two credit officers. The joint business and credit approvers act within a delegated approval authority under the Wholesale Credit Authorities Framework Policy. The level of delegated authority held by approvers is dependent on their experience and expertise with only a small number of senior executives holding the highest approval authority.

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

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

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

Impairment, provisioning and write-offs

In the overall assessment of credit risk, impairment provisioning and write-offs are used as key indicators of credit quality. NWH Group'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-intime 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.

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

LGD estimates

The general approach for the IFRS 9 LGD models is to leverage corresponding IRB LGD models with bespoke adjustments to ensure estimates are unbiased and, where relevant, 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 IRB model. However, the CCFs are estimated over multi-year time horizons and contain no regulatory conservatism or downturn assumptions.

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

Governance and post model adjustments

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

Post model adjustments will remain a key focus area of NWH Group's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends with a particular focus on segments of the portfolio (both 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). NWH Group has adopted a framework to identify deterioration based primarily on relative movements in lifetime PD supported by additional qualitative backstops. The principles applied are consistent across NWH Group and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

- IFRS 9 lifetime PD assessment (the primary driver) – on modelled portfolios, the assessment is based on the relative deterioration in forward-looking lifetime PD and is assessed monthly. To assess whether credit deterioration has occurred, the residual lifetime PD at balance sheet date (which PD is established at date of initial recognition (DOIR)) is compared to the current PD. If the current lifetime PD exceeds the residual origination PD by more than a threshold amount, deterioration is assumed to have occurred and the exposure transferred into Stage 2 for a lifetime loss assessment. For 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. The credit risk exposures in scope of this template are presented irrespective of whether the standardised approach or the IRB approach is used for RWA calculation. Counterparty credit risk exposures are excluded.

		NWH Group				
		a	b	c	d	e
31 December 2023		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
1	Loans and advances	**120,039**	**310,801**	**293,445**	**7,716**	**-**
2	Debt securities	**31,115**	**-**	**-**	**-**	**-**
3	Total	**151,154**	**310,801**	**293,445**	**7,716**	**-**
4	*Of which: non-performing exposures*	**387**	**3,386**	**2,980**	**321**	**-**
5	*Of which: defaulted*	***355***	***3,143***	***2,751***	***316***	**-**

		NWH Group				
		a	b	c	d	e
31 December 2022		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
1	Loans and advances	154,793	299,774	281,178	9,849	-
2	Debt securities	14,314	-	-	-	-
3	Total	169,107	299,774	281,178	9,849	-
4	*Of which: non-performing exposures*	351	3,324	2,822	452	-
5	*Of which: defaulted*	*318*	*3,133*	*2,609*	*449*	-

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

UK CRC: Qualitative disclosure requirements related to CRM techniques

Credit risk mitigation

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

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

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

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

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

Wholesale

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

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

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

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

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

Personal

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

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

		NWH Group					
		a	b	c	d	e	f
		Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	Exposure classes	On-balance sheet £m	Off-balance sheet £m	On-balance sheet £m	Off-balance sheet £m	RWA £m	RWA density %
	31 December 2022						
1	Central governments or central banks	99,497	459	100,410	180	1,280	1
2	Regional governments or local authorities	110	247	100	-	4	4
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	2,001	-	2,001	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	957	44	956	21	300	31
7	Corporates	5,375	2,225	3,919	673	4,208	92
8	Retail	3,154	4,343	2,980	46	1,883	62
9	Secured by mortgages on immovable property	24,145	1,599	24,031	347	10,993	45
10	Exposures in default	779	64	746	3	827	110
11	Items associated with particularly high risk	2	1	2	-	3	150
12	Covered bonds	301	-	301	-	30	10
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	4	-	4	-	5	119
16	Other items	644	-	644	-	337	52
17	Total	136,969	8,982	136,094	1,270	19,870	14

- The decrease within central governments and central banks reflects a net decrease in the use of central bank funding over the period relating to the phased withdrawal from the Republic of Ireland.
- The decrease in secured by immovable property primarily reflects the reduction in mortgage portfolio within Ulster RoI relating to the phased withdrawal from the Republic of Ireland.

UK CR5: standardised approach

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

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

UK CR5: standardised approach continued

	NWH Group																
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk-weight																*Of which:*
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Others	Total	*unrated*
Exposure classes	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*
31 December 2022																	
1 Central governments or central banks	100,078	-	-	-	-	-	-	-	-	-	-	512	-	-	-	100,590	513
2 Regional governments or local authorities	79	-	-	-	21	-	-	-	-	-	-	-	-	-	-	100	21
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	2,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,001	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	630	-	347	-	-	-	-	-	-	-	-	977	21
7 Corporates	44	-	-	-	146	-	72	-	-	4,330	-	-	-	-	-	4,592	1,624
8 Retail exposures	-	-	-	-	268	48	-	-	2,708	-	2	-	-	-	-	3,026	-
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	20,033	-	-	491	3,842	12	-	-	-	-	24,378	24,378
10 Exposures in default	-	-	-	-	-	-	-	-	-	591	158	-	-	-	-	749	749
11 Exposure associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	2	2
12 Covered bonds	-	-	-	301	-	-	-	-	-	-	-	-	-	-	-	301	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	4	-
15 Other items	267	-	-	-	12	-	18	-	-	324	-	-	-	-	23	644	644
17 Total	102,469	-	-	301	1,077	20,081	437	-	3,199	9,091	174	512	-	-	23	137,364	27,952

UK CRD: Qualitative disclosure requirements related to standardised model

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

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

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

Annex XXI: Credit risk - IRB approach

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

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

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

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

NWH Group

a	b	c	d	e	f	g	h	i	j	k	l	m
					Central Governments and Central Banks							
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	19,057	63	29	19,033	0.01	29	45	0.79	410	2	1	-
0.00 to <0.10	*19,057*	*63*	*29*	*19,033*	*0.01*	*29*	*45*	*0.79*	*410*	2	*1*	-
0.10 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
1.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to < 5.00	-	-	-	-	-	-	-	-	-	-	-	-
5.00 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <20.00	-	-	-	-	-	-	-	-	-	-	-	-
20.00 to <30.00	-	-	-	-	-	-	-	-	-	-	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal (exposure class)	19,057	63	29	19,033	0.01	29	45	0.79	410	2	1	-
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

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

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

NWH Group												
a	b	c	d	e	f	g	h	i	j	k	l	m
Institutions												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	3,282	238	51	3,312	0.10	198	39	1.44	727	22	1	2
0.00 to <0.10	*1,274*	*141*	*53*	*1,243*	*0.07*	*144*	*30*	*3.12*	*286*	23	-	2
0.10 to <0.15	*2,008*	*97*	*47*	*2,069*	*0.11*	*54*	*44*	*0.43*	*441*	*21*	*1*	-
0.15 to <0.25	2,728	184	35	2,799	0.19	83	33	2.99	1,397	50	3	3
0.25 to <0.50	262	32	33	272	0.36	34	17	2.71	72	26	-	-
0.50 to <0.75	1	4	54	3	0.64	13	55	0.88	2	81	-	-
0.75 to <2.50	12	13	40	17	1.30	16	35	1.97	13	77	-	-
0.75 to <1.75	12	11	43	16	1.27	11	33	2.04	11	72	-	-
1.75 to <2.50	-	2	20	1	1.81	5	75	0.69	2	195	-	-
2.50 to <10.00	15	2	41	14	3.20	98	55	0.98	21	154	-	-
2.50 to < 5.00	14	-	100	12	2.57	92	52	0.99	15	129	-	-
5.00 to < 10.00	1	2	35	2	6.79	6	75	0.97	6	*296*	-	-
10.00 to <100.00	-	-	31	-	20.70	3	75	1.62	1	455	-	-
10.00 to <20.00	-	-	0	-	14.48	1	75	1.00	-	*412*	-	-
20.00 to <30.00	-	-	31	-	22.10	2	75	1.76	1	*465*	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (default)	5	-	32	1	100.00	3	40	1.50	-	-	-	-
Subtotal (exposure class)	6,305	473	43	6,418	0.17	448	36	2.17	2,233	35	4	5
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

	NWH Group											
a	b	c	d	e	f	g	h	i	j	k	l	m
	Exposures to corporates – SME											
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	4	3	74	7	0.10	35	42	2.66	117	1,779	-	-
0.00 to <0.10	*1*	*-*	*77*	*1*	*0.05*	*2*	*45*	*4.32*	*77*	*7,744*	-	-
0.10 to <0.15	*3*	*3*	*74*	*6*	*0.11*	*33*	*41*	*2.36*	*40*	*714*	-	-
0.15 to <0.25	515	255	50	646	0.21	1,505	24	3.04	198	31	1	1
0.25 to <0.50	3,173	1,105	47	3,707	0.40	5,828	22	3.08	1,040	28	4	10
0.50 to <0.75	2,367	864	44	2,756	0.64	3,427	21	2.78	839	30	4	11
0.75 to <2.50	5,851	1,759	42	6,617	1.22	6,799	23	2.61	2,906	44	21	56
0.75 to <1.75	4,650	1,395	42	5,262	1.07	5,301	23	2.64	2,193	42	14	38
1.75 to <2.50	1,201	364	40	1,355	1.81	1,498	23	2.50	713	53	7	18
2.50 to <10.00	1,774	477	46	2,010	3.26	2,355	23	2.55	1,139	57	17	62
2.50 to < 5.00	1,536	428	46	1,746	2.83	1,930	23	2.53	944	54	13	46
5.00 to < 10.00	238	49	50	264	6.08	425	24	2.69	195	74	4	16
10.00 to <100.00	314	47	37	334	14.63	438	21	2.36	257	77	12	28
10.00 to <20.00	248	40	38	265	12.05	320	19	2.50	174	65	7	20
20.00 to <30.00	55	4	52	57	21.18	95	32	1.71	72	126	4	7
30.00 to <100.00	11	3	19	12	40.96	23	22	2.38	11	93	1	1
100.00 (default)	409	44	13	417	100.00	927	36	2.01	486	117	162	158
Subtotal (exposure class)	14,407	4,554	44	16,494	3.91	21,313	23	2.73	6,982	42	221	326
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

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

						NWH Group						
a	b	c	d	e	f	g	h	i	j	k	l	m
						Exposures to corporates – SME						
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	246	53	41	268	0.04	42	35	4.52	142	53	-	-
0.00 to <0.10	*238*	*50*	*40*	*259*	*0.04*	*1*	*35*	*4.57*	*106*	*41*	-	-
0.10 to <0.15	*8*	*3*	*59*	*9*	*0.11*	*41*	*29*	*3.20*	*36*	*375*	-	-
0.15 to <0.25	596	255	51	727	0.21	1,461	25	3.26	226	31	1	1
0.25 to <0.50	3,030	1,243	47	3,613	0.40	5,643	22	3.08	975	27	4	9
0.50 to <0.75	2,584	803	47	2,967	0.64	3,520	23	2.79	993	33	5	11
0.75 to <2.50	5,738	1,627	44	6,469	1.26	7,423	22	2.69	2,646	41	19	51
0.75 to <1.75	4,237	1,193	44	4,769	1.07	5,659	22	2.71	1,925	40	12	31
1.75 to <2.50	1,501	434	45	1,700	1.81	1,764	20	2.63	721	42	7	20
2.50 to <10.00	2,198	444	50	2,436	3.39	2,733	23	2.62	1,307	54	21	62
2.50 to < 5.00	1,798	384	50	2,002	2.84	2,191	23	2.69	1,033	52	15	46
5.00 to < 10.00	400	60	52	434	5.93	542	21	2.29	274	63	6	16
10.00 to <100.00	223	41	42	242	15.25	368	24	2.47	212	87	10	15
10.00 to <20.00	171	29	44	186	12.19	267	24	2.49	156	83	6	10
20.00 to <30.00	44	11	32	48	22.72	85	24	2.49	47	99	3	4
30.00 to <100.00	8	1	70	8	40.96	16	29	1.97	9	110	1	1
100.00 (default)	408	31	27	418	100.00	882	40	2.20	843	202	155	165
Subtotal (exposure class)	15,023	4,497	46	17,140	3.82	22,072	23	2.82	7,344	43	215	314
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

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

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

NWH Group

a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures to corporates – other												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	18,738	28,805	46	31,882	0.06	1,347	40	3.27	7,278	23	8	19
0.00 to <0.10	*15,748*	*23,557*	*46*	*26,421*	*0.05*	*965*	*40*	*3.33*	*5,612*	*21*	*6*	*13*
0.10 to <0.15	*2,990*	*5,248*	*48*	*5,461*	*0.11*	*382*	*40*	*2.94*	*1,666*	*30*	*2*	*6*
0.15 to <0.25	7,016	8,194	43	10,328	0.19	1,003	41	2.46	4,078	39	8	20
0.25 to <0.50	5,229	5,367	47	7,657	0.39	1,991	35	2.65	4,203	55	11	46
0.50 to <0.75	4,024	2,597	45	5,147	0.64	1,216	33	2.46	3,108	60	11	33
0.75 to <2.50	11,466	6,403	46	14,301	1.33	5,231	29	2.38	10,170	71	54	124
0.75 to <1.75	8,110	4,344	47	10,129	1.13	3,651	31	2.38	7,157	71	34	80
1.75 to <2.50	3,356	2,059	44	4,172	1.81	1,580	27	2.39	3,013	72	20	44
2.50 to <10.00	4,295	2,182	45	5,222	3.55	3,054	27	2.26	4,546	87	51	109
2.50 to < 5.00	3,138	1,743	45	3,852	2.83	2,596	27	2.32	3,114	81	29	54
5.00 to < 10.00	1,157	439	49	1,370	5.57	458	29	2.10	1,432	105	22	55
10.00 to <100.00	376	76	32	397	14.08	258	20	1.50	378	95	12	14
10.00 to <20.00	335	73	32	354	12.15	206	20	1.42	324	91	9	10
20.00 to <30.00	34	3	54	35	27.65	35	16	1.86	34	96	2	2
30.00 to <100.00	7	—	44	8	41.13	17	46	3.79	20	267	1	2
100.00 (default)	633	124	33	660	100.00	598	41	2.18	161	24	265	180
Subtotal (exposure class)	51,777	53,748	46	75,594	1.58	14,698	36	2.78	33,922	45	420	545
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

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

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

NWH Group

a	b	c	d	e	f	g	h	i	j	k	l	m
					Retail exposures – SME secured by immovable property							
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	1	100	—	0.17	77	59		-	-	-	-
0.25 to <0.50	-	74	100	49	0.30	4,959	61		13	27	-	-
0.50 to <0.75	63	2	100	65	0.63	1,223	31		15	23	-	-
0.75 to <2.50	634	40	100	660	1.20	8,568	24		188	28	2	8
0.75 to <1.75	537	10	100	545	1.03	6,225	20		113	21	1	5
1.75 to <2.50	97	30	100	115	2.03	2,343	41		75	66	1	3
2.50 to <10.00	223	3	100	225	4.79	2,482	26		151	67	3	5
2.50 to < 5.00	134	1	100	135	3.59	1,587	26		79	*58*	1	*3*
5.00 to < 10.00	89	2	100	90	6.60	895	27		72	*80*	2	*2*
10.00 to <100.00	56	1	100	56	24.82	535	22		53	94	3	3
10.00 to <20.00	28	1	100	28	14.13	298	25		29	*102*	1	*1*
20.00 to <30.00	-	-	-	-	-	-	-		-	-	-	-
30.00 to <100.00	28	-	100	28	35.75	237	19		24	*86*	2	*2*
100.00 (default)	41	-	100	43	100.00	673	16		8	18	6	12
Subtotal (exposure class)	1,017	121	100	1,098	6.92	18,517	26		428	39	14	28
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

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

- The increase within retail - non-SME - secured by immoveable property collateral was primarily due to IRB temporary model adjustments applied for secured lending (mortgages) within the Retail Banking portfolio.

