



NatWest  
Group

# National Westminster Bank Plc

A thick, horizontal orange brushstroke underline is positioned directly beneath the company name.

**2022 Pillar 3 Report**

Contents	Page
Attestation statement	3
Presentation of information	4
<b>Annex I: Key metrics and overview of risk weighted assets</b>	
Key points	5
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	6
UK KM1: Key metrics template	7
UK OV1: Overview of risk weighted exposure amounts	8
UK OVC: ICAAP information	8
UK CR8: RWA flow statement of credit risk exposures under the IRB approach	9
<b>Annex VII: Capital</b>	
UK CC1: Composition of regulatory own funds	10
UK CC2: reconciliation of regulatory own funds to balance sheet in the audited financial statements	14
TLAC2: Creditor ranking - Entity that is not a resolution entity	15
<b>Annex IX: Countercyclical capital buffers</b>	
UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	16
UK CCyB2: Amount of institution-specific countercyclical capital buffer	17
<b>Annex XI: Leverage</b>	
UK LR1: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	18
UK LR2: LRCom: Leverage ratio common disclosure	20
UK LR3: LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	22
UK LRA: Disclosure of LR qualitative information	22
<b>Annex XV: Credit risk quality</b>	
UK CQ1: Credit quality of forborne exposures	23
UK CQ3: Credit quality of performing and non-performing exposures by past due days	24
UK CQ4: Quality of non-performing exposures by geography	25
UK CQ5: Credit quality of loans and advances by industry	26
UK CR1: Performing and non-performing exposures and related provisions	27
UK CR1-A: Maturity of exposures	28
UK CR2: Changes in the stock of non-performing loans and advances	28
UK CRB: Additional disclosure related to the credit quality of assets	28
<b>Annex XVII: Credit risk mitigation</b>	
UK CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	31
UK CRC: Qualitative disclosure requirements related to CRM techniques	32
<b>Annex XIX: Credit risk - standardised approach</b>	
UK CR4: standardised approach – Credit risk exposure and CRM effects	33
<b>Annex XXI: Credit risk - IRB approach</b>	
UK CR7: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques	34
UK CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques	35
<b>Annex XXIII: Specialised lending</b>	
UK CR10: Specialised lending and equity exposures under the simple risk-weighted approach	37
<b>Annex XXXIII: Remuneration</b>	
UK REM A - Remuneration policy for all colleagues	38
Remuneration of Material Risk Takers (MRTs) – National Westminster Bank Plc	41
UK REM1 and UK REM5 - Total remuneration awarded to 'MRTs for the financial year	41
UK REM2 - Guaranteed awards (including 'sign-on' awards) and severance payments	42
UK REM3 - Outstanding deferred remuneration	43
UK REM4 - Total remuneration by band for all colleagues earning >€1million	43

## Attestation statement

We confirm that the 2022 Pillar 3 Report meets the relevant requirements for Pillar 3 disclosures and has been prepared in line with the internal control agreed by the NatWest Holding Group Board.

As set out in the Compliance report of the 2022 NatWest Group Annual Report and Accounts, the NatWest Group Board is responsible for the system of internal controls that is designed to maintain effective and efficient operations, compliant with applicable laws and regulations. The system of internal control is designed to manage risk or mitigate it to an acceptable residual level rather than eliminate it entirely. Systems of internal control can only provide reasonable and not absolute assurance against misstatement, fraud or loss.

The 2022 Pillar 3 Report was approved by the NatWest Holdings Group Board on 16 February 2023.

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

Bruce Fletcher  
Group Chief Risk Officer  
Member, Executive Committee

## Presentation of information

This document presents the Pillar 3 disclosures for National Westminster Bank Plc (NWB Plc) as at 31 December 2022. It should be read in conjunction with the 2022 NatWest Holdings Group Pillar 3 report and NWB Plc's 2022 Annual Report & Accounts (ARA), which are published in the same location at: [investors.natwestgroup.com/reports-archive/2022](https://investors.natwestgroup.com/reports-archive/2022)

NWB Plc is incorporated in the United Kingdom and is a wholly-owned subsidiary of NatWest Holdings Limited ('NWH Ltd'). NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

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

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

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

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

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

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

Certain fixed-format disclosure tables include bespoke requirements for comparatives. Where the requirements do not prescribe a particular comparative, the comparative selected is 31 December 2021. Where applicable, comparatives have not been provided for first-time disclosures.

A subset of the Pillar 3 templates that are required to be disclosed were not applicable to NWB Plc at 31 December 2022 and have therefore not been included in this report. Where appropriate, certain qualitative disclosures are provided in the NatWest Holdings Group Pillar 3 report. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

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

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

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

For definitions of terms, refer to the Glossary available on [natwestgroup.com](https://natwestgroup.com).

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

## Key points

### CET1 ratio



The CET1 ratio decreased by 480 basis points to 11.3%. The decrease was due to a £26.2 billion increase in RWAs and a £1.2 billion decrease in CET1 capital.

The CET1 decrease was mainly driven by:

- foreseeable dividend accrual of £0.9 billion;
- dividends paid £2.3 billion;
- adjustment for pension trusts £0.4 billion;
- the removal of adjustment for prudential amortisation on software development costs of £0.4 billion and an increase in intangible assets capital deduction £0.4 billion;

These reductions were partially offset by the £3.3 billion profit attributable to ordinary shareholders in the period.

### RWAs



Total RWAs increased by £26.2 billion to £112.4 billion mainly reflecting an increase in credit risk RWAs. This was primarily due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022, in addition to increased exposures within Commercial & Institutional and Retail Banking. This was partially offset by improved credit risk metrics within Commercial & Institutional.

### UK leverage



The leverage ratio at 31 December 2022 was 4.4% and was calculated in accordance with changes to the UK's leverage ratio framework. As at 31 December 2021, the UK leverage ratio was 4.8%, which was calculated under the prior year's UK leverage methodology. The key driver of the decrease is a £1.1 billion decrease in Tier 1 capital.

