

Abbreviations and acronyms

Acronym	Definition
A	
AT1	Additional Tier 1
AIRB	Advanced Internal Ratings Based
ARA	Annual Report and Accounts
ALCo	Asset and Liability Management Committee
AQ	Asset Quality
AUM	Assets Under Management
AUMA	Assets Under Management and Administration
B	
BBLS	Bounce Back Loan Scheme
BoE	Bank of England
BCBS	Basel Committee on Banking Supervision
BRC	Board Risk Committee
C	
CBILS	Coronavirus Business Interruption Loan Scheme
CLBILS	Coronavirus Large Business Interruption Loan Scheme
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CCP	Central Clearing Counterparty
CCPC	Competition and Consumer Protection Commission
CDs	Certificates of Deposit
CDSs	Credit Default Swaps
CET1	Common Equity Tier 1
CEC	Control Environment Certification
CCR	Counterparty Credit Risk
CCF	Credit Conversion Factor
CCI	Credit Cycle Indices
CI	Credit Institution
CJEU	Court of Justice of the EU
CRE	Commercial Real Estate
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D	
DOIR	Date of Initial Recognition
E	
EEPE	Effective Expected Positive Exposure
EURIBOR	Euro Interbank Offered Rate
EBA	European Banking Authority
ECB	European Central Bank
EC	European Commission
EU	European Union
ECL	Expected Credit Losses
EAD	Exposure at Default
ESG	Environmental, Social and Corporate Governance
F	
FVOCI	Fair Value Through Other Comprehensive Income
FCA	Financial Conduct Authority
FI	Financial Institution
FSCS	Financial Services Compensation Scheme
FVA	Funding Valuation Adjustment
G	
GDP	Gross Domestic Product
H	
HFT	Held-For-Trading
HMT	HM Treasury
HTC	Hold to Collect
HTCS	Hold to Collect or Sell
HQLA	Stock of High Quality Liquid Assets
I	
IRC	Incremental Risk Charge
IPV	Independent Price Verification
IBOR	Interbank Offered Rate
IRRBB	Interest Rate Risk in the Banking Book

Abbreviations and acronyms continued

Acronym	Definition
I	
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Model Approach
IMM	Internal Model Method
IRB	Internal Ratings Based Approach
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
L	
LCR	Liquidity Coverage Ratio
LTV	Loan-to-Value
LIBOR	London Interbank Offered Rate
LGD	Loss Given Default
M	
MFVTPL	Mandatory Fair Value Through Profit or Loss
MRT	Material Risk Taker
MiFID	Markets in Financial Instruments Directive
MTM	Mark-to-Market
MDA	Maximum Distributable Amount
MTNs	Medium Term Notes
MREL	Minimum Requirement for own funds and Eligible Liabilities
MES	Multiple Economic Scenarios
N	
NWB Plc	National Westminster Bank Plc
NWH Group	NatWest Holdings Group
NWH Ltd	NatWest Holdings Limited
NWG	NatWest Group
NWM N.V.	NatWest Markets N.V.
NWM Plc	NatWest Markets Plc
NWMSI	NatWest Markets Securities Inc
NSFR	Net Stable Funding Ratio
NPS	Net Promoter Scores
NTIRR	Non-Traded Interest Rate Risk
NI	Northern Ireland
O	
OTC	Over-the-Counter
OCA	Own Credit Adjustment
P	
PPI	Payment Protection Insurance
PDMR	Persons Discharging Managerial Responsibilities
PFE	Potential Future Exposure
PD	Probability of Default
PMA	Post Model Adjustment
PRA	Prudential Regulation Authority
PSE	Public Sector Entity
PVA	Prudent Valuation Adjustment
Q	
QCCP	Qualifying Central Clearing Counterparty
R	
RBS plc	The Royal Bank of Scotland plc
RoI	Republic of Ireland
RMBS	Residential Mortgage-Backed Securities
RoW	Rest of the World
RPI	Retail Price Index
RFB	Ring-fenced Banking Entities
RFRs	Risk Free Rates
RNIV	Risks not in VaR
RWAs	Risk-Weighted Assets
RWAE	RWA adjusted for the equivalent capital deductions
S	
SEC	Securities and Exchange Commission

Abbreviations and acronyms continued

Acronym	Definition
S	
SEC	Securities and Exchange Commission
SICR	Significant Increase in Credit Risk
SME	Small and Medium-sized Enterprise
SDNY	Southern District of New York
SCRA	Specific Credit Risk Adjustments
S&P	Standard & Poor's
STD	Standardised
SONIA	Sterling Overnight Index Average
SVaR	Stressed Value-at-Risk
SE	Structured Entity
T	
TCFD	Task Force on Climate-related financial Disclosures
TNAV	Tangible net Asset Value
TLAC	Total Loss-Absorbing Capacity
TSR	Total Shareholder Return
U	
UK DoLSub	UK Domestic Liquidity Sub-Group
UKGI	UK Government Investments Limited
UK	United Kingdom
US/USA	United States of America
V	
VaR	Value-at-Risk
SFTs	Securities Financing Transactions