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

NWH Group

a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – non-SME secured by immovable property												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	2,623	1,840	100	4,507	0.06	32,984	11		199	4	-	-
0.00 to <0.10	*2,251*	*1,115*	*100*	*3,392*	*0.05*	*21,005*	*11*		*126*	4	-	-
0.10 to <0.15	*372*	*725*	*100*	*1,115*	*0.11*	*11,979*	*11*		*73*	*7*	-	-
0.15 to <0.25	38,087	785	100	38,914	0.15	318,345	10		2,815	7	8	15
0.25 to <0.50	106,568	14,354	100	119,791	0.32	761,898	10		17,530	15	56	70
0.50 to <0.75	27,620	95	100	27,746	0.56	151,808	12		4,298	15	22	25
0.75 to <2.50	6,081	79	100	6,171	1.20	42,461	10		2,084	34	11	11
0.75 to <1.75	5,190	66	100	5,264	1.08	35,107	10		1,695	32	8	9
1.75 to <2.50	891	13	100	907	1.89	7,354	12		389	43	3	2
2.50 to <10.00	1,230	6	100	1,238	5.28	9,057	11		944	76	9	6
2.50 to < 5.00	567	5	100	573	3.41	4,229	12		311	*54*	3	*3*
5.00 to < 10.00	663	1	100	665	6.90	4,828	10		633	*95*	6	*3*
10.00 to <100.00	1,149	2	100	1,152	29.29	9,353	10		1,418	123	44	6
10.00 to <20.00	456	2	100	457	14.32	4,100	10		582	*127*	9	*2*
20.00 to <30.00	16	-	100	17	24.42	154	11		29	*176*	1	-
30.00 to <100.00	677	-	100	678	39.51	5,099	10		807	*119*	34	*4*
100.00 (default)	1,796	15	100	1,963	100.00	17,091	12		796	41	265	209
Subtotal (exposure class)	185,154	17,176	100	201,482	1.51	1,342,997	10		30,084	15	415	342
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

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

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

NWH Group												
a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – qualifying revolving												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	56	6,175	100	11,069	0.04	10,051,253	53		185	2	3	9
0.00 to <0.10	*4*	*5,295*	*100*	*9,646*	*0.03*	*8,486,331*	*52*		*124*	1	*2*	4
0.10 to <0.15	*52*	*880*	*100*	*1,423*	*0.12*	*1,564,922*	*57*		*61*	*4*	*1*	*5*
0.15 to <0.25	172	228	100	474	0.17	157,583	64		32	7	1	7
0.25 to <0.50	305	1,556	100	1,518	0.36	1,546,088	60		173	11	4	12
0.50 to <0.75	803	5,944	100	1,648	0.60	1,481,549	68		319	19	7	17
0.75 to <2.50	1,553	6,917	100	3,189	1.40	2,788,727	70		1,223	38	34	50
0.75 to <1.75	746	4,738	100	1,944	1.07	1,850,238	70		606	31	16	25
1.75 to <2.50	807	2,179	100	1,245	1.92	938,489	71		617	50	18	25
2.50 to <10.00	1,886	827	100	2,429	4.65	1,057,028	74		2,243	92	89	130
2.50 to < 5.00	1,167	656	100	1,594	3.56	780,990	73		1,187	*74*	44	*58*
5.00 to < 10.00	719	171	100	835	6.74	276,038	76		1,056	*126*	45	*72*
10.00 to <100.00	212	35	100	265	20.99	142,149	72		521	197	43	36
10.00 to <20.00	140	27	100	179	13.43	91,569	73		321	*179*	19	*20*
20.00 to <30.00	-	-	100	1	26.02	1,626	61		3	*288*	-	-
30.00 to <100.00	72	8	100	85	36.94	48,954	69		197	*233*	24	*16*
100.00 (default)	314	297	100	325	100.00	355,921	78		412	127	240	240
Subtotal (exposure class)	5,301	21,979	100	20,917	2.67	17,580,298	61		5,108	24	421	501
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

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

(1) Bounce Bank Loans (BBLs) are included in this exposure class and they are assigned a zero LGD.

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

NWH Group												
a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – SME other												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	11	100	8	0.17	4,013	59		1	17	-	-
0.25 to <0.50	-	775	100	797	0.32	374,598	62		221	28	2	5
0.50 to <0.75	802	41	100	905	0.63	89,832	33		196	22	2	3
0.75 to <2.50	6,918	366	100	7,423	1.24	515,230	25		1,653	22	26	58
0.75 to <1.75	5,651	145	100	5,891	1.04	330,073	22		1,081	18	14	30
1.75 to <2.50	1,267	221	100	1,532	2.03	185,157	36		572	37	12	28
2.50 to <10.00	2,702	43	100	2,886	4.59	277,593	28		941	33	38	42
2.50 to < 5.00	1,673	22	100	1,816	3.39	215,605	27		563	*31*	18	*21*
5.00 to < 10.00	1,029	21	100	1,070	6.62	61,988	29		378	*35*	20	*21*
10.00 to <100.00	635	9	100	652	24.22	43,136	26		297	45	37	29
10.00 to <20.00	328	6	100	340	13.74	23,615	30		156	*46*	14	*14*
20.00 to <30.00	15	-	-	14	23.12	646	30		8	*58*	1	-
30.00 to <100.00	292	3	100	298	36.24	18,875	21		133	*45*	22	*15*
100.00 (default)	1,473	3	100	1,496	100.00	66,966	15		219	15	211	203
Subtotal (exposure class)	12,530	1,248	100	14,167	13.31	1,371,368	27		3,528	25	316	340
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

(1) Bounce Bank Loans (BBLs) are included in this exposure class and they are assigned a zero LGD.

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

	NWH Group											
a	b	c	d	e	f	g	h	i	j	k	l	m
	Retail exposures – Non-SME Other											
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2023												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	-	100	-	0.21	2	74		-	89	-	-
0.25 to <0.50	-	-	-	-	0.45	41	65		22	8,885	-	-
0.50 to <0.75	73	-	-	74	0.69	15,287	68		63	85	1	1
0.75 to <2.50	4,267	-	-	4,376	1.50	592,778	74		4,436	101	56	99
0.75 to <1.75	2,690	-	-	2,758	1.15	453,870	71		2,515	91	26	47
1.75 to <2.50	1,577	-	-	1,618	2.09	138,908	77		1,921	119	30	52
2.50 to <10.00	1,565	-	-	1,600	5.12	159,369	77		2,155	135	72	117
2.50 to < 5.00	942	-	-	963	3.77	95,113	78		1,229	*128*	31	*65*
5.00 to < 10.00	623	-	-	637	7.16	64,257	76		926	*145*	41	*52*
10.00 to <100.00	380	-	-	386	20.74	43,155	79		779	202	75	73
10.00 to <20.00	267	-	-	273	13.65	29,314	79		495	*181*	35	*42*
20.00 to <30.00	1	-	-	1	27.70	30	48		6	*619*	1	-
30.00 to <100.00	112	-	-	112	37.97	13,811	80		278	*249*	39	*31*
100.00 (default)	735	-	-	795	100.00	113,629	77		849	107	630	596
Subtotal (exposure class)	7,020	-	100	7,231	14.14	924,261	75		8,304	115	834	886
Total (all exposures classes)	313,234	91,851	65	365,314		21,956,562		0.88	98,645	27	2,719	3,116

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

NWH Group												
a	b	c	d	e	f	g	h	i	j	k	l	m
Retail exposures – non-SME other												
PD range	On-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors £m	Density of risk-weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
31 December 2022												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.00 to <0.10	-	-	-	-	-	-	-		-	-	-	-
0.10 to <0.15	-	-	-	-	-	-	-		-	-	-	-
0.15 to <0.25	-	-	100	-	0.20	2	68		-	-	-	-
0.25 to <0.50	-	-	-	-	0.45	46	66		24	8840	-	-
0.50 to <0.75	74	-	-	75	0.69	15,162	69		67	90	1	1
0.75 to <2.50	4,115	-	-	4,213	1.48	580,010	73		4,140	98	53	95
0.75 to <1.75	2,678	-	-	2,741	1.15	449,560	71		2,441	89	26	42
1.75 to <2.50	1,436	-	-	1,471	2.09	130,450	77		1,698	115	27	54
2.50 to <10.00	1,468	-	-	1,499	5.08	149,007	77		1,990	133	68	130
2.50 to < 5.00	886	-	-	905	3.75	89,116	78		1,143	*126*	29	*74*
5.00 to < 10.00	582	-	-	594	7.11	59,891	77		847	*143*	39	*56*
10.00 to <100.00	385	-	-	390	21.51	43,219	79		763	195	77	76
10.00 to <20.00	264	-	-	269	13.59	27,993	78		467	*173*	34	*42*
20.00 to <30.00	3	-	-	3	22.98	98	45		9	*313*	1	-
30.00 to <100.00	118	-	-	118	39.58	15,128	80		287	*244*	42	*34*
100.00 (default)	585	-	100	624	100.00	90,781	78		686	110	497	494
Subtotal (exposure class)	6,627	-	100	6,801	12.45	878,228	75		7,670	113	696	796
Total (all exposures classes)	302,791	99,305	68	362,650		21,228,655		0.79	90,727	25	2,502	2,871

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

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

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

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

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

		NWH Group				
31 December 2022		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach £m a	Total exposure value for exposures subject to the Standardised approach and to the IRB approach £m b	Percentage of total exposure value subject to the permanent partial use of the SA (%) c	Percentage of total exposure value subject to IRB approach (%) d	Percentage of total exposure value subject to a roll-out plan (1) (%) e
1	Central governments or central banks	19,093	120,490	84.24	15.76	-
1.1	*Of which Regional governments or local authorities*	2,259	2,123	6.38	93.62	-
1.2	*Of which Public sector entities*	-	-	-	-	-
2	Institutions	8,449	9,232	12.34	87.66	-
3	Corporates	117,689	137,752	18.67	81.33	-
3.1	*Of which Corporates -*					-
	Specialised lending, excluding slotting approach	-	1	100.00	-	-
3.2	*Of which Corporates -*					-
	Specialised lending under slotting approach	17,122	17,347	-	100.00	-
3.3	*Of which Corporates : SME*					-
4	Retail	244,465	231,503	4.20	95.80	-
4.1	*of which Retail – Secured by real estate SMEs*	1,098	1,013	-	100.00	-
4.2	*of which Retail – Secured by real estate non-SMEs*	201,482	201,128	3.90	96.10	-
4.3	*of which Retail – Qualifying revolving*	20,917	9,488	3.09	96.91	-
4.4	*of which Retail – Other SMEs*	14,167	13,710	9.27	90.73	-
4.5	*of which Retail – Other non-SMEs*	6,801	6,164	5.41	94.59	-
5	Equity	1	5	80.18	19.82	-
6	Other non-credit obligation assets	5,998	5,608	8.79	91.21	-
7	Total	395,695	504,590	27.47	72.53	-

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.

		NWH Group			
		31 December 2023		31 December 2022	
		a	b	a	b
		Pre-credit derivatives RWAs £m	Actual RWAs £m	Pre-credit derivatives RWAs £m	Actual RWAs £m
5	Exposures under AIRB	98,645	98,645	90,727	90,727
6	Central governments and central banks	987	987	410	410
7	Institutions	3,464	3,464	2,233	2,233
8	Corporates	41,946	41,946	41,267	41,267
8.1	*Of which: SME*	6,982	6,982	7,344	7,344
8.3	*Of which: Other*	34,964	34,964	33,922	33,922
9	Retail	52,248	52,248	46,817	46,817
9.1	*Of which: Secured by real estate SME*				
	- Secured by immovable property collateral	396	396	428	428
9.2	*Of which: Secured by real estate non-SME*				
	- Secured by immovable property collateral	33,694	33,694	30,084	30,084
9.3	*Of which: Qualifying revolving*	6,457	6,457	5,109	5,109
9.4	*Of which: Other SME*	3,397	3,397	3,527	3,527
9.5	*Of which: Other non-SME*	8,304	8,304	7,670	7,670
10	Total	98,645	98,645	90,727	90,727

1. Rows 1 - 4.2 are not presented as NWH Group does not use FIRB to calculate capital requirements for IRB exposures.
2. Specialised lending exposures under the slotting approach are excluded.

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

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

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

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

A-IRB	NWH Group													
		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 receivables %	Part of exposures covered by other physical collaterals %	Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA post all CRM assigned to the obligor exposure class £m	RWA with substitution effects £m
31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n
6 Specialised lending under the slotting approach	**17,755**												**11,502**	**11,502**
7 Equity Exposures	**1**												**3**	**3**
8 Total	**17,756**												**11,505**	**11,505**

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

		NWH Group													
			Credit risk mitigation techniques												
			Funded credit protection (FCP)									Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
		Total exposures £m	Part of exposures covered by financial collaterals %	Part of exposures covered by other eligible collaterals %	Part of exposures covered by immovable property collaterals %	Part of exposures covered by receivables %	Part of exposures covered by other physical collaterals %	Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA post all CRM assigned to the obligor exposure class £m	RWA with substitution effects £m
31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	19,033	0.32	0.17	0.17	-	-	-	-	-	-	-	-	410	410
2	Institutions	6,418	32.00	1.54	1.36	-	0.18	-	-	-	-	-	-	2,233	2,233
3	Corporates	92,734	14.17	94.32	46.54	8.39	39.39	0.02	-	-	0.02	2.92	-	41,267	41,267
3.1	*Of which: SME*	*17,140*	9.17	119.68	49.30	17.45	52.93	0.01	-	-	0.01	7.35	-	*7,344*	*7,344*
3.3	*Of which: Other*	*75,594*	15.30	88.57	45.91	6.34	36.32	0.02	-	-	0.02	1.92	-	*33,922*	*33,922*
4	Retail	244,465	-	186.12	186.12	-	-	-	-	-	-	2.56	-	46,817	46,817
4.1	*Of which: Immovable property SME*	*1,098*	-	-	-	-	-	-	-	-	-	1.39	-	*428*	*428*
4.2	*Of which: Immovable property non-SME*	*201,482*	-	225.82	225.82	-	-	-	-	-	-	-	-	*30,084*	*30,084*
4.3	*Of which: Qualifying revolving*	*20,917*	-	-	-	-	-	-	-	-	-	-	-	*5,109*	*5,109*
4.4	*Of which: Other SMEs*	*14,167*	-	-	-	-	-	-	-	-	-	43.99	-	*3,527*	*3,527*
4.5	*Of which: Other non-SME*	*6,801*	-	-	-	-	-	-	-	-	-	-	-	*7,670*	*7,670*
5	Total	362,650	4.21	149.62	137.40	2.15	10.08	-	-	-	-	2.47	-	90,727	90,727

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

A-IRB	NWH Group													
		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 receivables %	Part of exposures covered by other physical collaterals %	Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA post all CRM assigned to the obligor exposure class £m	RWA with substitution effects £m
31 December 2022	a	b	c	d	e	f	g	h	i	j	k	l	m	n
6 Specialised lending under the slotting approach	17,099												10,796	10,796
7 Equity Exposures	1												3	3
8 Total	17,100												10,799	10,799

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

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

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

- **PD Range -** Fixed PD is prescribed in the disclosure instructions. Exposures are allocated based on the PD estimated at the end of the previous year for each obligor/account. Obligor/account – retail asset classes are reported at account level while non-retail asset classes are reported at obligor level.
- **Number of obligors at the end of the previous year -** For 2023, these are the number of obligors at 31 December 2022.
- **Of which number of obligors that defaulted in the year -** The subset of the number of obligors at the end of the previous year in each PD category which defaulted during the year.
- **Observed average default rate -** Volume weighted one-year default rate for each PD category (the ratio of previous two columns) expressed as a percentage.
- **Exposure weighted average PD (%) -** Exposure weighted average one-year PD for each PD category.
- **Average PD (%) -** Volume weighted average one-year PD for each PD category.
- **Average historical annual default rate (%) -** Volume weighted five-year default rate for each PD category, calculated as a simple average of the one-year default rates of the five most recent years.

The new definition of default regulation came into force on 1 January 2022. As a result, defaults reported in the 2022 tables include accounts which, on 31 December 2021, were not in default under the old definition of default but which would have been in default under the new definition. PDs reported in the 2022 tables are estimated for non-defaulted obligors under the old definition of default on 31 December 2021.

Other notes relevant to these tables:

- The tables exclude counterparty credit risk, securitisation positions, other non-credit obligation assets and equity exposures.
- Specialised lending exposures are not reported as NWH Group uses the supervisory slotting approaches for these portfolios.
- The total number of obligors with short-term contracts (where residual maturity is less than 12 months) as at 31 December 2023 was approximately 18.8 million, representing 89% of total obligors. The overall numbers include 23,853 obligors with short-term contracts residing in the Corporate - SME and Corporate – Others exposure classes. Of the total short-term contracts, the majority (93%) were in the Retail QRRE class.
- NatWest Group uses an approach with no overlapping windows in the calculation of long-run average PD rates.
- UBIDAC exposures are not included due to the reversion to the standardised approach during 2022.
- NWH Group has an established temporary model adjustment (TMA) framework in place. TMAs are used to increase RWA and/or EL where IRB model deficiencies or regulatory non-compliance is identified. TMAs are regularly reviewed until underlying model deficiencies have been remediated.
- Due to specific data exclusions used for model back-testing, the values reported in table UK CR9 do not fully reconcile with table UK CR6.