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

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

		NWB Plc				
		31 December 2022 £m	30 September 2022 £m	30 June 2022 £m	31 March 2022 £m	31 December 2021 £m
<b>Available capital (amounts) - transitional</b>						
1	Common equity tier 1	<b>12,713</b>	12,437	12,335	13,802	13,924
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>12,432</b>	12,183	12,127	13,541	13,495
3	Tier 1 capital	<b>14,956</b>	14,680	14,591	15,917	16,039
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>14,675</b>	14,426	14,383	15,656	15,610
5	Total capital	<b>17,877</b>	17,719	17,503	18,709	18,945
6	Total capital as if IFRS 9 transitional arrangements had not been applied	<b>17,830</b>	17,764	17,537	18,775	18,770
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	<b>112,428</b>	107,157	106,211	103,987	86,217
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	<b>112,380</b>	107,124	106,180	103,965	86,190
<b>Capital ratios</b>		%	%	%	%	%
9	Common equity tier 1 ratio	<b>11.3</b>	11.6	11.6	13.3	16.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>11.1</b>	11.4	11.4	13.0	15.7
11	Tier 1 ratio	<b>13.3</b>	13.7	13.7	15.3	18.6
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>13.1</b>	13.5	13.5	15.1	18.1
13	Total capital ratio	<b>15.9</b>	16.5	16.5	18.0	22.0
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	<b>15.9</b>	16.6	16.5	18.1	21.8
<b>Leverage ratio (2)</b>						
15	Leverage ratio exposure measure (£m)	<b>341,308</b>	343,343	340,086	338,123	426,681
16	Leverage ratio (%)	<b>4.4</b>	4.3	4.3	4.7	3.8
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	<b>4.3</b>	4.2	4.2	4.6	3.7

(1) The requirement to complete this table until the end of transitional period is based on EBA guidelines (EBA/GL/2018/01) and has been on shored in the UK disclosure framework via a joint Statement of Policy by the Bank of England and the PRA

(2) From 1 January 2022, the leverage metrics for NWB Plc are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

## UK KM1: Key metrics template

The table below provides a summary of the main prudential regulation ratios and measures. Capital ratios and measures are presented on a transitional basis, and therefore include permissible adjustments for the remaining IFRS 9 relief. NWB 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.

		NWB Plc				
		31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021
		£m	£m	£m	£m	£m
<b>Available own funds (amounts)</b>						
1	Common equity tier 1 (CET1) capital	12,713	12,437	12,335	13,802	13,924
2	Tier 1 capital	14,956	14,680	14,591	15,917	16,039
3	Total capital	17,877	17,719	17,503	18,709	18,945
<b>Risk-weighted exposure amounts</b>						
4	Total risk-weighted exposure amount	112,428	107,157	106,211	103,987	86,217
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common equity tier 1 ratio (%)	11.3	11.6	11.6	13.3	16.1
6	Tier 1 ratio (%)	13.3	13.7	13.7	15.3	18.6
7	Total capital ratio (%)	15.9	16.5	16.5	18.0	22.0
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>						
UK 7a	Additional CET1 SREP requirements (%)	1.4	1.2	1.2	1.3	1.5
UK 7b	Additional AT1 SREP requirements (%)	0.5	0.4	0.5	0.4	0.5
UK 7c	Additional Tier 2 SREP requirements (%)	0.7	0.6	0.5	0.6	0.7
UK 7d	Total SREP own funds requirements (%)	10.6	10.2	10.2	10.3	10.7
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%) (1)	0.9	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer (%)					
11	Combined buffer requirement (%)	3.4	2.5	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	14.0	12.7	12.7	12.8	13.2
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	5.4	5.9	5.9	7.5	10.1
<b>Leverage ratio</b>						
13	Total exposure measure excluding claims on central banks	341,308	343,343	340,086	338,123	
14	Leverage ratio excluding claims on central banks (%)	4.4	4.3	4.3	4.7	
<b>Additional leverage ratio disclosure requirements (3)</b>						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
UK 14b	Leverage ratio including claims on central banks (%)					
UK 14c	Average leverage ratio excluding claims on central banks (%)					
UK 14d	Average leverage ratio including claims on central banks (%)					
UK 14e	Countercyclical leverage ratio buffer (%)					
<b>Liquidity coverage ratio (4)</b>						
15	Total high-quality liquid assets (HQLA) (weighted value-average)					
UK 16a	Cash outflows - Total weighted value					
UK 16b	Cash inflows - Total weighted value					
16	Total net cash outflows (adjusted value)					
17	Liquidity coverage ratio (%)					
<b>Net stable funding ratio (4)</b>						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					

(1) The institution-specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures.

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

(3) NWB Plc is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.

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

(5) The following rows are not presented in the table above as not applicable: UK8a, UK9a

## UK OV1: Overview of risk weighted exposure amounts

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

		NWB Plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		31 December 2022	30 September 2022	31 December 2022
		£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	98,731	93,660	7,898
2	Of which: standardised approach	12,865	12,388	1,029
3	Of which: the foundation IRB (FIRB) approach	—	—	—
4	Of which: slotting approach	8,354	7,591	668
UK 4a	Of which: equities under the simple risk-weighted approach	—	—	—
5	Of which: the advanced IRB (AIRB) approach	77,512	73,681	6,201
6	Counterparty credit risk	497	379	40
7	Of which: standardised approach	262	232	21
8	Of which: internal model method (IMM)	—	—	—
UK 8a	Of which: exposures to a CCP	41	33	3
UK 8b	Of which: credit valuation adjustment (CVA)	108	76	9
9	Of which: other counterparty credit risk	86	38	7
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	182	111	15
17	Of which: SEC-IRBA approach	—	—	—
18	Of which: SEC-ERBA (including IAA)	—	—	—
19	Of which: SEC-SA approach	182	111	15
UK 19a	Of which: 1,250%/deduction	—	—	—
20	Position, foreign exchange and commodities risk (market risk)	26	15	2
21	Of which: standardised approach	26	15	2
22	Of which: IMA	—	—	—
UK 22a	Large exposures	—	—	—
23	Operational risk	12,992	12,992	1,039
UK 23a	Of which: basic indicator approach	—	—	—
UK 23b	Of which: standardised approach	12,992	12,992	1,039
UK 23c	Of which: advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (1)	4,561	4,663	365
29	Total	112,428	107,157	8,994