Glossary of terms

Term	Definition
A	
Alpha	In the context of regulatory capital for counterparty credit risk, under the internal model method, alpha is a multiplier applied to the effective expected positive exposure (EPE) to determine the exposure at default. Alpha may be set using an own estimate with a floor of 1.2. It accounts for the extra capital needed for derivatives, compared to loans with the same EPE, to reflect the additional risks.
Arrears	The aggregate of contractual payments due on a debt that has not been met by the borrower. A loan or other financial asset is said to be 'in arrears' when payments have not been made.
Asset Quality (AQ) band	Probability of default banding for all counterparties on a scale of 1 to 10.
Asset-Backed Securities (ABS)	Securities that represent interests in specific portfolios of assets. They are issued by a structured entity following a securitisation. The underlying portfolios commonly comprise residential or commercial mortgages but can include any class of asset that yields predictable cash flows. Payments on the securities depend primarily on the cash flows generated by the assets in the underlying pool and other rights designed to assure timely payment, such as guarantees or other credit enhancements. Collateralised debt obligations, collateralised loan obligations, commercial mortgage-backed securities and residential mortgage-backed securities are all types of ABS.
Assets under management and administration (AUMA)	Comprises both assets under management (AUMs) and assets under administration (AUAs). AUMs comprise assets where the investment management is undertaken by Private Banking on behalf of Private Banking, Retail Banking and C&I customers. AUAs comprise third party assets held on an execution-only basis in custody by Private Banking, Retail Banking and C&I for their customers accordingly, for which the execution services are supported by Private Banking.
B	
Back-testing	Statistical techniques that assess the performance of a model, and how that model performed against historical actuals.
Bank deposits	Money deposited with NatWest Group by banks and recorded as liabilities. They include money-market deposits, securities sold under repurchase agreements, federal funds purchased and other short-term deposits. Deposits received from customers are recorded as customer deposits.
Basel III	Issued by the Basel committee: 'Basel III: A global regulatory framework for more resilient banks and banking systems' and 'Basel III: International framework for liquidity risk measurement, standards and monitoring.'
C	
Capital Requirements Regulation (CRR)	Refer to CRD IV.
Certificates of Deposit (CDs)	Bearer negotiable instruments acknowledging the receipt of a fixed term deposit at a specified interest rate.
Climate and Sustainable Finance Inclusion (CSFF) criteria	Criteria used to determine the assets, activities and companies that are eligible to be counted towards the £100 billion climate and sustainable funding and financing target.
Climate and sustainable funding and financing	Funding and financing for climate and sustainable finance to support transition towards a net-zero, climate resilient and sustainable economy.
Climate Biennial Exploratory Scenario exercise (CBES)	The CBES is a novel Bank of England exercise to explore the resilience of the UK financial system to the physical and transition risks from climate change. The exercise will test the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks and therefore the scale of adjustment that will need to be undertaken in coming decades for the system to remain resilient. The CBES focuses on sizing risks rather than testing firms' capital adequacy or setting capital requirements.
Climate Risk	The risk of financial loss or adverse non-financial impacts associated with climate change and the political, economic and environmental responses to it.
Climate-related risks	Refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g. cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g. sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses and reputational considerations.

Term	Definition
C	
Commentary – adjusted periodically for specific items	NatWest Group and segmental business performance commentary have been adjusted for the impact of specific items such as, FX recycling gains, notable items, litigation and conduct costs.
Commercial Paper (CP)	Unsecured obligations issued by a corporate or a bank directly or secured obligations (asset-backed CP), often issued through a commercial paper conduit, to fund working capital. Maturities typically range from two to 270 days. However, the depth and reliability of some CP markets means that issuers can repeatedly roll over CP issuance and effectively achieve longer term funding. CP is issued in a wide range of denominations and can be either discounted or interest-bearing.
Commercial Paper Conduit	A structured entity that issues commercial paper and uses the proceeds to purchase or fund a pool of assets. The commercial paper is secured on the assets and is redeemed either by further commercial paper issuance, repayment of assets or liquidity drawings.
Commercial Real Estate (CRE)	Freehold and leasehold properties used for business activities. Commercial real estate includes office buildings, industrial property, medical centres, hotels, retail stores, shopping centres, agricultural land and buildings, warehouses, garages etc.
Commodity price risk	The risk that the fair value of a position will alter due to a change in commodity prices.
Common Equity Tier 1 capital (CET1)	The highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding reserves which are restricted or not immediately available, less specified regulatory adjustments.
Compliance risk	The risk that the behaviour towards customers fails to comply with laws, regulations, rules, standards and codes of conduct. Such a failure may lead to breaches of regulatory requirements, organisational standards or customer expectations and could result in legal or regulatory sanctions, material financial loss or reputational damage.
Conduct risk	The risk that the conduct of staff towards customers – or in the markets in which it operates – leads to unfair or inappropriate customer outcomes and results in reputational damage, financial loss or both.
Contractual maturity	The date in the terms of a financial instrument on which the last payment or receipt under the contract is due for settlement.
Cost: income ratio	Total operating expenses less operating lease depreciation divided by total income less operating lease depreciation.
Counterparty credit risk	The risk that a counterparty defaults before the maturity of a derivative or sale and repurchase contract. In contrast to non-counterparty credit risk, the exposure to counterparty credit risk varies by reference to a market factor (e.g. interest rate, exchange rate, asset price).
Coverage	Expected Credit Loss/impairment provisions as a percentage of loans.
Covered bonds	Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.
CRD IV	The European Union has implemented the Basel III capital proposals through the CRR and the CRD, collectively known as CRD IV. CRD IV was implemented on 1 January 2014. The EBA's technical standards are still to be finalised through adoption by the European Commission and implemented within the UK.
Credible Transition Plan (CTP)	During 2021 NatWest Group concluded a credible transition plan (CTP) assessments for oil and gas majors and in scope coal customers. This supported our stated ambition to stop lending and underwriting to companies with more than 15% of activities related to thermal and lignite coal, unless they had a CTP in line with the 2015 Paris Agreement in place by the end of 2021.
Credit Conversion Factor (CCF)	The CCF is an estimate of the proportion of undrawn commitments that will be drawn at the point of default. It is used in determining EAD and reflects the assumption that drawn balance at default might be greater than the current balance.
Credit derivatives	Contractual agreements that provide protection against a credit event on one or more reference entities or financial assets. The nature of a credit event is established by the protection buyer and protection seller at the inception of a transaction, and such events include bankruptcy, insolvency or failure to meet payment obligations when due. The buyer of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence of a credit event. Credit derivatives include credit default swaps, total return swaps and credit swap options.
Credit enhancements	Techniques that improve the credit standing of financial obligations; generally, those issued by a structured entity in a securitisation. External credit enhancements include financial guarantees and letters of credit from third party providers. Internal enhancements include excess spread - the difference between the interest rate received on the underlying portfolio and the coupon on the issued securities; and over-collateralisation – at inception, the value of the underlying portfolio is greater than the securities issued.

