



**NatWest**  
Group

# **NatWest Markets Plc**



**2022 Pillar 3 Report**

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## Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NWM Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWM Group in respect of, but not limited to: its economic and political risks (including due to high inflation, supply chain disruption and the Russian invasion of Ukraine), its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), implementation of NWM Group's strategy and NatWest Group's purpose-led strategy and NatWest Group's recent creation of its Commercial & Institutional business segment (of which NWM Group forms part), its ESG and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, the transition of LIBOR and other IBOR rates to replacement risk free rates and NWM Group's exposure to operational risk, conduct risk, financial crime risk, cyber, data and IT risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions, the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NWM Group's actual results are discussed in NWM Plc's 2022 Annual Report and Accounts (ARA) and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NWM Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

## Attestation statement

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

As set out in the Compliance report of the 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.

Simon Lowe  
Chief Financial Officer  
Executive Director, NatWest Markets Board

## Presentation of information

This document presents the consolidated Pillar 3 disclosures for NatWest Markets Plc (NWM Plc) as at 31 December 2022. It should be read in conjunction with the 2022 NatWest Group Pillar 3 report and NWM 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)

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

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

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

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

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

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

Certain fixed-format disclosure tables include bespoke requirements for comparatives. Where the requirements do not prescribe a particular comparative, the comparative selected is 31 December 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 NWM plc at 31 December 2022 and have therefore not been included in this report. Where appropriate, certain qualitative disclosures are provided in the NatWest Group Pillar 3 report. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

PRA template reference	Template name	Reasons for exclusion
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
UK CQ2	Quality of forbearance	Threshold for disclosure not met
UK CQ6	Collateral valuation - loans and advances	Threshold for disclosure not met
UK CQ7	Collateral obtained by taking possession and execution processes	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 and threshold not met
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK LIQA	Liquidity risk management	Refer to the UK LIQA in the NatWest Group P3 report published at <a href="https://investors.natwestgroup.com/reports-archive/2022">investors.natwestgroup.com/reports-archive/2022</a>
UK CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Published as supplement alongside this report

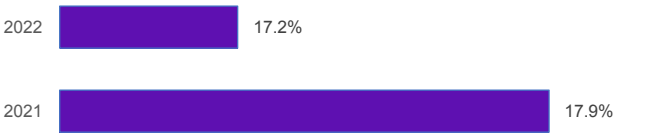


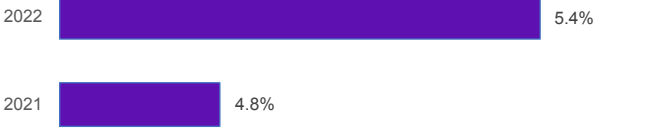

In this report, in line with the regulatory framework, the term credit risk excludes counterparty credit risk, unless specifically indicated otherwise.

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

<p><b>CET1 ratio</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>CET1 ratio</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>17.2%</td> </tr> <tr> <td>2021</td> <td>17.9%</td> </tr> </tbody> </table>	Year	CET1 ratio	2022	17.2%	2021	17.9%	<p>CET1 ratio decreased by 70 basis points to 17.2% at 31 December 2022, from 17.9% at 31 December 2021, largely driven by dividends paid to NatWest Group plc and other reserve movements, partially offset by the decrease in RWAs.</p>
Year	CET1 ratio						
2022	17.2%						
2021	17.9%						
<p><b>MREL</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>MREL</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>£8.7bn</td> </tr> <tr> <td>2021</td> <td>£9.6bn</td> </tr> </tbody> </table>	Year	MREL	2022	£8.7bn	2021	£9.6bn	<p>NWM Plc's MREL at 31 December 2022 was £8.7 billion, or 40.4% of RWAs, compared to £9.6 billion or 42.1% of RWAs at 31 December 2021. The decrease in the year was largely due to the redemption of a €1.1 billion internal instrument and a €1.0 billion internal instrument, offset by a new internal instrument of \$1.1 billion issued to NatWest Group plc..</p>
Year	MREL						
2022	£8.7bn						
2021	£9.6bn						
<p><b>RWAs</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>RWAs</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>£21.4bn</td> </tr> <tr> <td>2021</td> <td>£22.7bn</td> </tr> </tbody> </table>	Year	RWAs	2022	£21.4bn	2021	£22.7bn	<p>Total RWAs decreased by £1.3 billion to £21.4 billion during 2022 reflecting:</p> <ul style="list-style-type: none"> <li>– A reduction in counterparty credit risk RWAs of £1.2 billion, mainly driven by external factors faced in the final quarter of the period including excess margin received and increases in the Mark-to-Market uncollateralised counterparties. This was partially offset by the implementation of SA-CCR, affecting the RWA calculation for the non-internally modelled exposure.</li> <li>– A decrease in operational risk RWAs of £0.5 billion following the annual recalculation.</li> <li>– This was partially offset by increased credit and market risk.</li> </ul>
Year	RWAs						
2022	£21.4bn						
2021	£22.7bn						
<p><b>UK leverage</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>UK leverage</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>5.4%</td> </tr> <tr> <td>2021</td> <td>4.8%</td> </tr> </tbody> </table>	Year	UK leverage	2022	5.4%	2021	4.8%	<p>The leverage ratio at 31 December 2022 of 5.4% has been 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.</p>
Year	UK leverage						
2022	5.4%						
2021	4.8%						
<p><b>LCR average</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>LCR average</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>226%</td> </tr> <tr> <td>2021</td> <td>224%</td> </tr> </tbody> </table>	Year	LCR average	2022	226%	2021	224%	<p>The average liquidity coverage ratio (LCR) increased 2% compared to YE 2021.</p>
Year	LCR average						
2022	226%						
2021	224%						

## IFRS 9-FL<sup>(1)</sup>: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL

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

		NWM 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>3,682</b>	3,714	3,837	4,005	4,072
2	Common equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>3,681</b>	3,714	3,837	4,005	4,071
3	Tier 1 capital	<b>4,361</b>	4,393	4,514	4,686	4,755
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>4,360</b>	4,393	4,514	4,686	4,754
5	Total capital	<b>5,502</b>	5,538	5,597	5,764	5,870
6	Total capital as if IFRS 9 transitional arrangements had not been applied	<b>5,501</b>	5,538	5,597	5,764	5,869
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	<b>21,422</b>	24,873	23,456	24,063	22,686
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	<b>21,421</b>	24,873	23,456	24,063	22,685
<b>Capital ratios</b>		<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
9	Common equity Tier 1 ratio	<b>17.2</b>	14.9	16.4	16.6	17.9
10	Common equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>17.2</b>	14.9	16.4	16.6	17.9
11	Tier 1 ratio	<b>20.4</b>	17.7	19.2	19.5	21.0
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>20.4</b>	17.7	19.2	19.5	21.0
13	Total capital ratio	<b>25.7</b>	22.3	23.9	24.0	25.9
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	<b>25.7</b>	22.3	23.9	24.0	25.9
<b>Leverage ratio (2)</b>						
15	Leverage ratio exposure measure (£m)	<b>81,083</b>	99,515	102,238	100,712	110,603
16	Leverage ratio (%)	<b>5.4</b>	4.4	4.4	4.7	4.3
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	<b>5.4</b>	4.4	4.4	4.7	4.3