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

Key observations across all non-retail asset classes: Default rates, exposure weighted average PDs and average PDs were stable when compared to 2022. The average historical annual default rate (five-year default rate) remained lower than the average PD.

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Central Governments & Central Banks	0.00 to <0.15	35	-	-	0.01	0.03	-
	0.00 to <0.10	35	-	-	0.01	0.03	-
	0.10 to <0.15	-	-	n/a	n/a	n/a	-
	0.15 to <0.25	-	-	n/a	n/a	n/a	-
	0.25 to <0.50	-	-	n/a	n/a	n/a	-
	0.50 to <0.75	-	-	n/a	n/a	n/a	-
	0.75 to <2.50	-	-	n/a	n/a	n/a	-
	0.75 to <1.75	-	-	n/a	n/a	n/a	-
	1.75 to <2.50	-	-	n/a	n/a	n/a	-
	2.50 to <10.00	-	-	n/a	n/a	n/a	-
	2.50 to <5.00	-	-	n/a	n/a	n/a	-
	5.00 to <10.0	-	-	n/a	n/a	n/a	-
	10.00 to <100.00	-	-	n/a	n/a	n/a	-
	10.00 to <20.00	-	-	n/a	n/a	n/a	-
	20.00 to <30.00	-	-	n/a	n/a	n/a	-
	30.00 to <100.00	-	-	n/a	n/a	n/a	-
	100.00 (Default)	-	n/a	n/a	n/a	n/a	n/a

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

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Institutions	0.00 to <0.15	202	-	-	0.10	0.08	-
	0.00 to <0.10	146	-	-	0.06	0.06	-
	0.10 to <0.15	56	-	-	0.11	0.11	-
	0.15 to <0.25	85	-	-	0.19	0.19	-
	0.25 to <0.50	42	-	-	0.36	0.37	-
	0.50 to <0.75	9	-	-	0.64	0.64	-
	0.75 to <2.50	22	1	4.55	1.14	1.41	0.91
	0.75 to <1.75	14	-	-	1.11	1.17	-
	1.75 to <2.50	8	1	12.50	1.81	1.81	2.50
	2.50 to <10.00	11	-	-	3.09	3.36	-
	2.50 to <5.00	10	-	-	2.87	3.18	-
	5.00 to <10.0	1	-	-	5.12	5.12	-
	10.00 to <100.00	3	-	-	29.13	23.31	-
	10.00 to <20.00	2	-	-	14.48	14.48	-
	20.00 to <30.00	-	-	n/a	n/a	n/a	-
	30.00 to <100.00	1	-	-	40.96	40.96	-
	100.00 (Default)	-	n/a	n/a	n/a	n/a	n/a

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

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates	0.00 to <0.15	1,553	1	0.06	0.06	0.07	0.06
	0.00 to <0.10	1,083	1	0.09	0.05	0.05	0.05
	0.10 to <0.15	470	-	-	0.11	0.11	0.06
	0.15 to <0.25	2,369	8	0.34	0.18	0.20	0.12
	0.25 to <0.50	7,768	30	0.39	0.39	0.40	0.21
	0.50 to <0.75	5,108	38	0.74	0.64	0.64	0.41
	0.75 to <2.50	15,053	126	0.84	1.33	1.30	0.69
	0.75 to <1.75	10,847	84	0.77	1.10	1.10	0.61
	1.75 to <2.50	4,206	42	1.00	1.81	1.81	0.85
	2.50 to <10.00	7,316	193	2.64	3.59	3.41	1.92
	2.50 to <5.00	5,979	112	1.87	2.91	2.87	1.44
	5.00 to <10.0	1,337	81	6.06	5.76	5.84	4.17
	10.00 to <100.00	810	110	13.58	14.77	15.16	9.74
	10.00 to <20.00	620	68	10.97	11.74	12.13	8.00
	20.00 to <30.00	160	34	21.25	21.28	22.10	13.84
	30.00 to <100.00	30	8	26.67	40.95	40.93	18.12
	100.00 (Default)	1,266	n/a	n/a	100.00	100.00	n/a

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

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Corporates - SME	0.00 to <0.15	88	-	-	0.11	0.09	-
	0.00 to <0.10	31	-	-	0.07	0.05	-
	0.10 to <0.15	57	-	-	0.12	0.12	-
	0.15 to <0.25	1,352	7	0.52	0.21	0.21	0.16
	0.25 to <0.50	5,638	25	0.44	0.40	0.40	0.22
	0.50 to <0.75	3,588	24	0.67	0.64	0.64	0.38
	0.75 to <2.50	8,672	68	0.78	1.29	1.27	0.71
	0.75 to <1.75	6,445	46	0.71	1.08	1.08	0.63
	1.75 to <2.50	2,227	22	0.99	1.81	1.81	0.91
	2.50 to <10.00	3,693	116	3.14	3.47	3.53	2.24
	2.50 to <5.00	2,920	74	2.53	2.89	2.93	1.79
	5.00 to <10.0	773	42	5.43	5.75	5.83	3.85
	10.00 to <100.00	451	62	13.75	15.13	15.05	9.53
	10.00 to <20.00	341	40	11.73	12.67	12.19	7.96
	20.00 to <30.00	97	16	16.49	22.83	21.67	12.66
	30.00 to <100.00	13	6	46.15	40.92	40.90	23.30
	100.00 (Default)	864	n/a	n/a	100.00	100.00	n/a

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

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Corporates - Other	0.00 to <0.15	1,465	1	0.07	0.06	0.07	0.06
	0.00 to <0.10	1,052	1	0.10	0.05	0.05	0.05
	0.10 to <0.15	413	-	-	0.11	0.11	0.06
	0.15 to <0.25	1,018	1	0.10	0.18	0.19	0.06
	0.25 to <0.50	2,156	5	0.23	0.38	0.40	0.21
	0.50 to <0.75	1,550	14	0.90	0.64	0.64	0.52
	0.75 to <2.50	6,513	58	0.89	1.36	1.34	0.64
	0.75 to <1.75	4,495	38	0.85	1.11	1.12	0.57
	1.75 to <2.50	2,018	20	0.99	1.81	1.81	0.75
	2.50 to <10.00	3,678	77	2.09	3.65	3.29	1.55
	2.50 to <5.00	3,105	38	1.22	2.93	2.81	1.09
	5.00 to <10.0	573	39	6.81	5.77	5.86	4.67
	10.00 to <100.00	361	48	13.30	14.65	15.30	10.48
	10.00 to <20.00	281	28	9.96	11.37	12.07	8.28
	20.00 to <30.00	63	18	28.57	20.95	22.77	17.92
	30.00 to <100.00	17	2	11.77	40.96	40.96	12.49
	100.00 (Default)	412	n/a	n/a	100.00	100.00	n/a

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

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail	0.00 to <0.15	9,590,282	21,277	0.22	0.07	0.04	0.07
	0.00 to <0.10	9,074,920	18,299	0.20	0.05	0.03	0.06
	0.10 to <0.15	515,362	2,978	0.58	0.12	0.13	0.19
	0.15 to <0.25	1,089,874	4,806	0.44	0.20	0.19	0.22
	0.25 to <0.50	2,305,116	15,989	0.69	0.36	0.36	0.38
	0.50 to <0.75	1,788,638	14,021	0.78	0.59	0.60	0.53
	0.75 to <2.50	4,070,506	77,676	1.91	1.25	1.31	1.34
	0.75 to <1.75	3,219,825	51,767	1.61	1.10	1.11	1.16
	1.75 to <2.50	850,681	25,909	3.05	2.10	2.07	2.01
	2.50 to <10.00	1,467,594	93,997	6.40	4.84	4.35	4.16
	2.50 to <5.00	1,084,184	54,623	5.04	3.59	3.45	3.06
	5.00 to <10.0	383,410	39,374	10.27	6.80	6.91	6.65
	10.00 to <100.00	269,414	71,555	26.56	21.82	23.78	22.93
	10.00 to <20.00	155,581	29,346	18.86	14.06	13.72	13.73
	20.00 to <30.00	55,061	16,139	29.31	23.60	23.87	22.45
	30.00 to <100.00	58,772	26,070	44.36	49.76	50.31	46.73
	100.00 (Default)	405,718	n/a	n/a	100.00	100.00	n/a

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

Key observations for retail non-SME secured by immoveable property collateral: The increase in the default rate was expected and was reflective of the prevailing cost-of-living crisis and increase in mortgage interest rates as well as post-COVID-19 growth. House prices increased during 2022, leading to a year-on-year reduction in the portfolio loan-to-value, which resulted in lower PDs at 31 December 2022.

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - non-SME secured by immovable property collateral	0.00 to <0.15	79,474	120	0.15	0.09	0.09	0.12
	0.00 to <0.10	48,859	61	0.12	0.07	0.07	0.07
	0.10 to <0.15	30,615	59	0.19	0.12	0.12	0.15
	0.15 to <0.25	304,131	706	0.23	0.21	0.20	0.16
	0.25 to <0.50	635,872	1,874	0.29	0.36	0.36	0.21
	0.50 to <0.75	180,708	726	0.40	0.59	0.60	0.31
	0.75 to <2.50	49,721	783	1.57	1.12	1.16	0.85
	0.75 to <1.75	43,493	621	1.43	1.02	1.04	0.75
	1.75 to <2.50	6,228	162	2.60	2.06	2.05	1.52
	2.50 to <10.00	10,061	725	7.21	5.52	5.47	4.66
	2.50 to <5.00	5,272	326	6.18	3.87	3.83	3.66
	5.00 to <10.0	4,789	399	8.33	7.22	7.27	5.69
	10.00 to <100.00	12,023	1,930	16.05	18.73	18.17	15.85
	10.00 to <20.00	8,146	1,028	12.62	14.39	14.16	12.66
	20.00 to <30.00	3,149	569	18.07	23.44	23.43	18.36
	30.00 to <100.00	728	333	45.74	39.70	40.29	26.56
	100.00 (Default)	12,261	n/a	n/a	100.00	100.00	n/a

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

Key observations for retail - qualifying revolving retail exposure: Only minor changes in default rates and PDs year-on-year.

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - Qualifying revolving	0.00 to <0.15	9,510,805	21,157	0.22	0.04	0.04	0.07
	0.00 to <0.10	9,026,060	18,238	0.20	0.03	0.03	0.06
	0.10 to <0.15	484,745	2,919	0.60	0.13	0.13	0.17
	0.15 to <0.25	764,459	4,048	0.53	0.19	0.18	0.24
	0.25 to <0.50	1,301,635	12,251	0.94	0.36	0.36	0.44
	0.50 to <0.75	1,500,254	11,896	0.79	0.59	0.59	0.53
	0.75 to <2.50	2,906,685	54,449	1.87	1.39	1.29	1.34
	0.75 to <1.75	2,283,940	36,434	1.60	1.15	1.09	1.18
	1.75 to <2.50	622,745	18,015	2.89	2.06	2.04	1.89
	2.50 to <10.00	1,034,573	60,674	5.86	4.58	4.28	3.97
	2.50 to <5.00	777,672	37,918	4.88	3.57	3.43	2.94
	5.00 to <10.0	256,901	22,756	8.86	6.69	6.87	6.55
	10.00 to <100.00	160,517	40,339	25.13	23.27	22.89	22.43
	10.00 to <20.00	95,555	16,625	17.40	13.35	13.51	13.39
	20.00 to <30.00	32,565	9,074	27.86	24.11	24.13	22.86
	30.00 to <100.00	32,397	14,640	45.19	53.60	49.29	46.86
	100.00 (Default)	287,387	n/a	n/a	100.00	100.00	n/a

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

Key observations for retail – SME other: A decrease in default rate was observed across loans and current accounts. The reduction in PD was driven by the introduction of the new definition of default in 2022, with previously high PD accounts transitioning to default under the new definition. Both default rates and PDs were materially impacted by government-backed Bounce Back Loans (0% risk-weight). The overall average PD and default rate were 2.31% and 3.29%, respectively, with Bounce Back Loans included and 2.13% and 2.34% with Bounce Back Loans excluded.

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - SME Other	0.00 to <0.15	-	-	n/a	n/a	n/a	0.08
	0.00 to <0.10	-	-	n/a	n/a	n/a	0.04
	0.10 to <0.15	-	-	n/a	n/a	n/a	0.08
	0.15 to <0.25	21,283	52	0.24	0.21	0.21	0.20
	0.25 to <0.50	367,559	1,864	0.51	0.33	0.35	0.40
	0.50 to <0.75	89,004	1,058	1.19	0.63	0.64	0.72
	0.75 to <2.50	543,808	13,395	2.46	1.24	1.37	1.39
	0.75 to <1.75	412,650	8,928	2.16	1.08	1.13	1.15
	1.75 to <2.50	131,158	4,467	3.41	2.10	2.11	2.05
	2.50 to <10.00	284,923	23,120	8.11	4.68	4.19	4.25
	2.50 to <5.00	218,452	11,726	5.37	3.46	3.36	3.04
	5.00 to <10.0	66,471	11,394	17.14	6.55	6.90	7.39
	10.00 to <100.00	50,668	18,584	36.68	25.74	24.73	22.38
	10.00 to <20.00	25,061	7,162	28.58	13.79	13.91	14.98
	20.00 to <30.00	11,842	4,559	38.50	23.85	23.82	22.71
	30.00 to <100.00	13,765	6,863	49.86	49.97	45.21	40.33
	100.00 (Default)	37,201	n/a	n/a	100.00	100.00	n/a

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

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

Key observations for retail – non-SME other: The increase in default rate was driven by the unwinding of the credit tightening from COVID-19. The reduction in the PD was driven by the introduction of the new definition of default, which re-classified previously high PD accounts as defaults.

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

		NWH Group					
		31 December 2022					
Exposure class	PD range	Number of obligors at the end of the previous year	Of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Exposure to Retail - non-SME other	0.00 to <0.15	3	-	-	0.10	0.10	-
	0.00 to <0.10	1	-	-	0.06	0.06	-
	0.10 to <0.15	2	-	-	0.12	0.12	-
	0.15 to <0.25	1	-	-	0.19	0.19	-
	0.25 to <0.50	50	-	-	0.46	0.45	0.66
	0.50 to <0.75	18,672	341	1.83	0.69	0.69	0.89
	0.75 to <2.50	570,292	9,049	1.59	1.44	1.33	1.34
	0.75 to <1.75	479,742	5,784	1.21	1.25	1.16	1.03
	1.75 to <2.50	90,550	3,265	3.61	2.17	2.23	2.87
	2.50 to <10.00	138,037	9,478	6.87	5.05	5.15	5.35
	2.50 to <5.00	82,788	4,653	5.62	3.75	3.85	4.30
	5.00 to <10.0	55,249	4,825	8.73	7.14	7.11	6.94
	10.00 to <100.00	46,206	10,702	23.16	24.73	27.28	28.24
	10.00 to <20.00	26,819	4,531	16.89	13.68	14.16	14.92
	20.00 to <30.00	7,505	1,937	25.81	23.62	22.99	22.72
	30.00 to <100.00	11,882	4,234	35.63	59.15	59.59	53.72
	100.00 (Default)	68,869	n/a	n/a	100.00	100.00	n/a

UK CRE: Qualitative disclosure requirements related to IRB approach

Introduction

There are three approaches available to calculate RWAs. These are:
- Standardised approach.
- Foundation internal ratings based (FIRB) approach.
- Advanced internal ratings based (AIRB) approach.

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

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

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

The IRB permission allows NWH Group to use its own estimates for the following inputs to the regulatory formula used to calculate RWAs:
- PD and LGD for credit risk and counterparty credit risk.
- EAD for credit risk.