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

## UK OVC: ICAAP information

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

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

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

		NWB Plc
		a
		RWAs £m
1	At 31 December 2021	57,852
2	Asset size	590
3	Asset quality	(127)
4	Model updates	15,948
7	Foreign exchange movements	106
9	<b>At 31 March 2022</b>	<b>74,369</b>
2	Asset size	1,725
3	Asset quality	(1,398)
4	Model updates	(26)
7	Foreign exchange movements	326
8	Other	2,109
9	<b>At 30 June 2022</b>	<b>77,105</b>
2	Asset size	1,553
3	Asset quality	(244)
4	Model updates	(346)
7	Foreign exchange movements	435
9	<b>At 30 September 2022</b>	<b>78,503</b>
2	Asset size	4,025
3	Asset quality	(501)
4	Model updates	1,255
7	Foreign exchange movements	(277)
9	<b>At 31 December 2022</b>	<b>83,005</b>

(1) The following row is not presented in the table because it had zero values for the period: row (6) Acquisitions and disposals.

### Q4 2022

- The uplift in asset size primarily relates to increases in Commercial & Institutional as a result of drawdowns and new facilities. Further uplifts were mainly due to increased exposures in Retail Banking.
- The increase in model updates was primarily due to adjustments as a result of new regulations applicable to IRB models from 1 January 2022.
- The reduction in RWAs related to asset quality primarily relates to customers moving into default and improved risk metrics within Commercial & Institutional. Further decreases are due to improved risk metrics within Commercial & Institutional, partially offset by a deterioration in risk metrics in Retail Banking in the period.
- The decrease in foreign exchange movements was mainly a result of sterling strengthening against the US dollar and euro during the period.

# Annex VII: Capital

## UK CC1: Composition of regulatory own funds

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

		NWB Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
	31 December 2022 £m		31 December 2021 £m
<b>CET1 capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	<b>3,903</b>	3,904
	Of which: ordinary shares	<b>1,678</b>	1,678
	Of which: share premium	<b>2,225</b>	2,226
2	Retained earnings	<b>10,226</b>	10,622
3	Accumulated other comprehensive income (and other reserves)	<b>331</b>	905
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	<b>CET1 capital before regulatory adjustments</b>	<b>14,460</b>	<b>15,431</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	(-) Additional value adjustments	<b>(20)</b>	(12)
8	(-) Intangible assets (net of related tax liability)	<b>(1,458)</b>	(703)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met)	<b>(421)</b>	(541)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	<b>393</b>	2
12	(-) Negative amounts resulting from the calculation of expected loss amounts	<b>(86)</b>	—
13	(-) Any increase in equity that results from securitised assets	—	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	—
15	(-) Defined-benefit pension fund assets	—	—
16	(-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments	—	—
17	(-) Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	—	—
18	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	—	—
19	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	<b>(430)</b>	(607)
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—	—
UK-20b	(-) Of which: qualifying holdings outside the financial sector	—	—
UK-20c	(-) Of which: securitisation positions	—	—
UK-20d	(-) Of which: free deliveries	—	—
21	(-) Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	—	—

## UK CC1: Composition of regulatory own funds continued

		NWB Plc	
		31 December 2022 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation 31 December 2021 £m
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
22	(-) Amount exceeding the 17.65% threshold	—	(73)
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	—	(49)
25	(-) Of which: deferred tax assets arising from temporary differences	—	(24)
UK-25a	(-) Losses for the current financial year	—	—
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items in so far as such tax charges reduce the amount up to which those items may be used to cover risks or losses	—	—
27	(-) Qualifying AT1 deductions that exceed the AT1 items of the institution	—	—
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	275	427
28	Total regulatory adjustments to CET1	(1,747)	(1,507)
29	CET1 capital	12,713	13,924
<b>AT1 capital: instruments</b>			
30	Capital instruments and the related share premium accounts	2,518	2,377
31	Of which: classified as equity under applicable accounting standards	2,518	2,377
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 tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	—
35	Of which: instruments issued by subsidiaries subject to phase out	—	—
36	AT1 capital before regulatory adjustments	2,518	2,377
<b>AT1 capital: regulatory adjustments</b>			
37	(-) Direct, indirect and synthetic holdings by an institution of own AT1 instruments	—	—
38	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	—	—
39	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—
40	(-) Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(275)	(262)
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	(275)	(262)
44	AT1 capital	2,243	2,115
45	Tier 1 capital (T1 = CET1 + AT1)	14,956	16,039

## UK CC1: Composition of regulatory own funds continued

		NWB Plc	
		31 December 2022 £m	31 December 2021 £m
	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation		
<b>T2 capital: instruments</b>			
46	Capital instruments and the related share premium accounts	3,188	3,102
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	—	54
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	—	117
51	T2 capital before regulatory adjustments	3,188	3,273
<b>T2 capital: regulatory adjustments</b>			
52	(-) Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans	—	—
53	(-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	—	—
54	(-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—
55	(-) Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(267)	(367)
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	(267)	(367)
58	T2 capital	2,921	2,906
59	Total capital (TC = T1 + T2)	17,877	18,945
60	Total risk exposure amount	112,428	86,217
<b>Capital ratios and buffers</b>			
61	CET1 (as a percentage of total risk exposure amount)	11.3%	16.1%
62	Tier 1 (as a percentage of total risk exposure amount)	13.3%	18.6%
63	Total capital (as a percentage of total risk exposure amount)	15.9%	22.0%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.3%	8.5%
65	<i>Of which: capital conservation buffer requirement</i>	2.5%	2.5%
66	<i>Of which: counter cyclical buffer requirement</i>	0.9%	0.0%
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	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	5.4%	10.1%

## UK CC1: Composition of regulatory own funds continued

		NWB Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
	31 December 2022 £m		31 December 2021 £m
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2	2
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	1,314	1,411
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)	530	678
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	—
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	161	135
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	—	117
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	516	371
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>			
80	Current cap on CET1 instruments subject to phase out arrangements	—	—
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—	—
82	Current cap on AT1 instruments subject to phase out arrangements	—	29
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	—	123
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.