(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 NWM Plc are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

## UK KM1: Key metrics

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. NWM Plc has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

		NWM Plc				
		31 December	30 September	30 June	31 March	31 December
		2022	2022	2022	2022	2021
		£m	£m	£m	£m	£m
<b>Available own funds (amounts)</b>						
1	Common equity tier 1 (CET1) capital	<b>3,682</b>	3,714	3,837	4,005	4,072
2	Tier 1 capital	<b>4,361</b>	4,393	4,514	4,686	4,755
3	Total capital	<b>5,502</b>	5,538	5,597	5,764	5,870
<b>Risk-weighted exposure amounts</b>						
4	Total risk-weighted exposure amount	<b>21,422</b>	24,873	23,456	24,063	22,686
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common equity tier 1 ratio (%)	<b>17.2</b>	14.9	16.4	16.6	17.9
6	Tier 1 ratio (%)	<b>20.4</b>	17.7	19.2	19.5	21.0
7	Total capital ratio (%)	<b>25.7</b>	22.3	23.9	24.0	25.9
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>						
UK 7a	Additional CET1 SREP requirements (%)	<b>2.6</b>	3.1	3.3	3.2	3.4
UK 7b	Additional AT1 SREP requirements (%)	<b>0.9</b>	1.0	1.1	1.1	1.1
UK 7c	Additional Tier 2 SREP requirements (%)	<b>1.2</b>	1.4	1.4	1.4	1.5
UK 7d	Total SREP own funds requirements (%)	<b>12.7</b>	13.5	13.8	13.7	14.0
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	<b>2.5</b>	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%) (1)	<b>0.5</b>	0.0	0.0	0.0	0.0
11	Combined buffer requirement (%)	<b>3.0</b>	2.5	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	<b>15.7</b>	16.0	16.3	16.2	16.5
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	<b>10.1</b>	7.3	8.6	8.9	10.0
<b>Leverage ratio</b>						
13	Total exposure measure excluding claims on central banks	<b>81,083</b>	99,515	102,238	100,712	
14	Leverage ratio excluding claims on central banks (%)	<b>5.4</b>	4.4	4.4	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</b>						
15	Total high-quality liquid assets (HQLA) (weighted value-average)	<b>17,896</b>	17,422	16,815	16,705	17,357
UK 16a	Cash outflows - Total weighted value	<b>12,699</b>	12,655	11,908	11,743	11,435
UK 16b	Cash inflows - Total weighted value	<b>4,682</b>	4,557	4,125	4,029	3,614
16	Total net cash outflows (adjusted value)	<b>8,017</b>	8,098	7,783	7,714	7,821
17	Liquidity coverage ratio (%) (4)	<b>226</b>	216	218	219	224
<b>Net stable funding ratio (5)</b>						
18	Total available stable funding	<b>30,428</b>				
19	Total required stable funding	<b>22,814</b>				
20	NSFR ratio (%)	<b>133</b>				

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

(4) The liquidity coverage ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.

(5) The NSFR ratio is calculated as an average of the preceding four quarters reflecting PRA's guidance which came in effect on 1 January 2023.

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



## UK OV1: Overview of risk-weighted exposure amounts

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

		NWM Plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		31 December 2022	30 September 2022	31 December 2022
		£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	5,682	6,338	455
2	Of which: standardised approach	2,448	2,689	196
3	Of which: the foundation IRB (FIRB) approach	—	—	—
4	Of which: slotting approach	299	480	24
UK 4a	Of which: equities under the simple risk-weighted approach	—	—	—
5	Of which: the advanced IRB (AIRB) approach <sup>(1)</sup>	2,935	3,169	235
6	Counterparty credit risk	5,587	7,432	447
7	Of which: standardised approach	870	1,157	70
8	Of which: internal model method (IMM)	3,104	4,546	248
UK 8a	Of which: exposures to a CCP	71	54	6
UK 8b	Of which: credit valuation adjustment (CVA)	1,076	1,123	86
9	Of which: other counterparty credit risk	466	552	37
15	Settlement risk	—	1	—
16	Securitisation exposures in the non-trading book (after the cap)	1,523	1,503	122
17	Of which: SEC-IRBA approach	—	—	—
18	Of which: SEC-ERBA (including IAA)	51	50	4
19	Of which: SEC-SA approach	1,427	1,399	114
UK 19a	Of which: 1,250%/deduction	45	54	4
20	Position, foreign exchange and commodities risk (market risk)	7,152	8,121	572
21	Of which: standardised approach	387	473	31
22	Of which: IMA	6,765	7,648	541
UK 22a	Large exposures	—	—	—
23	Operational risk	1,478	1,478	118
UK 23a	Of which: basic indicator approach	—	—	—
UK 23b	Of which: standardised approach	1,478	1,478	118
UK 23c	Of which: advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) <sup>(2)</sup>	1,373	1,405	110
29	Total	21,422	24,873	1,714

(1) Of which £14 million RWAs (30 September 2022- £17 million) relate to equity IRB under the probability of default/loss given default approach.

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

## UK OVC - ICAAP information

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

**UK CR8: RWA flow statement of credit risk exposures under the IRB approach**

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

		NWM Plc
		a
		RWAs
		£m
1	At 31 December 2021	3,258
2	Asset size	737
3	Asset quality	(81)
7	Foreign exchange movements	36
9	<b>At 31 March 2022</b>	<b>3,950</b>
2	Asset size	(200)
3	Asset quality	2
7	Foreign exchange movements	149
9	<b>At 30 June 2022</b>	<b>3,901</b>
2	Asset size	(247)
3	Asset quality	(82)
4	Model updates	(120)
7	Foreign exchange movements	137
9	<b>At 30 September 2022</b>	<b>3,589</b>
2	Asset size	(370)
3	Asset quality	(74)
7	Foreign exchange movements	(100)
9	<b>At 31 December 2022</b>	<b>3,045</b>

(1) The following rows are not presented in the table because they had zero values for the period: row (4) model updates (5) methodology and policy, row (6) acquisitions and disposals, and row (8) other.

**Q4 2022**

- The decline in asset size was broadly based, with major contributions from settled syndicates and expired facilities during the period.
- The decrease in foreign exchange movements was mainly a result of sterling strengthening against the US dollar and euro during the period.