Term	Definition
C	
Credit grade	A rating that represents an assessment of the creditworthiness of a customer. It is a point on a scale representing the probability of default of a customer.
Credit risk	The risk of financial loss due to the defect of a customer, or counterparty, to meet its obligation to settle outstanding amounts.
Credit risk mitigation	Reducing the credit risk of an exposure by application of netting, collateral, guarantees and credit derivatives.
Credit spread risk	The risk that customers and counterparties fail to meet their contractual obligation to settle outstanding amounts.
Credit valuation adjustment (CVA) capital charge	The purpose of this charge is to improve the resilience of banks to potential mark-to-market losses associated with deterioration in the creditworthiness of counterparties in non-cleared derivative trades. Under CRR rules, the charge is calculated using either the advanced approach or the standardised approach.
Currency swap	An arrangement in which two parties exchange specific principal amounts of different currencies at inception and subsequently interest payments on the principal amounts. Often, one party will pay a fixed rate of interest, while the other will pay a floating rate (though there are also fixed-fixed and floating-floating currency swaps). At the maturity of the swap, the principal amounts are usually re-exchanged.
Customer deposits	Money deposited with NatWest Group by counterparties other than banks and classified as liabilities and measured at amount it costs under IFRS 9. They include demand, savings and time deposits; securities sold under repurchase agreements; and other short-term deposits. Deposits received from banks are classified as bank deposits.
D	
Date of initial recognition (DOIR)	The reference date used to assess a significant increase in credit risk is as follows. Term lending: the date the facility became available to the customer. Wholesale revolving products: the date of the last substantive credit review (typically annual) or, if later, the date facility became available to the customer. Retail Cards: the account opening date or, if later, the date the card was subject to a regular three-year review or the date of any subsequent limit increases. Current accounts/overdrafts: the account opening date or, if later, the date of initial granting of overdraft facility or of limit increases.
Debt securities	Transferable instruments creating or acknowledging indebtedness. They include debentures, bonds, certificates of deposit, notes and commercial paper. The holder of a debt security is typically entitled to the payment of principal and interest, together with other contractual rights under the terms of the issue, such as the right to receive certain information. Debt securities are generally issued for a fixed term and redeemable by the issuer at the end of that term. Debt securities can be secured or unsecured.
Debt securities in issue	Unsubordinated debt securities issued by NatWest Group. They include commercial paper, certificates of deposit, bonds and medium-term notes.
Deferred tax asset	Income taxes recoverable in future periods as a result of deductible temporary differences (temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods) and the carry-forward of tax losses and unused tax credits.
Deferred tax liability	Income taxes payable in future periods as a result of taxable temporary differences (temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods).
Defined benefit obligation	The present value of expected future payments required to settle the obligations of a defined benefit plan resulting from employee service.
Derivative	A contract or agreement whose value changes with changes in an underlying variable such as interest rates, foreign exchange rates, share prices or indices and which requires no initial investment or an initial investment that is smaller than would be required for other types of contracts with a similar response to market factors. The principal types of derivatives are swaps, forwards, futures and options.
Discontinued operation	A component of NatWest Group that either has been disposed of or is classified as held for sale. A discontinued operation is either: a separate major line of business or geographical area of operations or part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or a subsidiary acquired exclusively with a view to resale.
E	
Economic capital	An internal measure of the capital required by NatWest Group to support the risks to which it is exposed.
Economic hedges	Economic risks whose hedges have not been designated in accordance with IFRS.

