



NatWest
Group

NatWest Markets Plc

2023 Pillar 3 Report

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Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words ‘expect’, ‘estimate’, ‘project’, ‘anticipate’, ‘commit’, ‘believe’, ‘should’, ‘intend’, ‘will’, ‘plan’, ‘could’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘may’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NWM Group’s future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWM Group in respect of, but not limited to: its economic and political risks (including due to GDP growth, inflation and interest rates, supply chain disruption and geopolitical developments), its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), implementation of NWM Group’s strategy and NatWest Group’s strategy and NatWest Group’s Commercial & Institutional franchise (of which NWM Group forms part), its sustainability and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, and NWM Group’s exposure to operational risk, conduct risk, financial crime risk, cyber, data and IT risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the 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, political uncertainty or instability, 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 NWM Group’s actual results are discussed in NWM Plc’s 2023 Annual Report and Accounts (ARA), and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NWM 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

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

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

Simon Lowe
Chief Financial Officer
Executive Director, NatWest Markets Plc Board

Presentation of information

This document presents the consolidated Pillar 3 disclosures for NatWest Markets Plc (NWM Plc) as at 31 December 2023. It should be read in conjunction with the 2023 NatWest Group Pillar 3 report and NWM Plc's 2023 Annual Report & Accounts (ARA), which are published in the same location at: investors.natwestgroup.com/reports-archive/2023

NWM Plc is incorporated in the United Kingdom and is a subsidiary of NatWest Group plc. NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

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

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

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

The disclosures for NWM Plc are calculated in accordance with the UK CRR (split across primary legislation and the PRA rulebook) and presented in accordance with the Disclosure (CRR) part of the PRA rulebook.

Within this document, row and column references are based on those prescribed in the PRA templates. The IFRS 9-FL and TLAC2 disclosures have been prepared using the uniform format published by the EBA.

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

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

PRA template reference	Template name	Reasons for exclusion
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
UK CQ2	Quality of forbearance	Threshold for disclosure not met
UK CQ6	Collateral valuation - loans and advances	Threshold for disclosure not met
UK CQ7	Collateral obtained by taking possession and execution processes	No reportable exposures
UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	No reportable exposures
UK CR10.3	Specialised lending: Object Finance (slotting approach)	No reportable exposures
UK CR10.4	Specialised lending: Commodities Finance (slotting approach)	No reportable exposures
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK LIQA	Liquidity risk management	Refer to UK LIQA in the NatWest Group P3 report
UK CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Published as supplement alongside this report

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

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

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

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

NatWest Markets Plc - key points

CET1 ratio

17.1%

(Q3 2023 – 15.1%)

The CET1 ratio increased by 200 basis points to 17.1% at 31 December 2023, compared with 15.1% at 30 September 2023. The increase in the period was driven by a £0.3 billion increase in CET1 capital and a £1.3 billion decrease in RWAs. The CET1 capital increase was mainly driven by £0.2 billion dividends received from subsidiaries and other reserve movements.

RWAs

£22.1bn

(Q3 2023 – £23.4bn)

Total RWAs decreased by £1.3 billion to £22.1 billion reflecting:

- a reduction in market risk RWAs of £1.7 billion, largely reflecting hedging activity as part of ongoing risk management and a reduction in government and corporate bond positions.
- an increase in credit risk RWAs of £0.5 billion to £5.7 billion, due to increased securitisation exposure and increased exposures to corporations as a result of planned business growth.

UK leverage ratio

5.0%

(Q3 2023 – 4.9%)

The leverage ratio increased by 10 basis points to 5.0%. The increase was due to a £0.3 billion increase in Tier 1 capital partially offset by a £4.2 billion increase in leverage exposure. The key drivers in the leverage exposure were an increase in other financial assets, net settlement balances and off balance sheet items.

UK average leverage ratio

4.9%

(Q3 2023 – 5.2%)

The average leverage ratio decreased by 30 basis points to 4.9%. The decrease was due to a £7.7 billion increase in average leverage exposure partially offset by a £0.1 billion increase in 3-month average Tier 1 capital. The key drivers in the average leverage exposure were an increase in other financial assets and off balance sheet items.

LCR average

240%

(Q3 2023 – 255%)

The average Liquidity Coverage Ratio (LCR) decreased 15% compared to Q3 2023. The decrease in LCR is driven by activity in our new business lending.

NSFR average

127%

(Q3 2023 – 135%)

The Net Stable Funding Ratio (NSFR) was 127% compared to 135% in Q3 2023. The decrease in NSFR is driven by activity in our new business lending.

UK KM1: Key metrics

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

	31 December 2023 £m	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m
Available own funds (amounts)					
1 Common equity tier 1 (CET1) capital	3,776	3,523	3,542	3,676	3,682
2 Tier 1 capital	4,455	4,202	4,221	4,355	4,361
3 Total capital	5,072	4,828	4,841	5,475	5,502
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	22,099	23,392	20,159	20,173	21,422
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common equity tier 1 ratio (%)	17.1	15.1	17.6	18.2	17.2
6 Tier 1 ratio (%)	20.2	18.0	20.9	21.6	20.4
7 Total capital ratio (%)	23.0	20.6	24.0	27.1	25.7
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a Additional CET1 SREP requirements (%)	3.1	2.6	2.6	2.6	2.6
UK 7b Additional AT1 SREP requirements (%)	1.0	0.9	0.9	0.9	0.9
UK 7c Additional Tier 2 SREP requirements (%)	1.4	1.2	1.2	1.2	1.2
UK 7d Total SREP own funds requirements (%)	13.5	12.7	12.7	12.7	12.7
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)	1.0	1.1	0.6	0.6	0.5
11 Combined buffer requirement (%)	3.5	3.6	3.1	3.1	3.0
UK 11a Overall capital requirements (%)	17.0	16.3	15.8	15.8	15.7
12 CET1 available after meeting the total SREP own funds requirements (%) (2)	9.4	8.0	10.5	11.1	10.1
Leverage ratio					
13 Total exposure measure excluding claims on central banks	89,929	85,706	78,064	77,259	81,083
14 Leverage ratio excluding claims on central banks (%)	5.0	4.9	5.4	5.6	5.4
Additional leverage ratio disclosure requirements (3)					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.0	4.9	5.4	5.6	
UK 14b Leverage ratio including claims on central banks (%)	4.5	4.2	4.6	4.7	
UK 14c Average leverage ratio excluding claims on central banks (%)	4.9	5.2	5.4	5.5	
UK 14d Average leverage ratio including claims on central banks (%)	4.3	4.5	4.6	4.6	
UK 14e Countercyclical leverage ratio buffer (%) (1)	0.4	0.4	0.2	0.2	
Liquidity coverage ratio (4)					
15 Total high-quality liquid assets (HQLA) (weighted value-average)	19,620	19,781	19,671	19,112	17,896
UK 16a Cash outflows - Total weighted value	11,986	11,876	12,245	12,165	12,699
UK 16b Cash inflows - Total weighted value	3,696	4,012	4,336	4,268	4,682
16 Total net cash outflows (adjusted value)	8,290	7,864	7,909	7,897	8,017
17 Liquidity coverage ratio (%)	240	255	253	247	226
Net stable funding ratio (5)					
18 Total available stable funding	31,864	31,923	31,783	31,479	30,428
19 Total required stable funding	25,065	23,604	23,117	22,911	22,814
20 NSFR ratio (%)	127	135	137	137	133

(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 NWM Plc CCyB.

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

(3) As of 1 January 2023, NWM Plc is subject to additional disclosure requirements for LREQ firms therefore 2022 comparatives were not presented.

(4) The Liquidity Coverage Ratio (LCR) is calculated as the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.

(5) The Net Stable Funding Ratio (NSFR) is calculated as the average of the preceding four quarters.

(6) The following rows are not presented in the table above as not applicable: UK8a, UK9a, 10 and UK10a.

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

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

	31 December 2023 £m	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m
Available capital (amounts) - transitional					
1 Common equity Tier 1	3,776	3,523	3,542	3,676	3,682
2 Common equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	3,775	3,522	3,541	3,674	3,681
3 Tier 1 capital	4,455	4,202	4,221	4,355	4,361
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	4,454	4,201	4,220	4,353	4,360
5 Total capital	5,072	4,828	4,841	5,475	5,502
6 Total capital as if IFRS 9 transitional arrangements had not been applied	5,071	4,827	4,840	5,473	5,501
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	22,099	23,392	20,159	20,173	21,422
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	22,098	23,390	20,158	20,171	21,421
Capital ratios					
9 Common equity Tier 1 ratio	17.1	15.1	17.6	18.2	17.2
10 Common equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.1	15.1	17.6	18.2	17.2
11 Tier 1 ratio	20.2	18.0	20.9	21.6	20.4
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.2	18.0	20.9	21.6	20.4
13 Total capital ratio	23.0	20.6	24.0	27.1	25.7
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.9	20.6	24.0	27.1	25.7
Leverage ratio					
15 Leverage ratio exposure measure (£m)	89,929	85,706	78,064	77,259	81,083
16 Leverage ratio (%)	5.0	4.9	5.4	5.6	5.4
17 Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.0	4.9	5.4	5.6	5.4

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.