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

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

	NWM Plc
	<sup>a</sup> RWAs £m
1 At 31 December 2021	3,735
2 Asset size	(49)
3 Credit quality of counterparties	(5)
7 Foreign exchange movements	41
9 <b>At 31 March 2022</b>	<b>3,722</b>
2 Asset size	(55)
3 Credit quality of counterparties	(20)
7 Foreign exchange movements	130
9 <b>At 30 June 2022</b>	<b>3,777</b>
2 Asset size	615
3 Credit quality of counterparties	(48)
7 Foreign exchange movements	202
9 <b>At 30 September 2022</b>	<b>4,546</b>
2 Asset size	(1,220)
3 Credit quality of counterparties	(9)
7 Foreign exchange movements	(212)
9 <b>At 31 December 2022</b>	<b>3,105</b>

(1) RWAs at 31 December 2021 presented in the table differ from those disclosed in the 2021 Pillar 3 Report due to the change in scope under the new UK regulatory framework.

(2) The following rows are not presented in the table because they had zero values for the period: (4) Model updates, (5) Methodology and policy, (6) Acquisitions and disposals, and (8) Other.

**Q4 2022**

- The decrease in IMM RWAs reflects a decrease in asset size resulting from the stabilisation in market volatility experienced at the end of the previous quarter, as well as the strengthening of sterling against the US dollar over the quarter.

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

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

NWM Plc						
	a	b	c	e	f	g
	Value-at-risk (VaR) £m	Stressed value-at-risk (SVaR) £m	Incremental risk charge £m	Other (Risks Not In VaR) (RNIV) £m	Total RWAs £m	Total own funds requirements £m
1 At 31 December 2021	1,314	2,345	1,277	1,554	6,490	519
1a Regulatory adjustment <sup>(1)</sup>	(976)	(1,748)	(104)	—	(2,828)	(226)
1b RWAs at 31 December 2021 (end of day)	338	597	1,173	1,554	3,662	293
2 Movement in risk levels	(52)	73	(491)	(102)	(572)	(46)
3 Model updates/changes	1	—	—	(322)	(321)	(26)
8a RWAs at 31 March 2022 (end of day)	287	670	682	1,130	2,769	221
8b Regulatory adjustment	1,460	2,429	222	—	4,111	329
8 At 31 March 2022	1,747	3,099	904	1,130	6,880	550
1a Regulatory adjustment <sup>(1)</sup>	(1,460)	(2,429)	(222)	—	(4,111)	(329)
1b RWAs at 31 March 2022 (end of day)	287	670	682	1,130	2,769	221
2 Movement in risk levels	76	(58)	357	(39)	336	27
3 Model updates/changes	—	—	—	—	—	—
8a RWAs at 30 June 2022 (end of day)	363	612	1,039	1,091	3,105	248
8b Regulatory adjustment	993	2,861	—	—	3,854	309
8 At 30 June 2022	1,356	3,473	1,039	1,091	6,959	557
1a Regulatory adjustment <sup>(1)</sup>	(993)	(2,861)	—	—	(3,854)	(309)
1b RWAs at 30 June 2022 (end of day)	363	612	1,039	1,091	3,105	248
2 Movement in risk levels	37	317	(427)	124	51	5
3 Model updates/changes	—	—	—	479	479	38
8a RWAs at 30 September 2022 (end of day)	400	929	612	1,694	3,635	291
8b Regulatory adjustment	1,399	2,365	249	—	4,013	321
8 At 30 September 2022	1,799	3,294	861	1,694	7,648	612
1a Regulatory adjustment <sup>(1)</sup>	(1,399)	(2,365)	(249)	—	(4,012)	(321)
1b RWAs at 30 September 2022 (end of day)	400	929	612	1,694	3,635	291
2 Movement in risk levels	(51)	(501)	50	222	(280)	(22)
3 Model updates/changes	—	—	—	28	28	2
8a RWAs at 31 December 2022 (end of day)	349	428	662	1,944	3,383	271
8b Regulatory adjustment	1,405	1,977	—	—	3,382	270
8 At 31 December 2022	1,754	2,405	662	1,944	6,765	541

(1) Regulatory adjustments in rows 1a and 8b represent the difference in RWA terms between the risk spot measure at the end of the reporting period and the 60-day average of that measure, multiplied by the multiplication factor.

(2) The following rows and/or columns are not presented in the table because they had zero values for the period or are not used by NatWest Group: column (d) Comprehensive risk measure, row (4) Methodology and policy, row (5) Acquisitions and disposals, and row (7) Other. In addition, row (6) Foreign exchange movements is not presented. This is because changes in market risk arising from foreign currency retranslation are included within row (2) Movement in risk levels as they are managed together with portfolio changes.

## Q4 2022

- Overall, market risk RWAs under the IMA decreased in Q4 2022.
- VaR-based RWAs were broadly unchanged over the quarter.
- The decrease in SVaR-based RWAs mainly reflected a decrease in interest rate risk.
- The lower incremental risk charge mainly reflected reductions related to government bond and corporate bond positions.
- The increase in RNIV-based RWAs was mainly driven by an RNIV aimed at capturing the missing risk of procyclicality in VaR. A prospective update to make the VaR model more sensitive to recent market conditions has been submitted to the PRA.

# Annex VII: Capital

## UK CC1: Composition of regulatory own funds

		NWM 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>CET1 capital: instruments and reserves</b>				
1	Capital instruments and the related share premium accounts	2,346		2,346
	<i>Of which: ordinary shares</i>	400	(a)	400
	<i>Of which: share premium</i>	1,946	(k)	1,946
2	Retained earnings	3,782	(b)	5,094
3	Accumulated other comprehensive income (and other reserves)	(364)	(c)	(155)
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>5,764</b>		<b>7,285</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7	(-) Additional value adjustments	(197)		(227)
8	(-) Intangible assets (net of related tax liability)	—	(d)	—
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)	—	(e)	—
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	284	(i)	(46)
12	(-) Negative amounts resulting from the calculation of expected loss amounts	(3)		(11)
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	11		47
15	(-) Defined-benefit pension fund assets	(159)	(f) & (g)	(202)
16	(-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments	—		—
17	(-) Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	—		—
18	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	—		—
19	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(1,866)		(1,685)
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—		—
UK-20b	<i>(-) of which: qualifying holdings outside the financial sector</i>	—		—
UK-20c	<i>(-) of which: securitisation positions</i>	—		—
UK-20d	<i>(-) of which: free deliveries</i>	—		—
21	(-) Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	—		—
22	(-) Amount exceeding the 17.65% threshold	(3)		—
23	<i>(-) 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</i>	(3)		—

