NatWest Group

The Royal Bank of Scotland plc

2022 Pillar 3 Report

Contents

Attestation statement

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

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

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

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

Bruce Fletcher
Group Chief Risk Officer
Member, Executive Committee

Presentation of information

This document presents the Pillar 3 disclosures for The Royal Bank of Scotland plc (RBS plc) as at 31 December 2022. It should be read in conjunction with the 2022 NatWest Holdings Group Pillar 3 report and RBS plc's 2022 Annual Report & Accounts (ARA), which are published in the same location at: investors.natwestgroup.com/reports-archive/2022

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

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

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

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

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

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

Within this document, row and column references are based on those prescribed in the PRA templates. The IFRS9-FL and TLAC2 disclosures have been prepared using 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 RBS plc at 31 December 2022 and have therefore not been included in this report. Where appropriate, certain qualitative disclosures are provided in the NatWest Holdings Group Pillar 3 report. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

PRA template reference	Template name	Reasons for exclusion
UK CCR7	RWA flow statements of CCR exposures under the IMM	No reportable exposures
UK MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures
UK LIQ1	Quantitative information on LCR	Refer to the liquidity & funding disclosures in the NatWest Holdings Group Pillar 3 report
UK LIQB	Qualitative information on LCR	
UK LIQ2	Net Stable Funding Ratio	
UK LIQA	Liquidity risk management	
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
UK CQ2	Quality of forbearance	Threshold for disclosure not met
UK CQ4	Quality of non-performing exposures by geography	Threshold for disclosure not met
UK CQ6	Collateral valuation - loans and advances	Threshold for disclosure not met
UK CQ7	Collateral obtained by taking possession and execution processes	Collateral obtained by taking possession is not recognised on the balance sheet
UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Collateral obtained by taking possession is not recognised on the balance sheet & threshold not met
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Published as supplement alongside this report

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

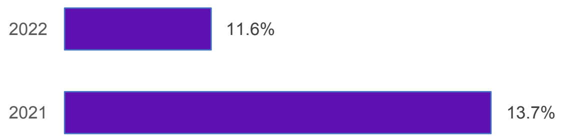
The Pillar 3 disclosures in this report are presented in pounds sterling ('£') and have not been subject to external audit.

For definitions of terms, refer to the Glossary available on natwestgroup.com

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

RBS plc – key points

CET1 ratio



The CET1 ratio decreased by 210 basis points to 11.6%. The decrease was due to a £0.5 billion decrease in CET1 capital and offset by a £1.1 billion decrease in RWAs.

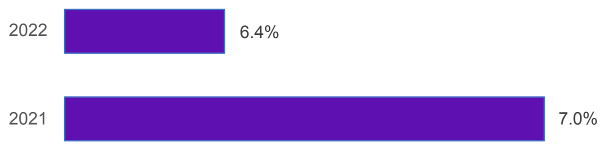
The CET1 decrease was mainly driven by dividend paid of £0.7 billion, foreseeable charge of £0.7 billion, partially offset by the £1.1 billion attributable profit in the period.

RWAs

Total RWAs decreased by £1.1 billion to £18.5 billion mainly reflecting:

- A decrease in credit risk RWAs of £0.5 billion, primarily due to repayments and expired facilities within Commercial & Institutional in addition to improved risk metrics within Retail Banking. This was partially offset by an increase due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022 in addition to increased exposures within Retail Banking.
- A decrease in operational risk RWAs of £0.6 billion due to the annual recalculation in Q1 2022.

UK leverage ratio



The leverage ratio at 31 December 2022 is 6.4% and has been calculated in accordance with changes to the UK's leverage ratio framework. As at 31 December 2021, the UK leverage ratio was 7.0%, which was calculated under the prior year's UK leverage methodology. The key driver of the decrease is a £0.5 billion decrease in Tier 1 capital. This is offset by a £3.0 billion decrease in leverage exposure primarily due to reduced balance sheet exposures.

IFRS 9-FL(1): 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. RBS 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.