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

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

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

Advanced IRB models

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

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

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

Retail IRB models

Probability of default/customer credit grade models

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

Loss given default models

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

Exposure at default models

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

UK CRE: Qualitative disclosure requirements related to IRB approach continued

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

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Mortgages	33,694	PD	3	Retail – Secured by real estate non-SME	There are separate models for standard and non-standard products.	Key model drivers include the internal behaviour score of the related current account and loan-to-value (LTV).
		LGD	2			LGD is estimated by modelling the probability of possession given default and shortfall given repossession, using key drivers such as LTV. Regulatory floors are applied at the appropriate level.
		EAD	3			EAD estimate is determined by account limit.
Personal unsecured loans and current accounts	9,586	PD	3	Retail – Other non-SME Retail – Qualifying revolving	Product level PD and EAD models are in place, with loans common across all regions. LGD models are combined across products.	Model estimates are mainly based on internal behavioural data, with some also using external credit bureau data.
		LGD	1			Models estimate the probability of loss on a defaulted account, which is converted into an LGD estimate.
		EAD	2			Current accounts: A combination of linear regression and average models have been developed using internal data, such as account limit and balance. Loans: EAD estimate is determined by account balance.
Small business loans and current accounts	4,019	PD	2	Retail – Other SME	For PD, LGD and EAD, separate models are in place for loans and current accounts, common across all regions.	Model estimates are mainly based on internal behaviour data.
		LGD	2			For unsecured lending the models estimate the probability of loss on a defaulted account which is converted into an LGD estimate. For secured lending the LGD model estimates are based on the estimated recoveries from the liquidation of collateral. Regulatory floors are applied depending on the type of security.
		EAD	2			Current accounts: A combination of linear regression and average models have been developed using internal data, such as account limit and balance. Loans: EAD estimate is determined by account balance.
Personal credit cards	4,728	PD	1	Retail – Qualifying revolving	PD, EAD and LGD models developed for use across the retail brands.	Model estimates are based on internal behavioural data.
		LGD	1			Statistical model developed using internal and external data.
		EAD	1			A combination of linear regression and average models has been developed using internal data, such as account limit and balance.
Personal and small business asset finance	298	PD	1	Retail – Other SME Retail – Other non-SME	PD, EAD and LGD models developed for use within the UK Lombard brand.	Statistical PD model segmented by time on book, customer type and entity type.
		LGD	1			For LGD, a statistical model is used based on long-run internal loss outcomes with key model drivers being security, together with customer and facility attributes.
		EAD	1			

UK CRE: Qualitative disclosure requirements related to IRB approach continued

Non-retail IRB models

Probability of default/customer credit grade models

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

Loss given default models

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

Exposure at default models

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

UK CRE: Qualitative disclosure requirements related to IRB approach continued

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

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Sovereign and quasi-government entities	6,100	PD	4	Central governments and central banks Institutions Corporate – Other	Global PD and LGD models are developed for sovereign and quasi-government type entities.	Sovereign: external rating agency replication model calibrated to the agency long-run average default rates. Local authority, UK housing association and UK university: expert-driven scorecard models using both qualitative and quantitative inputs.
		LGD	2			Sovereign: an unsecured model calibrated using a logistic regression on a limited dataset of internal and external observations. LGD is floored at 45% in accordance with PRA requirements. Quasi-Government: the model is based on sovereign LGDs or regulatory LGD benchmarks due to its low-default nature.
Financial institutions	5,011	PD	6	Central governments and central banks Institutions Corporate – Other Equity IRB	Global PD and LGD models are developed for bank and non-bank financial institutions (NBFIs).	PD models are developed by counterparty type: Bank and insurance companies: external rating agency replication models calibrated to agency long-run average default rates. Geared investment fund: statistical model which is directly calibrated to internal default experience. Investment fund bridging: expert-driven model using quantitative and qualitative inputs. Hedge fund and managed fund: expert-driven scorecard models based mainly on qualitative inputs, due to their low-default nature.
		LGD	2			Bank models and a single NBFI model are structured as simple decision trees relying on a few regulatory LGD benchmarks, due to low frequency or loss data.
Corporations: Turnover above £50 million	24,442	PD	2	Corporates – Other Equity IRB	PD: global large corporate model is used to grade customers that are externally rated or have a turnover in excess of £500 million. Mid-large corporate model is used to grade customers in key countries (United Kingdom and US) with turnover between £50 million and £500 million, and that are not externally rated. LGD: global LGD model is used for large and mid-large corporate customers. LGD model for shipping customers.	Large corporate: external rating agency replication model which is calibrated to external and internal long-run average default data. Mid-large corporate: statistical model which is calibrated to internal long run data.
		LGD	2			Statistical model using a combination of internal and external loss data. Key model drivers are seniority, collateral, industry facility type and a credit cycle index. Lease facilities use secured collateral specific recovery rate models, calibrated to internal loss data. Large corporate LGD: a 35% LGD floor is applied for certain countries due to scarcity of loss data. Shipping: simple model based on benchmarks by ship types calibrated to internal loss data.

UK CRE: Qualitative disclosure requirements related to IRB approach continued

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Corporations: Turnover below £50 million	11,211	PD	1	Corporates – SME Corporate – Other Equity IRB	United Kingdom PD and LGD models for corporates with a turnover below £50 million.	Statistical rating model which uses qualitative and quantitative inputs to produce a score that is transformed into a PD. Long-run average default rate calibrations based on internal and external data and taking into account differences between industry and sectors.
		LGD	4			Statistical models based on internal loss outcomes with key model drivers being security, together with customer and facility attributes.
Credit risk (excluding counterparty credit risk) EAD model			2	Central governments and central banks Institutions Corporates – SME Corporates – Specialised lending Corporates – Other	Consists of a global non-retail EAD model for banking book portfolios and a specialist EAD model for the RBS Invoice Finance brand.	EAD is modelled by grouping product types (products sharing similar contractual features and expected drawdown behaviour) and calculated based on the assigned CCF. CCFs are estimated either using historical internal data or based on benchmarks when data is scarce.

UK CRE: Qualitative disclosure requirements related to IRB approach continued

IRB model governance

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

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

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

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

Validation reports include further analyses that consider:

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

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

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

Independent model validation

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

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

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

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

Internal Audit

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

Annex XXIII: Specialised lending

UK CR10: Specialised lending exposures

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

CR10.1

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

		NWH Group					
		a	b	c	d	e	f
		Specialised lending: Project finance (slotting approach)					
31 December 2022	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
Category 1	Less than 2.5 years	890	285	50%	1,093	444	—
	Equal to or more than 2.5 years	3,795	1,916	70%	5,485	3,256	22
Category 2	Less than 2.5 years	-	76	70%	75	52	-
	Equal to or more than 2.5 years	223	249	90%	412	317	3
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	56	6	115%	61	59	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	91	-	-	91	-	46
Total	Less than 2.5 years	890	361		1,168	496	-
	Equal to or more than 2.5 years	4,165	2,171		6,049	3,632	73

UK CR10: Specialised lending exposures continued

CR10.2

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

		NWH Group					
		a	b	c	d	e	f
		Specialised lending: Income-producing real estate and high volatility commercial real estate (slotting approach)					
31 December 2022	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
Category 1	Less than 2.5 years	3,080	295	50%	3,219	1,610	-
	Equal to or more than 2.5 years	2,122	306	70%	2,278	1,594	9
Category 2	Less than 2.5 years	2,561	280	70%	2,754	1,928	11
	Equal to or more than 2.5 years	1,044	132	90%	1,152	1,037	9
Category 3	Less than 2.5 years	252	10	115%	263	302	7
	Equal to or more than 2.5 years	92	1	115%	92	106	3
Category 4	Less than 2.5 years	32	-	250%	32	79	3
	Equal to or more than 2.5 years	5	-	250%	5	13	-
Category 5	Less than 2.5 years	60	-	-	60	-	30
	Equal to or more than 2.5 years	28	2	-	29	-	15
Total	Less than 2.5 years	5,985	585		6,328	3,919	51
	Equal to or more than 2.5 years	3,291	441		3,556	2,750	36

Annex XXV: Counterparty credit risk

UK CCR1: Analysis of CCR exposure by approach

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

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

		NWH Group							
		a	b	c	d	e	f	g	h
31 December 2022		Replacement cost/current (RC) £m	Potential future exposure (PFE) £m	EEPE £m	Alpha used for computing regulatory exposure value £m	Exposure value pre-CRM £m	Exposure value post-CRM £m	Exposure value £m	RWA £m
1	SA-CCR (for derivatives)	40	276	-	1.4	1,280	442	442	219
4	Financial collateral comprehensive method (for SFTs)					44,890	1,245	1,245	86
6	Total					46,170	1,687	1,687	305

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

- The increase under financial collateral comprehensive method for SFTs reflects a rise in repurchase agreement transactions during the period, as part of liquidity management activities.
- The decrease under SA-CCR for derivatives reflects a change in risk weight for pension funds.

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

The table below shows the CVA charge.

		NWH Group			
		a	b	a	b
		31 December 2023		31 December 2022	
		Exposure value £m	**RWAs £m**	Exposure amount £m	RWAs £m
4	Transactions subject to the standardised method	**306**	**77**	268	137

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

- The decrease in CVA RWAs was largely driven by a decrease in residual maturity on one counterparty.

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

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

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

		NWH Group											
		Risk-weight											
		a	b	c	d	e	f	g	h	i	j	k	l
Exposure class		0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total exposure value £m
31 December 2022													
1	Central governments or central banks	380	-	-	-	-	-	-	-	-	-	-	380
6	Institutions	-	413	-	-	115	38	-	-	-	-	-	566
7	Corporates	-	-	-	-	-	-	-	-	64	-	-	64
11	Total exposure value	380	413	-	-	115	38	-	-	64	-	-	1,010

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

- The decrease in central governments and central banks exposure class is due to the expiration of an SFT with a single counterparty.
- The decrease in the institutions class was driven by a decline in exposure to qualifying central counterparties.

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

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

		NWH Group						
		a	b	c	d	e	f	g
31 December 2023	PD scale	Exposure value £m	Exposure weighted Average PD %	Number of obligors	Exposure weighted Average LGD %	Exposure weighted Average maturity Years	RWAs £m	Density of risk weighted exposure amounts %
Central governments and central banks	0.00 to <0.15	**46**	**0**	**3**	**45**	**0**	**-**	**1**
Central governments and central banks	0.15 to <0.25	-	-	-	-	-	-	-
Central governments and central banks	0.25 to <0.50	-	-	-	-	-	-	-
Central governments and central banks	0.50 to <0.75	-	-	-	-	-	-	-
Central governments and central banks	0.75 to <2.50	-	-	-	-	-	-	-
Central governments and central banks	2.50 to <10.00	-	-	-	-	-	-	-
Central governments and central banks	10.00 to <100.00	-	-	-	-	-	-	-
Central governments and central banks	100.00 (Default)	-	-	-	-	-	-	-
Total - Central governments and central banks		**46**	**0**	**3**	**45**	**0**	**-**	**1**
Institutions	0.00 to <0.15	**46**	**0**	**3**	**45**	**0**	**10**	**22**
Institutions	0.15 to <0.25	**426**	**0**	**12**	**45**	**0**	**153**	**36**
Institutions	0.25 to <0.50	**93**	**0**	**3**	**45**	**0**	**30**	**33**
Institutions	0.50 to <0.75	-	-	-	-	-	-	-
Institutions	0.75 to <2.50	-	-	-	-	-	-	-
Institutions	2.50 to <10.00	-	-	-	-	-	-	-
Institutions	10.00 to <100.00	-	-	-	-	-	-	-
Institutions	100.00 (Default)	-	-	-	-	-	-	-
Total - Institutions		**565**	**0**	**18**	**45**	**0**	**193**	**34**
Corporates - SME	0.00 to <0.15	-	-	-	-	-	-	-
Corporates - SME	0.15 to <0.25	-	-	-	-	-	-	-
Corporates - SME	0.25 to <0.50	-	-	-	-	-	-	-
Corporates - SME	0.50 to <0.75	-	-	-	-	-	-	-
Corporates - SME	0.75 to <2.50	-	-	-	-	-	-	-
Corporates - SME	2.50 to <10.00	-	-	-	-	-	-	-
Corporates - SME	10.00 to <100.00	-	-	-	-	-	-	-
Corporates - SME	100.00 (Default)	-	-	-	-	-	-	-
Total - Corporates - SME		-	-	-	-	-	-	-

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

		NWH Group						
		a	b	c	d	e	f	g
31 December 2023	PD scale	Exposure value £m	Exposure weighted Average PD %	Number of obligors	Exposure weighted Average LGD %	Exposure weighted Average maturity Years	RWAs £m	Density of risk weighted exposure amounts %
Corporates - Other	0.00 to <0.15	**1,682**	**0**	**190**	**45**	**0**	**164**	**10**
Corporates - Other	0.15 to <0.25	**196**	**0**	**7**	**45**	**1**	**67**	**34**
Corporates - Other	0.25 to <0.50	-	-	-	-	-	-	-
Corporates - Other	0.50 to <0.75	-	-	-	-	-	-	-
Corporates - Other	0.75 to <2.50	-	-	-	-	-	-	-
Corporates - Other	2.50 to <10.00	-	-	-	-	-	-	-
Corporates - Other	10.00 to <100.00	-	-	-	-	-	-	-
Corporates - Other	100.00 (Default)	-	-	-	-	-	-	-
Total - Corporates - Other		**1,878**	**0**	**197**	**45**	**0**	**231**	**12**
Total - Wholesale all portfolios		**2,489**	**0**	**218**	**45**	**0**	**424**	**17**

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

		NWH Group						
		a	b	c	d	e	f	g
31 December 2022	PD scale	Exposure value £m	Exposure weighted Average PD %	Number of obligors	Exposure weighted Average LGD %	Exposure weighted Average maturity Years	RWAs £m	Density of risk weighted exposure amounts %
Central governments and central banks	0.00 to <0.15	63	0	2	45	0	2	3
Central governments and central banks	0.15 to <0.25	-	-	-	-	-	-	-
Central governments and central banks	0.25 to <0.50	-	-	-	-	-	-	-
Central governments and central banks	0.50 to <0.75	-	-	-	-	-	-	-
Central governments and central banks	0.75 to <2.50	-	-	-	-	-	-	-
Central governments and central banks	2.50 to <10.00	-	-	-	-	-	-	-
Central governments and central banks	10.00 to <100.00	-	-	-	-	-	-	-
Central governments and central banks	100.00 (Default)	-	-	-	-	-	-	-
Total - Central governments and central banks		63	0	2	45	0	2	3
Institutions	0.00 to <0.15	5	0	2	45	3	2	47
Institutions	0.15 to <0.25	74	0	7	45	0	24	33
Institutions	0.25 to <0.50	61	0	3	45	2	38	62
Institutions	0.50 to <0.75	-	-	-	-	-	-	-
Institutions	0.75 to <2.50	-	-	-	-	-	-	-
Institutions	2.50 to <10.00	-	-	-	-	-	-	-
Institutions	10.00 to <100.00	-	-	-	-	-	-	-
Institutions	100.00 (Default)	-	-	-	-	-	-	-
Total - Institutions		140	0	12	45	1	64	46
Corporates - SME	0.00 to <0.15	-	-	-	-	-	-	-
Corporates - SME	0.15 to <0.25	-	-	-	-	-	-	-
Corporates - SME	0.25 to <0.50	-	-	-	-	-	-	-
Corporates - SME	0.50 to <0.75	-	-	-	-	-	-	-
Corporates - SME	0.75 to <2.50	-	-	-	-	-	-	-
Corporates - SME	2.50 to <10.00	-	-	-	-	-	-	-
Corporates - SME	10.00 to <100.00	-	-	-	-	-	-	-
Corporates - SME	100.00 (Default)	-	-	-	-	-	-	-
Total - Corporates - SME		-	-	-	-	-	-	-

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

		NWH Group						
		a	b	c	d	e	f	g
31 December 2022	PD scale	Exposure value £m	Exposure weighted Average PD %	Number of obligors	Exposure weighted Average LGD %	Exposure weighted Average maturity Years	RWAs £m	Density of risk weighted exposure amounts %
Corporates - Other	0.00 to <0.15	822	0	190	45	1	106	13
Corporates - Other	0.15 to <0.25	62	0	5	42	1	25	40
Corporates - Other	0.25 to <0.50	-	-	-	-	-	-	-
Corporates - Other	0.50 to <0.75	-	-	-	-	-	-	-
Corporates - Other	0.75 to <2.50	-	-	-	-	-	-	-
Corporates - Other	2.50 to <10.00	-	-	-	-	-	-	-
Corporates - Other	10.00 to <100.00	-	-	-	-	-	-	-
Corporates - Other	100.00 (Default)	-	-	-	-	-	-	-
Total - Corporates - Other		884	0	195	45	1	131	15
Total - Wholesale all portfolios		1,087	0	209	45	1	197	18

UK CCR8: Exposures to CCPs

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

		NWH Group			
		a	b	a	b
		31 December 2023		31 December 2022	
		Exposure value £m	RWA £m	Exposure value £m	RWA £m
1	Exposures to QCCPs (total)		**65**		41
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	**283**	**6**	413	8
	Of which:				
3	*(i) OTC derivatives*	**78**	**2**	201	4
4	*(ii) Exchange-traded derivatives*	**-**	**-**	-	-
5	*(iii) Securities financing transactions*	**205**	**4**	212	4
6	*(iv) Netting sets where cross-product netting has been approved*	**-**	**-**	-	-
7	Segregated initial margin	**-**	**-**	-	
8	Non-segregated initial margin	**-**	**-**	-	-
9	Pre-funded default fund contributions	**168**	**60**	176	33

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

- As noted under UK CCR3, exposures to qualifying central counterparties decreased in the period due to reduced over-the-counter derivatives.
- The increase in RWAs was driven by default fund contributions.