## UK CC1: Composition of regulatory own funds continued

		NWM Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	
	31 December 2022 £m		31 December 2021 £m
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
25	(-) Of which: deferred tax assets arising from temporary differences	—	—
UK-25a	(-) Losses for the current financial year	(149)	(b) (1,090)
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses	—	—
27	(-) Qualifying AT1 deductions that exceed the AT1 items of the institution	—	—
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	—	1
28	Total regulatory adjustments to CET1	(2,082)	(3,213)
29	CET1 capital	3,682	4,072
<b>AT1 capital: instruments</b>			
30	Capital instruments and the related share premium accounts	904	(h) 904
31	Of which: classified as equity under applicable accounting standards	904	904
32	Of which: classified as liabilities under applicable accounting standards	—	—
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486 (3) CRR	—	—
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	—	—
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	—	—
34	Qualifying 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	904	904
<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)	(225)	(221)
42	(-) Qualifying T2 deductions that exceed the T2 items of the institution	—	—
42a	Other regulatory adjustments to AT1 capital	—	—
43	Total regulatory adjustments to AT1 capital	(225)	(221)
44	AT1 capital	679	683
45	Tier 1 capital (T1 = CET1 + AT1)	4,361	4,755

## UK CC1: Composition of regulatory own funds continued

		NWM Plc	
		31 December 2022	31 December 2021
		£m	£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	1,555	1,451
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	—	39
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	27	26
51	T2 capital before regulatory adjustments	1,582	1,516
<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 the 10% threshold and net of eligible short positions)	—	—
55	(-) Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(441)	(401)
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	(441)	(401)
58	T2 capital	1,141	1,115
59	Total capital (TC = T1 + T2)	5,502	5,870
60	Total risk exposure amount	21,422	22,686
<b>Capital ratios and buffers</b>			
61	CET1 (as a percentage of total risk exposure amount)	17.2%	17.9%
62	T1 (as a percentage of total risk exposure amount)	20.4%	21.0%
63	Total capital (as a percentage of total risk exposure amount)	25.7%	25.9%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) Article 104 (1) CRD plus combined buffer requirement in accordance with Article 128 (6) CRD) expressed as a percentage of risk exposure amount)	10.1%	10.4%
65	<i>Of which: capital conservation buffer requirement</i>	2.5%	2.5%
66	<i>Of which: counter cyclical buffer requirement</i>	0.5%	—
67	<i>Of which: systemic risk buffer requirement</i>	—	—
UK-67a	<i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	—	—
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) <sup>(1)</sup>	10.1%	10.1%

## UK CC1: Composition of regulatory own funds continued

		NWM Plc	
		Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2021
	31 December 2022 £m		£m
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72 Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	148		282
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)	555		576
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)	—		—
<b>Applicable caps on the inclusion of provisions in T2</b>			
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—		—
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	31		32
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	27		26
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	28		26
<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	—		500
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	—		278
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—		—

(1) Row 68: represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).

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

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



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

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

	NWM Plc		
	As at period end 31 December 2022		
	a	b	
	Balance sheet	Under regulatory	
	as at period end	scope of	
	£m	consolidation	
	as at period end	as at period end	References
Assets			
Cash and balances at central banks	13,467	13,467	
Trading assets	27,301	27,301	
Derivatives	96,258	96,258	
Settlement balances	1,686	1,686	
Loans to banks - amortised cost	815	815	
Loans to customers - amortised cost	9,154	9,154	
Other financial assets	10,377	10,377	
Intangible assets	—	—	(d)
Property, plant and equipment	8	8	
Current and deferred tax assets	295	295	
of which: DTAs that rely on future profitability and do not arise from temporary differences	—	—	(e)
Prepayments, accrued income and other assets	409	409	
of which: defined benefit pension fund assets	241	241	(f)
Investment in group undertakings	2,626	2,626	
Amounts due from holding companies and fellow subsidiaries	6,665	6,665	
Total assets	169,061	169,061	
Liabilities			
Bank deposits	2,936	2,936	
Customer deposits	2,665	2,665	
Settlement balances	1,133	1,133	
Trading liabilities	33,225	33,225	
Derivatives	90,754	90,754	
Other financial liabilities	18,254	18,254	(j)
Provisions, deferred income and other liabilities	463	463	
Current and deferred tax liabilities	104	104	
of which: defined benefit pension scheme assets	82	82	(g)
Subordinated liabilities	142	142	(j)
Amounts due to holding companies and fellow subsidiaries	12,867	12,867	(j)
Total liabilities	162,543	162,543	
Shareholders' Equity			
Non-controlling interests	—	—	
Owners' equity			
Called up share capital	400	400	(a)
Reserves	6,118	6,118	
of which: amount eligible for retained earnings	3,632	3,632	(b)
of which: amount eligible for accumulated OCI and other reserves	(364)	(364)	(c) & (i)
of which: amount of other equity instruments	904	904	(h)
of which: share premium accounts	1,946	1,946	(k)
Total shareholders' equity	6,518	6,518	

(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

# Annex IX: Countercyclical capital buffers

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

### 2 Description of insolvency ranking

#### NatWest Markets Plc

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

### 2 Description of insolvency ranking

#### NatWest Markets Plc

		Insolvency ranking							
		Shareholders equity		Preference shares and contingent capital		Subordinated debt		Senior non-preferential debt	
		Resolution		Resolution		Resolution		Resolution	
		entity	Other	entity	Other	entity	Other	entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
3	Total liabilities and own funds	6,445	—	904	—	1,428	394	3,729	—
4	o/w excluded liabilities	—	—	—	—	—	378	—	—
5	Total liabilities and own funds less excluded liabilities	6,445	—	904	—	1,428	16	3,729	—
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	6,445	—	904	—	1,428	16	3,729	—
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	924	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	2,805	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	798	—	—	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	185	—	—	—
11	o/w perpetual securities	6,445	—	904	—	445	16	—	—

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

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

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

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

	NatWest Markets 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 £m	Total exposure value £m	Own fund requirements				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	Total £m			
31 December 2022													
Breakdown by country (with existing CCyB rates)													
Denmark	—	22	—	43	—	65	1	—	—	1	13	0.14%	2.00%
Norway	—	10	—	7	—	17	—	—	—	1	7	0.08%	2.00%
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.00%
Great Britain	1,586	5,846	18	152	5,142	12,744	313	19	63	395	4,938	50.93%	1.00%
Sweden	—	14	—	162	—	176	—	1	—	1	9	0.09%	1.00%
Hong Kong	—	1	—	—	—	1	—	—	—	—	1	0.01%	1.00%
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Slovakia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Romania	—	—	—	—	—	—	—	—	—	—	—	—	0.50%
Luxembourg	3	2,820	—	22	—	2,845	50	1	—	51	648	6.68%	0.50%
Total (countries with existing CCyB rates)	1,589	8,713	18	386	5,142	15,848	364	21	63	449	5,616	57.93%	

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

	NatWest Markets Plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures - market risk		Securitisation exposures for non-trading book	Total exposure value	Own fund requirements			Total	Risk weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non trading book				
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
US	606	5,200	2	454	3,648	9,911	131	5	45	181	2,266	23.36%	
Netherlands	62	339	—	529	23	953	19	4	4	27	339	3.49%	
France	10	283	—	21	373	687	7	4	4	15	193	1.99%	
Ireland	12	213	—	1	157	384	12	1	2	15	186	1.92%	
Cayman Islands	5	670	—	—	—	675	15	—	—	15	184	1.90%	
Italy	48	120	—	23	7	197	10	3	—	13	158	1.63%	
Switzerland	35	162	—	53	—	250	6	2	—	8	102	1.05%	
Germany	—	210	—	21	4	235	5	2	—	7	83	0.85%	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)	778	7,197	2	1,102	4,212	13,292	205	21	55	281	3,511	36.19%	
Total (rest of the world with zero CCyB rate and below 1% requirement)	101	1,046	2	4,053	293	5,494	30	13	4	46	570	5.88%	
Total	2,468	16,956	22	5,541	9,647	34,634	599	55	122	776	9,697	100.00%	

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

		NWM Plc
		31 December
		2022
		£m
1	Total risk exposure amount	21,422
2	Institution specific countercyclical capital buffer	0.55%
3	Institution specific countercyclical capital buffer requirement <sup>(1)</sup>	117

- (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.