		RBS plc				
		31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021
	Available capital (amounts) - transitional	**£m**	£m	£m	£m	£m
1	Common equity tier 1	**2,149**	2,461	2,284	2,815	2,682
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**2,078**	2,384	2,217	2,731	2,556
3	Tier 1 capital	**3,119**	3,431	3,254	3,784	3,651
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**3,048**	3,354	3,187	3,700	3,525
5	Total capital	**4,715**	5,165	4,838	5,278	5,106
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**4,672**	5,100	4,801	5,198	4,985
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	**18,540**	19,168	19,720	19,684	19,592
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**18,528**	19,161	19,711	19,680	19,584
	Capital ratios	**%**	%	%	%	%
9	Common equity tier 1 ratio	**11.6**	12.8	11.6	14.3	13.7
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**11.2**	12.4	11.2	13.9	13.1
11	Tier 1 ratio	**16.8**	17.9	16.5	19.2	18.6
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**16.5**	17.5	16.2	18.8	18.0
13	Total capital ratio	**25.4**	26.9	24.5	26.8	26.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**25.2**	26.6	24.4	26.4	25.5
	Leverage ratio (2)					
15	Leverage ratio exposure measure (£m)	**48,957**	52,253	51,563	51,964	88,670
16	Leverage ratio (%)	**6.4**	6.6	6.3	7.3	4.1
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	**6.2**	6.4	6.2	7.1	4.0

(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 onshored 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 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. RBS 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.

		RBS plc				
		31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021
Available own funds (amounts)		**£m**	£m	£m	£m	£m
1	Common equity tier 1 (CET1) capital	**2,149**	2,461	2,284	2,815	2,682
2	Tier 1 capital	**3,119**	3,431	3,254	3,784	3,651
3	Total capital	**4,715**	5,165	4,838	5,278	5,106
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	**18,540**	19,168	19,720	19,684	19,592
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	**11.6**	12.8	11.6	14.3	13.7
6	Tier 1 ratio (%)	**16.8**	17.9	16.5	19.2	18.6
7	Total capital ratio (%)	**25.4**	26.9	24.5	26.8	26.1
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	**1.4**	2.0	1.9	1.9	1.9
UK 7b	Additional AT1 SREP requirements (%)	**0.5**	0.6	0.6	0.6	0.7
UK 7c	Additional T2 SREP requirements (%)	**0.6**	0.9	0.9	0.9	0.8
UK 7d	Total SREP own funds requirements (%)	**10.5**	11.5	11.4	11.4	11.4
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	**2.5**	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%) (1)	**0.9**	0.0	0.0	0.0	0.0
11	Combined buffer requirement (%)	**3.4**	2.5	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	**13.9**	14.0	13.9	13.9	13.9
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	**5.7**	6.3	5.2	7.9	7.3
Leverage ratio						
13	Total exposure measure excluding claims on central banks	**48,957**	52,253	51,563	51,964	
14	Leverage ratio excluding claims on central banks (%)	**6.4**	6.6	6.3	7.3	
Additional leverage ratio disclosure requirements (3)						
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 (%)					
Liquidity coverage ratio (4)						
15	Total high-quality liquid assets (HQLA) (weighted value-average)					
UK 16a	Cash outflows - Total weighted value					
UK 16b	Cash inflows - Total weighted value					
16	Total net cash outflows (adjusted value)					
17	Liquidity coverage ratio (%)					
Net stable funding ratio (4)						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					

(1) The institution-specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures.
(2) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
(3) RBS plc is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.
(4) Under the UK DoLSub waiver RBS plc liquidity and funding are managed and disclosed at the sub-group level rather than entity level
(5) The following rows are not presented in the table above as not applicable: UK8a, UK9a, 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.