	NWB Plc		
	As at period end 31 December 2022		
	a	b	
		Under regulatory	
	Balance sheet	scope of	
	as at period end	consolidation	
	as at period end	as at period end	References
	£m	£m	
<b>Assets</b>			
Cash and balances at central banks	73,062	73,062	
Derivatives	4,430	4,430	
Loans to banks - amortised cost	2,870	2,870	
Loans to customers - amortised cost	267,401	267,401	
Other financial assets	14,180	14,180	
Intangible assets	1,458	1,458	(d)
Property, plant and equipment	1,969	1,969	
Current and deferred tax assets	1,435	1,435	
of which: DTAs that rely on future profitability and do not arise from temporary differences	421	421	(e)
Prepayments, accrued income and other assets	779	779	
of which: defined benefit pension fund assets	—	—	(f)
Investment in group undertakings	2,030	2,030	
Amounts due from holding companies and fellow subsidiaries	32,133	32,133	
<b>Total assets</b>	<b>401,747</b>	<b>401,747</b>	
<b>Liabilities</b>			
Bank deposits	16,059	16,059	
Customer deposits	281,558	281,558	
Derivatives	2,582	2,582	
Other financial liabilities	4,525	4,525	(j)
Provisions, deferred income and other liabilities	2,741	2,741	
Current and deferred tax liabilities	2	2	
of which: defined benefit pension scheme assets	—	—	(g)
Subordinated liabilities	191	191	(j)
Notes in circulation	809	809	
Amounts due to holding companies and fellow subsidiaries	75,037	75,037	(j)
<b>Total liabilities</b>	<b>383,504</b>	<b>383,504</b>	
<b>Shareholders' Equity</b>			
Non-controlling interests	—	—	
Owners' equity			
Called up share capital	1,678	1,678	(a)
Reserves	16,565	16,565	
of which: amount eligible for retained earnings	11,491	11,491	(b)
of which: amount eligible for accumulated OCI and other reserves	331	331	(c) & (i)
of which: amount of other equity instruments	2,518	2,518	(h)
of which: share premium accounts	2,225	2,225	(k)
<b>Total shareholders' equity</b>	<b>18,243</b>	<b>18,243</b>	

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

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

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

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

NWB Plc									
Insolvency ranking									
2	Description of insolvency ranking	Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt	
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
2021									
3	Total liabilities and own funds	16,789	—	2,377	—	3,102	202	5,549	—
4	o/w excluded liabilities	—	—	—	—	—	202	—	—
5	Total liabilities and own funds less excluded liabilities	16,789	—	2,377	—	3,102	—	5,549	—
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	16,789	—	2,377	—	3,102	—	5,549	—
7	o/w residual maturity $\geq 1$ year < 2 years	—	—	—	—	—	—	—	—
8	o/w residual maturity $\geq 2$ year < 5 years	—	—	—	—	—	—	1,261	—
9	o/w residual maturity $\geq 5$ years < 10 years	—	—	—	—	2,056	—	4,288	—
10	o/w residual maturity $\geq 10$ years, but excluding perpetual securities	—	—	—	—	346	—	—	—
11	o/w perpetual securities	16,789	—	2,377	—	700	—	—	—

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

# Annex IX: Countercyclical capital buffers

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

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

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

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

	NWB Plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			Total	Risk weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m			Relevant credit risk exposures - Credit risk £m	Relevant credit exposures - Market risk £m	Relevant credit exposures - Securitisation positions in the non trading book £m				
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by country (with existing CCyB rates)													
Norway	171	509	—	—	—	680	21	—	—	21	257	28.00%	2.00%
Denmark	—	96	—	—	—	96	2	—	—	2	27	0.03%	2.00%
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.00%
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	—	1.50%
Great Britain	20,708	277,361	—	—	1,412	299,481	6,458	—	14	6,472	80,899	87.52%	1.00%
Sweden	510	739	—	—	—	1,249	75	—	—	75	935	1.01%	1.00%
Hong Kong	—	57	—	—	—	57	1	—	—	1	15	0.02%	1.00%
Slovakia	—	1	—	—	—	1	—	—	—	—	—	—	1.00%
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Luxembourg	55	490	—	—	—	545	27	—	—	27	337	0.36%	0.50%
Romania	—	2	—	—	—	2	—	—	—	—	—	—	0.50%
Total (countries with existing CCyB rates)	21,444	279,255	—	—	1,412	302,111	6,584	—	14	6,598	82,470	89.22%	

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

	NWB Plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	Relevant credit exposures -					Own fund requirements							
	General credit exposures	Market risk											
	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Securitisation exposures Exposure value for non-trading book £m	Total exposure value £m	Relevant credit risk exposures - Credit risk £m	Relevant credit exposures - Market risk £m	Relevant credit exposures - Securitisation positions in the non trading book £m	Total £m	Risk weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
<b>31 December 2022</b>													
Total (rest of the world with zero CCyB rate and below 1% requirement)													
US	51	6,772	—	—	—	6,823	240	—	—	240	3,004	3.25%	
Germany	62	1,698	—	—	—	1,760	89	—	—	89	1,113	1.21%	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)	113	8,470	—	—	—	8,583	329	—	—	329	4,118	4.45%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	1,174	8,352	—	—	107	9,633	467	—	1	468	5,845	6.32%	
<b>Total</b>	<b>22,731</b>	<b>296,077</b>	<b>—</b>	<b>—</b>	<b>1,519</b>	<b>320,327</b>	<b>7,380</b>	<b>—</b>	<b>15</b>	<b>7,395</b>	<b>92,432</b>	<b>100%</b>	

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

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

- (1) The Financial Policy Committee increased the UK CCyB rate from 0% to 1% effective from 13 December 2022. A further increase from 1% to 2% was announced on 5 July 2022, effective 5 July 2023. In June 2022, the Central Bank of Ireland announced that the CCyB on Irish exposures will increase from 0% to 0.5%, applicable from 15 June 2023. This is the first step towards a gradual increase, which conditional on macro-financial developments, would see a CCyB of 1.5% announced by mid-2023.