		NWM Plc	
		31 December	30 June
		2022	2022
		£m	£m
1	Total assets as per published financial statements	169,061	201,549
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)	(13,467)	(13,926)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (1) of Article 429a(1) of the CRR)	—	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(1,133)	(5,533)
7	Adjustment for eligible cash pooling transactions	—	—
8	Adjustment for derivative financial instruments	(78,683)	(84,487)
9	Adjustment for securities financing transactions (SFTs)	2,862	2,382
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	5,466	5,454
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital (leverage))	(204)	(238)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(852)	(895)
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	—	—
12	Other adjustments	(1,967)	(2,068)
13	Total exposure measure	81,083	102,238

## UK LR2: LRCom: Leverage ratio common disclosure

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

		NWM Plc	
		31 December 2022 £m	30 June 2022 £m
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	60,180	73,730
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)	(11,085)	(11,356)
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))	(2,168)	(2,304)
7	<b>Total on-balance sheet exposures (excluding derivatives, and SFTs)</b>	<b>46,927</b>	<b>60,070</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	11,430	13,339
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	16,540	18,624
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	5,065	5,141
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(4,375)	(4,475)
13	<b>Total derivative exposures</b>	<b>28,660</b>	<b>32,629</b>
<b>Securities financing transaction (SFT) exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	15,881	29,276
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(4,166)	(12,688)
16	Counterparty credit risk exposure for SFT assets	2,862	2,382
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	<b>Total securities financing transaction exposures</b>	<b>14,577</b>	<b>18,970</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	9,279	9,391
20	(Adjustments for conversion to credit equivalent amounts)	(4,038)	(4,000)
21	(General provisions deducted in determining Tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	(3)	(1)
22	<b>Off-balance sheet exposures</b>	<b>5,238</b>	<b>5,390</b>

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

		NWM 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)	(852)	(895)
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)	(852)	(895)
<b>Capital and total exposure measure</b>			
23	Tier 1 capital (leverage)	4,361	4,514
24	Total exposure measure including claims on central banks	94,550	116,164
UK-24a	(-) Claims on central banks excluded	(13,467)	(13,926)
UK-24b	Total exposure measure excluding claims on central banks	81,083	102,238
<b>Leverage ratio</b>			
25	Leverage ratio excluding claims on central banks (%)	5.4	4.4
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.4	4.4
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.4	4.4
UK-25c	Leverage ratio including claims on central banks (%)	4.6	3.9
26	Regulatory minimum leverage ratio requirement (%) (1)		
<b>Additional leverage ratio disclosure requirements - leverage ratio buffers (1)</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 (1)</b>			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
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) NWM 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.

		NWM 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>34,924</b>	61,399
UK-2	Trading book exposures	<b>12,435</b>	38,883
UK-3	Banking book exposures, of which:	<b>22,489</b>	22,516
UK-4	Covered bonds	—	—
UK-5	Exposures treated as sovereigns	<b>4,795</b>	4,967
UK-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	<b>244</b>	306
UK-7	Institutions	<b>1,971</b>	1,990
UK-8	Secured by mortgages of immovable properties	<b>68</b>	70
UK-9	Retail exposures	—	—
UK-10	Corporate	<b>6,644</b>	6,782
UK-11	Exposures in default	<b>56</b>	19
UK-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	<b>8,711</b>	8,382

## 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 5.4%, calculated in accordance with current requirements in the Leverage Ratio (CRR) part of the PRA rulebook. The ratio increased by 100 basis points in the period since 30 June 2022. The key driver is a £21.2 billion decrease in leverage exposure due to reduced balance sheet exposures, predominantly in trading assets and debt securities. This is partially offset by a £0.2 billion decrease in Tier 1 capital.

# Annex XIII: Liquidity

## UK LIQ1: Quantitative information of LCR

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

NWM Plc								
	Total unweighted value (average)				Total weighted value (average)			
	31 December	30 September	30 June	31 March	31 December	30 September	30 June	31 March
	2022	2022	2022	2022	2022	2022	2022	2022
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	£m	£m	£m	£m	£m	£m	£m	£m
<b>High-quality liquid assets</b>								
1 Total high-quality liquid assets (HQLA)					17,896	17,422	16,815	16,705
<b>Cash - outflows</b>								
2 Retail deposits and deposits from small business customers, of which:	26	13	—	—	1	1	—	—
3 Stable deposits	6	4	—	—	—	—	—	—
4 Less stable deposits	6	4	—	—	1	1	—	—
5 Unsecured wholesale funding	2,062	1,911	1,735	1,577	1,638	1,536	1,412	1,285
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—	—	—	—	—
7 Non-operational deposits (all counterparties)	1,073	940	879	803	649	565	555	511
8 Unsecured debt	989	971	856	774	989	971	857	774
9 Secured wholesale funding	—	—	—	—	930	875	832	702
10 Additional requirements	11,254	10,928	10,143	10,000	7,800	7,618	7,191	7,336
11 Outflows related to derivative exposures and other collateral requirements	5,114	4,976	4,745	5,010	4,787	4,698	4,565	4,884
12 Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13 Credit and liquidity facilities	6,140	5,952	5,398	4,990	3,013	2,920	2,626	2,452
14 Other contractual funding obligations	18,847	22,787	25,188	25,388	2,320	2,615	2,463	2,409
15 Other contingent funding obligations	2,008	2,081	2,187	2,243	10	10	10	11
16 Total cash outflows					12,699	12,655	11,908	11,743
<b>Cash - inflows</b>								
17 Secured lending (e.g. reverse repos)	24,028	27,105	31,069	32,260	561	409	332	287
18 Inflows from fully performing exposures	1,013	1,014	996	898	1,003	1,003	986	888
19 Other cash inflows	3,112	3,138	2,808	2,853	3,118	3,145	2,807	2,854
UK-19a (Difference between total weighted inflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—	—	—	—	—
UK-19b (Excess inflows from a related specialised credit institution)	—	—	—	—	—	—	—	—
20 Total cash inflows	28,153	31,257	34,873	36,011	4,682	4,557	4,125	4,029
UK-20a Fully exempt inflows	—	—	—	—	—	—	—	—
UK-20b Inflows subject to 90% cap	—	—	—	—	—	—	—	—
UK-20c Inflows subject to 75% cap	24,854	27,320	30,245	30,794	4,682	4,557	4,125	4,029
<b>Total adjusted value</b>								
UK-21 Liquidity buffer					17,896	17,422	16,815	16,705
22 Total net cash outflows					8,017	8,098	7,783	7,714
23 Liquidity coverage ratio (%)					226	216	218	219