Term	Definition
E	
Effective expected positive exposure (EEPE)	A measure used to determine EAD for OTC derivatives under the internal model method. It is calculated as the weighted average of non-decreasing expected positive exposures. The weight of each exposure is calculated as a percentage of total expected exposure over the relevant period. When calculating the minimum capital requirement, the average is taken over the first year.
Effective interest rate method	The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.
Encumbrance	Restricts the asset's transferability until the encumbrance is removed.
Enterprise-wide risk management framework (EWRMF)	The Enterprise-wide risk management framework (EWRMF) is the primary risk governance document within NatWest Group. It is approved by the NatWest Group Board and represents a synopsis of the overall risk management and governance arrangements in place. It sets out NatWest Group's approach to managing risk, applies to everyone in NatWest Group and ensures that processes are in place to facilitate risk management and decision-making across the organisation.
Environmental, social and ethical (ESE) risk framework	A risk framework comprising policies and processes to give us better insight into our customers' activities and address issues of concern to minimise risks to the bank and manage stakeholder expectations. Our ESE risk framework allows NatWest Group to assess and manage the ESE risks facing existing or potential customers to ensure NatWest Group only supports customers that are within NatWest Group's defined risk appetite.
Equity price risk	The risk that the fair value of a position will alter due to a change in equity prices. Equity risk is the risk of changes in the market price of the equities or equity instruments arising from positions, either long or short, in equities or equity-based financial instruments.
Expected credit loss (ECL, an IFRS 9 accounting measure)	The weighted average of credit losses; for modelled portfolios it is the product of the exposure, probability of default at the reporting date and the lifetime loss given default. At initial recognition of a financial asset, an allowance is made for the 12-month expected credit loss (Stage 1), using the probability of default in the first 12 months only. Following a significant increase in credit risk (Stage 2), the expected credit loss is increased to the lifetime probability of default. ECL is applied to financial assets and contractual facilities whose performance is not recognised at fair value through P&L in the income statement.
Expected loss (EL, a regulatory measure)	The product of the regulatory credit exposure, the probability of default over the next 12 months, averaged through an economic cycle, and the downturn loss given default. It is applied to exposures whether performance is recognised in income or reserves. Credit exposures include all financial assets, customer facilities and are subject to regulatory overlays.
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
Exposure at default (EAD)	An estimate of the extent to which the bank will be exposed under a specific facility, in the event of the default of a counterparty. IFRS 9 - expected balance sheet exposure at default. It differs from the regulatory method as follows: It includes the effect of amortisation; and it caps exposure at the contractual limit.
Exposure class	Exposures are assigned to classes defined under CRR, namely article 147 for the advanced IRB approach and article 112 for the standardised approach. This classification is required by the regulatory framework when calculating the capital requirements of banks.
F	
Fair value	The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.
Financial Conduct Authority (FCA)	The statutory body responsible for conduct of business regulation and supervision of UK authorised firms from 1 April 2013. The FCA also has responsibility for the prudential regulation of firms that do not fall within the PRA's scope.
Financial Guarantee contracts	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
Financial Services Compensation Scheme (FSCS)	The UK's statutory fund of last resort for customers of authorised financial services firms. It pays compensation if a firm is unable to meet its obligations. The FSCS funds compensation for customers by raising management expenses levies and compensation levies on the financial services industry.
Forbearance	Forbearance takes place when a concession is made on the contractual terms of a loan in response to a customer's financial difficulties.