# Annex XI: Leverage

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

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

		NWB Plc	
		31 December	30 June
		2022	2022
		£m	£m
1	Total assets as per published financial statements	401,747	428,561
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)	(62,228)	(90,136)
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	(2)	(4)
7	Adjustment for eligible cash pooling transactions	—	—
8	Adjustment for derivative financial instruments	(1,621)	(395)
9	Adjustment for securities financing transactions (SFTs)	2,391	3,184
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	29,621	28,071
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(133)	(54)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(22,080)	(21,329)
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	—	—
12	Other adjustments	(6,387)	(7,812)
13	Total exposure measure	341,308	340,086

## UK LR2 - LRCom: Leverage ratio common disclosure

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

		NWB Plc	
		31 December 2022	30 June 2022
		£m	£m
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	373,593	394,719
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	(3,695)	(2,106)
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))	(2,022)	(2,238)
7	Total on-balance sheet exposures (excluding derivatives, and SFTs)	367,876	390,375
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation)	4,812	3,203
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	—	—
9	Add-on amounts for PFE associated with SA-CCR derivatives transactions	1,692	2,062
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	—	—
UK-9b	Exposure determined under the original exposure method	—	—
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	—	—
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	—	—
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	—	—
11	Adjusted effective notional amount of written credit derivatives	—	—
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	—	—
13	Total derivative exposures	6,504	5,265
<b>Securities financing transaction (SFT) exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	23,341	28,869
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(4,090)	(4,188)
16	Counterparty credit risk exposure for SFT assets	2,391	3,184
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	21,642	27,865
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	94,608	91,929
20	(Adjustments for conversion to credit equivalent amounts)	(64,987)	(63,858)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	(27)	(25)
22	Off-balance sheet exposures	29,594	28,046

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

		NWB Plc	
		31 December 2022 £m	30 June 2022 £m
<b>Excluded exposures</b>			
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(22,080)	(21,329)
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)	(22,080)	(21,329)
<b>Capital and total exposure measure</b>			
23	Tier 1 capital (leverage)	14,956	14,591
24	Total exposure measure including claims on central banks	403,536	430,222
UK-24a	(-) Claims on central banks excluded	(62,228)	(90,136)
UK-24b	Total exposure measure excluding claims on central banks	341,308	340,086
<b>Leverage ratio</b>			
25	Leverage ratio excluding claims on central banks (%)	4.4	4.3
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.3	4.2
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	4.4	4.3
UK-25c	Leverage ratio including claims on central banks (%)	3.7	3.4
26	Regulatory minimum leverage ratio requirement (%) <sup>(1)</sup>		
<b>Additional leverage ratio disclosure requirements - leverage ratio buffers <sup>(1)</sup></b>			
27	Leverage ratio buffer (%)		
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)		
UK-27b	Of which: countercyclical leverage ratio buffer (%)		
<b>Additional leverage ratio disclosure requirements - disclosure of mean values <sup>(1)</sup></b>			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
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		
UK-31	Average total exposure measure excluding claims on central banks		
UK-32	Average total exposure measure including claims on central banks		
UK-33	Average leverage ratio excluding claims on central banks		
UK-34	Average leverage ratio including claims on central banks		

(1) NWB Plc is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.

(2) The prior period values are as at 30 June 2022 to provide a comparable view of the leverage metrics based on the current requirements in the Leverage Ratio (CRR) part of the PRA rulebook.

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

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

		NWB Plc	
		31 December	30 June
		2022	2022
		£m	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	<b>284,248</b>	281,573
UK-2	Trading book exposures	—	—
UK-3	Banking book exposures, of which:	<b>284,248</b>	281,573
UK-4	Covered bonds	<b>4,568</b>	4,130
UK-5	Exposures treated as sovereigns	<b>18,718</b>	26,163
UK-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	<b>3,435</b>	4,362
UK-7	Institutions	<b>4,966</b>	6,061
UK-8	Secured by mortgages of immovable properties	<b>190,209</b>	181,475
UK-9	Retail exposures	<b>13,848</b>	13,111
UK-10	Corporate	<b>39,300</b>	35,372
UK-11	Exposures in default	<b>3,201</b>	2,663
UK-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	<b>6,003</b>	8,236

## 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 2022 is 4.4%, calculated in accordance with current requirements in the Leverage Ratio (CRR) part of the PRA rulebook. The ratio increased by 10 basis points in the period since 30 June 2022. The key driver is a £0.4 billion increase in Tier 1 capital offset by a £1.2 billion increase in leverage exposure predominantly due to increased off balance sheet exposures.

# Annex XV: Credit risk quality

## UK CQ1: Credit quality of forborne exposures

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

		NWB Plc							
		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures £m	Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures £m
		Performing forborne £m	Non-performing forborne £m	Of which: defaulted £m	Of which: impaired £m	On performing forborne exposures £m	On non-performing forborne exposures £m		
31 December 2022									
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	Loans and advances	2,714	1,143	1,049	1,057	(105)	(301)	2,386	688
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	23	—	—	—	—	—	23	—
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	21	28	28	28	(1)	(13)	9	2
060	Non-financial corporations	2,285	455	421	423	(94)	(168)	1,573	170
070	Households	385	660	600	606	(10)	(120)	781	516
080	Debt securities	—	—	—	—	—	—	—	—
090	Loan commitments given	414	104	40	41	(1)	(1)	163	8
100	Total	3,128	1,247	1,089	1,098	(106)	(302)	2,549	696

(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.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
		Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted	
31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	73,936	73,936	—	—	—	—	—	—	—	—	—	—
1	Loans and advances	298,379	297,749	630	3,549	1,824	414	428	421	371	42	49	3,345
2	Central banks	1,275	1,275	—	—	—	—	—	—	—	—	—	—
3	General governments	2,389	2,382	7	22	22	—	—	—	—	—	—	22
4	Credit institutions	14,342	14,342	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	37,735	37,733	2	34	8	23	2	1	—	—	—	34
6	Non-financial corporations	57,862	57,471	391	1,090	644	66	112	114	103	13	38	1,044
7	Of which: SMEs	15,394	15,226	168	600	219	63	103	114	71	12	18	581
8	Households	184,776	184,546	230	2,403	1,150	325	314	306	268	29	11	2,245
9	Debt securities	14,361	14,361	—	—	—	—	—	—	—	—	—	—
10	Central banks	37	37	—	—	—	—	—	—	—	—	—	—
11	General governments	5,912	5,912	—	—	—	—	—	—	—	—	—	—
12	Credit institutions	5,706	5,706	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	2,682	2,682	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	24	24	—	—	—	—	—	—	—	—	—	—
15	Off-balance sheet exposures	94,021			517								361
16	Central banks	—			—								—
17	General governments	554			19								19
18	Credit institutions	6,429			—								—
19	Other financial corporations	9,396			1								1
20	Non-financial corporations	44,414			237								93
21	Households	33,228			260								248
22	Total	480,697	386,046	630	4,066	1,824	414	428	421	371	42	49	3,706