## UK LIQ2: Net stable funding ratio

		NatWest Markets				
		a	b	c	d	e
(In £m)		Unweighted value by residual maturity (average)				Weighted Value (average)
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	6,793	—	—	1,530	8,322
2	Own funds	6,793	—	—	1,530	8,322
3	Other capital instruments		—	—	—	—
4	Retail Deposits		25	—	—	23
5	Stable deposits		12	—	—	12
6	Less stable deposits		13	—	—	12
7	Wholesale funding		39,675	3,529	18,868	22,025
8	Operational deposits		—	—	—	—
9	Other wholesale funding		39,675	3,529	18,868	22,025
10	Interdependent liabilities		—	—	—	—
11	Other liabilities	14,962	5,222	—	58	58
12	NSFR derivative liabilities	14,962				
13	All other liabilities and capital instruments not included in the above categories		5,222	—	58	58
14	Total available stable funding (ASF)					30,428
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					774
UK-15a	Assets encumbered for more than 12 million in cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		16,627	2,312	13,155	14,115
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		12,859	352	19	195
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		3,554	1,849	7,050	8,541
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		102	49	740	643
21	With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk		35	22	308	337
22	Performing residential mortgages, of which:		—	—	—	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		112	62	5,346	4,735
25	Interdependent assets		—	—	—	—
26	Other assets:	—	21,015	5	6,004	7,590
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				2,727	2,318
29	NSFR derivative assets		1,238			1,238
30	NSFR derivative liabilities before deduction of variation margin posted		14,962			748
31	All other assets not included in the above categories		4,816	5	3,277	3,287
32	Off-balance sheet items		6,700	—	—	335
33	Total RSF					22,814
34	Net Stable Funding Ratio (%)					133

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

### LCR inputs & results over time

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

As at 31 December 2022 the LCR ratio for NWM Plc was 253% or £12bn of excess over the regulatory minimum of 100%. This compares to 201% as at 31 January 2022 or £8bn of excess over the regulatory minimum of 100%. The increase in the LCR is driven by activity in our debt issuance programme, offset by maturing debt and new business lending.

The average LCR ratio for the 12 months to 31 December 2022 has increased by 10% over the previous quarter, from 216% to 226%.

### Concentration of funding sources

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

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

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

### Liquidity buffer composition

HQLA is primarily held in Level 1 cash and central bank reserves (71%) and Level 1 high quality securities (29%).

### Derivative exposures and potential collateral calls

NWM Plc actively manages its derivative exposures and potential calls, including both due collateral and excess collateral with derivative outflows under stress are captured under the Historical Look Back Approach which considers the impact of an adverse market scenario on derivatives. Potential collateral calls under a 3-notch downgrade of the NWM Plc credit rating are also captured.

### Currency mismatch in the LCR

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

# Annex XV: Credit risk quality

## UK CQ1: Credit quality of forborne exposures

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

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

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

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

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

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

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

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

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

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

(1) The geographical breakdown disclosed is based on combined on and off-balance sheet exposures and represent greater than 94% of total exposure.

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



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

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

	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	—	—	—	—	—	—
020 Mining and quarrying	20	19	19	20	(2)	—
030 Manufacturing	86	8	8	54	(5)	—
040 Electricity, gas, steam and air conditioning supply	22	—	—	22	—	—
050 Water supply	—	—	—	—	—	—
060 Construction	4	2	2	2	(2)	—
070 Wholesale and retail trade	39	3	3	32	(3)	—
080 Transport and storage	2	1	1	2	(1)	—
090 Accommodation and food service activities	—	—	—	—	—	—
100 Information and communication	50	—	—	45	—	—
110 Financial and insurance activities	—	—	—	—	—	—
120 Real estate activities	160	48	48	82	(5)	(6)
130 Professional, scientific and technical activities	22	4	4	4	(4)	—
140 Administrative and support service activities	24	—	—	21	(1)	—
150 Public administration and defence, compulsory social security	13	—	—	13	—	—
160 Education	—	—	—	—	—	—
170 Human health services and social work activities	30	1	1	23	(1)	—
180 Arts, entertainment and recreation	1	—	—	—	—	—
190 Other services	—	—	—	—	—	—
200 Total	473	86	86	320	(24)	(6)

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

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

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

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

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

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

## UK CR1-A: Maturity of exposures

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

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

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

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

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

		NWM Plc
		a
		Gross carrying amount £m
010	Initial stock of non-performing loans and advances	61
020	Inflows to non-performing portfolios	59
030	Outflows from non-performing portfolios	(31)
040	Outflows due to write-offs	(14)
050	Outflow due to other situations	(17)
060	Final stock of non-performing loans and advances	89

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

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

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

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

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. NWM 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

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.

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

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 NWM Plc's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Various post model adjustments were applied where management judged they were necessary to ensure an adequate level of overall ECL provision. All post model adjustments were subject to formal approval through provisioning governance, and were categorised as follows:

- 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 NWM Plc's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends with a particular focus on segments of the portfolio (both commercial and consumer) that are likely to be more susceptible to 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). NWM Plc has adopted a framework to identify deterioration based primarily on relative movements in lifetime PD supported by additional qualitative backstops. The principles applied are consistent across NWM Plc and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

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

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

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

# Annex XVII: Credit risk mitigation

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

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

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

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

## UK CRC: Qualitative disclosure requirements related to CRM techniques

### Credit risk mitigation

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

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

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

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

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

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

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

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

# Annex XIX: Credit risk – standardised approach

## UK CR4: standardised approach – Credit risk exposure and CRM effects

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

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



# Annex XXI: Credit risk – IRB approach

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

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

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

(1) Rows 1 - 4.2 are not presented as NatWest Group does not use FIRB to calculate capital requirements for IRB exposures.

(2) Specialised lending exposures under the slotting approach are excluded.