		RBS plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)	Risk-weighted exposure amounts (RWAs)	Total own funds requirements
		31 December 2022 £m	31 December 2021 £m	31 December 2022 £m
1	Credit risk (excluding counterparty credit risk)	**15,136**	15,452	**1,210**
2	*Of which: standardised approach*	***645***	1,037	***52***
3	*Of which: the foundation IRB (FIRB) approach*	—		—
4	*Of which: slotting approach*	***2,439***	*2,598*	***195***
UK 4a	*Of which: equities under the simple risk-weighted approach*	—		—
5	*Of which: the advanced IRB (AIRB) approach* (1)	***12,052***	*11,817*	***963***
6	Counterparty credit risk	—	—	—
7	*Of which: standardised approach*	—	—	—
8	*Of which: internal model method (IMM)*	—	—	—
UK 8a	*Of which: exposures to a CCP*	—	—	—
UK 8b	*Of which: credit valuation adjustment (CVA)*	—	—	—
9	*Of which: other counterparty credit risk*	—	—	—
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	—	182	—
17	*Of which: SEC-IRBA approach*	—	*182*	—
18	*Of which: SEC-ERBA (including IAA)*	—	—	—
19	*Of which: SEC-SA approach*	—	—	—
UK 19a	*Of which: 1,250%/deduction*	—	—	—
20	*Position, foreign exchange and commodities risk (market risk)*	**8**	7	**1**
21	*Of which: standardised approach*	***8***	7	***1***
22	*Of which: IMA*	—	—	—
UK 22a	Large exposures	—	—	—
23	Operational risk	**3,396**	3,951	**272**
UK 23a	*Of which: basic indicator approach*	—	—	—
UK 23b	*Of which: standardised approach*	***3,396***	*3,951*	***272***
UK 23c	*Of which: advanced measurement approach*	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	**98**	128	**8**
29	Total	**18,540**	19,592	**1,483**

(1) Of which £3 million RWAs 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.

		RBS plc
		a
		RWAs
		£m
9	**At 31 December 2021**	**14,215**
2	Asset size	**(384)**
3	Asset quality	**(1,274)**
4	Model updates	**1,031**
7	Foreign exchange movements	**79**
8	Other	**618**
9	**At 31 December 2022**	**14,285**

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

2022

- The decrease in RWAs related to asset quality primarily reflected improved risk metrics within Retail Banking. Further decreases primarily relates to customers moving into default within Commercial & Institutional.
- The increase in model updates was primarily due to adjustments as a result of new regulations applicable to IRB models from 1 January 2022.
- The increase in the other category reflected changes in the regulatory treatment of certain structured transactions in Commercial & Institutional.
- The reduction in asset size relates to repayments and expired facilities within Commercial & Institutional and Retail Banking.
- The increase in foreign exchange movements was mainly a result of sterling weakening against the US dollar and euro during the period.

Annex VII: Capital

UK CC1: Composition of regulatory own funds

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

		RBS Plc		
	CET1 capital: instruments and reserves	31 December 2022 £m	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation	31 December 2021 £m
1	Capital instruments and the related share premium accounts	**20**		20
	Of which: ordinary shares	***20***	(a)	*20*
	Of which: share premium	**—**	(k)	—
2	Retained earnings	**2,503**	(b)	2,706
3	Accumulated other comprehensive income (and other reserves)	**(1,482)**	(c)	(173)
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	**—**	(b)	—
6	CET1 capital before regulatory adjustments	**1,041**		2,553
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	(-) Additional value adjustments	**(2)**		(4)
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)	**(439)**	(e)	(161)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**1,479**	(i)	168
12	(-) Negative amounts resulting from the calculation of expected loss amounts	**—**		—
13	(-) Any increase in equity that results from securitised assets	**—**		—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**—**		—
15	(-) Defined-benefit pension fund assets	**—**	(f) & (g)	—
16	(-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments	**—**		—
17	(-) Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	**—**		—
18	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	**—**		—
19	(-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	**—**		—
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	**—**		—
UK-20b	*(-) Of which: qualifying holdings outside the financial sector*	**—**		—
UK-20c	*(-) Of which: securitisation positions*	**—**		—
UK-20d	*(-) Of which: free deliveries*	**—**		—
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	**—**		—

UK CC1: Composition of regulatory own funds continued

		RBS 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
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
23	*(-) Of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	—		—
25	*(-) Of which: deferred tax assets arising from temporary differences*	—		—
UK-25a	(-) Losses for the current financial year	—	(b)	—
UK-25b	(-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items 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)	70		126
28	Total regulatory adjustments to CET1	1,108		129
29	CET1 capital	2,149		2,682
	AT1 capital: instruments			
30	Capital instruments and the related share premium accounts	970	(h)	969
31	*Of which: classified as equity under applicable accounting standards*	970		969
32	*Of which: classified as liabilities under applicable accounting standards*	—		—
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	—	(j)	—
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	—		—
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	—		—
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	(j)	—
35	*Of which: instruments issued by subsidiaries subject to phase out*	—		—
36	AT1 capital before regulatory adjustments	970		969
	AT1 capital: regulatory adjustments			
37	(-) Direct, indirect and synthetic holdings by an institution of own AT1 instruments	—		—
38	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	—		—
39	(-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—		—
40	(-) Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	—		—
42	(-) Qualifying T2 deductions that exceed the T2 items of the institution	—		—
42a	Other regulatory adjustments to AT1 capital	—		—
43	Total regulatory adjustments to AT1 capital	—		—
44	AT1 capital	970		969
45	Tier 1 capital (T1 = CET1 + AT1)	3,119		3,651