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

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

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

		NWB Plc						
		a	b	c	d	e	f	g
		Gross carrying/ nominal amount £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	<b>On-balance sheet exposures</b>	<b>316,289</b>	<b>3,549</b>	<b>3,345</b>	<b>315,551</b>	<b>(2,380)</b>	—	—
020	<i>UK</i>	<b>292,755</b>	<b>3,435</b>	<b>3,234</b>	<b>292,017</b>	<b>(2,218)</b>	—	—
030	<i>Rol</i>	<b>3,504</b>	<b>1</b>	<b>1</b>	<b>3,504</b>	<b>(7)</b>	—	—
040	<i>Other Western Europe</i>	<b>7,136</b>	<b>31</b>	<b>28</b>	<b>7,136</b>	<b>(71)</b>	—	—
050	<i>US</i>	<b>7,104</b>	—	—	<b>7,104</b>	<b>(43)</b>	—	—
060	<i>Other countries</i>	<b>5,790</b>	<b>82</b>	<b>82</b>	<b>5,790</b>	<b>(41)</b>	—	—
070	<b>Off-balance sheet exposures</b>	<b>94,538</b>	<b>517</b>	<b>361</b>	—	—	<b>(56)</b>	—
080	<i>UK</i>	<b>72,613</b>	<b>298</b>	<b>282</b>	—	—	<b>(47)</b>	—
090	<i>Rol</i>	<b>6,300</b>	—	—	—	—	—	—
100	<i>Other Western Europe</i>	<b>7,841</b>	<b>141</b>	<b>60</b>	—	—	<b>(4)</b>	—
110	<i>US</i>	<b>6,578</b>	<b>59</b>	—	—	—	<b>(5)</b>	—
120	<i>Other countries</i>	<b>1,206</b>	<b>19</b>	<b>19</b>	—	—	—	—
130	<b>Total</b>	<b>410,827</b>	<b>4,066</b>	<b>3,706</b>	<b>315,551</b>	<b>(2,380)</b>	<b>(56)</b>	—

(1) The geographical breakdown disclosed is based on combined on and off-balance sheet exposures and represent greater than 98% of total exposure.

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

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

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

NWB Plc						
	a	b	c	d	e	f
	Gross carrying amount	Of which: non-performing	Of which: defaulted	Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
31 December 2022	£m	£m	£m	£m	£m	£m
010 Agriculture, forestry and fishing	2,366	42	37	2,366	(43)	—
020 Mining and quarrying	178	35	35	178	(27)	—
030 Manufacturing	5,187	111	99	5,187	(76)	—
040 Electricity, gas, steam and air conditioning supply	4,022	1	1	4,022	(17)	—
050 Water supply	2,166	5	4	2,166	(8)	—
060 Construction	3,330	191	190	3,330	(90)	—
070 Wholesale and retail trade	7,541	64	59	7,469	(96)	—
080 Transport and storage	2,688	17	17	2,688	(50)	—
090 Accommodation and food service activities	3,274	96	94	3,274	(109)	—
100 Information and communication	3,924	57	57	3,924	(44)	—
110 Financial and insurance activities	8	—	—	8	—	—
120 Real estate activities	13,282	143	129	13,282	(112)	—
130 Professional, scientific and technical activities	2,779	40	40	2,779	(41)	—
140 Administrative and support service activities	3,210	43	43	3,210	(59)	—
150 Public administration and defence, compulsory social security	136	—	—	136	(1)	—
160 Education	400	5	5	400	(5)	—
170 Human health services and social work activities	2,814	94	88	2,814	(57)	—
180 Arts, entertainment and recreation	1,148	9	9	1,148	(18)	—
190 Other services	499	137	137	499	(25)	—
200 Total	58,952	1,090	1,044	58,880	(878)	—

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

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

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

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

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

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

## UK CR1-A: Maturity of exposures

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

		NWB Plc					
		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year	> 5 years	No stated	Total
31 December 2022		£m	£m	£m	£m	£m	£m
1	Loans and advances	13,616	39,931	52,390	193,616	—	299,553
2	Debt securities	—	813	9,415	4,128	—	14,356
3	Total	13,616	40,744	61,805	197,744	—	313,909

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

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

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

		NWB Plc
		a
		Gross carrying amount
		£m
010	Initial stock of non-performing loans and advances	2,927
020	Inflows to non-performing portfolios	2,874
030	Outflows from non-performing portfolios	(2,252)
040	Outflows due to write-offs	(276)
050	Outflow due to other situations	(1,976)
060	<b>Final stock of non-performing loans and advances</b>	<b>3,549</b>

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

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

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel probability of defaults. Performing loans are defined as AQ1-AQ9 (where the probability of default (PD) is less than 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.

As of January 2022, a new regulatory definition of default for was introduced in line with PRA and EBA guidance. This definition of default was also adopted for IFRS 9.

### Impairment, provisioning and write-offs

In the overall assessment of credit risk, impairment provisioning and write-offs are used as key indicators of credit quality. NWB Plc's IFRS 9 provisioning models, which use existing Basel models as a starting point, incorporate term structures and forward-looking information. Regulatory conservatism within the Basel 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 internal ratings based 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.
- Forward-looking – IFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflect forward-looking economic conditions.

Lifetime measurement – IFRS 9 PD, LGD and EAD are provided as multi-period term structures up to exposure lifetimes instead of over a fixed one-year horizon.