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

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

A-IRB		NWM Plc															
			Credit risk mitigation techniques											Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWEAs	
			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 exposures class £m	RWA with substitution effects £m	
31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n		
1	Central governments and central banks	10,623	—	—	—	—	—	—	—	—	—	0.01	—	523	324		
2	Institutions	398	—	—	—	—	—	—	—	—	—	—	—	527	124		
3	Corporates	8,526	0.07	13.63	12.78	—	0.85	—	—	—	—	0.80	—	2,829	2,284		
3.1	Of which: SME	3	0.59	27.52	27.52	—	—	—	—	—	—	5.19	—	—	—		
3.2	Of which: Specialised lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
3.3	Of which: Other	8,523	0.07	13.63	12.78	—	0.85	—	—	—	—	0.80	—	2,829	2,284		
4	Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
4.1	Of which: Immovable property SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
4.2	Of which: Immovable property non-SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
4.3	Of which: Qualifying revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
4.4	Of which: Other SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
4.5	Of which: Other non-SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
5	Total	19,547	0.03	5.95	5.57	—	0.37	—	—	—	—	0.35	—	3,879	2,732		

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

A-IRB		NWM Plc													
		Credit risk mitigation techniques										Unfunded credit protection (UFCP)		Credit risk mitigation methods in the calculation of RWEAs	
		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 %	RWEA post all CRM assigned to the obligor exposures class £m	RWEA 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	447	1.02	31.91	26.74	—	5.17	—	—	—	—	9.00	—	310	299
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. NWM Plc does not have Object Finance and Commodities Finance and equity exposures; therefore, those are not presented separately.

		NWM Plc					
		a	b	c	d	e	f
		Specialised lending: Project finance (slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk-weight	Exposure value	Risk-weighted exposure amount	Expected loss amount
31 December 2022	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	—	—	50%	22	10	—
	Equal to or more than 2.5 years	107	126	70%	581	316	2
Category 2	Less than 2.5 years	—	—	70%	—	—	—
	Equal to or more than 2.5 years	22	—	90%	22	15	—
Category 3	Less than 2.5 years	—	—	115%	—	—	—
	Equal to or more than 2.5 years	1	2	115%	8	9	—
Category 4	Less than 2.5 years	—	—	250%	—	—	—
	Equal to or more than 2.5 years	—	—	250%	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	19	—	—	20	—	11
Total	Less than 2.5 years	—	—	—	22	10	—
	Equal to or more than 2.5 years	149	128	—	631	340	13

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

# Annex XXXIII: Remuneration

This section contains disclosures which are required in accordance with UK regulatory requirements and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. They also take into account the European Banking Authority (EBA) guidelines on sound remuneration policies. It should be read in conjunction with the Directors' Remuneration Report starting on page 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')

### Summary of approach taken

We disclose MRT remuneration details for each of our legal entities in scope of the Capital Requirements Regulations ('CRR firms') in line with the requirements of Article 450 of the CRR, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies. In line with regulations, we identify MRTs at consolidated, sub-consolidated and solo regulated subsidiary entity levels.

The following pages contain the quantitative disclosures for NatWest Markets Plc ('NWM Plc'). You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group at [natwestgroup.com](https://natwestgroup.com). In addition, this Pillar 3 report contains the remuneration disclosures for NatWest Markets N.V. ('NWM N.V.'). NWM N.V. is a subsidiary of NWM Plc, but does not meet the definition of a large institution; we make remuneration disclosures to meet local regulatory expectations in the Netherlands.

### Solo Regulated Entity reporting

Our approach to MRT identification means that many colleagues hold MRT criteria for more than one legal entity. In order to make the disclosures as meaningful as possible, we only report each MRT's compensation in the disclosures for the solo regulated entity for which they perform their primary role. This means that for example where a colleague holds MRT criteria for NWM Plc and NWM N.V., their pay will only be reported once for the entity in which they perform their primary role. Their pay is excluded from the tables for the other entities.



## NatWest Markets Plc Remuneration Disclosures Remuneration of Material Risk Takers ('MRTs')

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 300 individuals who have been identified as MRTs for NatWest Markets Plc (NWM).

We have excluded 189 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within NWM, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. Note the numbers in the tables all agree to the underlying source data, but when presented to two decimal places and aggregated, this can result in small rounding differences.

Following the publication of the updated EBA Guidelines on Remuneration Benchmarking in June 2022, in order to ensure consistency across remuneration disclosures, 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.

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

The key areas of focus for the NWM RemCo includes:

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

The NWM RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWM RemCo met 6 times in 2022.

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

	NWM NEDs	NWM EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area					Total
					Capital Markets	Sales	Trading	Corporate functions	Control functions	
<b>Fixed remuneration</b>										
Total number of MRTs	4	2	15	90						111
Other senior management - split by business area					1	—	1	10	3	
Other MRTs - split by business area					24	7	33	1	25	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.60	1.94	10.80	40.51	12.18	4.09	20.48	7.16	7.39	53.84
Cash-based	0.60	1.70	10.32	40.02	12.18	4.09	19.69	6.99	7.39	52.64
Share-based	—	0.24	0.48	0.49	—	—	0.79	0.18	—	1.20
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>										
Total number of MRTs	—	2	14	86						102
Other senior management - split by business area					1	—	1	9	3	
Other MRTs - split by business area					23	7	30	1	25	
Total variable remuneration of MRTs	—	1.04	5.45	26.30	9.81	3.07	12.38	2.70	3.79	32.79
Cash-based	—	0.52	2.92	13.65	4.91	1.70	6.33	1.50	2.14	17.09
Of which: deferred cash	—	0.31	1.19	5.76	2.37	0.55	2.89	0.48	0.66	7.26
Share-based (annual bonus)	—	0.52	2.53	12.66	4.91	1.37	6.05	1.20	1.66	15.70
Of which: deferred shares	—	0.31	1.19	5.76	2.37	0.55	2.89	0.48	0.66	7.26
Share-based (RSP awards)	—	—	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	<b>0.60</b>	<b>2.98</b>	<b>16.25</b>	<b>66.81</b>	<b>21.99</b>	<b>7.16</b>	<b>32.86</b>	<b>9.86</b>	<b>11.18</b>	<b>86.63</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 not used for remuneration awarded in respect of the 2022 performance year.



**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 10 MRTs in respect of performance year 2022. Total remuneration for these individuals in 2022 was £1.86 million, of which £1.63 million was fixed pay and £0.23 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 0.59. The majority of MRTs were based in the UK.

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

	NWM Plc NEDs	NWM Plc EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
Number of MRTs	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	—	2
	£m	£m	£m	£m
Total amount	—	—	—	0.35
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	2	5
	£m	£m	£m	£m
Total amount	—	—	0.40	0.76
Of which: paid during the financial year	—	—	0.40	0.53
Of which: deferred	—	—	—	0.23
Of which: paid during the financial year that are not taken into account				
in the bonus cap	—	—	0.40	0.53
Of which: highest payment that has been awarded to a single person	—	—	0.30	0.25

(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.