Term	Definition
F	
Foreign currency price risk	The risk that the fair value of a position will alter due to a change in foreign exchange rates.
Forward contract	A contract to buy (or sell) a specified amount of a physical or financial commodity, at an agreed price, at an agreed future date.
Funded assets	Total assets less derivatives.
Futures contract	A contract which provides for the future delivery (or acceptance of delivery) of some type of financial instrument or commodity under terms established at the outset. Futures differ from forward contracts in that they are standardised and traded on recognised exchanges and rarely result in actual delivery; most contracts are closed out prior to maturity by acquisition of an offsetting position.
G	
Geographical region	The numbers are reported by country of operation of the obligor, except exposures to governments and individuals which are shown by country of residence. The country of operation is the country where the main operating assets of a legal entity are held, or where its main cash flows are generated, taking account of the entity's dependency on subsidiaries' activities. Rest of the World (RoW) includes exposures to supranational and ocean-going vessels.
GHG Protocol	Comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. The GHG Protocol supplies the world's most widely used GHG accounting standards. (this is from 2021 glossary)
Greenhouse gas (GHG) emissions	GHGs are atmospheric gases that absorb and emit radiation within the thermal infrared range and that contribute to the greenhouse effect and global climate change. Many different GHGs are produced as a result of human activities. The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC) – carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF ₆), and nitrogen trifluoride (NF ₃). NatWest Group calculates its own operational GHG emissions using GHG protocol guidance and an operational control approach. This includes Scope 1 emissions from fluorinated gas losses and fuel combustion in NatWest Group premises/vehicles, Scope 2 emissions from electricity, district heating and cooling and Scope 3 emissions from all upstream emissions including supply chain, business travel, UK and ROI waste, working from home and commuting.
Guarantees	An agreement by a third party to cover the potential loss to NatWest Group should a specified counterparty default on its commitments.
H	
Haircut	A downward adjustment to collateral value to reflect its nature and any currency or maturity mismatches between the collateral and the exposure it secures.
Hedge funds	Pooled investment vehicles that are not widely available to the public; their assets are managed by professional asset managers who participate in the performance of the fund.
Heightened climate-related risk sectors	The NatWest Group lending sectors and portfolios which have currently been identified as potentially most exposed to climate-related physical and transition risks.
I	
Impairment losses	(a) For impaired financial assets measured at amortised cost or FVOCI, impairment losses - the difference between carrying value and the present value of estimated future cash flows discounted at the asset's original effective interest rate - are recognised in profit or loss and the carrying amount of the financial asset reduced by establishing a provision (allowance) (b) For fair value through P&L assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss as an impairment loss.
Income-producing real estate	Comprises real estate exposures that meet the following CRR criteria for specialised lending exposures: (i) the exposure is to an entity that was created specifically to finance and/or operate physical assets; (ii) the contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate; and (iii) the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise. It therefore constitutes a sub-set of NatWest Group's overall exposure to commercial real estate.
Incremental risk charge (IRC)	The IRC model quantifies the impact of rating migration and default events on the market value of instruments with embedded credit risk (in particular, bonds and credit default swaps) that are held in the trading book. It further captures basis risk between different instruments, maturities and reference entities.
Initial Climate transition plan	The initial iteration of our Climate transition plan focuses on the delivery of our 2030 decarbonisation ambitions. This will form the basis for further work on our journey to net zero by 2050 across our financed emissions, Assets under Management and our operational value chain.
Interest rate risk	The risk that a position's fair value will alter due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of a yield curve or in any other interest rate relationship.
Interest rate swap	A contract under which two counterparties agree to exchange periodic interest payments on a predetermined monetary principal, the notional amount.
Internal Capital Adequacy Assessment Process (ICAAP)	NatWest Group's own assessment of the total capital requirements of the Group how it intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

Term	Definition
I	
Internal Liquidity Adequacy Assessment Process (ILAAP)	NatWest Group's own assessment of its liquidity and funding risks, how it intends to mitigate those risks and how much current and future liquidity is necessary having considered other mitigating factors.
Internal funding of trading business	The internal funding of the trading book comprises net banking book financial liabilities that fund financial assets in NatWest Group's trading portfolios. Interest payable on these financial liabilities is charged to the trading book.
Internal model method (IMM)	In the context of counterparty credit risk, the IMM is the most risk-sensitive and sophisticated approach to calculating EAD out of the three methods available under CRR. Under the IMM firms may use their internal model which should be aligned to the firm's internal risk management practices. EAD is calculated as the product of alpha and EPE.
International Accounting Standards Board (IASB)	The independent standard-setting body of the IFRS Foundation. Its members are responsible for the development and publication of International Financial Reporting Standards (IFRSs) and for approving Interpretations of IFRS as developed by the IFRS Interpretations Committee.
International Swaps and Derivatives Association (ISDA) master agreement	A standardised contract developed by ISDA for bilateral derivatives transactions. The contract grants legal rights of set-off for derivative transactions with the same counterparty.
Investment grade	Generally represents a risk profile similar to a rating of BBB-/Baa3 or better, as defined by independent rating agencies.
K	
Key management	The Directors of the company and Persons Discharging Managerial Responsibilities (PDMRs) of NatWest Group plc.
L	
Level 1	Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Level 2 fair value measurements use inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.
Level 3	Level 3 fair value measurements use one or more unobservable inputs for the asset or liability.
Leverage ratio	A measure prescribed under Basel III. It is the ratio of Tier 1 capital to total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and generally follow the accounting measure of exposure.
Liquidity and funding risk	The risk that NatWest Group is unable to meet its financial liabilities when they fall due.
Liquidity coverage ratio (LCR)	The ratio of the stock of high-quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, central bank eligible.
Loan impairment provisions	IFRS 9 – loan impairment provisions are established on an expected loss (forward looking) basis on financial assets. It has four components: Individually assessed loan impairment provisions, modelled Stage 3, modelled Stage 2 Lifetime ECL and modelled Stage 1–12-month ECL.
Loan : deposit ratio	Net customer loans held at amortised cost divided by total customer deposits.
Loans to Banks – Amortised cost	Amortised assets - Money lent by NatWest Group and can include nostro/vostro accounts, reverse repurchase agreements, notice balances with central banks, other loans and amounts receivable under finance leases to a bank. These assets are in a hold to collect business model whose aim is to solely collect principal and interest in accordance with IFRS 9.
Loans to Customers – Amortised cost	Amortised assets - Money lent by NatWest Group and can include mortgages, credit card receivables, other loans, reverse repurchase agreements, and amounts receivable under finance leases to a customer who are not banks. These assets are in a hold to collect business model whose aim is to solely collect principal and interest in accordance with IFRS 9.
London Interbank Offered Rate (LIBOR)	The benchmark interest rate at which banks can borrow funds from other banks in the London interbank market.
Loss given default (LGD)	A current assessment of the amount that will be recovered in the event of default, taking account of future conditions. It may occasionally equate to the regulatory view albeit with conservatism and downturn assumptions generally removed.
LREQ firm	LREQ firm means a firm or CRR consolidation entity to which the minimum requirements of the Leverage Ratio – Capital Requirements and Buffers Part of the PRA Rulebook applies.
M	
Maximum distributable amount (MDA)	A restriction on distributions which may be made by a bank which does not meet the combined buffer requirements as set out in the PRA Supervisory Statement SS6/14 'Implementing CRD IV: capital buffers.
Minimum capital requirements (MCR)	The minimum amount of regulatory capital that a financial institution must hold to meet the Pillar 1 requirements for credit, market and operational risk.
Minimum requirement for own funds and eligible liabilities (MREL)	Tier 1 and Tier 2 capital plus specific loss absorbing instruments, including senior notes, that may be used to cover certain gone concern requirements in the EU.