		NWM Plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		31 December 2023	30 September 2023	31 December 2023
		£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	5,600	5,521	448
2	Of which: standardised approach	1,995	2,256	160
3	Of which: the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	137	161	11
UK 4a	Of which: equities under the simple risk-weighted approach	-	-	-
5	Of which: the advanced IRB (AIRB) approach (1)	3,468	3,104	277
5a	Of which: non-credit obligation assets	113	111	9
6	Counterparty credit risk	6,409	6,452	513
7	Of which: standardised approach	993	1,098	79
8	Of which: internal model method (IMM)	3,762	3,796	301
UK 8a	Of which: exposures to a CCP	45	81	4
UK 8b	Of which: credit valuation adjustment (CVA)	847	880	68
9	Of which: other counterparty credit risk	762	597	61
15	Settlement risk	2	-	-
16	Securitisation exposures in the non-trading book (after the cap)	2,400	1,999	192
17	Of which: SEC-IRBA approach	-	-	-
18	Of which: SEC-ERBA (including IAA)	196	80	16
19	Of which: SEC-SA approach	2,159	1,872	172
UK 19a	Of which: 1,250%/deduction	45	47	4
20	Position, foreign exchange and commodities risk (market risk)	6,366	8,098	509
21	Of which: standardised approach	394	442	32
22	Of which: IMA	5,972	7,656	477
UK 22a	Large exposures	-	-	-
23	Operational risk	1,322	1,322	106
UK 23a	Of which: basic indicator approach	-	-	-
UK 23b	Of which: standardised approach	1,322	1,322	106
UK 23c	Of which: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	1,337	1,321	107
29	Total	22,099	23,392	1,768

(1) Of which £12 million RWAs (30 September 2023 - £12 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, equity and non-credit obligation assets.

		NWM Plc
		a
		RWAs £m
1	At 31 December 2022	3,031
2	Asset size	132
3	Asset quality	2
4	Model updates	(8)
7	Foreign exchange movements	(40)
9	At 31 March 2023	3,117
2	Asset size	(197)
3	Asset quality	(16)
4	Model updates	16
7	Foreign exchange movements	(74)
9	At 30 June 2023	2,846
2	Asset size	239
4	Model updates	(13)
7	Foreign exchange movements	70
9	At 30 September 2023	3,142
2	Asset size	409
3	Asset quality	5
7	Foreign exchange movements	(76)
9	At 31 December 2023	3,480

(1) The following rows are not presented because they had zero values: (5) methodology and policy; (6) acquisitions and disposals, and (8) other.

Q4 2023

- The overall increase in RWAs was driven mainly by asset size as a result of planned business growth.
- The decrease in foreign exchange movement RWAs was mainly a result of sterling strengthening against the US dollar and euro during the period.

UK CCR7 – RWA flow statement of counterparty credit risk exposures under the IMM

The table below shows movements in RWAs for derivatives under the internal model method (IMM). It excludes the CVA capital charge, exposures to central counterparties and securitisations.

	NWM Plc
	a
	RWAs
	£m
1 At 31 December 2022	3,105
2 Asset size	(37)
3 Credit quality of counterparties	19
7 Foreign exchange movements	(55)
9 At 31 March 2023	3,032
2 Asset size	(377)
3 Credit quality of counterparties	2
7 Foreign exchange movements	(68)
8 Other (1)	945
9 At 30 June 2023	3,534
2 Asset size	211
3 Credit quality of counterparties	(3)
7 Foreign exchange movements	54
9 At 30 September 2023	3,796
2 Asset size	46
3 Credit quality of counterparties	(18)
7 Foreign exchange movements	(62)
9 At 31 December 2023	3,762

(1) Reflects the call of a portfolio credit default swap.

(2) The following rows are not presented because they had zero values: (4) model updates, (5) methodology and policy, (6) acquisitions and disposals, and (8) other.

Q4 2023

- IMM RWAs remained stable over the period with a decrease in foreign exchange risk due to sterling strengthening against the US dollar, partly offset by an increase in asset size.

UK MR2-B: RWA flow statement of market risk exposures under the IMA

The table below shows movements in RWAs and own funds requirements for market risk exposures under the internal model approach (IMA).

NWM Plc						
	a	b	c	e	f	g
	Value-at-risk (VaR) £m	Stressed value-at-risk (SVaR) £m	Incremental risk charge (IRC) £m	Other (Risks Not In VaR) (RNIV) £m	Total RWAs £m	Total own funds requirements £m
1 At 31 December 2022	1,754	2,405	662	1,944	6,765	541
1a Regulatory adjustment (1)	(1,405)	(1,977)	-	-	(3,382)	(271)
1b RWAs at 31 December 2022 (end of day)	349	428	662	1,944	3,383	270
2 Movement in risk levels	(148)	50	159	(615)	(554)	(44)
3 Model updates/changes	-	5	-	28	33	3
8a RWAs at 31 March 2023 (end of day)	202	483	821	1,357	2,863	229
8b Regulatory adjustment (1)	1,290	1,721	-	-	3,011	241
8 At 31 March 2023	1,492	2,204	821	1,357	5,874	470
1a Regulatory adjustment (1)	(1,290)	(1,721)	-	-	(3,011)	(242)
1b RWAs at 31 March 2023 (end of day)	202	483	821	1,357	2,863	228
2 Movement in risk levels	445	265	144	(47)	807	65
3 Model updates/changes	-	-	-	-	-	-
8a RWAs at 30 June 2023 (end of day)	647	748	965	1,310	3,670	293
8b Regulatory adjustment (1)	716	857	56	-	1,629	131
8 At 30 June 2023	1,363	1,605	1,021	1,310	5,299	424
1a Regulatory adjustment (1)	(716)	(857)	(56)	-	(1,629)	(131)
1b RWAs at 30 June 2023 (end of day)	647	748	965	1,310	3,670	293
2 Movement in risk levels	305	545	52	38	940	74
3 Model updates/changes	82	-	-	(106)	(24)	(2)
8a RWAs at 30 September 2023 (end of day)	1,034	1,293	1,017	1,242	4,586	365
8b Regulatory adjustment (1)	1,367	1,679	24	-	3,070	248
8 At 30 September 2023	2,401	2,972	1,041	1,242	7,656	613
1a Regulatory adjustment (1)	(1,367)	(1,679)	(24)	-	(3,070)	(248)
1b RWAs at 30 September 2023 (end of day)	1,034	1,293	1,017	1,242	4,586	365
2 Movement in risk levels	(651)	(794)	(383)	36	(1,792)	(143)
3 Model updates/changes	-	-	-	-	-	-
8a RWAs at 31 December 2023 (end of day)	383	499	634	1,278	2,794	222
8b Regulatory adjustment (1)	1,214	1,796	168	-	3,178	255
8 At 31 December 2023	1,597	2,295	802	1,278	5,972	477

- (1) Regulatory adjustments in rows 1a and 8b represent the difference in RWA terms between the risk spot measure at the end of the reporting period and the 60-day average of that measure, multiplied by the multiplication factor.
- (2) The following rows and/or columns are not presented because they had zero values or are not used by NWM Plc: column (d) comprehensive risk measure, row (4) methodology and policy, row (5) acquisitions and disposals, and row (7) other. In addition, row (6) foreign exchange movements is not presented. This is because changes in market risk arising from foreign currency retranslation are included within row (2) movement in risk levels as they are managed together with portfolio changes.

Q4 2023

- Overall, market risk RWAs under the IMA fell during the fourth quarter.
- The decreases in VaR and SVaR-based RWAs largely reflected hedging activity as part of ongoing risk management.
- The decrease in the incremental risk charge largely reflected a reduction in government and corporate bond positions.

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.

		NWM Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022
		31 December 2023 £m	£m
CET1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts <i>of which: ordinary shares</i> <i>of which: share premium</i>	2,346 400 1,946	2,346 400 1,946
2	Retained earnings	3,646	3,782
3	Accumulated other comprehensive income (and other reserves)	(344)	(364)
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	-	-
6	CET1 capital before regulatory adjustments	5,648	5,764
CET1 capital: regulatory adjustments			
7	(-) Additional value adjustments	(160)	(197)
8	(-) Intangible assets (net of related tax liability)	-	-
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)	-	-
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	187	284
12	(-) Negative amounts resulting from the calculation of expected loss amounts	(6)	(3)
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	25	11
15	(-) Defined-benefit pension fund assets	(94)	(159)
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)	(1,585)	(1,866)
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
UK-20b	<i>(-) of which: qualifying holdings outside the financial sector</i>	-	-
UK-20c	<i>(-) of which: securitisation positions</i>	-	-
UK-20d	<i>(-) of which: free deliveries</i>	-	-
21	(-) Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	-
22	(-) Amount exceeding the 17.65% threshold	-	(3)