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

### PD estimates

#### Personal models

Personal PD models follow a discrete multi-horizon survival approach, predicting quarterly PDs up to lifetime using account level and forward-looking economic information, with the key driver at account level being scores from related internal ratings based PD models. The current suite of PD models was introduced in 2022 replacing the previous, first-generation suite, based on the Exogenous, Maturity and Vintage (EMV) approach.

#### Wholesale models

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

### LGD estimates

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

#### Personal

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

#### Wholesale

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

### EAD estimates

#### Personal

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

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

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

### Wholesale

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

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

### Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to NWB Plc's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Various post model adjustments were applied where management judged they were necessary to ensure an adequate level of overall ECL provision. All post model adjustments were subject to formal approval through provisioning governance, and were categorised as follows (business level commentary is provided below):

- Deferred model calibrations – ECL adjustments where PD model monitoring indicated that actual defaults were below estimated levels but where it was judged that an implied ECL release was not supportable due to the influence of government support schemes on default levels in the past two years. As a consequence, any potential ECL release was deferred and retained on the balance sheet until modelled ECL levels are affirmed by new model parallel runs or similar analyses.
- Economic uncertainty – ECL adjustments primarily arising from uncertainties associated with increased inflation and cost of living risks as well as supply chain disruption, along with the residual effect of COVID-19 and government support schemes. In all cases, management judged that additional ECL was required until further credit performance data became available as the full effects of these issues matures.
- Other adjustments – ECL adjustments where it was judged that the modelled ECL required to be amended.

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

### Significant increase in credit risk (SICR)

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

The framework comprises the following elements:

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

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

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

# Annex XVII: Credit risk mitigation

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

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

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

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

## UK CRC: Qualitative disclosure

### Requirements related to CRM techniques

#### Credit risk mitigation

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

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

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

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

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

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

#### Wholesale

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

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

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

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

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

#### Personal

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

# Annex XIX: Credit risk – standardised approach

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

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

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

# Annex XXI: Credit risk – IRB approach

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

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

		NWB Plc	
		31 December 2022	
		a	b
		Pre-credit derivatives RWAs £m	Actual RWAs £m
5	Exposures under AIRB	74,728	74,651
6	Central governments and central banks	405	405
7	Institutions	1,893	1,893
8	Corporates	31,163	31,086
8.1	Of which: SME	5,376	5,339
8.2	Of which: specialised lending	—	—
8.3	Of which: Other	25,787	25,747
9	Retail	41,267	41,267
9.1	Of which: secured by real estate SME - secured by immovable property collateral	313	313
9.2	Of which: secured by real estate non-SME - secured by immovable property collateral	27,850	27,850
9.3	Of which: qualifying revolving	4,098	4,098
9.4	Of which: other SMEs	2,728	2,728
9.5	Of which: other non-SME	6,277	6,277
10	Total	74,728	74,651

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

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

A-IRB		NWB Plc														
		Total exposures £m	Credit risk mitigation techniques										Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
			Funded credit protection (FCP)													
			Part of exposures covered by financial collaterals	Part of exposures covered by other eligible collaterals	Part of exposures covered by immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by other physical collaterals	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party					
												Part of exposures assigned to the obligor exposure 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	18,579	0.32	—	—	—	—	—	—	—	—	—	—	847	405	
2	Institutions	5,197	31.51	—	—	—	—	—	—	—	—	—	—	2,130	1,893	
3	Corporates	59,324	10.26	212.66	158.19	0.04	54.43	—	—	—	—	3.45	—	32,222	31,087	
3.1	Of which: SME	10,712	5.13	752.74	677.58	0.01	75.15	0.01	—	—	0.01	9.46	—	5,709	5,339	
3.2	Of which: specialised lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
3.3	Of which: other	48,612	11.39	93.65	43.74	0.04	49.86	—	—	—	—	2.13	—	26,513	25,747	
4	Retail	218,989	—	181.49	181.49	—	—	—	—	—	—	2.38	—	17,395	41,266	
4.1	Of which: immovable property SME	813	—	—	—	—	—	—	—	—	—	1.45	—	312	313	
4.2	Of which: immovable property non-SME	184,699	—	215.19	215.19	—	—	—	—	—	—	—	—	15,258	27,850	
4.3	Of which: qualifying revolving	16,903	—	—	—	—	—	—	—	—	—	—	—	482	4,098	
4.4	Of which: other SME	11,189	—	—	—	—	—	—	—	—	—	46.52	—	144	2,728	
4.5	Of which: other non-SME	5,385	—	—	—	—	—	—	—	—	—	—	—	1,200	6,277	
5	Total	302,089	2.58	173.33	162.63	0.01	10.69	—	—	—	—	2.40	—	52,594	74,651	

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

A-IRB

A-IRB		NWB Plc														
		Credit risk mitigation techniques											Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
		Funded credit protection (FCP)														
		Total exposures £m	Part of exposures covered by financial collaterals %	Part of exposures covered by other eligible collaterals %	Part of exposures covered by immovable property collaterals %	Part of exposures covered by receivables %	Part of exposures covered by other physical collaterals %	Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA post all CRM assigned to the obligor exposure class £m	RWA with substitution effects £m	
31 December 2022	a	b	c	d	e	f	g	h	i	j	k	l	m	n		
6	Specialised lending under the slotting approach	13,442	0.06	111.53	109.31	—	2.22	—	—	—	—	1.85	—	8,426	8,354	
7	Equity Exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

# 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. NWB Plc does not have Object Finance, Commodities Finance and Equity exposures; therefore, those are not presented separately. Exposures subject to the Securitisations framework are excluded.

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

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

# Annex XXXIII: Remuneration

This section contains disclosures which are required in accordance with UK regulatory requirements and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. They also take into account the European Banking Authority (EBA) guidelines on sound remuneration policies. It should be read in conjunction with the Directors' Remuneration Report starting on page 138 of the NatWest Group 2022 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, enterprise and risk and control measures. 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. For awards made in respect of the 2022 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.

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

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

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

### 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.

### 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 has 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 2022, MRTs were identified for 13 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. 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 Remuneration Committee (RemCo) is supported in this by the Board Risk Committee (BRC) and the Risk function, as well as independent oversight by the Internal Audit function.