Term	Definition
M	
Model risk	The risk that a model is specified incorrectly (not achieving the objective for which it is designed), implemented incorrectly (an error in translating the model specification into the version actually used), or being used incorrectly (correctly specified but applied inappropriately).
Model Risk Management	Performs independent model validation for material models where necessary.
Mortgage-backed securities	Asset-backed securities for which the underlying asset portfolios are loans secured on property. See Residential mortgage-backed securities and Commercial mortgage-backed securities.
Multiple economic scenarios (MES)	Retail: the selection of a central base case economic prediction, with two upside and two downside scenarios around this point. Wholesale: uses the same base scenario but adopts Monte simulations.
N	
Net interest income	The difference between the interest NatWest Group earns from its interest-bearing assets, such as loans, balances with central banks and other financial assets, and the interest paid on its interest-bearing liabilities, such as deposits and subordinated liabilities.
Net interest margin (NIM)	Net interest income of the banking business as a percentage of interest-earning assets of the banking business.
Net stable funding ratio (NSFR)	The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. Available stable funding includes items such as equity capital, preferred stock with a maturity of over one year and liabilities with an assessed maturity of over one year.
Netting	The process by which the value of assets due from given counterparty is offset by the value of liabilities due to the same counterparty, subject to certain conditions and presented net on the balance sheet reducing the exposure of one party to the other to the difference between the two.
Net-zero carbon	While there was previously no standard definition of net zero, NatWest Group has historically defined this as a state where no incremental greenhouse gases are added to the atmosphere, with remaining emissions output being balanced by the removal of carbon from the atmosphere. As part of COP26, the SBTi released the world's first net zero framework which encapsulates the full value chain of Scope 3 and deep decarbonisation targets. To support our Group commitments to the Net Zero Banking Alliance and SBTi, we are now aligning our definition of net zero with the framework.
Non-performing loans	Loans classified as Stage 3 (IFRS 9). They have a 100% probability of default and have been assigned an AQ10 internal credit grade.
Non-traded market risk	The risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.
Non-trading book	Positions, exposures, assets and liabilities that are not in the trading book. It is also referred to as "banking book".
O	
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. It arises from day-to-day operations and is relevant to every aspect of the business.
Option	An option is a contract that gives the holder the right but not the obligation to buy (or sell) a specified amount of an underlying physical or financial commodity, at a specific price, at an agreed date or over an agreed period. Options can be exchange-traded or traded over-the-counter.
Over-the-counter (OTC) derivatives	Derivatives with tailored terms and conditions negotiated bilaterally, in contrast to exchange traded derivatives that have standardised terms and conditions.
Own credit adjustment (OCA)	The effect of the NatWest Group's own credit standing on the fair value of financial liabilities.
P	
Past due	A financial asset such as a loan is past due when the counterparty has failed to make a payment when contractually due.
Partnership for Carbon Accounting Financials (PCAF)	Global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments. (this is from 2021 glossary).
Pension risk	The risk caused by contractual or other liabilities to, or with respect to, a pension scheme (whether established for its employees or those of a related company or otherwise).
Pillar 1	The part of CRD IV that sets out the process by which regulatory capital requirements should be calculated for credit, market and operational risk.