UK CC1: Composition of regulatory own funds continued

		NWM Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022
		31 December 2023 £m	£m
CET1 capital: regulatory adjustments			
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	-	(3)
25	(-) of which: deferred tax assets arising from temporary differences	-	-
UK-25a	(-) Losses for the current financial year	(239)	(149)
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses	-	-
27	(-) Qualifying AT1 deductions that exceed the AT1 items of the institution	-	-
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-	-
28	Total regulatory adjustments to CET1	(1,872)	(2,082)
29	CET1 capital	3,776	3,682
AT1 capital: instruments			
30	Capital instruments and the related share premium accounts	904	904
31	of which: classified as equity under applicable accounting standards	904	904
32	of which: classified as liabilities under applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486 (3) CRR	-	-
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	AT1 capital before regulatory adjustments	904	904
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)	(225)	(225)
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	(225)	(225)
44	AT1 capital	679	679
45	T1 capital (T1 = CET1 + AT1)	4,455	4,361

UK CC1: Composition of regulatory own funds continued

		NWM Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022
		31 December 2023 £m	£m
T2 capital: instruments			
46	Capital instruments and the related share premium accounts	1,022	(i) 1,555
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	-	-
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	-
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
50	Credit risk adjustments	16	27
51	T2 capital before regulatory adjustments	1,038	1,582
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 the 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)	(421)	(441)
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	(421)	(441)
58	T2 capital	617	1,141
59	Total capital (TC = T1 + T2)	5,072	5,502
60	Total risk exposure amount	22,099	21,422
Capital ratios and buffers			
61	CET1 (as a percentage of total risk exposure amount)	17.1%	17.2%
62	T1 (as a percentage of total risk exposure amount)	20.2%	20.4%
63	Total capital (as a percentage of total risk exposure amount)	23.0%	25.7%
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) Article 104 (1) CRD plus combined buffer requirement in accordance with Article 128 (6) CRD) expressed as a percentage of risk exposure amount)	11.1%	10.1%
65	<i>of which: capital conservation buffer requirement</i>	2.5%	2.5%
66	<i>of which: counter cyclical buffer requirement</i>	1.0%	0.5%
67	<i>of which: systemic risk buffer requirement</i>	-	-
UK-67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	-	-
68	CET1 available to meet buffers (as a percentage of risk exposure amount) (1)	9.4%	10.1%

UK CC1: Composition of regulatory own funds continued

		NWM Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2022 £m
31 December 2023 £m			
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)	399	148
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)	536	555
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)	-	-
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	25	31
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	16	27
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	35	28
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) Row 68: represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).

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

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

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

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

	NWM Plc		
	As at period end 31 December 2023		
	a	b	
	Balance sheet as in published financial statements as at period end	Under regulatory scope of consolidation as at period end	
	£m	£m	References
Assets			
Cash and balances at central banks	8,607	8,607	
Trading assets	28,411	28,411	
Derivatives	75,832	75,832	
Settlement balances	2,168	2,168	
Loans to banks - amortised cost	910	910	
Loans to customers - amortised cost	12,104	12,104	
Other financial assets	13,444	13,444	
Property, plant and equipment	12	12	
Current and deferred tax assets	106	106	
of which: DTAs that rely on future profitability and do not arise from temporary differences	-	-	(d)
Prepayments, accrued income and other assets	272	272	
of which: defined benefit pension fund assets	145	145	(e)
Investment in group undertakings	2,320	2,320	
Amounts due from holding companies and fellow subsidiaries	6,472	6,472	
Total assets	150,658	150,658	
Liabilities			
Bank deposits	1,909	1,909	
Customer deposits	3,060	3,060	
Settlement balances	400	400	
Trading liabilities	34,079	34,079	
Derivatives	69,404	69,404	
Other financial liabilities	20,636	20,636	(i)
Provisions, deferred income and other liabilities	402	402	
Current and deferred tax liabilities	51	51	
of which: defined benefit pension scheme assets	51	51	(f)
Subordinated liabilities	19	19	(i)
Amounts due to holding companies and fellow subsidiaries	14,385	14,385	(i)
Total liabilities	144,345	144,345	
Shareholders' Equity			
Non-controlling interests			
Owners' equity			
Called up share capital	400	400	(a)
Reserves	5,913	5,913	
of which: amount eligible for retained earnings	3,407	3,407	(b)
of which: amount eligible for accumulated OCI and other reserves	(344)	(344)	(c) & (h)
of which: amount of other equity instruments	904	904	(g)
of which: share premium accounts	1,946	1,946	(j)
Total shareholders' equity	6,313	6,313	

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

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

		Insolvency ranking							
		Preference shares and contingent capital				Senior non-preferential debt			
		Shareholders equity		notes		Subordinated debt			
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
NWM Plc									
31 December 2023									
3	Total liabilities and own funds	5,409	-	904	-	1,022	17	2,988	-
4	o/w excluded liabilities	-	-	-	-	-	17	432	-
5	Total liabilities and own funds less excluded liabilities	5,409	-	904	-	1,022	-	2,556	-
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	5,409	-	904	-	1,022	-	2,556	-
7	o/w residual maturity ≥ 1 year < 2 years	-	-	-	-	-	-	-	-
8	o/w residual maturity ≥ 2 year < 5 years	-	-	-	-	-	-	1,687	-
9	o/w residual maturity ≥ 5 years < 10 years	-	-	-	-	826	-	869	-
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	196	-	-	-
11	o/w perpetual securities	5,409	-	904	-	-	-	-	-

		Insolvency ranking							
		Preference shares and contingent capital				Senior non-preferential debt			
		Shareholders equity		notes		Subordinated debt			
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
NWM Plc									
31 December 2022									
3	Total liabilities and own funds	5,614	-	903	-	1,548	127	3,156	-
4	o/w excluded liabilities	-	-	-	-	-	127	-	-
5	Total liabilities and own funds less excluded liabilities	5,614	-	903	-	1,548	-	3,156	-
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	5,614	-	903	-	1,548	-	3,156	-
7	o/w residual maturity ≥ 1 year < 2 years	-	-	-	-	-	-	2,201	-
8	o/w residual maturity ≥ 2 year < 5 years	-	-	-	-	-	-	955	-
9	o/w residual maturity ≥ 5 years < 10 years	-	-	-	-	842	-	-	-
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	208	-	-	-
11	o/w perpetual securities	5,614	-	903	-	498	-	-	-

(1) Amounts shown include balances indirectly due to resolution entity (NatWest Group plc).

Annex IX: Countercyclical capital buffers

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

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

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

	NWM Plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -						Own fund requirements						
	General credit exposures		market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights	Countercycle buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models									
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by country (with existing CCyB rates)													
Norway	-	51	-	-	-	51	2	-	-	2	20	0.19%	2.50%
Denmark	-	120	-	-	-	120	1	-	-	1	17	0.16%	2.50%
United Kingdom	1,382	5,058	14	324	5,306	12,084	313	16	67	396	4,969	45.22%	2.00%
Sweden	-	32	-	-	-	32	-	3	-	3	32	0.29%	2.00%
Czech Republic	-	-	-	4	-	4	-	-	-	-	-	-	2.00%
Iceland	-	-	-	-	-	-	-	-	-	-	-	-	2.00%
Bulgaria	-	-	-	-	-	-	-	-	-	-	-	-	2.00%
Slovakia	-	-	-	-	-	-	-	-	-	-	-	-	1.50%
Netherlands	26	266	-	88	31	411	7	6	4	17	210	1.91%	1.00%
Ireland	16	144	-	11	333	504	5	1	4	10	120	1.09%	1.00%
Australia	-	16	-	1	-	17	1	-	-	1	9	0.08%	1.00%
Hong Kong	-	1	-	-	-	1	-	-	-	-	1	0.01%	1.00%
Croatia	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Lithuania	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Romania	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Germany	2	182	-	82	4	270	4	1	-	5	66	0.60%	0.75%
Luxembourg	4	3,761	-	63	329	4,157	69	5	4	78	973	8.86%	0.50%
France	6	307	-	107	891	1,311	8	3	12	23	287	2.61%	0.50%
Cyprus	-	-	-	-	-	-	-	-	-	-	-	-	0.50%
Slovenia	-	-	-	-	-	-	-	-	-	-	-	-	0.50%
Total (countries with existing CCyB rates)	1,436	9,938	14	680	6,894	18,962	410	35	91	536	6,704	61.02%	

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

	NWM Plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -						Own fund requirements						
	General credit exposures		market risk										
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
United States	658	8,132	9	105	7,742	16,646	157	5	99	261	3,256	29.64%	
Cayman Islands	26	1,463	-	-	-	1,489	26	-	-	26	323	2.94%	
Jersey	3	613	-	-	131	747	12	-	2	14	169	1.54%	
Italy	34	47	-	22	9	112	6	2	-	8	113	1.03%	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)	721	10,255	9	127	7,882	18,994	201	7	101	309	3,861	35.15%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	104	783	4	2,533	1	3,425	25	9	-	34	422	3.83%	
Total	2,261	20,976	27	3,340	14,777	41,381	636	51	192	879	10,987	100.00%	