We use a robust process to assess risk performance. We consider a range of measures, specifically: capital; liquidity and funding risk; credit risk; market risk; pension risk; compliance & conduct risk; financial crime; climate risk; operational risk; business 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 2022 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) and the need to distinguish between 'go-forward' and 'resolution' activities.

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 and capital and liquidity adequacy, the CEO will make a final recommendation to the RemCo, informed by all the previous steps and her 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.

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

### Variable pay determination continued

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 risk management, control and general policy breach failures, 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 2022 a number of issues and events were considered under the accountability review framework. The outcomes covered a range of actions including reduction (to zero where appropriate) of unvested awards through malus, in-year bonus reduction and the suspension of awards pending further investigation.

## Remuneration of Material Risk Takers ('MRTs') – National Westminster Bank Plc

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 320 individuals who have been identified as MRTs for National Westminster Bank Plc (NWB).

We have excluded 37 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within a subsidiary entity, they do not receive any remuneration for this role and they perform their primary role for another entity within NatWest Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. 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, there has been a change of approach to our reporting of the number of MRTs and their variable pay, reflected in the tables below. The total number of MRTs now excludes colleagues who left the Group prior to year end (but their remuneration remains within the pay values reported); and all severance payments made to MRTs are now included in the variable remuneration value disclosed, even when some or all of that severance does not count towards the calculation of the ratio of fixed to variable pay.

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

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

The NWH RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo met nine times in 2022.

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

	Other senior management and other MRTs split by business area									Total
	NWB NEDs	NWB EDs	Other senior mngt.	Other MRTs	Commercial Banking	Retail Banking	Wealth	Corporate functions	Control functions	
<b>Fixed remuneration</b>										
Total number of MRTs	11	2	12	258						283
Other senior management - split by business area					1	1	—	7	3	
Other MRTs - split by business area					45	4	10	43	156	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	2.71	4.00	12.12	68.68	16.02	3.17	3.03	22.26	36.32	87.51
Cash-based	2.71	2.12	10.24	68.63	15.71	2.85	3.03	21.00	35.52	83.70
Share-based	—	1.88	1.89	0.05	0.31	0.33	—	0.50	0.80	3.82
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>										
Total number of MRTs	—	2	12	254						268
Other senior management - split by business area					1	1	—	7	3	
Other MRTs - split by business area					45	4	10	43	152	
Total variable remuneration of MRTs	—	3.41	10.61	38.99	12.03	2.88	1.98	14.16	18.55	53.00
Cash-based	—	0.53	2.88	22.47	6.24	0.95	0.99	7.28	9.88	25.88
Of which: deferred cash	—	—	0.96	6.79	1.93	0.29	0.40	2.64	2.51	7.76
Share-based (annual bonus)	—	0.53	3.57	16.52	4.85	0.95	0.99	6.88	6.42	20.62
Of which: deferred shares	—	—	1.65	6.79	1.93	0.29	0.40	3.33	2.51	8.45
Share-based (RSP awards)	—	2.35	4.16	—	0.94	0.98	—	—	2.24	6.50
Of which: deferred shares	—	2.35	4.16	—	0.94	0.98	—	—	2.24	6.50
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	<b>2.71</b>	<b>7.40</b>	<b>22.73</b>	<b>107.67</b>	<b>28.05</b>	<b>6.06</b>	<b>5.00</b>	<b>36.43</b>	<b>54.87</b>	<b>140.52</b>

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

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

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

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

(5) Under the regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was used for remuneration awarded in respect of the 2022 performance year to two colleagues.

**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 78 MRTs in respect of performance year 2022. Total remuneration for these individuals in 2022 was £10.73 million, of which £9.06 million was fixed pay and £1.66 million was variable pay.

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

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2022 was approximately 1 to 0.55. The majority of MRTs were based in the UK.

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

	NWB Plc NEDs	NWB Plc EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
Number of MRTs	—	—	1	1
	£m	£m	£m	£m
Total amount	—	—	1.15	0.20
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	—	1
	£m	£m	£m	£m
Total amount	—	—	—	0.14
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	—	18
	£m	£m	£m	£m
Total amount	—	—	—	4.44
Of which: paid during the financial year	—	—	—	4.05
Of which: deferred	—	—	—	0.39
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	4.05
Of which: highest payment that has been awarded to a single person	—	—	—	0.57

- (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 2022 relating to prior performance years.

	Total amount of deferred remuneration awarded for previous performance periods £m	Of which: due to vest in the financial year £m	Of which: vesting in subsequent years £m	Amount of performance adjustment to deferred remuneration that was due to vest in the financial year £m	Amount of performance adjustment to deferred remuneration due to vest in future financial years £m	Total amount of adjustment during the financial year due to ex post implicit adjustments* £m	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year £m	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention £m
Deferred and retained remuneration	£m	£m	£m	£m	£m	£m	£m	£m
<b>NWB NEDs - No deferred or retained remuneration held</b>								
<b>NWB EDs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	7.05	0.98	6.08	(0.02)	(0.07)	0.74	0.96	0.96
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other senior management</b>								
Cash-based	0.23	0.11	0.11	—	—	—	0.11	—
Shares or equivalent interests	13.50	2.65	10.85	(0.01)	(0.05)	1.68	2.19	2.19
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other MRTs</b>								
Cash-based	0.36	0.17	0.19	—	—	—	0.17	—
Shares or equivalent interests	26.98	11.34	15.63	0.03	0.01	3.02	11.43	11.32
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Total amount</b>	<b>48.13</b>	<b>15.26</b>	<b>32.87</b>	<b>—</b>	<b>(0.11)</b>	<b>5.44</b>	<b>14.86</b>	<b>14.46</b>

\*I.e. Changes of value of deferred remuneration due to the changes of prices of instruments

(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.

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

Total remuneration by band for employees earning >€1 million for 2022	Number of MRTs
€1.0 million to below €1.5 million	19
€1.5 million to below €2.0 million	4
€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	1
€3.5 million to below €4.0 million	—
€4.0 million to below €4.5 million	1
<b>Total</b>	<b>30</b>

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

(2) Where applicable, the table is based on an average exchange rate of €1.1731748 to £1 for 2022.