UK CCRA: Qualitative disclosure related to counterparty credit risk

Definition and framework

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

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

Counterparty credit limit setting

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

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

Counterparty credit risk management

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

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

Collateral required in the event of a credit rating downgrade

NWH Group calculates the additional collateral and other liquidity impacts that would contractually arise in the event of its credit ratings being downgraded. This is undertaken on a daily basis for Treasury and liquidity management purposes. As at 31 December 2023, a simultaneous one-notch long-term and associated short-term downgrade in the credit ratings of all rated entities within NWH Group by all major ratings agencies would have required NWH Group to post estimated additional collateral of £0 million, without taking mitigating management actions into account. A two-notch downgrade would have required £744 million.

Credit valuation adjustments

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

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

Wrong-way risk

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

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

Annex XXVII: Securitisations

UK SEC1: Securitisation exposures in the non-trading book

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

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

UK SEC1: Securitisation exposures in the non-trading book continued

	NWH Group														
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Institution acts as Originator							Institution acts as Sponsor				Institution acts as Investor			
	Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS		Non-STS												
		of which SRT		of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Total exposures	-	-	-	-	4,004	-	4,004	-	-	-	-	1,037	483	-	1,519
2 Retail (total)	-	-	-	-	-	-	-	-	-	-	-	1,037	483	-	1,519
3 Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	386	483	-	868
4 Credit card	-	-	-	-	-	-	-	-	-	-	-	651	-	-	651
5 Other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Wholesale (total)	-	-	-	-	4,004	-	4,004	-	-	-	-	-	-	-	-
8 Loans to corporates	-	-	-	-	3,256	-	3,256	-	-	-	-	-	-	-	-
9 Commercial Mortgages	-	-	-	-	748	-	748	-	-	-	-	-	-	-	-
10 Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) The re-securitisation rows are not presented in UK SEC1, 3 and 4 as there were no applicable exposures in NWH Group in either period

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

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

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

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

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

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

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

		NWH Group																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
	31 December 2022	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC -SA	1250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC -SA	1250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC -SA	1250%/ deductions
1	Total exposures	1,519	-	-	-	-	-	-	1,519	-	-	-	182	-	-	-	15	-
2	Traditional securitisation	1,519	-	-	-	-	-	-	1,519	-	-	-	182	-	-	-	15	-
3	Securitisation	1,519	-	-	-	-	-	-	1,519	-	-	-	182	-	-	-	15	-
4	Retail underlying	1,519	-	-	-	-	-	-	1,519	-	-	-	182	-	-	-	15	-
5	Of which STS	1,037	-	-	-	-	-	-	1,037	-	-	-	110	-	-	-	9	-
6	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

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

UK SECA: Qualitative disclosure requirements related to securitisation exposures

Framework, roles and definitions

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

Definitions

Securitisation and special purpose entities

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

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

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

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

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

The following definitions are used in these Pillar 3 disclosures:

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

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

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

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

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

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

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

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

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

Objectives and roles

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

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

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

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

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

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

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

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

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

Investor – To generate financial returns, NWH Group may:

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

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

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

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

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

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

Other administrative roles – As a 'contractual party', NWH Group may do any of the following, alone or in combination:
- Hold the bank account of an SSPE on its own books;
- Monitor the credit quality of the underlying assets on behalf of investors;
- Report on the performance of the SSPE to investors; and
- Make payments to investors on behalf of the SSPE.

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

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

Risk management

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

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

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

Types of risk	Definition and how the risk may arise	How NWH Group monitors and manages the risk
Credit risk	The risk that a customer or counterparty (or, in the case of a securitisation, an SSPE) fails to meet its obligations to settle outstanding amounts. Securitisation may expose NWH Group to credit risk for any of several reasons. If NWH Group invests in an SSPE by purchasing or (in the case of a securitisation it has originated) retaining the bonds it issues, conducting derivative transactions with it or lending to it, NWH Group is exposed to the risk that the SSPE will fail to meet its obligations to settle outstanding amounts to NWH Group. This may happen because cash flows generated by the underlying assets are insufficient to repay creditors, including bondholders, derivative counterparties or lenders, or in the event of a third party, such as a bank account provider or derivative counterparty, defaulting on its obligation to the SSPE. The SSPE pays principal and interest to creditors in order of seniority, with the most senior paid first. When NWH Group originates a securitisation transaction, if the securitisation structure does not substantially transfer the economic risks of the underlying assets, including credit risk, to a third party, it is exposed to credit risk on those assets just as it would be if the securitisation had never taken place. Credit risk is heightened if the assets in the SSPE are not diversified by sector, geography or borrower.	NWH Group's overall exposure to third party securitisation is governed by its sector concentration framework. If it retains or purchases bonds issued by an SSPE, conducts derivative transactions with it or lends to it, NWH Group monitors the performance of the vehicle in part by reviewing information provided by the trustee as well as by rating agencies or other third parties. As an originator, if the securitisation structure does not transfer substantial credit risk to a third party, NWH Group manages it as if the securitisation had never taken place. NWH Group has credit limits in place and monitors SSPE positions with third party bank account providers for own asset securitisations which generate a credit risk exposure for NWH Group. NWH Group may seek to mitigate credit risk arising from the purchase (or retention) of bonds issued by an SSPE through the use of unfunded protection, usually guarantees. It does not usually hedge the credit risk associated with retained bonds, which are generally held in the non-trading book.
Non-traded market risk	Non-traded market risk is the risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.	NWH Group manages this risk in accordance with its policy on non-traded market risk, including structural interest rate risk.
Liquidity and funding risk	Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base. NWH Group may sponsor securitisations and, as sponsor, may provide liquidity facilities to the SSPE. If the SSPE utilises these facilities, NWH Group will need to fund them, giving rise to the risk that it will not be able to do so.	NWH Group manages these risks in accordance with its policy on liquidity and funding risk.

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

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

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

Regulatory treatment

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

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

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

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

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

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

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

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

Calculation of risk-weighted exposures

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

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

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

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

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

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

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

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

Summary of accounting policies including derecognition

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

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

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

Consolidation

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

Derecognition

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

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

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

UK SECA: Qualitative disclosure requirements related to securitisation exposures continued

Financial instruments

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

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

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

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

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

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

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

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

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

Financial liabilities are classified into one of following measurement categories:

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

Assets awaiting securitisation

At both 31 December 2023 and 31 December 2022, no assets were categorised as awaiting securitisation.

Implicit support

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

Types of transactions

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

Residential mortgages and commercial real estate loans – NWH Group securitises residential mortgages and commercial real estate loans that it originates itself. Mortgages and real estate loans are assigned to SSPEs, which fund themselves principally through the issue of floating rate notes.

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

SSPEs used by NWH Group

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

At 31 December 2023, the last remaining multi-seller commercial paper conduit programme, Thames Asset Global Securitization (TAGS) which NWH Group had sponsored is dormant. During 2023, TAGS issued no commercial paper to external parties.

There are no remaining outstanding traditional securitisation SSPEs.

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

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

Affiliates of NWH Group do not invest in securitisations originated by the NWH Group or in securitisation positions issued by SSPEs sponsored NWH Group.

No transactions have been originated by NWH Group during 2023.

Annex XXIX: Market risk

UK MR1: Market risk under the standardised approach

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

		NWH Group	
		31 December 2023	31 December 2021
		a	a
		RWAs £m	RWAs £m
	Outright products		
1	Interest rate risk (general and specific)	—	—
2	Equity risk (general and specific)	—	—
3	Foreign exchange risk	**213**	208
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus approach	—	—
7	Scenario approach	—	—
8	Securitisation (specific risk)	—	—
9	Total	**213**	208

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

UK MRA: Qualitative disclosures related to market risk

Definition and framework

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

NWH Group is exposed to non-traded market risk through its banking activities. It has no material exposure to traded market risk.

The key sources of non-traded market risk in NWH Group are interest rate risk in the banking book (IRRBB), credit spread risk, foreign exchange risk and accounting volatility risk. This section contains general qualitative information on non-traded market risk. UK IRRBBA contains detailed qualitative information relating to management of IRRBB in NWH Group.

Market risk governance

Responsibility for identifying, measuring, monitoring and controlling market risk arising from non-trading activities lies with the relevant business. Oversight is provided by the independent Risk function.

Risk positions are reported regularly to the Executive Risk Committee and the Board Risk Committee, as well as to the Asset & Liability Management Committee. Non-traded market risk policy sets out the governance and risk management framework.

Risk appetite

NWH Group's qualitative appetite is set out in the non-traded market risk appetite statement.

Its quantitative appetite is expressed in terms of value-at-risk (VaR), stressed value-at-risk (SVaR), sensitivity and stress limits, and earnings-at-risk limits.

The limits are reviewed to reflect changes in risk appetite, business plans, portfolio composition and the market and economic environments. To ensure approved limits are not breached and that NWH Group remains within its risk appetite, triggers have been set and are actively managed.

Monitoring, mitigation and measurement

Interest rate risk

Interest rate risk in the banking book arises from the provision to customers of a range of banking products with differing interest rate characteristics. When aggregated, these products form portfolios of assets and liabilities with varying degrees of sensitivity to changes in market interest rates. Mismatches can give rise to volatility in net interest income as interest rates vary.

For information on NWH Group's management of this risk, refer to UK IRRBBA. The non-traded market risk section in the 2023 ARAs of NWH Group and NatWest Group contains additional information.

Credit spread risk

Credit spread risk arises from the potential adverse economic impact of a change in the spread between bond yields and swap rates, where the bond portfolios are accounted at fair value through other comprehensive income Group's bond portfolios primarily comprise high-quality securities maintained as a liquidity buffer to ensure it can continue to meet its obligations in the event that access to wholesale funding markets is restricted. Additionally, other high-quality bond portfolios are held for collateral purposes and to support payment systems.

Credit spread risk is monitored daily through sensitivities and VaR measures. Exposures and limit utilisations are reported to senior management on a daily basis. Dealing mandates in place for the bond portfolios further mitigate the risk by imposing constraints by duration, asset class and credit rating.

Foreign exchange risk

Non-traded foreign exchange risk arises from three main sources:

- Structural foreign exchange rate risk – mainly arises from the capital deployed in foreign subsidiaries and branches.
- Transactional foreign exchange rate risk – arises from customer transactions and profits and losses that are in a currency other than the functional currency.
- Forecast earnings or costs in foreign currencies – NatWest Group assesses its potential exposure to forecast foreign currency income and expenses. NatWest Group hedges forward some forecast expenses.

The most material non-traded open currency positions are the structural foreign exchange exposures arising from investments in foreign subsidiaries and branches. These exposures are assessed and managed to predefined risk appetite levels under delegated authority agreed by the CFO with support from the Asset & Liability Management Committee. NatWest Group seeks to limit the potential volatility impact on its CET1 ratio from exchange rate movements by deliberately maintaining a structural open currency position. Gains or losses arising from the retranslation of net investments in overseas operations are recognised in other comprehensive income and reduce the sensitivity of capital ratios to foreign exchange rate movements primarily arising from the retranslation of non-sterling denominated RWAs. Sensitivity is minimised where, for a given currency, the ratio of the structural open position to RWAs equals the CET1 ratio.

The sensitivity of this ratio to exchange rates is monitored monthly and reported to the Asset & Liability Management Committee at least quarterly. Foreign exchange exposures arising from customer transactions are hedged by businesses on a regular basis in line with NatWest Group policy.

Accounting volatility risk

Accounting volatility risk arises when an exposure is accounted for at amortised cost but economically hedged by a derivative that is accounted for at fair value. Although this is not an economic risk, the difference in accounting between the exposure and the hedge creates volatility in the income statement.

Accounting volatility can be mitigated through hedge accounting. However, residual volatility will remain in cases where accounting rules mean that hedge accounting is not an option, or where there is some hedge ineffectiveness. Accounting volatility risk is reported to the Asset & Liability Management Committee monthly and capitalised as part of the Internal Capital Adequacy Assessment Process (ICAAP).

Calculation of regulatory capital

Market risk exposures in the non-trading book that are not captured under Pillar 1 are capitalised through the ICAAP. This covers gap risk, basis risk, credit spread risk, pipeline risk, structural foreign exchange risk, prepayment risk and accounting volatility risk. A combination of value-based and earnings-based measures are used in the ICAAP.

The total non-traded market risk capital requirement is determined by adding the different charges for each sub risk type. The ICAAP methodology captures at least ten years of historical volatility and is produced to a 99% confidence level. Methodologies are reviewed by Model Risk Management and results are approved by the NWH Group Board.

Market risk RWAs for NWH Group as disclosed in this report relate solely to the foreign exchange banking book charge and are calculated using the standardised approach.

Annex XXXI: Operational risk

UK OR1: Operational risk own funds requirements and risk-weighted exposure amounts

The table below shows income used in the calculation of own funds requirements for operational risk. NatWest Group applies the Standardised approach for calculating such requirements making use of audited income figures for the relevant indicator.

		NWH Group				
		a	b	c	d	e
	in £m.	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	Banking Activities	2021	2022	2023		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	9,748	10,489	**13,016**	1,469	18,357
3	*Subject to TSA:*	9,748	10,489	***13,016***		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

UK ORA: Qualitative information on operational risk

Risk management objectives and policies

NatWest Group defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events." It is a level 1 key risk, within the NatWest Group risk directory and is managed through the setting of policy. Policy is supported by risk standards and toolkits to enable effective application and management of operational risk within the NWH Group Board approved risk appetite.

NWH Group's operational risk appetite is calibrated annually and defines the type and aggregate level of risk NWH Group is willing to accept in pursuit of its strategic objectives and business plans. The operational risk appetite encompasses the full range of operational risks faced by its legal entities, businesses, and functions. It supports the effective management of operational risk, the promotion of robust risk practices and risk behaviours.

The NatWest Group operational risk policy, defines, at a high level, the key principles and approach to managing and reporting operational risk across NatWest Group. This includes the minimum requirements and approach that all legal entities must adhere to, and how risk appetite is overseen and controlled. It supports a risk based, principles approach to operational risk management with minimum requirements defined at a level commensurate to the risk exposure of each legal entity, business, and function.

The NatWest Group operational risk policy is supported by risk standards aligned to each Level 2 operational risk. Risk standards are a more granular expression of policy and detail the mandatory controls that must be applied to manage each level 2 risk within appetite. Thus, providing the necessary requirements for the first line of defence (1LOD) to develop operational policies and procedures.

The NatWest Group's key operational risk focus areas have been Cyber Risk, Data Quality, Third Party Risk Management, Operational Resilience and End-of-Life systems given increasing inherent risk impact of these themes on the overall operational risk profile.

Operational risk qualitative statement

NWH Group seeks to reduce financial loss and / or adverse consequences of operational risk for customers and NWH Group to an acceptable level through robust risk practices. behaviours and a proportionate control environment, balancing the cost of control. NWH Group accepts that operational risk is unavoidable as a result of conducting business and in the provision of services to customers.

Operational risk appetite is expressed across a range of operational risks applicable to NWH Group. The statements and measures are reviewed annually and approved by the Board.

Operational risk strategies and processes

Within the Enterprise-Wide Risk Management Framework (EWRMF), risk toolkits define the approach, tools, and techniques for managing risk. They include minimum standards for identification, assessment, management, monitoring, and reporting of operational risk.

Structure and organisation of the risk management function for operational risk

The NatWest Head of Operational Risk has primary responsibility for the Operational Risk Function. This role reports to the NatWest Group Director of Non-Financial Risk, who, in turn reports directly to the Chief Risk Officer.

The risk governance arrangements in place for operational risk are aligned to the requirements set out in the NatWest Group Board approved EWRMF and are consistent with achieving safety, sound, and sustainable risk outcomes.

Aligned to this, a strong operational risk management oversight function is in place to support NWH Group's ambitions to serve its customers better. Improved management of operational risk against defined appetite for stability and reputational integrity.