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

	NWM Plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -						Own fund requirements						
	General credit exposures		market risk										
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercycle buffer rate
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
Breakdown by country (with existing CCyB rates)													
Denmark	-	22	-	43	-	65	1	-	-	1	13	0.14%	2.00%
Norway	-	10	-	7	-	17	-	-	-	1	7	0.08%	2.00%
Iceland	-	-	-	-	-	-	-	-	-	-	-	0.00%	2.00%
Great Britain	1,586	5,846	18	152	5,142	12,744	313	19	63	395	4,938	50.93%	1.00%
Sweden	-	14	-	162	-	176	-	1	-	1	9	0.09%	1.00%
Hong Kong	-	1	-	-	-	1	-	-	-	-	1	0.01%	1.00%
Bulgaria	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Slovakia	-	-	-	-	-	-	-	-	-	-	-	-	1.00%
Romania	-	-	-	-	-	-	-	-	-	-	-	-	0.50%
Luxembourg	3	2,820	-	22	-	2,845	50	1	-	51	648	6.68%	0.50%
Total (countries with existing CCyB rates)	1,589	8,713	18	386	5,142	15,848	364	21	63	449	5,616	57.93%	

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

	NWM Plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -						Own fund requirements						
	General credit exposures		market risk										
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
US	606	5,200	2	454	3,648	9,911	131	5	45	181	2,266	23.36%	
Netherlands	62	339	-	529	23	953	19	4	4	27	339	3.49%	
France	10	283	-	21	373	687	7	4	4	15	193	1.99%	
Ireland	12	213	-	1	157	384	12	1	2	15	186	1.92%	
Cayman Islands	5	670	-	-	-	675	15	-	-	15	184	1.90%	
Italy	48	120	-	23	7	197	10	3	-	13	158	1.63%	
Switzerland	35	162	-	53	-	250	6	2	-	8	102	1.05%	
Germany	-	210	-	21	4	235	5	2	-	7	83	0.85%	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)	778	7,197	2	1,102	4,212	13,292	205	21	55		3,511	36.19%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	101	1,046	2	4,053	293	5,494	30	13	4		570	5.88%	
Total	2,468	16,956	22	5,541	9,647	34,634	599	15	122		9,697	100.00%	

UK CCyB2: Amount of institution-specific countercyclical capital buffer

NWM Plc		
	31 December 2023	31 December 2022
	£m	£m
1 Total risk exposure amount	22,099	21,422
2 Institution specific countercyclical capital buffer	1.01%	0.55%
3 Institution specific countercyclical capital buffer requirement (1)	224	117

(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.

		NWM Plc	
		31 December 2023 £m	31 December 2022 £m
1	Total assets as per published financial statements	150,658	169,061
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for exemption of exposures to central banks)	(8,604)	(13,467)
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	(1,307)	(1,133)
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustment for derivative financial instruments	(58,236)	(78,683)
9	Adjustment for securities financing transactions (SFTs)	1,301	2,862
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	8,496	5,466
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital (leverage))	(169)	(204)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(310)	(852)
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	(1,900)	(1,967)
13	Total exposure measure	89,929	81,083

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.

		NWM Plc	
		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)	56,970	60,180
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)	(7,428)	(11,085)
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))	(2,068)	(2,168)
7	Total on-balance sheet exposures (excluding derivatives, and SFTs)	47,474	46,927
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	8,837	11,430
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for PFE associated with SA-CCR derivatives transactions	15,691	16,540
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	4,277	5,065
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(3,780)	(4,375)
13	Total derivative exposures	25,025	28,660
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	18,448	15,881
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,898)	(4,166)
16	Counterparty credit risk exposure for SFT assets	1,301	2,862
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	17,851	14,577
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount		
20	(Adjustments for conversion to credit equivalent amounts)	13,121	9,279
21	(General provisions deducted in determining Tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	(4,625)	(4,038)
		(3)	(3)
22	Off-balance sheet exposures	8,493	5,238

UK LR2: LRCom: Leverage ratio common disclosure continued

		NWM Plc	
		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)		(310)	(852)
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)		(310)	(852)
Capital and total exposure measure			
23 Tier 1 capital (leverage)		4,455	4,361
24 Total exposure measure including claims on central banks		98,533	94,550
UK-24a (-) Claims on central banks excluded		(8,604)	(13,467)
UK-24b Total exposure measure excluding claims on central banks		89,929	81,083
Leverage ratio			
25 Leverage ratio excluding claims on central banks (%)		5.0	5.4
UK-25a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)		5.0	5.4
UK-25b Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)		5.0	5.4
UK-25c Leverage ratio including claims on central banks (%)		4.5	4.6
26 Regulatory minimum leverage ratio requirement (%) (1)		3.25	
Additional leverage ratio disclosure requirements - leverage ratio buffers (1)			
27 Leverage ratio buffer (%)		0.4	
UK-27a Of which: G-SII or O-SII additional leverage ratio buffer (%)		-	
UK-27b Of which: countercyclical leverage ratio buffer (%)		0.4	
Additional leverage ratio disclosure requirements - disclosure of mean values (1)			
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		13,316	
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		16,550	
UK-31 Average total exposure measure excluding claims on central banks		88,365	
UK-32 Average total exposure measure including claims on central banks		99,745	
UK-33 Average leverage ratio excluding claims on central banks		4.9	
UK-34 Average leverage ratio including claims on central banks		4.3	

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

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

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

		NWM Plc	
		31 December 2023	31 December 2022
		£m	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	42,056	34,924
UK-2	Trading book exposures	16,174	12,435
UK-3	Banking book exposures, of which:	25,882	22,489
UK-4	Covered bonds	-	-
UK-5	Exposures treated as sovereigns	3,209	4,795
UK-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	708	244
UK-7	Institutions	1,248	1,971
UK-8	Secured by mortgages of immovable properties	38	68
UK-9	Retail exposures	-	-
UK-10	Corporate	7,696	6,644
UK-11	Exposures in default	-	56
UK-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	12,983	8,711

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 5.0%. The ratio decreased by 40 basis points in the period since 31 December 2022. The decrease was due to a £8.8 billion increase in leverage exposure partially offset by a £0.1 billion increase in Tier 1 capital. The key drivers in the leverage exposure were an increase in off balance sheet items and other financial assets.

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 NWM Plc. 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.

		NWM Plc							
		Total unweighted value (average)				Total weighted value (average)			
		31 December	30 September	30 June	31 March	31 December	30 September	30 June	31 March
		2023	2023	2023	2023	2023	2023	2023	2023
		£m	£m	£m	£m	£m	£m	£m	£m
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					19,620	19,781	19,671	19,112
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	60	60	60	46	1	1	2	2
3	Stable deposits	6	6	10	9	-	-	-	-
4	Less stable deposits	7	7	10	10	1	1	1	1
5	Unsecured wholesale funding	2,627	2,329	2,072	1,816	2,118	1,833	1,614	1,387
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	1,330	1,295	1,187	1,074	821	799	729	645
8	Unsecured debt	1,297	1,034	885	742	1,297	1,034	885	742
9	Secured wholesale funding					882	808	768	851
10	Additional requirements	11,251	11,287	11,727	11,499	7,748	7,773	8,114	7,898
11	Outflows related to derivative exposures and other collateral requirements	4,645	4,940	5,333	5,157	4,426	4,698	5,014	4826
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	6,606	6,347	6,394	6,342	3,322	3,075	3,100	3,072
14	Other contractual funding obligations	10,082	9,392	10,739	14,764	1,227	1,452	1,738	2,018
15	Other contingent funding obligations	2,030	1,965	1,900	1,892	10	9	9	9
16	Total cash outflows					11,986	11,876	12,245	12,165
Cash - inflows									
17	Secured lending (e.g. reverse repos)	16,208	15,531	16,924	20,745	977	899	803	627
18	Inflows from fully performing exposures	674	724	788	889	670	718	782	882
19	Other cash inflows	2,846	2,396	2,746	2,752	2,049	2,395	2,751	2,759
UK-19a	(Difference between total weighted inflows 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	19,728	18,651	20,458	24,386	3,696	4,012	4,336	4,268
UK-20a	Fully exempt inflows								
UK-20b	Inflows subject to 90% cap								
UK-20c	Inflows subject to 75% cap	17,381	16,318	17,903	21,515	3,696	4,012	4,336	4,268
Total adjusted value									
UK-21	Liquidity buffer					19,620	19,781	19,671	19,112
22	Total net cash outflows					8,290	7,864	7,909	7,897
23	Liquidity coverage ratio (%)					240	255	253	247

UK LIQ2: Net stable funding ratio

		NWM Plc				
31 December 2023		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	6,266	-	-	1,146	7,413
2	Own funds	6,266	-	-	1,146	7,413
3	Other capital instruments		-	-	-	-
4	Retail Deposits		37	20	-	53
5	Stable deposits		18	10	-	26
6	Less stable deposits		19	10	-	27
7	Wholesale funding		32,148	4,375	20,955	24,377
8	Operational deposits		-	-	-	-
9	Other wholesale funding		32,148	4,375	20,955	24,377
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	6,037	4,042	-	21	21
12	NSFR derivative liabilities	6,037				
13	All other liabilities and capital instruments not included in the above categories		4,042	-	21	21
14	Total available stable funding (ASF)					31,864
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					612
UK-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:		14,300	2,310	17,844	18,644
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		10,313	74	239	276
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		3,726	2,176	8,799	10,504
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		30	22	634	509
21	With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk		12	10	278	288
22	Performing residential mortgages, of which:		-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
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		231	38	8,172	7,355
25	Interdependent assets		-	-	-	-
26	Other assets:	-	15,532	-	4,997	5,446
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	2,124	1,805
29	NSFR derivative assets		264	-	-	264
30	NSFR derivative liabilities before deduction of variation margin posted		11,558	-	-	578
31	All other assets not included in the above categories		3,711	-	2,873	2,799
32	Off-balance sheet items		7,257	-	-	363
33	Total RSF					25,065
34	Net Stable Funding Ratio (%)					127%