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods £m	Of which: due to vest in the financial year £m	Of which: vesting in subsequent financial years £m	Amount of performance adjustment to deferred remuneration that was due to vest in the financial year £m	Amount of performance adjustment to deferred remuneration due to vest in future financial years £m	Total amount of adjustment during the financial year due to ex post implicit adjustments* £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
<b>NWM NEDs - No deferred or retained remuneration held</b>								
<b>NWM EDs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	1.70	0.42	1.29	—	—	0.19	0.42	0.42
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other senior management</b>								
Cash-based	0.10	0.03	0.07	—	—	—	0.03	—
Shares or equivalent interests	10.19	3.29	6.90	—	—	1.09	3.29	3.29
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other MRTs</b>								
Cash-based	0.04	0.04	—	—	—	—	0.04	—
Shares or equivalent interests	23.48	10.60	12.87	—	—	2.66	10.17	10.17
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Total amount</b>	<b>35.51</b>	<b>14.37</b>	<b>21.14</b>	<b>—</b>	<b>—</b>	<b>3.95</b>	<b>13.94</b>	<b>13.87</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	28
€1.5 million to below €2.0 million	9
€2.0 million to below €2.5 million	2
€2.5 million to below €3.0 million	2
€3.0 million to below €3.5 million	—
€3.5 million to below €4.0 million	—
More than €4.0 million	—
<b>Total</b>	<b>41</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.

## NatWest Markets N.V. Remuneration Disclosures Remuneration of Material Risk Takers ('MRTs')

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 182 individuals who have been identified as MRTs for NatWest Markets N.V. (NWM N.V.)

We have excluded 137 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within NWM N.V., they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. Note the numbers in the tables all agree to the underlying source data, but when presented to two decimal places and aggregated, this can result in small rounding differences.

Following the publication of the updated EBA Guidelines on Remuneration Benchmarking in June 2022, in order to ensure consistency across remuneration disclosures, 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.

NWM N.V. has a Supervisory Board which oversees remuneration matters (NWM N.V. SB). The NWM N.V. SB is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for NWM N.V..

The key areas of focus for NWM N.V. SB includes:

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

The NWM N.V. SB must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWM N.V. SB met 12 times in 2022, and during 3 meetings remuneration matters were discussed.

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

	NWM NV NEDs	NWM NV EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area					Total
					Capital Markets	Sales	Trading	Corporate functions	Control functions	
<b>Fixed remuneration</b>										
Total number of MRTs	3	4	8	30						45
Other senior management - split by business area					2	1	1	2	2	
Other MRTs - split by business area					11	4	—	2	13	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.12	1.70	3.31	7.43	5.00	1.96	0.52	0.81	2.44	12.56
Cash-based	0.12	1.70	3.31	7.43	5.00	1.96	0.52	0.81	2.44	12.56
Share-based	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Variable remuneration</b>										
Total number of MRTs	—	4	8	29						41
Other senior management - split by business area					2	1	1	2	2	
Other MRTs - split by business area					11	4	—	2	12	
Total variable remuneration of MRTs	—	0.34	1.50	4.60	3.72	1.33	0.10	0.58	0.36	6.43
Cash-based	—	0.17	0.75	2.97	2.27	0.66	0.05	0.49	0.25	3.88
Of which: deferred cash	—	0.07	0.35	0.65	0.64	0.27	0.02	0.04	0.05	1.08
Share-based (annual bonus)	—	0.17	0.75	1.63	1.46	0.66	0.05	0.09	0.12	2.55
Of which: deferred shares	—	0.07	0.35	0.65	0.64	0.27	0.02	0.04	0.05	1.08
Share-based (RSP awards)	—	—	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
<b>Total remuneration of MRTs</b>	<b>0.12</b>	<b>2.04</b>	<b>4.80</b>	<b>12.03</b>	<b>8.73</b>	<b>3.29</b>	<b>0.63</b>	<b>1.39</b>	<b>2.80</b>	<b>18.99</b>

(1) The breakdown by business areas required in template EU REM5 has been combined with EU 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 national 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 not used for remuneration awarded in respect of the 2022 performance year.

**EU 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 €50,000 and does not represent more than 10% of the individual's total annual remuneration (derogations permitted under point (b) of Article 94(3) of CRD V as amended in local regulations in the Netherlands). The Dutch regulations apply for colleagues employed by NatWest Markets N.V., regardless of where they work. The CRD V thresholds (annual variable remuneration does not exceed €50,000 and does not represent more than one third of the individual's total annual remuneration) apply for colleagues employed by all other Group entities. We have used this flexibility to disapply MRT rules relating to deferral and delivery of awards in shares for 8 MRTs in respect of performance year 2022. Total remuneration for these individuals in 2022 was €1.51 million (£1.28 million), of which €1.33 million (£1.13 million) was fixed pay and €0.18 million (£0.15 million) was variable pay.

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

The variable component of total remuneration for MRTs who perform their primary role for NWM N.V. and work the majority of their time in the Netherlands shall not exceed 20% of the fixed component. The variable component of total remuneration for MRTs who perform their primary role for NWM N.V. and work the majority of their time outside the Netherlands, shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2022 was approximately 1 to 0.42. The majority of MRTs were based in the Netherlands.

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

	NWM N.V. NEDs	NWM N.V. EDs	Other senior management	Other MRTs
<b>Special payments</b>				
<b>Guaranteed awards and sign on awards</b>				
Number of MRTs	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
<b>Severance payments awarded in previous periods, paid out during the financial year</b>				
Number of MRTs	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
<b>Severance payments awarded during the financial year</b>				
Number of MRTs	—	—	—	2
	£m	£m	£m	£m
Total amount	—	—	—	1.19
Of which: paid during the financial year	—	—	—	1.19
Of which: deferred	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	1.19
Of which: highest payment that has been awarded to a single person	—	—	—	0.81

(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, other than a litigation settlement of £360,182 to one individual.

## EU REM3 - Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2022 relating to prior performance years.

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods £m	Of which: due to vest in the financial year £m	Of which: vesting in subsequent financial years £m	Amount of performance adjustment to deferred remuneration that was due to vest in the financial year £m	Amount of performance adjustment to deferred remuneration due to vest in future financial years £m	Total amount of adjustment during the financial year due to ex post implicit adjustments* £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
<b>NWM NV NEDs - No deferred or retained remuneration held</b>								
<b>NWM NV EDs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.14	0.05	0.08	—	—	0.02	0.05	0.05
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other senior management</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	1.35	0.66	0.69	—	—	0.15	0.66	0.66
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Other MRTs</b>								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	2.32	1.10	1.22	—	—	0.27	1.10	1.10
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
<b>Total amount</b>	<b>3.80</b>	<b>1.81</b>	<b>1.99</b>	<b>—</b>	<b>—</b>	<b>0.44</b>	<b>1.81</b>	<b>1.81</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.

## EU 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	2
€1.5 million to below €2.0 million	1
€2.0 million to below €2.5 million	—
€2.5 million to below €3.0 million	—
€3.0 million to below €3.5 million	—
€3.5 million to below €4.0 million	—
More than €4.0 million	—
<b>Total</b>	<b>3</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.