Term	Definition
P	
Pillar 2	Pillar 2 is intended to ensure that firms have adequate capital to support all the relevant risks in their business and is divided into capital held against risks not captured or not fully captured by the Pillar 1 regulations (Pillar 2A) and risks to which a firm may become exposed over a forward-looking planning horizon (Pillar 2B). Capital held under Pillar 2A, in addition to the Pillar 1 requirements, is the minimum level of regulatory capital a bank should maintain at all times to cover adequately the risks to which it is or might be exposed, and to comply with the overall financial adequacy rules. Pillar 2B is a capital buffer which helps to ensure that a bank can continue to meet minimum requirements during a stressed period, and is determined by the PRA evaluating the risks to which the firm may become exposed (e.g. due to changes to the economic environment) during the supervisory review and evaluation process. All firms will be subject to a PRA buffer assessment and the PRA will set a PRA buffer only if it judges that the CRD IV buffers are inadequate for a particular firm given its vulnerability in a stress scenario, or where the PRA has identified risk management and governance failings, which the CRD IV buffers are not intended to address.
Pillar 3	The part of CRD IV that sets out the information banks must disclose about their risks, the amount of capital required to absorb them, and their approach to risk management. The aim is to strengthen market discipline.
Point-in-time	An assessment of PD or a rating system based on a view of a counterparty's current rather than future financial situation given economic conditions. This differs from a through-the-cycle approach, which considers performance over the duration of an economic cycle.
Potential future exposure	A measure of counterparty risk/credit risk. It is calculated by evaluating existing trades done against the possible market prices in future during the lifetime of the transactions.
Private equity	Equity investments in operating companies not quoted on a public exchange. Capital for private equity investment is raised from retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.
Probability of default (PD)	The likelihood of default assessed on the prevailing economic conditions at the reporting date (point in time), adjusted to consider estimates of future economic conditions that are likely to impact the risk of default; it will not equate to a long run average.
Prudential Regulation Authority (PRA)	The statutory body responsible for the prudential supervision of banks, building societies, insurers and a small number of significant investment firms in the UK. The PRA is a subsidiary of the Bank of England.
R	
Regulatory capital	The amount of capital that NatWest Group holds, determined in accordance with rules established by the PRA for the consolidated Group and by local regulators for individual Group companies.
Repurchase agreement (Repo)	Refer to Sale and repurchase agreements.
Reputational risk	The threat to public image from a failure to meet stakeholders' expectations in relation to performance, conduct or business profile. Stakeholders include customers, investors, employees, suppliers, government, regulators, special interest and consumer groups, media and the general public.
Residential mortgage	A loan to purchase a residential property where the property forms collateral for the loan. The borrower gives the lender a lien against the property and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.
Residential mortgage backed securities (RMBS)	Asset-backed securities for which the underlying asset portfolios are residential mortgages. NatWest Group RMBS classifications, including prime, non-conforming and sub-prime, reflect the characteristics of the underlying mortgage portfolios. RMBS are classified as prime RMBS where the loans have low default risk and are made to borrowers with good credit records and reliable payment histories and there is full documentation. Non-conforming RMBS include US Alt-A RMBS, together with RMBS in jurisdictions other than the US where the underlying mortgages are not classified as either prime or sub-prime. Classification of RMBS as subprime or Alt-A is based on Fair Isaac Corporation (FICO) scores, level of documentation and loan-to-value ratios of the underlying mortgage loans. US RMBS are classified as sub-prime if the mortgage portfolio comprises loans with FICO scores between 500 and 650 with full or limited documentation. Mortgages in Alt-A RMBS portfolios have FICO scores of 640 to 720, limited documentation and an original LTV of 70% to 100%. In other jurisdictions, RMBS are classified as sub-prime if the mortgage portfolio comprises loans with one or more high risk characteristics such as: unreliable or poor payment histories; high loan-to-value ratios; high debt-to-income ratio; the loan is not secured on the borrower's primary residence; or a history of delinquencies or late payments on the loan.
Residual maturity	The remaining time in years that a borrower is permitted to take to fully discharge their contractual obligation (principal, interest and fees) under the terms of a loan agreement.
Return on equity	Profit attributable to ordinary shareholders divided by average shareholders' equity as a percentage.
Return on tangible equity	Annualised profit for the period attributable to ordinary shareholders divided by average tangible equity. Average tangible equity is total equity less intangible assets and other owners' equity.
Reverse repurchase agreement (Reverse repo)	The reverse of a sales and prepurchase agreement; a reversed purchase of securities under an agreement to sell them in the near future at a higher price (a form of short-term borrowing).