UK LIQ2: Net stable funding ratio continued

		NWM Plc				
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	6,793	-	-	1,530	8,322
2	Own funds	6,793	-	-	1,530	8,322
3	Other capital instruments		-	-	-	-
4	Retail Deposits		25	-	-	23
5	Stable deposits		12	-	-	12
6	Less stable deposits		13	-	-	12
7	Wholesale funding		39,675	3,529	18,868	22,025
8	Operational deposits		-	-	-	-
9	Other wholesale funding		39,675	3,529	18,868	22,025
10	Interdependent liabilities		-	-	-	-
11	Other liabilities	14,962	5,222	-	58	58
12	NSFR derivative liabilities	14,962				
13	All other liabilities and capital instruments not included in the above categories		5,222	-	58	58
14	Total available stable funding (ASF)					30,428
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					774
UK-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:		16,627	2,312	13,155	14,115
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		12,859	352	19	195
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		3,554	1,849	7,050	8,541
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		102	49	740	643
21	With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk		35	22	308	337
22	Performing residential mortgages, of which:		-	-	-	-
23	With a risk weight of less than or equal to 35% under the the Basel II Standardised Approach for credit risk		-	-	-	-
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		112	62	5,346	4,735
25	Interdependent assets		-	-	-	-
26	Other assets:	-	21,015	5	6,004	7,590
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				2,727	2,318
29	NSFR derivative assets		1,238			1,238
30	NSFR derivative liabilities before deduction of variation margin posted		14,962			748
31	All other assets not included in the above categories		4,816	5	3,277	3,287
32	Off-balance sheet items		6,700	-	-	335
33	Total RSF					22,814
34	Net Stable Funding Ratio (%)					133%

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

LCR inputs & results over time

The LCR aims to ensure that banks 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. The average LCR ratio for the 12 months to 31 December 2023 has decreased by 15% over the previous quarter, from 255% to 240%. The decrease in LCR is driven by activity in our new business lending.

Concentration of funding sources

NWM Plc covers its funding requirements with secured and unsecured wholesale funding from a wide depositor and investor base. Repos, short positions, and derivative cash collateral provide approximately half of the balance sheet funding with the remainder funded by capital & MREL-eligible bonds (issued and down streamed by NatWest Group plc), term unsecured, short term unsecured and secured funding.

Wholesale unsecured funding includes a range of products including but not limited to bank deposits, commercial paper (CP), certificates of deposit (CD) and medium-term notes (MTN). Deposits, CP and CD have tenors typically less than a year and are accepted from various corporate counterparties and financial institutions. MTN issuance is through both public benchmark transactions and smaller private placements, and typically has a tenor beyond a year.

The primary risk to funding stability is refinancing, the ability to replace maturing funding with new or rolled transactions. The risk is mitigated through diversification to prevent concentrations and mismatches in the funding profile. NWM monitors and manages funding concentration risk across tenors, counterparties, currencies, products and markets.

Liquidity buffer composition

HQLA is primarily held in Level 1 cash and central bank reserves (67%) and Level 1 high quality securities (29%). Level 2 securities account for 4%.

Derivative exposures and potential collateral calls

NWM Plc actively manages its derivative exposures and potential calls, including both due collateral and excess collateral with derivative outflows under stress are captured under 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 NWM Plc credit rating are also captured.

Currency mismatch in the LCR

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

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.

		NWM Plc							
		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
		Performing forborne	Non-performing forborne	Of which: Defaulted	Of which: Impaired	On performing forborne exposures	On non-performing forborne exposures	received on forborne exposures	
		£m	£m	£m	£m	£m	£m	£m	£m
31 December 2023									
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	-	4	4	4	-	(1)	3	3
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	-	4	4	4	-	(1)	3	3
070	Households	-	-	-	-	-	-	-	-
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	-	4	4	4	-	(1)	3	3

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
		Performing forborne	Non-performing forborne	Of which: Defaulted	Of which: Impaired	On performing forborne exposures	On non-performing forborne exposures	received on forborne exposures	
		£m	£m	£m	£m	£m	£m	£m	£m
31 December 2022									
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	43	25	25	25	(1)	(3)	64	22
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	43	25	25	25	(1)	(3)	64	22
070	Households	-	-	-	-	-	-	-	-
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	43	25	25	25	(1)	(3)	64	22

(1) Exposures classified as held-for-trading 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.

NWM Plc												
	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures				Non-performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: Defaulted
31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Cash balances at central banks and other demand deposits	9,017	9,017	-	-	-	-	-	-	-	-	-	-
2 Loans and advances	17,608	17,608	-	25	21	-	-	-	-	-	4	25
3 Central banks	487	487	-	-	-	-	-	-	-	-	-	-
4 General governments	620	620	-	-	-	-	-	-	-	-	-	-
5 Credit institutions	2,383	2,383	-	-	-	-	-	-	-	-	-	-
6 Other financial corporations	12,555	12,555	-	-	-	-	-	-	-	-	-	-
7 Non-financial corporations	1,563	1,563	-	25	21	-	-	-	-	-	4	25
8 Of which: SMEs	-	-	-	-	-	-	-	-	-	-	-	-
9 Households	-	-	-	-	-	-	-	-	-	-	-	-
10 Debt securities	13,511	13,511	-	-	-	-	-	-	-	-	-	-
11 Central banks	115	115	-	-	-	-	-	-	-	-	-	-
12 General governments	2,943	2,943	-	-	-	-	-	-	-	-	-	-
13 Credit institutions	478	478	-	-	-	-	-	-	-	-	-	-
14 Other financial corporations	9,975	9,975	-	-	-	-	-	-	-	-	-	-
15 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
16 Off-balance sheet exposures	9,964			21								21
17 Central banks	-			-								-
18 General governments	39			-								-
19 Credit institutions	358			-								-
20 Other financial corporations	8,251			-								-
21 Non-financial corporations	1,316			21								21
22 Households	-			-								-
23 Total	50,100	40,136	-	46	21	-	-	-	-	-	4	46

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

NWM Plc												
	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: Defaulted
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Cash balances at central banks and other demand deposits											
	14,051	14,051										
2	Loans and advances											
	13,774	13,774	-	89	84	-	1	-	-	-	4	89
3	Central banks											
	354	354	-	-	-	-	-	-	-	-	-	-
4	General governments											
	12	12	-	3	3	-	-	-	-	-	-	3
5	Credit institutions											
	2,288	2,288	-	-	-	-	-	-	-	-	-	-
6	Other financial corporations											
	10,733	10,733	-	-	-	-	-	-	-	-	-	-
7	Non-financial corporations											
	387	387	-	86	81	-	1	-	-	-	4	86
8	Of which: SMEs											
	-	-	-	-	-	-	-	-	-	-	-	-
9	Households											
	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities											
	10,662	10,662	-	-	-	-	-	-	-	-	-	-
11	Central banks											
	104	104	-	-	-	-	-	-	-	-	-	-
12	General governments											
	4,353	4,353	-	-	-	-	-	-	-	-	-	-
13	Credit institutions											
	230	230	-	-	-	-	-	-	-	-	-	-
14	Other financial corporations											
	5,926	5,926	-	-	-	-	-	-	-	-	-	-
15	Non-financial corporations											
	49	49	-	-	-	-	-	-	-	-	-	-
16	Off-balance sheet exposures											
	8,351			4								4
17	Central banks											
	-			-								-
18	General governments											
	42			-								-
19	Credit institutions											
	519			-								-
20	Other financial corporations											
	6,390			-								-
21	Non-financial corporations											
	1,400			4								4
22	Households											
	-			-								-
23	Total											
	46,838	38,487	-	93	84	-	1	-	-	-	4	93

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

UK CQ4: Quality of non-performing exposures by geography

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

		NWM Plc						
		a	b	c	d	e	f	g
		Gross carrying/ nominal amount £m	Of which: non-performing £m	Of which: defaulted £m	Of which: subject to impairment £m	Accumulated impairment £m	Provisions on off-balance sheet commitments and financial guarantees given £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
31 December 2023								
010	On-balance sheet exposures	31,144	25	25	28,834	(43)	-	-
020	UK	10,075	12	12	9,012	(19)	-	-
030	Rol	292	-	-	285	(1)	-	-
040	Other Western Europe	5,398	9	9	4,947	(12)	-	-
050	US	12,422	-	-	12,399	(5)	-	-
060	Other countries	2,957	4	4	2,191	(6)	-	-
070	Off-balance sheet exposures	9,985	21	21	-	-	(5)	-
080	UK	2,247	-	-	-	-	-	-
090	Rol	87	-	-	-	-	-	-
100	Other Western Europe	2,668	4	4	-	-	(3)	-
110	US	3,924	-	-	-	-	-	-
120	Other countries	1,059	17	17	-	-	(2)	-
130	Total	41,129	46	46	28,834	(43)	(5)	-

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

		NWM Plc						
		a	b	c	d	e	f	g
		Gross carrying/ nominal amount £m	Of which: non-performing £m	Of which: defaulted £m	Of which: subject to impairment £m	Accumulated impairment £m	Provisions on off-balance sheet commitments and financial guarantees given £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
31 December 2022								
010	On-balance sheet exposures	24,525	89	89	22,496	(43)	-	(6)
020	UK	8,497	52	52	7,874	(20)	-	(6)
030	Rol	159	-	-	151	-	-	-
040	Other Western Europe	5,358	9	9	4,289	(10)	-	-
050	US	9,233	-	-	9,012	(4)	-	-
060	Other countries	1,278	28	28	1,170	(9)	-	-
070	Off-balance sheet exposures	8,355	4	4	-	-	(5)	-
080	UK	2,810	-	-	-	-	(1)	-
090	Rol	74	-	-	-	-	-	-
100	Other Western Europe	1,445	4	4	-	-	(3)	-
110	US	3,465	-	-	-	-	(1)	-
120	Other countries	561	-	-	-	-	-	-
130	Total	32,880	93	93	22,496	(43)	(5)	(6)

(1) The geographical breakdown disclosed is based on combined on and off-balance sheet exposures and represent 90% (31 December 2022 – 94%) of total exposure.