UK CC1: Composition of regulatory own funds continued

		RBS 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
	T2 capital: instruments			
46	Capital instruments and the related share premium accounts	**1,537**	(j)	1,372
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	—	(j)	—
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	—		—
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	—		—
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	(j)	—
49	*Of which: instruments issued by subsidiaries subject to phase out*	—		—
50	Credit risk adjustments	**59**		83
51	T2 capital before regulatory adjustments	**1,596**		1,455
	T2 capital: regulatory adjustments			
52	(-) Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans	—		—
53	(-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	—		—
54	(-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—		—
55	(-) Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	—		—
UK-56a	(-) Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution	—		—
UK-56b	Other regulatory adjustments to T2 capital	—		—
57	Total regulatory adjustments to T2 capital	—		—
58	T2 capital	**1,596**		1,455
59	Total capital (TC = T1 + T2)	**4,715**		5,106
60	Total risk exposure amount	**18,540**		19,592
	Capital ratios and buffers			
61	CET1 (as a percentage of total risk exposure amount)	**11.6%**		13.7%
62	T1 (as a percentage of total risk exposure amount)	**16.8%**		18.6%
63	Total capital (as a percentage of total risk exposure amount)	**25.4%**		26.1%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	**9.3%**		8.9%
65	*Of which: capital conservation buffer requirement*	**2.5%**		2.5%
66	*Of which: counter cyclical buffer requirement*	***0.9%***		*0.0%*
67	*Of which: systemic risk buffer requirement*	—		—
UK-67a	*Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	—		—
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**5.7%**		7.3%

UK CC1: Composition of regulatory own funds continued

		RBS 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
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1		—
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)	6		6
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)	33		45
Applicable caps on the inclusion of provisions in Tier 2				
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	8		13
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	59		83
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	87		88
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	—		—
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—		—
82	Current cap on AT1 instruments subject to phase out arrangements	—		—
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—		—
84	Current cap on T2 instruments subject to phase out arrangements	—		—
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—		—

(1) Row 68: represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
(2) The references (a) to (k) identify balance sheet components in table UK CC2 that are used in the calculation of regulatory capital in table UK CC1. Amounts between UK CC2 and UK CC1 are not always directly comparable due to differences in definitions and application of Capital Requirements Directive for the calculation of regulatory capital.
(3) The following lines are not presented as they are not applicable under the UK disclosure requirements: 9, 20, 24, 26, 41, 54a, 56, 69, 70, 71 and 74.

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

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

	RBS plc		
	As at period end 31 December 2022		
	a	b	
Assets	Balance sheet as in published financial statements as at period end £m	Under regulatory scope of consolidation as at period end £m	References
Cash and balances at central banks	34,323	34,323	
Derivatives	498	498	
Loans to banks - amortised cost	1,071	1,071	
Loans to customers - amortised cost	37,667	37,667	
Other financial assets	—	—	
Intangible assets	—	—	*(d)*
Property, plant and equipment	120	120	
Current and deferred tax assets	1,048	1,048	
of which: DTAs that rely on future profitability and do not arise from temporary differences	*439*	*439*	*(e)*
Prepayments, accrued income and other assets	214	214	
of which: defined benefit pension fund assets	—	—	*(f)*
Amounts due from holding companies and fellow subsidiaries	21,722	21,722	
Total assets	**96,663**	**96,663**	
Liabilities			
Bank deposits	986	986	
Customer deposits	83,306	83,306	
Derivatives	2,683	2,683	
Other financial liabilities	—	—	*(j)*
Provisions, deferred income and other liabilities	443	443	
Current and deferred tax liabilities	265	265	
of which: defined benefit pension scheme assets	—	—	*(g)*
Notes in circulation	2,409	2,409	
Amounts due to holding companies and fellow subsidiaries	3,910	3,910	*(j)*
Total liabilities	**94,002**	**94,002**	
Shareholders' Equity			
Non-controlling interests	—	—	
Owners' equity			
Called up share capital	20	20	*(a)*
Reserves	2,641	2,641	
of which: amount eligible for retained earnings	*3,153*	*3,153*	*(b)*
of which: amount eligible for accumulated OCI and other reserves	*(1,482)*	*(1,482)*	*(c) & (i)*
of which: amount of other equity instruments	*970*	*970*	*(h)*
of which: share premium accounts	—	—	*(k)*
Total shareholders' equity	**2,661**	**2,661**	