Term	Definition
R	
Risk and Control Assessment (RCA)	Risk and Control Assessment is used to identify and measure operational and conduct risks faced by the bank in order to facilitate the effective management of risks within risk appetite.
Risk appetite	An expression of the maximum level of risk that NatWest Group is prepared to accept to deliver its business objectives.
Risk-weighted assets (RWAs)	Assets adjusted for their associated risks using weightings established in accordance with the CRD IV as implemented by the PRA. Certain assets are not weighted but deducted from capital.
RWA density	RWAs as a percentage of EAD post CRM.
S	
Securitisation	A process by which assets or cash flows are transformed into transferable securities. The underlying assets or cash flows are transferred by the originator or an intermediary, typically an investment bank, to a structured entity which issues securities to investors. Asset securitisations involve issuing debt securities (asset-backed securities) that are backed by the cash flows of income-generating assets (ranging from credit card receivables to residential mortgage loans).
Securitisation position	Refers to any exposures NatWest Group may have to a securitisation. These include not only the securities issued by an SSPE, but also loans, liquidity facilities and derivatives transacted with an SSPE.
Securitised exposure	An asset, or a pool of assets, that has been securitised, via either a traditional securitisation or a synthetic securitisation. See traditional securitisation and synthetic securitisation below.
Settlement balances	Payables and receivables that result from purchases and sales of financial instruments recognised on trade date. Asset settlement balances are amounts owed to NatWest Group in respect of sales and liability settlement balances are amounts owed by NatWest Group in respect of purchases.
Significant increase in credit risk (SICR)	A framework incorporating both quantitative and qualitative measures aligned to the Group's current risk management framework has been established. Credit deterioration will be a management decision, subject to approval by governing bodies such as the Group Provisions Committee. The staging assessment requires a definition of when a SICR has occurred; this moves the loss calculation for financial assets from a 12-month horizon to a lifetime horizon. Management has established an approach that is primarily informed by the increase in lifetime probability of default, with additional qualitative measures to account for assets where PD does not move, but a high-risk factor is determined.
Standardised approach	A method used to calculate credit risk capital requirements under Pillar 1. In this approach the risk weights used in the capital calculation are determined by regulators. For operational risk, capital requirements are determined by multiplying three years' historical gross income by a percentage determined by the regulator. The percentage ranges from 12 to 18%, depending on the type of underlying business being considered.
Streamlined Energy and Carbon Reporting (SECR)	Reporting of emissions sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
Stress testing	A technique used to evaluate the potential effects on an institution's financial condition of an exceptional but plausible event and/or movement in a set of financial variables.
Stressed value-at-risk (SVaR)	A VaR measure using historical data from a one-year period of stressed market conditions. For the purposes of calculating regulatory SVaR, a time horizon of ten trading days is assumed at a confidence level of 99%. Refer also to Value-at-risk below.
Structured entity (SE)	An entity that has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. SEs are usually established for a specific, limited purpose, they do not carry out a business or trade and typically have no employees. They take a variety of legal forms - trusts, partnerships and companies - and fulfil many different functions.
Subordinated liabilities	Comprised of liabilities in respect of which there is a contractual obligation that, in the event of winding up or bankruptcy, they are to be repaid only after the claims of other creditors have been met'. This includes all subordinated liabilities, whether or not a ranking has been agreed between the subordinated creditors concerned.
Supervisory slotting approach	A method of calculating regulatory capital, specifically for lending exposures in project finance and income producing real estate, where the PD estimates do not meet the minimum internal ratings-based standards. Under this approach, NatWest Group classifies exposures from 1 to 5, where 1 is strong and 5 is default. Specific risk-weights are assigned to each classification.
T	
Tangible net asset value (TNAV)	Tangible equity divided by the number of ordinary shares in issue. Tangible equity is ordinary shareholders' interest less intangible assets.
Through-the-cycle	PD models that reflect a long run average view of default levels. Also refer to point-in-time.

Term	Definition
T	
Tier 1 capital	A component of regulatory capital, comprising Common Equity Tier 1 and Additional Tier 1. Additional Tier 1 capital includes eligible non-common equity capital securities and any related share premium. Under Basel III, Tier 1 capital comprises Core Tier 1 capital plus other Tier 1 securities in issue, less certain regulatory deductions.
Tier 2 capital	Qualifying subordinated debt and other Tier 2 securities in issue, eligible collective impairment provisions less certain regulatory deductions.
Traded market risk	The risk arising from changes in fair value on positions, assets, liabilities or commitments in trading portfolios as a result of fluctuations in market prices.
Trading assets	A financial asset that is acquired or incurred principally for the purposes of selling or repurchasing it in the near term: on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivative assets are shown separately on the balance sheet.
Trading book	A trading book consists of positions in financial instruments and commodities held either with the intent to trade, or in order to hedge other elements of the trading book. To be eligible for trading book capital treatment, financial instruments must either be free of any restrictive covenants on their tradability, or able to be hedged.
Trading liabilities	A financial liability that is acquired or incurred principally for the purposes of selling or repurchasing it in the near term: on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivative liabilities are shown separately on the balance sheet.
Traditional securitisation	Securitisation in which the originator transfers ownership of the underlying exposure(s) to an SSPE, putting the asset(s) beyond the reach of the originator and its creditors.
Transaction Acceptance Standards (TAS)	Sectorial lending standards that set out both mandatory metrics that must be adhered to as well as additional structuring guidance.
U	
Undrawn commitments	Assets/liabilities that have been committed but the transaction has not yet been finalised. In terms of credit risk, these are obligations to make loans or other payments in the future.
V	
Value-at-risk (VaR)	A technique that produces estimates of the potential loss in the market value of a portfolio over a specified time period at a given confidence level.
W	
Wholesale funding	Wholesale funding comprises Deposits by banks, Debt securities in issue and Subordinated liabilities.
Write-down	A reduction in the carrying value of an asset to record a decline in its fair value or value in use.
Write-off	A reduction in the value of an asset when there is no realistic prospect of recovery. This can also include the recognition of expenses required to produce an income.
Wrong-way risk	The risk of loss when the risk factors driving the exposure to a counterparty or customer are positively correlated with the creditworthiness of that counterparty i.e. the size of the exposure increases at the same time as the risk of the counterparty or customer being unable to meet that obligation, increases.