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

UK CQ5: Credit quality of loans and advances by industry

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

NWM Plc						
	a	b	c	d	e	f
	Gross carrying amount £m	Of which: non-performing £m	Of which: defaulted £m	Of which: loans and advances subject to impairment £m	Accumulated impairment £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
31 December 2023						
010 Agriculture, forestry and fishing	-	-	-	-	-	-
020 Mining and quarrying	1	1	1	1	(1)	-
030 Manufacturing	33	7	7	7	(5)	-
040 Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050 Water supply	-	-	-	-	-	-
060 Construction	5	2	2	2	(2)	-
070 Wholesale and retail trade	374	3	3	345	(3)	-
080 Transport and storage	1	-	-	1	-	-
090 Accommodation and food service activities	-	-	-	-	-	-
100 Information and communication	116	-	-	90	-	-
110 Financial and insurance activities	-	-	-	-	-	-
120 Real estate activities	65	8	8	24	(6)	-
130 Professional, scientific and technical activities	898	4	4	4	(4)	-
140 Administrative and support service activities	55	-	-	20	-	-
150 Public administration and defence, compulsory social security	-	-	-	-	-	-
160 Education	-	-	-	-	-	-
170 Human health services and social work activities	40	-	-	22	-	-
180 Arts, entertainment and recreation	-	-	-	-	-	-
190 Other services	-	-	-	-	-	-
200 Total	1,588	25	25	516	(21)	-

NWM Plc						
	a	b	c	d	e	f
	Gross carrying amount £m	Of which: Non-performing £m	Of which: Defaulted £m	Of which: Loans and advances subject to impairment £m	Accumulated impairment £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
31 December 2022						
010 Agriculture, forestry and fishing	-	-	-	-	-	-
020 Mining and quarrying	20	19	19	20	(2)	-
030 Manufacturing	86	8	8	54	(5)	-
040 Electricity, gas, steam and air conditioning supply	22	-	-	22	-	-
050 Water supply	-	-	-	-	-	-
060 Construction	4	2	2	2	(2)	-
070 Wholesale and retail trade	39	3	3	32	(3)	-
080 Transport and storage	2	1	1	2	(1)	-
090 Accommodation and food service activities	-	-	-	-	-	-
100 Information and communication	50	-	-	45	-	-
110 Financial and insurance activities	-	-	-	-	-	-
120 Real estate activities	160	48	48	82	(5)	(6)
130 Professional, scientific and technical activities	22	4	4	4	(4)	-
140 Administrative and support service activities	24	-	-	21	(1)	-
150 Public administration and defence, compulsory social security	13	-	-	13	-	-
160 Education	-	-	-	-	-	-
170 Human health services and social work activities	30	1	1	23	(1)	-
180 Arts, entertainment and recreation	1	-	-	-	-	-
190 Other services	-	-	-	-	-	-
200 Total	473	86	86	320	(24)	(6)

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

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

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

NWM Plc															
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantees received		
	Of which:	Of which:		Of which:	Of which:		Of which:	Of which:		Of which:	Of which:		Accumulated partial write-off	On performing exposures	On non-performing exposures
	Total	Stage 1	Stage 2	Total	Stage 2	Stage 3	Total	Stage 1	Stage 2	Total	Stage 2	Stage 3			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2023															
005 Cash balances at central banks and other demand deposits	9,017	9,017	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
010 Loans and advances	17,608	17,126	436	25	-	25	(13)	(11)	(2)	(20)	-	(20)	-	2,002	3
020 <i>Central banks</i>	487	487	-	-	-	-	-	-	-	-	-	-	-	-	-
030 <i>General governments</i>	620	617	-	-	-	-	-	-	-	-	-	-	-	-	-
040 <i>Credit institutions</i>	2,383	2,383	-	-	-	-	(2)	(2)	-	-	-	-	-	238	-
050 <i>Other financial corporations</i>	12,555	12,146	408	-	-	-	(10)	(9)	(1)	-	-	-	-	1,642	-
060 <i>Non-financial corporations</i>	1,563	1,493	28	25	-	25	(1)	-	(1)	(20)	-	(20)	-	122	3
070 <i>Of which: SMEs</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080 <i>Households</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090 Debt securities	13,511	13,401	109	-	-	-	(10)	(6)	(4)	-	-	-	-	-	-
100 <i>Central banks</i>	115	115	-	-	-	-	-	-	-	-	-	-	-	-	-
110 <i>General governments</i>	2,943	2,943	-	-	-	-	-	-	-	-	-	-	-	-	-
120 <i>Credit institutions</i>	478	478	-	-	-	-	-	-	-	-	-	-	-	-	-
130 <i>Other financial corporations</i>	9,975	9,865	109	-	-	-	(10)	(6)	(4)	-	-	-	-	-	-
140 <i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	9,964	9,493	471	21	-	21	(3)	(2)	(1)	(2)	-	(2)		242	16
160 <i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 <i>General governments</i>	39	39	-	-	-	-	-	-	-	-	-	-		-	-
180 <i>Credit institutions</i>	358	318	40	-	-	-	-	-	-	-	-	-		-	-
190 <i>Other financial corporations</i>	8,251	8,051	200	-	-	-	(1)	(1)	-	-	-	-		170	-
200 <i>Non-financial corporations</i>	1,316	1,085	231	21	-	21	(2)	(1)	(1)	(2)	-	(2)		72	16
210 <i>Households</i>	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220 Total	50,100	49,037	1,016	46	-	46	(27)	(20)	(7)	(22)	-	(22)	-	2,244	19

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

NWM Plc															
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantees received		
	Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3	Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	14,051	14,051	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
010 Loans and advances	13,774	13,503	228	89	-	49	(13)	(11)	(2)	(30)	-	(24)	-	988	46
020 <i>Central banks</i>	354	354	-	-	-	-	-	-	-	-	-	-	-	-	-
030 <i>General governments</i>	12	8	-	3	-	3	-	-	-	(3)	-	(3)	-	-	-
040 <i>Credit institutions</i>	2,288	2,271	17	-	-	-	(4)	(4)	-	-	-	-	-	3	-
050 <i>Other financial corporations</i>	10,733	10,639	94	-	-	-	(6)	(6)	-	-	-	-	-	858	-
060 <i>Non-financial corporations</i>	387	231	117	86	-	46	(3)	(1)	(2)	(27)	-	(21)	-	127	46
070 <i>Of which: SMEs</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080 <i>Households</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090 Debt securities	10,662	10,661	-	-	-	-	(6)	(6)	-	-	-	-	-	-	-
100 <i>Central banks</i>	104	104	-	-	-	-	-	-	-	-	-	-	-	-	-
110 <i>General governments</i>	4,353	4,353	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
120 <i>Credit institutions</i>	230	230	-	-	-	-	-	-	-	-	-	-	-	-	-
130 <i>Other financial corporations</i>	5,926	5,925	-	-	-	-	(4)	(4)	-	-	-	-	-	-	-
140 <i>Non-financial corporations</i>	49	49	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
150 Off-balance sheet exposures	8,351	7,252	1,099	4	-	4	(2)	(1)	(1)	(3)	-	(3)		231	1
160 <i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 <i>General governments</i>	42	42	-	-	-	-	-	-	-	-	-	-		-	-
180 <i>Credit institutions</i>	519	496	23	-	-	-	-	-	-	-	-	-		-	-
190 <i>Other financial corporations</i>	6,390	6,273	117	-	-	-	-	-	-	-	-	-		90	-
200 <i>Non-financial corporations</i>	1,400	441	959	4	-	4	(2)	(1)	(1)	(3)	-	(3)		141	1
210 <i>Households</i>	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220 Total	46,838	45,467	1,327	93	-	53	(22)	(19)	(3)	(33)	-	(27)	-	1,219	47

(1) The gross NPL ratio for NWM Plc is 0.14% (31 December 2022 – 0.64%). Cash balances at central banks and other demand deposits were excluded from the ratio calculation.