In line with industry best practice and sound risk governance principles, the Group adopts a Three Lines of Defence model of risk governance. The operational risk management function sits within the second line of defence (2LOD) operating as risk oversight and control to the first line of defence (1LOD) Franchise, Functions and Legal Entities The operational risk function is comprised of the following areas:

- Risk Framework Delivery & Insights – responsible for the design, development and maintenance of the non-financial risk framework in alignment with the EWRMF and the maintenance and development of the central non-financial risk management platform, Vantage.
- Directors of Risk (DoR): interface with the Franchise, Functions and Legal Entities leveraging the Group Risk Operational Risk function to provide expert oversight and challenge.
- Specialist Risk Directors (SRD): provide specialist technical expertise and knowledge to support the DoR teams and provide an aggregated view of risks.
- SRDs will also work collaboratively with the customer-facing business area where subject matter expertise is required. SRDs also provide programme oversight as required.

Operational risk measurements and control

Operational Risk appetite is monitored through a series of measures, this includes measurement of operational risk losses and events; cyber security, change initiatives, quality and accessibility of priority data, service availability and third-party risks. The performance of these measures is reported to the Executive Risk Committee (ERC) and Board Risk Committee (BRC) monthly, with a breach reporting process in place to ensure timely escalation and action management.

In addition, our end-to-end Risk and Control Self-Assessment (RCSA) process is the key mechanism through which the NWH Group non-financial risk exposure is understood. It is used to identify and measure material non-financial risks faced by the group in order to facilitate the effective management of risks within risk appetite. NWH Group assessments are supported by an understanding of the end-to-end journey, meaning we break down our assessment by key process steps within the journey, and examine the risks to the objectives of those processes.

Supporting our understanding of control is the Control Environment Certification (CEC) process. This is a half-yearly self-assessment by the CEOs of NatWest Group's customer-facing business areas, as well as the heads of the bank's support functions. It provides a consistent and measurable view on the adequacy and effectiveness of the internal control environment.

CEC covers material risks and the underlying key controls, including financial, operational and compliance, as well as supporting risk management frameworks. The CEC outcomes, including forward-looking assessments for the next two half-yearly cycles and progress on control environment improvements, are reported to Group Audit

UK ORA: Qualitative information on operational risk continued

Committee and Board Risk Committee. They are also shared with external auditors.

The CEC process supports the certification of the business or function's compliance with the NatWest Group Policy Framework, Sarbanes-Oxley 404 requirements concerning internal control over financial reporting, and certain requirements of the UK Corporate Governance Code.

Standardised monthly reporting requirements and prescribed risk governance via the Group's risk governance committees is in place across the NatWest Group, supported by legal entity, business, and functions reporting.

Operational risk reporting

Standardised monthly reporting requirements and prescribed risk governance via the Group's risk governance committees is in place across the NatWest Group, supported by legal entity, business, and functions reporting. This supports the visibility and tracking of the business level and aggregated bank wide risk profile in relation to appetite, ensuring effective ongoing oversight and challenge of operational risk across NWH Group. This includes monthly reporting to the ERC, the BRC, and business level risk committees.

To support effective oversight of operational risk, a monthly Operational Risk Executive Steering Group (ORESG) is also in place. The purpose of the ORESG is to ensure that all Level 2 operational risks are monitored, and material risks are identified, understood and managed effectively.

The main responsibilities of the ORESG are to:

- Support Group ERC and BRC in overseeing the effective management of operational risk across the Group, ensuring they operate within Group risk appetite and overall business strategy.
- Provide guidance and recommendations on material operational risks affecting the Group.
- Review and consider insights from assurance reviews, market peers, operational risk metrics, early event escalations, and emerging themes/trends etc.
- Challenge whether a strong culture of operational risk management is embedded across the Group, aligned with the Purpose of the Group.

Policies for mitigating operational risk

Minimum policy requirements for the identification and assessment, management, and mitigation, monitoring and reporting of operational risk are outlined below. These requirements are set at NatWest Group level and must be applied consistently by legal entities, business segments, and functions.

The management of operational risk is made more effective by:

- Maintaining a strong risk culture.
- Defining and operating within risk appetite.
- Defining, implementing, and monitoring risk standards and controls across NatWest Group in relation to risk exposures. The expected key control requirements are outlined in the risk standards.
- Defining, implementing, and monitoring risk management lifecycle tools and processes; and
- The provision of independent 2LOD oversight as per three lines of defence model.
  Regular reporting of data led insights.

Minimum capital requirements for operational risk

NWH Group uses the standardised approach to calculate its Pillar 1 operational risk capital requirement. This is based on multiplying three years' average historical gross income (relative indicator) by coefficients set by the regulator based on business line. As part of the wider Internal Capital Adequacy Assessment Process (ICAAP), an operational risk economic capital model is used to assess Pillar 2A, which is a risk-sensitive add-on to Pillar 1. The model uses historical loss data (internal and external) and forward-looking scenario analysis to provide a risk-sensitive view of NWH Group's Pillar 2A capital requirement.

Scenario analysis is used to assess how severe but plausible operational risks will affect NWH Group. It provides a forward-looking basis for evaluating and managing operational risk exposures.

Insurances and other risk transfer mechanisms are not used for operational risk mitigation in the standardised approach.

Please refer to table UK OR1 For further details on operational risk own funds requirements.

Identification, assessment, and management.

RCSAs are used to identify and assess material operational risks and key controls. All risks and controls are mapped to NatWest Risk Directory. Risk assessments are refreshed at least annually to ensure they remain relevant and capture any emerging risks and also to ensure risks are reassessed. In addition, control environment changes will trigger a reassessment of risk.

Risks are mitigated by applying key preventative and detective controls, an integral step in the RCSA methodology, which determines residual risk exposure. Control owners are accountable for the design, execution, performance, and maintenance of key controls. Key controls are regularly assessed for adequacy and tested for effectiveness. The results are monitored and, where a material change in performance is identified, the associated risk is re-evaluated.

Event and loss data management

The operational risk event and loss data management process ensures NWH Group captures and records operational risk financial and non-financial events that meet defined criteria. Loss data is used for regulatory and industry reporting and is included in capital modelling when calculating economic capital for operational risk. The most serious events are escalated in a simple, standardised process to all senior management, by way of an Early Event Escalation (EEE) Process.

All financial impacts and recoveries associated with an operational risk event are reported against the date they were recorded in NWH Group's financial accounts. A single event can result in multiple losses (or recoveries) that may take time to crystallise. Losses and recoveries with a financial accounting date in 2023 may relate to events that occurred, or were identified in, prior years. NatWest Group purchases insurance against specific losses and to comply with statutory or contractual requirement.

Annex XXXVII: Interest rate risk in the banking book (IRRBB)

UK IRRBB1: Quantitative information on IRRBB

The table below shows information on changes in economic value of equity (ΔEVE) and net interest income (ΔNII) under each of the prescribed interest rate shock scenarios. These scenarios are prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with points (a) and (b) of CRR Article 448(1).

		NWH Group					
		a	b	c	d	e	f
		ΔEVE		ΔNII		Tier 1 capital	
		31 December 2023 £m	30 June 2023 £m	31 December 2023 £m	30 June 2023 £m	31 December 2023 £m	30 June 2023 £m
010	Parallel shock up	(1,801)	(1,903)	1,003	537		
020	Parallel shock down	722	766	(1,336)	(1,067)		
030	Steepener shock	(186)	(144)				
040	Flattener shock	(320)	(308)				
050	Short rates shock up	(1,014)	(1,304)				
060	Short rates shock down	291	487				
070	Maximum	(1,801)	(1,903)	(1,336)	(1,067)		
080	Tier 1 capital					22,745	22,643

- The most adverse EVE result under the six scenarios was the £1.8 billion reduction in economic value relative to base-case projection. This occurred in the parallel up scenario at 31 December 2023. The main driver of the parallel up scenario was the equity structural hedge.
- The most adverse one-year NII result was the £1.3 billion reduction in net interest income relative to a base-case projection. This occurred in the parallel down scenario at 31 December 2023. The main driver of the parallel down scenario is margin compression risk to deposits across Retail Banking, Commercial & Institutional and Private Banking.

UK IRRBBA: IRRBB risk management objectives and policies

Definition and risk appetite framework

Interest rate risk in the banking book (IRRBB) is the risk of an economic loss due to unexpected movements in interest rates.

NWH Group's approach to managing IRRBB follows the overarching risk management framework and approach outlined in UK OVA. NWH Group measures its economic value and earnings risk sensitivity to IRRBB and has a risk appetite framework that limits these sensitivities.

Banking book risk positions are managed within limits. Management activity may involve offsetting or reducing on or off balance sheet positions, or hedging risk positions with derivatives. Limit or trigger breaches are escalated through the first and second lines of defence model using established procedures.

The quantitative risk appetite is mainly expressed in terms of value at risk (VaR), stressed value at risk (SVaR), present value of one basis point (PV01) sensitivity, economic value of equity (EVE) limits and earnings at risk limits.

Measures are applied not only at NWH Group level but also at sub-group consolidated and solo consolidated levels in addition to business segments and product levels.

Management and monitoring

IRRBB is generally managed by the Treasury function, which is responsible for external hedging. Treasury may net risk positions across certain portfolios (for example, fixed-rate mortgages and non-maturity deposits) to reduce its external derivative hedging requirement. For other portfolios, for example Treasury debt issuance, hedging may be matched to specific transactions.

The impact of changes to market conditions is continuously monitored. For example, wholesale portfolios may be valued daily on a mark-to-market basis. Additionally, all interest rate derivatives are subject to mark-to-market accounting treatment. VaR calculations are based on realised market movements, so VaR reflects periods of high market volatility which potentially acts as a limit on the size of underlying positions. In addition, stress testing scenarios aim to anticipate market stresses and are designed to highlight potential areas of vulnerability, for example negative interest rates or sharply higher rates. Furthermore, NWH Group's internal capital adequacy assessment for IRRBB allocates capital to risk positions using stressed sensitivity measures, including earnings and economic value stresses.

NWH Group ALCo considers the balance-sheet impact of IRRBB appetite and the actions taken to manage it within set limits. ALCo also reviews the interest rate risk profile on an ongoing basis.

Models used to measure IRRBB are subject to the model risk validation framework. The framework ensures that models are independently validated, rated and approved as appropriate for use. It also establishes the periodicity for ongoing validation and a governance and control framework that includes model usage and development.

NWH Group's management of IRRBB is also reviewed by Internal Audit, which is independent of the first and second lines of defence and is responsible for providing independent assurance to the Board.

Measurement

Calculation of risk measures varies in frequency as deemed appropriate by the Board. EVE is calculated and reported at least quarterly. Earnings at risk, VaR and PV01 for NWH Group's overall banking book is calculated and reported at least monthly. Risk measures for wholesale market-linked activity such as money markets or liquidity portfolio management are monitored daily. Frequency of reporting may, if required, be updated in response to changes in market conditions or to assess the impact of changes in underlying positions.

NWH Group primarily uses PV01, VaR and EVE to measure the economic value sensitivity of IRRBB.

- **Value at Risk** is a statistical estimate of the potential change in value of a portfolio over a specified time horizon to a given confidence level. In accordance with NWH Group risk policy, different holding periods and confidence levels are applied to VaR, which is measured using historical simulations. Standard simulations are based on nominal interest rate gaps at the reporting date. They assume a holding period of 1 day and a confidence interval of 99 days and are modelled using at least 500 business days of historical data.
- **EVE and PV01** estimate the net present value sensitivity of projected interest and principal cashflows at the reporting date to changes in the discount curve. A base-case net present value measurement using market-implied interest rates is compared to the result using a shocked interest rate curve. The difference between the results is the reported sensitivity. Most of the EVE stresses used by NWH Group are those required by the PRA rulebook and recommended by the Basel Committee on Banking Supervision in its policy standard on IRRBB of April 2016 including:
- **Parallel yield** curve shocks in all rates, including up to 250 basis points in sterling.
- **Shocks to shorter-term rates**, with the rate shock diminishing towards zero at a 20-year maturity, including a short-term rate shock in sterling of up to 300 basis points.
- **Rotational** shocks with: (i) long-term rates up and short-term rates down (steepener) or (ii) short-term rates up and long-rates down (flattener).

In all EVE shocks, a lower bound for overnight interest rates of -100 basis points rising to 0% for 20-year rates is assumed in any currency.

NWH Group's approach to EVE sensitivity is to include commercial margins and spread components in projected cash flows and in the rates used for discounting the cash flows. No correlation is assumed across material currencies on its balance sheet. Gains in any individual currency are weighted at 50% while losses are weighted at 100%.

Earnings measures shock the market-implied yield curve at the reporting date. Generally the balance sheet is assumed to remain constant, with maturing contracts replaced on like-for-like terms. The yield curve shock is generally upward or downward, although flexibility exists to undertake rotational yield curve shifts. Downward rate shocks may include an assumed lower bound for interest rates, such as negative 1% in the downward 250-basis-point shock shown. In addition to the 250-basis-point shock, NWH Group uses upward and downward 25-basis-point and 100-basis-point rate shocks for earnings sensitivity measures.

UK IRRBBA: IRRBB risk management objectives and policies continued

NWH Group also assesses its sensitivity to central bank policy rate basis risk. The approach considers a stress to the basis between central bank policy rates, risk-free rates and inter-bank offered rates.

Earnings sensitivity is measured over a defined time horizon, typically one to three years with a 12-month horizon used to define risk appetite.

Interest rate stresses may be varied to adapt to market conditions or reporting requirements.

Assumptions

NWH Group's approach to assessing IRRBB incorporates assumptions in respect of customer behaviour, which affect the cash flows associated with certain instruments. The most significant assumptions are discussed below.

Non-maturity deposits

The average repricing maturity of non-maturity deposits is assessed at a portfolio level. The assessment is undertaken at least annually, but is subject to ongoing monitoring by the business segment, Treasury and Risk.

Non-maturity deposits are analysed by business segment, product type and currency. The assessment uses both expert judgement and statistical models. It considers factors including, but not necessarily limited to: (i) the historical stability of the balances; (ii) projected balances taking into account business strategy, seasonal trends, potential changes to the level of interest rates and pricing responses; (iii) potential market developments and stresses; and (iv) statistical analysis of deposit balance behaviour.

The review also considers the impact of hedging, taking into account: (i) NWH Group's market risk appetite; (ii) its earnings at risk and economic value sensitivity; (iii) the availability of balance-sheet hedges such as fixed-rate mortgage lending; (iv) the depth of interest rate swap markets; and (v) the accounting treatment of derivative hedges. Regulatory guidance is also considered.

As a result of the assessment, a core percentage of deposits will be assigned a repricing maturity. This represents the proportion of deposits for which balances are considered stable and price elasticity in response to changes in the interest rate environment is expected to be low or zero. The non-core percentage of deposits will be assigned an overnight repricing maturity.

An assessment is also made of non-maturity assets, such as revolving credit card balances, administered rate overdrafts and non-performing exposures. Slightly different factors may be considered, including time in recovery for non-performing exposures.

Prepayment or early redemption risk

The risk to earnings or economic value from the prepayment of customer loans or early withdrawal of fixed-rate customer deposits is often mitigated, at least in part, by the existence of early repayment penalties and/or the loss of interest on deposits and the relatively short-term nature of the fixed-rate term for many products.

Nevertheless, some retail, business and commercial fixed rate products do provide the customer with the benefit of the option to partially or fully terminate the agreement without suffering the exit penalty that would apply to a wholesale market transaction at arm's length.

Products are segmented and assessments are made at product level. Historical customer behaviour may be used as a basis for assessing the propensity for prepayment or early redemption, which may be combined with an assessment of how customer behaviour may respond in future to changes in the external environment, including the general level of interest rates. Other factors considered include loan seasoning and burnout, whereby customers may be less likely to refinance loans that have recently drawn down or, conversely, are approaching maturity. There will also be an assessment of the business strategy, including the approach to retention of fixed-rate mortgage customers, for example. A prepayment curve is constructed for different interest rate fixture lengths and is used to measure and manage prepayment risk. Expected prepayment rates are monitored and back-tested against observations and are subject to regular, at least annual, review. Prepayment speeds are assumed to be sensitive to the level of interest rates in EVE scenarios and are increased in the parallel down, short rates down and flattener rate shocks and reduced in the parallel up, short rates up and steepener shocks.

Application of assumptions

NWH Group aims to apply assumptions consistently across its internal risk measurement system and externally disclosed sensitivities. Hence there are no significant differences between the assumptions used in internal risk measurement systems for EVE and the assumptions used to produce externally disclosed EVE sensitivity.

Weighting gains in any currency at 50% in EVE is a prescribed supervisory parameter. In other value metrics, such as VaR and PV01, currency gains are weighted at 100%; this also applies to earnings sensitivities.