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

UK CR1-A: Maturity of exposures

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

NWM Plc					
	a	b	c	d	e
	Net exposure value				
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
	£m	£m	£m	£m	£m
31 December 2023					
1 Loans and advances	2,549	4,743	9,005	1,303	17,600
2 Debt securities	-	641	4,022	8,838	13,501
3 Total	2,549	5,384	13,027	10,141	31,101

NWM Plc					
	a	b	c	d	e
	Net exposure value				
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
	£m	£m	£m	£m	£m
31 December 2022					
1 Loans and advances	2,211	4,891	5,290	1,428	13,820
2 Debt securities	-	2,969	3,871	3,816	10,656
3 Total	2,211	7,860	9,161	5,244	24,476

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

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

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

		NWM Plc
		a
		Gross carrying amount
		£m
010	Initial stock of non-performing loans and advances at 1 January 2023	89
020	Inflows to non-performing portfolios	17
030	Outflows from non-performing portfolios	(81)
040	Outflows due to write-offs	(4)
050	Outflow due to other situations	(77)
060	Final stock of non-performing loans and advances at 31 December 2023	25

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

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

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

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel probability of defaults. Performing loans are defined as AQ1-AQ9 (where the probability of default (PD) is less than 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. NWM Plc's IFRS 9 provisioning models, which use existing internal ratings based (IRB) models as a starting point, incorporate term structures and forward-looking information. Regulatory conservatism within the IRB models has been removed as appropriate to comply with the IFRS 9 requirement for unbiased ECL estimates.

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

Model build:

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

Model application:

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

IFRS 9 ECL model design principles

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

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

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

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

PD estimates

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.

LGD estimates

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

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

EAD estimates

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

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

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

Governance and post model adjustments

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

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

Significant increase in credit risk (SICR)

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

The framework comprises the following elements:

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

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

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

Annex XVII: Credit risk mitigation

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

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

		NWM Plc				
		a	b	c	d	e
		Unsecured carrying amount £m	Secured carrying amount £m	Of which: secured by collateral £m	Of which: secured by financial guarantees £m	Of which: secured by credit derivatives £m
31 December 2023						
1	Loans and advances	24,283	2,333	1,830	175	-
2	Debt securities	13,501	-	-	-	-
3	Total	37,784	2,333	1,830	175	-
4	<i>Of which: non-performing exposures</i>	2	3	3	-	-
5	<i>Of which: defaulted</i>	-	3	3	-	-

		NWM Plc				
		a	b	c	d	e
		Unsecured carrying amount £m	Secured carrying amount £m	Of which: secured by collateral £m	Of which: secured by financial guarantees £m	Of which: secured by credit derivatives £m
31 December 2022						
1	Loans and advances	26,812	1,058	916	118	-
2	Debt securities	10,656	-	-	-	-
3	Total	37,468	1,058	916	118	-
4	<i>Of which: non-performing exposures</i>	-	59	26	20	-
5	<i>Of which: defaulted</i>	-	59	26	20	-

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

UK CRC: Qualitative disclosure requirements related to CRM techniques

Credit risk mitigation

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

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

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

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

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

NWM Plc mitigates credit risk relating to 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 NWM Plc can identify, locate, and segregate them from other assets on which it does not have a claim. NWM Plc values physical assets in a variety of ways, depending on the type of asset and may rely on balance sheet valuations in certain cases.
- **Receivables** – These are amounts owed to NWM Plc's counterparties by their own customers. Valuation takes into account the quality of the counterparty's receivable management processes and excludes any that are past due.

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

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.

NWM Plc						
	a	b	c	d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
	£m	£m	£m	£m	£m	%
31 December 2023						
1 Central governments or central banks	3,540	-	3,612	-	-	-
2 Regional governments or local authorities	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-
4 Multilateral development banks	680	-	680	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	1,054	337	1,054	139	411	34
7 Corporates	708	695	636	330	232	24
8 Retail	-	-	-	-	-	-
9 Secured by mortgages on immovable property	-	-	-	-	-	-
10 Exposures in default	-	-	-	-	-	-
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	549	-	549	-	1,351	246
16 Other items	1	-	1	-	1	100
17 Total	6,532	1,032	6,532	469	1,995	29

NWM Plc						
	a	b	c	d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
	£m	£m	£m	£m	£m	%
31 December 2022						
1 Central governments or central banks	7,840	-	7,876	18	-	-
2 Regional governments or local authorities	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-
4 Multilateral development banks	202	-	202	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	1,655	458	1,655	211	712	38
7 Corporates	1,184	832	1,148	423	348	22
8 Retail	-	-	-	-	-	-
9 Secured by mortgages on immovable property	-	-	-	-	-	-
10 Exposures in default	-	-	-	-	-	-
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	562	-	562	-	1,387	247
16 Other items	1	-	1	-	1	100
17 Total	11,444	1,290	11,444	652	2,448	20

Annex XXI: Credit risk – IRB approach

UK CR7: IRB approach – Effect on the RWEAs 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.

		NWM Plc	
		a	b
		31 December 2023	
		Pre-credit derivatives RWAs	Actual RWAs
		£m	£m
5	Exposures under AIRB	3,344	3,344
6	Central governments and central banks	331	331
7	Institutions	140	140
8	Corporates	2,873	2,873
8.1	Of which: SME	-	-
8.2	Of which: Specialised lending	-	-
8.3	Of which: Other	2,873	2,873
9	Retail	-	-
9.1	Of which: Secured by real estate SME - Secured by immovable property collateral	-	-
9.2	Of which: Secured by real estate non-SME - Secured by immovable property collateral	-	-
9.3	Of which: Qualifying revolving	-	-
9.4	Of which: Other SME	-	-
9.5	Of which: Other non-SME	-	-
10	Total	3,344	3,344

		NWM Plc	
		a	b
		31 December 2022	
		Pre-credit derivatives RWAs	Actual RWAs
		£m	£m
5	Exposures under AIRB	2,732	2,732
6	Central governments and central banks	324	324
7	Institutions	124	124
8	Corporates	2,284	2,284
8.1	Of which: SME	-	-
8.2	Of which: Specialised lending	-	-
8.3	Of which: Other	2,284	2,284
9	Retail	-	-
9.1	Of which: Secured by real estate SME - Secured by immovable property collateral	-	-
9.2	Of which: Secured by real estate non-SME - Secured by immovable property collateral	-	-
9.3	Of which: Qualifying revolving	-	-
9.4	Of which: Other SME	-	-
9.5	Of which: Other non-SME	-	-
10	Total	2,732	2,732

(1) Rows 1 - 4.2 are not presented as NatWest 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 NatWest Group does not apply the FIRB method. The table excludes counterparty credit risk, securitisations and non-credit obligation assets.

A-IRB		NWM Plc													
		Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWEAs		
		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 exposures 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	8,521	-	-	-	-	-	-	-	-	-	-	-	331	331
2	Institutions	238	-	-	-	-	-	-	-	-	-	-	-	140	140
3	Corporates	13,253	0.02	4.03	4.03	-	0.01	-	-	-	-	0.13	-	2,873	2,873
3.1	Of which: SME	2	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3	Of which: Other	13,251	0.02	4.03	4.03	-	0.01	-	-	-	-	0.13	-	2,873	2,873
4	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Of which: Immovable property SME	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Of which: Immovable property non-SME	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3	Of which: Qualifying revolving	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4	Of which: Other SME	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5	Of which: Other non-SME	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Total	22,012	0.01	2.43	2.42	-	0.01	-	-	-	-	0.08	-	3,344	3,344

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

A-IRB		NWM Plc													
		Credit risk mitigation techniques												Credit risk mitigation methods in the calculation of RWEAs	
		Funded credit protection (FCP)										Unfunded credit protection (UFCP)			
		Total exposures	Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWEA post all CRM assigned to the obligor exposures class	RWEA with substitution effects
		£m	%	%	%	%	%	%	%	%	%	%	£m	£m	
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
6	Specialised lending under the slotting approach	225												137	137
7	Equity Exposures	4												12	12
8	Total	229												149	149

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

A-IRB		NWM Plc											Credit risk mitigation methods in the calculation of RWEAs		
		Credit risk mitigation techniques										Unfunded credit protection (UFCP)			
		Funded credit protection (FCP)													
		Total exposures	Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party				
£m	%	%	%	%	%	%	%	%	%	%	%	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post all CRM assigned to the obligor exposures class	RWA with substitution effects
31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	10,623	-	-	-	-	-	-	-	-	-	0.01	-	324	324
2	Institutions	398	-	-	-	-	-	-	-	-	-	-	-	124	124
3	Corporates	8,526	0.07	13.63	12.78	-	0.85	-	-	-	-	0.80	-	2,284	2,284
3.1	Of which: SME	3	0.59	27.52	27.52	-	-	-	-	-	-	5.19	-	-	-
3.3	Of which: Other	8,523	0.07	13.63	12.78	-	0.85	-	-	-	-	0.80	-	2,284	2,284
4	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Of which: Immovable property SME	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Of which: Immovable property non-SME	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3	Of which: Qualifying revolving	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4	Of which: Other SME	-	-	--	-	-	-	-	-	-	-	-	-	-	-
4.5	Of which: Other non-SME	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Total	19,547	0.03	5.94	5.57	-	0.37	-	-	-	-	0.35	-	2,732	2,732