Hedging

Hedging of Retail, Private and Business portfolios generally involves netting risk across asset and liability positions before hedging residual interest rate risk externally with interest rate swaps. The asset and liability positions are primarily accounted for on an amortised cost basis. However, interest rate swaps are accounted for at fair value, with changes in fair value recognised in the profit and loss account. Cash-flow hedge accounting is frequently applied to the hedging derivatives in order to match the timing of gains and losses associated with interest rate movements across the hedging instrument and the hedged item. Further disclosure of cash-flow hedge accounting policy is available in the 2023 NWH Group ARA.

Hedging of Commercial lending and Treasury issuance and liquidity portfolios is frequently managed at a transactional level. Fair-value hedge accounting treatment is frequently applied. Further disclosure of the fair-value hedge accounting policy is available in the 2023 NWH Group ARA. Hedging money market portfolios also involves use of derivatives.

A small proportion of Commercial loan origination is fixed-rate loans with zero break costs where management may involve the use of purchased options.

Repricing maturity

At 31 December 2023, the average repricing maturity assigned to core non-maturing deposits was 2.5 years.

The longest repricing maturity assigned to core non-maturing deposits was 5 years.

Annex XXXIII: Remuneration

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

Summary of approach taken

We disclose MRT remuneration details for each of our legal entities in scope of the Capital Requirements Regulations ('CRR firms') in line with the requirements of Article 450 of the CRR, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies. In line with regulations, we identify MRTs at consolidated, sub-consolidated and solo regulated subsidiary entity levels.

The following pages contain the quantitative disclosures for NatWest Holdings Limited ('NWH'). Separate disclosures are made for other CRR firms within NatWest Group including National Westminster Bank Plc ('NWB'), The Royal Bank of Scotland plc ('RBS'), as well as Coutts and Company Limited ('Coutts') which are large subsidiaries of NatWest Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group at natwestgroup.com.

Solo Regulated Entity reporting

Our approach to MRT identification means that many colleagues hold MRT criteria for more than one legal entity. In order to make the disclosures as meaningful as possible, we only report each MRT's compensation in the disclosures for the solo regulated entity for which they perform their primary role. This means that for example where a colleague holds MRT criteria for NWB, RBS, and Coutts, their pay will only be reported once for the entity in which they perform their primary role. Their pay is excluded from the tables for the other entities.

NatWest Holdings Reporting

The MRTs reported for NWH are those colleagues who can impact the risk profile of NWH, the holding company of NatWest Holdings Group (NWH Group), which includes NWH, NWB, RBS, Coutts, UBIDAC and NWBE. As some of these NWH MRTs also impact the risk profile of solo regulated entities within the NWH Group, they are also reported at the solo regulated entity level (where applicable), so there is an element of duplication. However, not every MRT who holds criteria for one of the solo regulated entities within the NWH Group also holds criteria for NWH (on the basis that they do not impact the risk profile of the NWH Group as a whole). This means the NWH disclosures are not equal to the sum of the disclosures for the subsidiary entities within the NWH Group, but instead represent a sub-consolidated view of all MRTs who can impact the risk profile of NWH as the holding company of the NWH Group.

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

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 338 individuals who have been identified as MRTs for NWH). These disclosures relate to colleagues identified as MRTs for NWH at a sub-consolidated level. Note the numbers in the tables below all agree to the underlying source data, but when presented to 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.

NWH has a number of Performance and Remuneration Committees (the NWH RemCo). The NWH RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for the relevant entities within the NWH Group. The key areas of focus for the NWH RemCo include:

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

The NWH RemCo must be able to act independently and the non-executive directors serving on such committees are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo held five scheduled meetings and a further 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					
	NWH NEDs	NWH EDs	Other senior mngt.	Other MRTs	Commercial Banking	Retail Banking	Wealth	Corporate functions	Control functions	Total
Fixed remuneration										
Total number of MRTs	10	3	16	309						338
Other senior management - split by business area					-	1	2	10	3	16
Other MRTs - split by business area					23	14	10	66	196	309
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	2.62	5.83	17.07	81.16	9.08	7.49	4.74	31.38	45.54	106.68
Cash-based	2.62	3.27	14.74	81.10	9.08	7.16	4.49	30.62	44.49	101.74
Share-based	-	2.56	2.33	0.06	-	0.33	0.25	0.76	1.05	4.94
Other instruments or forms	-	-	-	-	-	-	-	-	-	-
Variable remuneration										
Total number of MRTs	-	2	15	295						312
Other senior management - split by business area					-	1	1	10	3	15
Other MRTs - split by business area					23	14	10	54	194	295
Total variable remuneration of MRTs	-	3.26	11.12	39.99	5.84	6.59	1.69	17.45	19.54	54.37
Cash-based	-	0.44	3.22	24.58	3.18	4.01	0.86	8.96	10.78	28.24
Of which: deferred cash	-	-	1.14	6.29	1.12	0.57	0.33	3.07	2.35	7.44
Share-based (annual bonus)	-	0.44	3.22	15.41	2.66	1.61	0.83	7.24	6.28	19.06
Of which: deferred shares	-	-	1.14	6.29	1.12	0.57	0.33	3.07	2.35	7.44
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	-	-	-	-	-	-	-	-	-	-
Total remuneration of MRTs	2.62	9.09	28.19	121.15	14.91	14.08	6.43	48.83	65.09	161.05

(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 146 MRTs in respect of performance year 2023. Total remuneration for these individuals in 2023 was £22.69 million, of which £19.88 million was fixed pay and £2.81 million was variable pay.

UK REMA - Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group may be awarded up to 100% of the fixed component (except where local jurisdictions permit a higher or apply a lower or lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2023 was approximately 1 to 0.45. The majority of MRTs were based in the UK.

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

Special payments	NWH Ltd NEDs	NWH Ltd EDs	Other senior management	Other MRTs
Guaranteed awards and sign on awards				
Number of MRTs	-	-	-	2
	£m	£m	£m	£m
Total amount	-	-	-	0.76
Of which: paid during the financial year that are not taken into account in *the bonus cap*	-	-	-	-
Severance payments awarded in previous periods, paid out during the financial year				
Number of MRTs	-	-	-	-
	£m	£m	£m	£m
Total amount	-	-	-	-
Severance payments awarded during the financial year				
Number of MRTs	-	-	-	33
	£m	£m	£m	£m
Total amount	-	-	-	6.64
Of which: paid during the financial year	-	-	-	5.30
Of which: deferred	-	-	-	1.34
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	-	-	-	0.34

(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.

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods £m	Of which: due to vest in the financial year £m	Of which: vesting in subsequent financial years £m	Amount of performance adjustment to deferred remuneration that was due to vest in the financial year £m	Amount of performance adjustment to deferred remuneration due to vest in future financial years £m	Total amount of adjustment during the financial year due to ex post implicit adjustments (2) £m	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year £m	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention £m
NWH plc NEDs - No deferred or retained remuneration held								
NWH plc EDs								
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	-	-	-	-	-	-	-	-
Other senior management								
Cash-based	2.12	0.79	1.33	-	-	-	0.79	-
Shares or equivalent interests	18.14	3.15	14.99	-	-	(4.25)	2.48	2.18
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
Other MRTs								
Cash-based	5.75	1.24	4.29	-	-	-	1.23	-
Shares or equivalent interests	23.56	7.87	15.44	0.01	0.01	(5.31)	7.89	6.58
Share-linked or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments or forms	-	-	-	-	-	-	-	-
Total amount	60.51	14.56	45.47	0.01	0.01	(11.94)	13.91	10.14

(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	21
€1.5 million to below €2.0 million	7
€2.0 million to below €2.5 million	1
€2.5 million to below €3.0 million	5
€3.0 million to below €3.5 million	-
€3.5 million to below €4.0 million	1
More than €4.0 million	-
Total	35

(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.

Appendix 1: CRR Roadmap

The CRR roadmap provides a view of the PRA disclosure requirements for CRR firms and how NatWest Holdings Group has met those (see "*Compliance reference*" column).

The requirements are primarily stipulated in the Disclosure (CRR) part of the PRA Rulebook, and they are split in 3 sections as follows:
- Title I General Principles (Articles 431 - 434b);
- Title II Technical Criteria on Transparency and Disclosure (Articles 435 - 451a); and
- Title III Qualifying Requirements for the Use of Particular Instruments of Methodologies (Articles 452 - 455).

According to Level of Application section in the Disclosure (CRR) part of the PRA Rulebook, large subsidiaries of NatWest Holdings Group are required to disclose information specified in the following articles: 437, 438, 440, 442, 450, 451, 451a and 453. As noted in the document introduction, those disclosures are provided in separate Pillar 3 reports. Any non-applicable disclosure tables are listed in the respective large subsidiary Pillar 3 reports.

A summary table of non-applicable disclosure tables for NatWest Holdings Group is also provided in the document introduction; refer to the "*Presentation of Information*" section.

UK CRR article	Regulatory requirements	Compliance reference
431 - Disclosure requirements and policies		
431 (1)	Institutions shall publicly disclose the information referred to in Titles II (Technical Criteria on Transparency & Disclosure) and III (Qualifying Requirements for the Use of Particular Instruments of Methodologies) in accordance with the provisions laid down in the Disclosure (CRR) part of the PRA Rulebook, subject to the exceptions referred to in Article 432.	– NatWest Holdings Group publishes Pillar 3 disclosures as required. – The Pillar 3 disclosures required for NatWest Holdings Group's large subsidiaries are provided in separate reports.
431 (2)	Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III of this Part shall publicly disclose the information laid down therein.	– NatWest Holdings Group publishes the required information under Title III except for Advanced Operational Risk & IMA Market Risk which are not applicable.
431 (3)	The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institution's disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures. Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report. Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential in accordance with Article 432.	– NatWest Group has a Pillar 3 policy which also applies to NatWest Holdings Group. – Written CRO and CFO attestation statement is provided at the outset of this document.
431 (4)	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	– NatWest Holdings Group provides supplementary qualitative commentary for quantitative disclosures where appropriate.

UK CRR article	Regulatory requirements	Compliance reference
431 - Disclosure requirements and policies		
431 (5)	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the lo	– If requested, NatWest Holdings Group provides an explanation in writing on rating decisions to SMEs and other corporate applicants.
432: Non-material, proprietary or confidential information		
432 (1)	With the exception of the disclosures laid down in point (c) of Article 435(2) and in Articles 437 and 450, institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material. Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.	– NatWest Holdings Group complies with all relevant disclosure requirements. – A list of not applicable disclosures along with the reason of their exclusion is included in the document introduction.
432 (2)	Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450. Information shall be regarded as proprietary to institutions where disclosing it publicly would undermine their competitive position. Proprietary information may include information on products or systems that would render the investments of institutions therein less valuable, if shared with competitors. Information shall be regarded as confidential where the institutions are obliged by customers or other counterparty relationships to keep that information confidential.	– NatWest Holdings Group does not omit any information on the grounds that it may be proprietary or confidential.
432 (3)	In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that the specific items of information are not disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	– Not applicable
433: Frequency and scope of disclosures		
433	Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a, 433b and 433c. Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter. Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter. Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.	– NatWest Holdings Group, being a large institution, complies with the frequency requirements set out in Article 433a. – The annual Pillar 3 disclosures for NatWest Holdings Group and its large subsidiaries are disclosed on the same date as the Annual Report & Accounts (ARA). – The semi-annual and quarterly Pillar 3 disclosures for NatWest Holdings Group and its large subsidiaries are published around WD30 to coincide with supervisory reporting remittance dates.

UK CRR article	Regulatory requirements	Compliance reference
433: Frequency and scope of disclosures		
433a (1)	Large institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) on a semi-annual basis the information referred to in: (i) point (a) of Article 437; (ii) point (e) of Article 438; (iii) points (e) to (l) of Article 439; (iv) Article 440; (v) points (c), (e), (f) and (g) of Article 442; (vi) point (e) of Article 444; (vii) Article 445; (viii) point (a) and (b) of Article 448(1); (ix) point (j) to (l) of Article 449; (x) points (a) and (c) of Article 451(1); (xi) Article 451a(3); (xii) point (g) of Article 452; (xiii) points (f) to (j) of Article 453; (xiv) points (d), (e) and (g) of Article 455; (c) on a quarterly basis the information referred to in: (i) points (d) and (h) of Article 438; (ii) the key metrics referred to in Article 447; (iii) Article 451a(2).	– NatWest Holdings Group and its large listed subsidiaries comply with the frequency requirements set out in this article. – The large subsidiaries are only required to disclose information specified in articles 437, 438, 440, 442, 450, 451, 451a and 453
433a (2)	By way of derogation from paragraph 1, large institutions other than G-SIIs that are non-listed institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis.	– NatWest Holdings Group's large non-listed subsidiaries provide a reduced set of disclosures on a quarterly basis (i.e. UK KM1 and where applicable IFRS9-FL) and the required information on annual basis in line with the requirements set out in this paragraph.
433a (3)	Large institutions that are subject to Article 92a or 92b shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.	– Not applicable as NatWest Holdings Group is not a G-SIIB firm.
433a (4)	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	– NatWest Holdings Group is subject to the minimum capital requirements for leverage therefore completes additional leverage disclosures on a quarterly basis.
433b: Disclosures by small and non-complex institutions		
433b (1)	Small and non-complex institutions shall disclose the information outlined below with the following frequency: (a) on an annual basis the information referred to in: (i) points (a), (e) and (f) of Article 435(1); (ii) point (d) of Article 438; (iii) points (a) to (d), (h), and (i) of Article 450(1); (b) on a semi-annual basis the key metrics referred to in Article 447.	– Not applicable
433b (2)	By way of derogation from paragraph 1 of this Article, small and non-complex institutions that are non-listed institutions shall disclose the key metrics referred to in Article 447 on an annual basis.	– Not applicable
433c: Disclosures by other institutions		
433c (1)	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis; (c) for such institutions that are LREQ firms, the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	– Not applicable

UK CRR article	Regulatory requirements	Compliance reference
433c: Disclosures by other institutions		
433c (2)	By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis: (a) points (a), (e) and (f) of Article 435(1); (b) points (a), (b) and (c) of Article 435(2); (c) point (a) of Article 437; (d) points (c) and (d) of Article 438; (e) the key metrics referred to in Article 447; (f) points (a) to (d), (h) to (k) of Article 450(1).	– Not applicable
434: Means of Disclosures		
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	– NatWest Holdings Group publishes its Pillar 3 disclosures in a single report. The UK CCA disclosure (the detailed Capital instruments table) is provided separately however it is published in the same location. – The Pillar 3 disclosures required for NatWest Holdings Group's large subsidiaries are provided in separate reports.
434 (2)	Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	– NatWest Holdings Group's Reports archive can be located at investors.natwest.com/reports-archive/2023
434b: Timing and means of disclosures under Article 441		
434b (1)	By way of derogation from the second paragraph of Article 433, G-SIIs shall disclose the information required under Article 441 within four months after the end of the period to which the information relates.	– Not applicable as NatWest Group is no longer a G-SIIB firm
434b (2)	By way of derogation from Article 434(1), where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1).	
434b (3)	If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.	
435: Risk management objectives and policies		
435 (1)	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. These disclosures shall include:	See below for applicable disclosure requirements
435 (1) (a)	the strategies and processes to manage those categories of risks;	– UK OVA, UK LIQA, UK CRA, UK MRA, UK ORA
435 (1) (b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents;	– UK OVA, UK LIQA, UK CRA, UK MRA, UK ORA
435 (1) (c)	the scope and nature of risk reporting and measurement systems;	– UK OVA, UK LIQA, UK MRA, UK ORA
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	– UK OVA, UK LIQA, UK CRA, UK MRA, UK ORA

UK CRR article	Regulatory requirements	Compliance reference
435: Risk management objectives and policies		
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	– UK OVA, UK LIQA
435 (1) (f)	a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group .	– UK OVA, UK LIQA, UK CRA
435 (2)	Institutions shall disclose the following information regarding governance arrangements:	– UK OVB
435 (2) (a)	the number of directorships held by members of the management body;	– UK OVB
435 (2) (b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	– UK OVB
435 (2) (c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;	– UK OVB
435 (2) (d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	– UK OVB
435 (2) (e)	the description of the information flow on risk to the management body.	– UK OVB
436: Disclosures of the scope of application		
436	Institutions shall disclose the following information regarding the scope of application of the CRR as follows	See below for applicable disclosure requirements
436 (a)	the name of the institution to which the CRR applies;	– NatWest Holdings Group plc and its consolidated subsidiaries
436 (b)	a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportional	– UK LI3, UK LIA
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part;	– UK LI1

UK CRR article	Regulatory requirements	Compliance reference
436: Disclosures of the scope of application		
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences;	– UK LI2, UK LIA
436 (e)	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;	– UK PV1
436 (f)	any current or expected material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries;	– UK LIB; there are no such impediments.
436 (g)	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;	– UK LIB
436 (h)	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	– UK LIB
437: Disclosure of own funds		
437	Institutions shall disclose the following information regarding their own funds:	See below for applicable disclosure requirements
437 (a)	a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	– UK CC1, UK CC2
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	– UK CCA - published separately as a supplement in the same location where the NatWest Holdings Group P3 report is available
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	
437 (d)	a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	– UK CC1
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with the CRR and the instruments, prudential filters and deductions to which those restrictions apply;	– UK CC1
437 (f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in the CRR.	– Not applicable

UK CRR article	Regulatory requirements	Compliance reference
437a: Disclosure of own funds and eligible liabilities		
437a	Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities:	– Not applicable as NatWest Holdings Group is not a G-SIIB firm.
437a (a)	the composition of their own funds and eligible liabilities, their maturity and their main features;	
437a (b)	the ranking of eligible liabilities in the creditor hierarchy;	
437a (c)	the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4);	
437a (d)	the total amount of excluded liabilities referred to in Article 72a(2).	
438: Disclosure of own funds requirements and risk-weighted exposure amounts		
438	Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the PRA Rulebook:	See below for applicable disclosure requirements
438 (a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	– UK OVC
438 (b)	the amount of the additional own funds requirements based on the supervisory review and evaluation process (within the meaning of regulation 34A of the Capital Requirements Regulations) and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	– UK KM1
438 (c)	the result of the institution's internal capital adequacy assessment process;	Not applicable - this is only on demand from supervisory authority
438 (d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	– UK OV1
438 (e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	– UK CR10
438 (f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	– Not applicable
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with the provisions implementing Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied	– Not applicable as NatWest Holdings Group is not a financial conglomerate
438 (h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	– UK CR8 – UK CCR7 is not applicable as the entity does not have an IMM permission for counterparty credit risk – UK MR2- B is not applicable as the entity does not have IMA permission for market risk

UK CRR article	Regulatory requirements	Compliance reference
439: Disclosure of exposures to counterparty credit risk		
439	Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three:	See below for applicable disclosure requirements
439 (a)	a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties;	– UK CCRA
439 (b)	a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;	– UK CCRA
439 (c)	a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291;	– UK CCRA
439 (d)	the amount of collateral the institution would have to provide if its credit rating were downgraded;	– UK CCRA
439 (e)	for derivative transactions, the amount of segregated and unsegregated collateral received and posted per type of collateral; and for securities financing transactions, the total amount of collateral received and posted per type of collateral; provided in each case that: (i) institutions shall not disclose such amounts unless both the fair value of collateral posted in the form of debt securities and the fair value of collateral received in that form exceed GBP 125 billion; and (ii) for the purposes of subparagraph (i), institutions shall use the twelve month rolling arithmetic mean of the fair value of collateral received or posted (as the case may be) in the form of debt securities, determined using quarterly data calculated in a manner consistent with data reported under Article 430(g) and covering the twelve months immediately preceding the disclosure reference date;	– Not applicable; disclosure threshold is not met
439 (f)	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;	– UK CCR1
439 (g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;	– UK CCR1
439 (h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	– UK CCR2
439 (i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	– UK CCR8
439 (j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;	– Not applicable; the entity does not have such exposures
439 (k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9);	– UK CCR1

UK CRR article	Regulatory requirements	Compliance reference
439: Disclosure of exposures to counterparty credit risk		
439 (l)	separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	– UK CCR3 (STD) & UK CCR4 (IRB)
439 (m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	– Not applicable as NatWest Holdings Group does not apply either the Original Exposure Method (OEM) or the Simplified Standardised Approach for Counterparty Credit Risk (Simplified SA-CCR)
440: Disclosure of countercyclical capital buffers		
440	Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer referred to in regulation 2 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014:	See below for applicable disclosure requirements
440 (a)	(a) the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer;	– CCyB1
440 (b)	(b) the amount of their institution-specific countercyclical capital buffer.	– CCyB2
441: Disclosure of indicators of global systemic importance		
441 (1)	G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in regulation 23 of Part 4 of Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014.	– Not applicable as NatWest Holdings Group is not a G-SIIB firm
442: Disclosure of exposures to credit risk and dilution risk		
442	Institutions shall disclose the following information regarding their exposure to credit risk and dilution risk:	See below for applicable disclosure requirements
442 (a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	– UK CRB
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	– UK CRB
442 (c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	– UK CR1, UK CQ1, UK CQ4, UK CQ5 – NatWest Holdings Group does not recognise collateral by possession therefore disclosures UK CQ7 and UK CQ8 are not applicable
442 (d)	an ageing analysis of accounting past due exposures;	– UK CQ3
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;	– UK CR1, UK CQ4, UK CQ5
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	– UK CR2
442 (g)	the breakdown of loans and debt securities by residual maturity.	– UK CR1-A

UK CRR article	Regulatory requirements	Compliance reference
443: Disclosure of encumbered and unencumbered assets		
443	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.	– UK AE1, UK AE2, UK AE3, UK AE4
444: Disclosure of the use of the standardised approach		
444	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:	See below for applicable disclosure requirements
444 (a)	the names of the nominated ECAIs and export credit agencies and the reasons for any changes in those nominations over the disclosure period;	– UK CRD
444 (b)	the exposure classes for which each ECAI or export credit agency is used;	– UK CRD
444 (c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	– Not applicable
444 (e)	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as those deducted from own funds.	– UK CR4, UK CR5, UK CCR3
445: Disclosure of exposure to market risk		
445	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	– UK MR1
446: Disclosure of operational risk management		
446	Institutions shall disclose the following information about their operational risk management:	See below for applicable disclosure requirements
446 (a)	the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for;	– UK ORA, UK OR1
446 (b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of relevant internal and external factors being considered in the institution's advanced measurement approach;	– Not applicable - NatWest Holdings Group applies the Standardised Approach for calculating own funds requirements for Operational Risk
446 (c)	in the case of partial use, the scope and coverage of the different methodologies used.	
447: Disclosure of key metrics		
447	Institutions shall disclose the following key metrics in a tabular format:	See below for applicable disclosure requirements
447 (a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	– UK KM1
447 (b)	the total risk exposure amount as calculated in accordance with Article 92(3);	– UK KM1

UK CRR article	Regulatory requirements	Compliance reference
447: Disclosure of key metrics		
447 (c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with regulation 34(1) of the Capital Requirements Regulations;	– UK KM1
447 (d)	their combined buffer requirement which the institutions are required to hold in accordance with regulation 35 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014;	– UK KM1
447 (e)	the following information in relation to their leverage ratio: (i) for all institutions, their leverage ratio and total exposure measure; (ii) for LREQ firms, the information in Article 451(1)(b) and (g) and Article 451(2)(b) to (d);	– UK KM1 - NatWest Holdings Group is an LREQ firm therefore subject to the additional disclosures required by point (ii)
447 (f)	the following information in relation to their liquidity coverage ratio as calculated in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook: (i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	– UK KM1
447 (g)	the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six: (i) the average or averages, as applicable, of their net stable funding ratio based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their available stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (iii) the average or averages, as applicable, of their required stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period;	– UK KM1
447 (h)	their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	– Not applicable as NatWest Holdings Group is not a G-SIIB firm
448: Disclosure of exposures to interest rate risk on positions not held in the trading book		
448 (1)	Institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in in Chapter 9 of the Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook:	See below for applicable disclosure requirements

UK CRR article	Regulatory requirements	Compliance reference
448: Disclosure of exposures to interest rate risk on positions not held in the trading book		
448 (1) (a)	the changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down;	– UK IRRBB1
448 (1) (b)	the changes in the net interest income calculated under the following two supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down;	– UK IRRBB1
448 (1) (c)	a description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	– UK IRRBBA
448 (1) (d)	an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	– UK IRRBBA
448 (1) (e)	the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Chapter 9 of the ICAA Part of the PRA Rulebook, including: (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income; (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems for the purpose of calculating changes in the economic value of equity and in net interest income, as required under points (a) and (b) of this paragraph, if those assumptions differ from those used for the purposes of Chapter 9 of the ICAA Part of the PRA Rulebook or from those specified in Annex XXXVIII of Chapter 6 of this Disclosure (CRR) Part of the PRA Rulebook, including the rationale for those differences; (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk; (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3); (v) an outline of how often the evaluation of the interest rate risk occurs;	– UK IRRBBA
448 (1) (f)	the description of the overall risk management and mitigation strategies for those risks;	– UK IRRBBA
448 (1) (g)	average and longest repricing maturity assigned to non-maturing deposits.	– UK IRRBBA
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article for descriptions relating to economic value of equity shall not apply to institutions that use the standardised framework referred to in Rule 9.1B of the ICAA Part of the PRA Rulebook.	– Not applicable

UK CRR article	Regulatory requirements	Compliance reference
449: Disclosure of exposure to securitisation positions		
449	Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading and non-trading book activities:	See below for applicable disclosure requirements
449 (a)	a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	– UK SECA
449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	– UK SECA
449 (c)	their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	– UK SECA
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	– UK SECA
449 (e)	a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	– UK SECA; NatWest Holdings Group has not provided support to any securitisation transactions beyond its contractual obligations.
449 (f)	a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	– UK SECA
449 (g)	a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	– UK SECA
449 (h)	the names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	UK SECA SEC-ERBA is the External Ratings-Based Approach. This is based on external credit ratings from credit rating agencies. The ratings are mapped to corresponding credit quality steps (CQS) and, along with seniority of the tranche, maturity and tranche thickness, these are used to determine the risk weight for each exposure. NatWest Holdings Group recognises ratings issued by Standard & Poor's, Moody's, Fitch, DBRS or ARC Ratings. Most transactions are rated by two or more of these rating agencies, which are formally classified as external credit assessment institutions (ECAIs).

UK CRR article	Regulatory requirements	Compliance reference
449: Disclosure of exposure to securitisation positions		
449 (i)	where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	– UK SECA
449 (j)	separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	– UK SEC1
449 (k)	for the trading and the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements ; (ii) the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	– UK SEC3, UK SEC4
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	– UK SEC5
UK CRR 450: Disclosure of remuneration policy		
450	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:	See below for applicable disclosure requirements
450 (1) (a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	– UK REMA
450 (1) (b)	information about the link between pay of the staff and their performance;	– UK REMA
450 (1) (c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	– UK REMA
450 (1) (d)	the ratios between fixed and variable remuneration set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the PRA Rulebook;	– UK REMA

UK CRR article	Regulatory requirements	Compliance reference
450: Disclosure of remuneration policy		
450 (1) (e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	– UK REMA
450 (1) (f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;	– UK REMA
450 (1) (g)	aggregate quantitative information on remuneration, broken down by business area;	– UK REM5
450 (1) (h)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years; (iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	– UK REM1, UK REM2, UK REM3
450 (1) (i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	– UK REM4
450 (1) (k)	information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3). For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3). They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.	– UK REMA
450 (2)	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members. Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.	– UK REM1, UK REM2, UK REM3, UK REM5

UK CRR article	Regulatory requirements per PRA Rulebook	Compliance reference
451: Disclosure of leverage ratio		
451 (1)	Institutions shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 of Chapter 3 of the Leverage Ratio (CRR) Part and their management of the risk of excessive leverage:	See below for applicable disclosure requirements
451 (1) (a)	the leverage ratio;	– UK LR2, UK KM1
451 (1) (b)	the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	– UK LR1, UK LR2, UK LR3
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	– UK LR2
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage;	– UK LRA
451 (1) (e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;	– UK LRA
451 (1) (f)	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part;	– Not applicable
451 (1) (g)	in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part.	– UK KM1, IFRS9-FL, UK LR2
451 (2)	An LREQ firm must disclose each of the following:	NatWest Holdings Group is a LREQ firm
451 (2) (a)	the average exposure measure;	– UK LR2
451 (2) (b)	the average leverage ratio;	– UK LR2, UK KM1
451 (2) (c)	the average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; and	– UK LR2, UK KM1
451 (2) (d)	the countercyclical leverage ratio buffer.	– UK LR2, UK KM1
451 (3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	– UK LRA
451 (4)	Subject to paragraph 5:	
451 (4) (a)	for the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and	– Effective as of 1 January 2023; UK LR2, UK KM1
451 (4) (b)	for the purposes of paragraphs 2(a) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the: (i) capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter; and (ii) exposure measure is the sum derived in accordance with (a), unless paragraph 5 applies in which case it shall be the sum derived in accordance with that paragraph.	– UK LR2, UK KM1

UK CRR article	Regulatory requirements	Compliance reference
UK CRR 451a: Disclosure of Liquidity Requirements		
451a (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	See below for applicable disclosure requirements
451a (2)	Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook:	
451a (2) (a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	– UK LIQ1, UK LIQB
451a (2) (b)	the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	– UK LIQ1, UK LIQB
451a (2) (c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	– UK LIQ1, UK LIQB
451a (3)	Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	
451a (3) (a)	averages of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters;	– UK LIQ2
451a (3) (b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;	– UK LIQ2
451a (3) (c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.	– UK LIQ2
451a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.	– UK LIQA
452: Disclosure of the use of the IRB approach to credit risk		
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach to credit risk shall disclose the following information:	See below for applicable disclosure requirements
452 (a)	the competent authority's permission of the approach or approved transition;	– UK CRE

UK CRR article	Regulatory requirements	Compliance reference
452: Disclosure of the use of the IRB approach to credit risk		
452 (b)	for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission; For the purposes of point (b) of this Article, institutions shall use the exposure value as defined in Article 166.	– UK CRE, UK CR6-A
452 (c)	the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	– UK CRE
452 (d)	the role of the functions involved in the development, approval and subsequent changes of the credit risk models;	– UK CRE
452 (e)	the scope and main content of the reporting related to credit risk models;	– UK CRE
452 (f)	a description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering: (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	– UK CRE
452 (g)	as applicable, the following information in relation to each exposure class referred to in Article 147: (i) their gross on-balance-sheet exposure; (ii) their off-balance-sheet exposure values prior to the relevant conversion factor; (iii) their exposure after applying the relevant conversion factor and credit risk mitigation; (iv) any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk; (v) separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	– UK CR6, UK CCR4

UK CRR article	Regulatory requirements	Compliance reference
452: Disclosure of the use of the IRB approach to credit risk		
452 (h)	institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.	– UK CR9 – UK CR9.1 is not provided as Article 180(1)(f) CRR is not applicable; NatWest Holdings Group does not attribute the default rate observed for the external organisation's grades to the institution's grades.
453: Disclosure of the use of credit risk mitigation techniques		
453	Institutions using credit risk mitigation techniques shall disclose the following information:	See below for applicable disclosure requirements
453 (a)	the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	– UK CRC
453 (b)	the core features of the policies and processes for eligible collateral evaluation and management;	– UK CRC
453 (c)	a description of the main types of collateral taken by the institution to mitigate credit risk;	– UK CRC
453 (d)	for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	– UK CRC
453 (e)	information about market or credit risk concentrations within the credit mitigation taken;	– UK CRC
453 (f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	– UK CR3
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	– UK CR4, UK CR7-A
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	– UK CR4
453 (i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	– UK CR4
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	– UK CR7

UK CRR article	Regulatory requirements	Compliance reference
454: Disclosure of the use of the advanced measurement approaches to operational risk		
454	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk transfer mechanisms for the purpose of mitigating that risk.	– Not applicable as NatWest Holdings Group applies the Standardised approach for calculating own funds for Operational Risk
455: Use of internal market risk models		
455	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:	See below for applicable disclosure requirements
455 (a)	for each sub-portfolio covered: (i) the characteristics of the models used; (ii) where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model; (iii) a description of stress testing applied to the sub-portfolio; (iv) a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;	– Not applicable
455 (b)	the scope of permission by the competent authority;	– Not applicable; NatWest Holdings Group does not have an IMM permission for market risk
455 (c)	a description of the extent and methodologies for compliance with the requirements set out in Articles 104 and 105;	– Not applicable
455 (d)	the highest, the lowest and the mean of the following: (i) the daily value-at-risk measures over the reporting period and at the end of the reporting period; (ii) the stressed value-at-risk measures over the reporting period and at the end of the reporting period; (iii) the risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period;	– Not applicable
455 (e)	the elements of the own funds requirement as specified in Article 364;	– Not applicable
455 (f)	the weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading;	– Not applicable
455 (g)	a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.	– Not applicable