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

A-IRB		NWM Plc													
		Credit risk mitigation techniques												Credit risk mitigation methods in the calculation of RWEAs	
		Funded credit protection (FCP)										Unfunded credit protection (UFCP)			
		Total exposures	Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWEA post all CRM assigned to the obligor exposures class	RWEA with substitution effects
£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m		
31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n
6	Specialised lending under the slotting approach	447												299	299
7	Equity Exposures	5												14	14
8	Total	452												313	313

Annex XXIII: Specialised lending

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

The table below shows 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

		NWM Plc					
		a	b	c	d	e	f
		Specialised lending: Project finance (slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk-weight	Exposure value	Risk-weighted exposure amount	Expected loss amount
31 December 2023	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	25	20	50%	39	15	-
	Equal to or more than 2.5 years	391	36	70%	422	237	1
Category 2	Less than 2.5 years	2	-	70%	2	1	-
	Equal to or more than 2.5 years	29	3	90%	32	23	-
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	1	-	115%	1	1	-
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	-	-	250%	-	-	-
Category 5	Less than 2.5 years	1	-	-	1	-	-
	Equal to or more than 2.5 years	-	-	-	-	-	1
Total	Less than 2.5 years	28	20		42	16	-
	Equal to or more than 2.5 years	421	39		455	261	2

		NWM Plc					
		a	b	c	d	e	f
		Specialised lending : Project finance (Slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
31 December 2022	Remaining maturity	£m	£m		£m	£m	£m
Category 1	Less than 2.5 years	-	-	50%	22	10	-
	Equal to or more than 2.5 years	107	126	70%	581	316	2
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	22	-	90%	22	15	-
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	1	2	115%	8	9	-
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	19	-	-	20	-	11
Total	Less than 2.5 years	-	-		22	10	-
	Equal to or more than 2.5 years	149	128		631	340	13

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

CR10.2

		NWM Plc					
		a	b	c	d	e	f
		Specialised lending: Income-producing real estate and high volatility commercial real estate (slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk-weight	Exposure value	Risk-weighted exposure amount	Expected loss amount
31 December 2023	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	6	-	50%	6	3	-
	Equal to or more than 2.5 years	6	-	70%	6	4	-
Category 2	Less than 2.5 years	9	-	70%	9	7	-
	Equal to or more than 2.5 years	54	4	90%	58	53	-
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	-	-	115%	-	-	-
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	3	-	250%	3	7	-
Category 5	Less than 2.5 years	7	-	-	7	-	4
	Equal to or more than 2.5 years	3	-	-	3	-	2
Total	Less than 2.5 years	22	-	-	22	10	4
	Equal to or more than 2.5 years	66	4	-	70	64	2

		NWM Plc					
		a	b	c	d	e	f
		Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
31 December 2022	Remaining maturity	£m	£m		£m	£m	£m
Category 1	Less than 2.5 years	-	-	50%	1	-	-
	Equal to or more than 2.5 years	-	-	70%	1	1	-
Category 2	Less than 2.5 years	49	-	70%	50	36	-
	Equal to or more than 2.5 years	39	4	90%	57	50	-
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	-	-	115%	4	5	-
Category 4	Less than 2.5 years	34	-	250%	34	84	3
	Equal to or more than 2.5 years	-	-	250%	-	-	-
Category 5	Less than 2.5 years	41	-	-	41	-	20
	Equal to or more than 2.5 years	4	-	-	4	-	3
Total	Less than 2.5 years	124	-	-	126	120	23
	Equal to or more than 2.5 years	43	4	-	66	56	3

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 predetermined formula set out within the relevant social plans, policies, agreements or local laws. Where local laws require, there is a cap on the maximum amount that can be paid.

Restricted Share Plan (RSP) awards

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

Sharing in Success awards

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

Shareholding requirements

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

Operation

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

Company share plans

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

Operation

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

Criteria for identifying MRTs

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

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

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

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

Personal hedging strategies

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

Risk in the remuneration process

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

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

UK REM A - Remuneration policy for all colleagues continued

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.

NatWest Markets Plc Remuneration Disclosures

Remuneration of Material Risk Takers ('MRTs')

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 349 individuals who have been identified as MRTs for NatWest Markets Plc (NWM).

We have excluded 227 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within NWM, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. Note the numbers in the tables all agree to the underlying source data, but when presented to two decimal places and aggregated, this can result in small rounding differences.

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

NWM has a Performance and Remuneration Committee (NWM RemCo). The NWM RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for NatWest Markets plc.

The key areas of focus for the NWM RemCo includes:

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

The NWM RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWM RemCo met six times in 2023.

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

	NWM NEDs	NWM EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area					Total
					Capital Markets	Sales	Trading	Corporate functions	Control functions	
Fixed remuneration										
Total number of MRTs	5	2	12	103						122
Other senior management - split by business area					1	-	1	6	4	12
Other MRTs - split by business area					24	7	41	2	29	103
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.60	1.76	8.26	44.17	13.00	3.31	22.61	5.07	8.44	54.79
Cash-based	0.60	1.61	7.96	43.90	13.00	3.31	22.04	5.07	8.44	54.07
Share-based	-	0.15	0.30	0.27	-	-	0.57	-	-	0.72
Other instruments or forms										
Variable remuneration										
Total number of MRTs	-	2	12	103						117
Other senior management - split by business area					1	-	1	6	4	12
Other MRTs - split by business area					24	7	41	2	29	103
Total variable remuneration of MRTs	-	1.09	4.35	29.26	10.00	2.67	15.34	2.34	3.26	34.70
Cash-based	-	0.55	2.18	15.23	5.04	1.34	7.90	1.33	1.80	17.95
Of which: deferred cash	-	0.33	1.04	6.53	2.43	0.53	3.62	0.40	0.58	7.89
Share-based (annual bonus)	-	0.55	2.18	14.03	4.96	1.34	7.44	1.01	1.46	16.75
Of which: deferred shares	-	0.33	1.04	6.53	2.43	0.53	3.62	0.40	0.58	7.89
Share-based (RSP awards)	-	-	-	-	-	-	-	-	-	-
Of which: deferred shares	-	-	-	-	-	-	-	-	-	-
Other instruments or forms										
Total remuneration of MRTs	0.60	2.85	12.61	73.43	23.00	5.98	37.95	7.41	11.70	89.49

(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 20 MRTs in respect of performance year 2023. Total remuneration for these individuals in 2023 was £4.94 million, of which £4.49 million was fixed pay and £0.45 million was variable pay.

UK REMA - Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group may be awarded up to 100% of the fixed component (except where local jurisdictions permit a higher or apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2023 was approximately 1 to 0.62. The majority of MRTs were based in the UK.

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

	NWM Plc NEDs	NWM Plc EDs	Other senior management	Other MRTs
Special payments				
Guaranteed awards and sign on awards				
Number of MRTs	-	-	-	-
	£m	£m	£m	£m
Total amount	-	-	-	-
Of which: paid during the financial year that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, paid out during the financial year				
Number of MRTs	-	-	-	1
	£m	£m	£m	£m
Total amount	-	-	-	0.23
Severance payments awarded during the financial year				
Number of MRTs	-	-	-	4
	£m	£m	£m	£m
Total amount	-	-	-	0.78
Of which: paid during the financial year	-	-	-	0.46
Of which: deferred	-	-	-	0.32
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	-	-	-	0.32

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

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

UK REM3 - Outstanding deferred remuneration

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

	Total amount of deferred remuneration awarded for previous performance periods	Of which: due to vest in the financial year	Of which: vesting in subsequent financial years	Amount of performance adjustment to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment to deferred remuneration due to vest in future financial years	Total amount of adjustment during the financial year due to explicit adjustments (2)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention
Deferred and retained remuneration	£m	£m	£m	£m	£m	£m	£m	£m
NWM NEDs - No deferred or retained remuneration held								
NWM EDs								
Cash-based	0.06	0.01	0.04	-	-	-	0.01	-
Shares or equivalent interests	2.19	0.26	1.93	-	-	(0.49)	0.26	0.26
Share-linked or equivalent non-cash instruments								
Other instruments or forms								
Other senior management								
Cash-based	1.01	0.13	0.88	-	-	-	0.13	-
Shares or equivalent interests	4.77	1.62	3.14	-	-	(1.08)	1.62	1.51
Share-linked or equivalent non-cash instruments								
Other instruments or forms								
Other MRTs								
Cash-based	4.53	1.09	3.44	-	-	-	1.09	-
Shares or equivalent interests	16.94	7.57	9.37	-	-	(3.94)	7.57	6.39
Share-linked or equivalent non-cash instruments								
Other instruments or forms								
Total amount	29.49	10.69	18.80	-	-	(5.51)	10.69	8.15

(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	27
€1.5 million to below €2.0 million	8
€2.0 million to below €2.5 million	4
€2.5 million to below €3.0 million	1
€3.0 million to below €3.5 million	-
€3.5 million to below €4.0 million	-
More than €4.0 million	-
Total	40

(1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay (including severance, where applicable).

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