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

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

The table below shows information regarding creditor ranking for RBS plc.

		Insolvency ranking								
2	Description of insolvency ranking	Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt		
	Royal bank of Scotland plc	**Resolution entity**	**Other**	**Resolution entity**	**Other**	**Resolution entity**	**Other**	**Resolution entity**	**Other**	**Total**
	2022	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
3	Total liabilities and own funds	**1,691**	**—**	**970**	**—**	**1,537**	**—**	**415**	**—**	**4,613**
4	o/w excluded liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
5	Total liabilities and own funds less excluded liabilities	**1,691**	**—**	**970**	**—**	**1,537**	**—**	**415**	**—**	**4,613**
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	**1,691**	**—**	**970**	**—**	**1,537**	**—**	**415**	**—**	**4,613**
7	o/w residual maturity ≥ 1 year < 2 years	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	o/w residual maturity ≥ 2 year < 5 years	**—**	**—**	**—**	**—**	**—**	**—**	**415**	**—**	**415**
9	o/w residual maturity ≥ 5 years < 10 years	**—**	**—**	**—**	**—**	**1,537**	**—**	**—**	**—**	**1,537**
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
11	o/w perpetual securities	**1,691**	**—**	**970**	**—**	**—**	**—**	**—**	**—**	**2,661**

		Insolvency ranking								
2	Description of insolvency ranking	Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt		
	Royal Bank of Scotland plc	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Total
	2021	£m	£m	£m	£m	£m	£m	£m	£m	£m
3	Total liabilities and own funds	2,778	—	969	—	1,372	—	371	—	5,490
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	2,778	—	969	—	1,372	—	371	—	5,490
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	2,778	—	969	—	1,372	—	371	—	5,490
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	371	—	371
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	1,372	—	—	—	1,372
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—
11	o/w perpetual securities	2,778	—	969	—	—	—	—	—	3,747

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

Annex IX: Countercyclical capital buffers

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

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

The table below summarises RBS 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

	RBS plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures - Market risk				Own fund requirements						
31 December 2022	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Securitisation exposures Exposure value for non-trading book £m	Total exposure value £m	Relevant credit risk exposures - Credit risk £m	Relevant credit exposures - Market risk £m	Relevant credit exposures - Securitisation positions in the non trading book £m	Total £m	Risk weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
Breakdown by country (with existing CCyB rates)													
Norway	**25**	**1**	**—**	**—**	**—**	**26**	**2**	**—**	**—**	**2**	**26**	**0.17%**	**2.00%**
Denmark	**—**	**78**	**—**	**—**	**—**	**78**	**—**	**—**	**—**	**—**	**2**	**0.02%**	**2.00%**
Great Britain	**3,598**	**43,204**	**—**	**—**	**—**	**46,801**	**1,092**	**—**	**—**	**1,092**	**13,644**	**92.25%**	**1.00%**
Sweden	**—**	**246**	**—**	**—**	**—**	**246**	**2**	**—**	**—**	**2**	**28**	**0.18%**	**1.00%**
Hong Kong	**—**	**6**	**—**	**—**	**—**	**6**	**—**	**—**	**—**	**—**	**—**	**—**	**1.00%**
Estonia	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1.00%**
Luxembourg	**—**	**77**	**—**	**—**	**—**	**77**	**4**	**—**	**—**	**4**	**47**	**0.32%**	**0.50%**
Romania	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.50%**
Total (countries with existing CCyB rates)	**3,623**	**43,612**	**—**	**—**	**—**	**47,234**	**1,100**	**—**	**—**	**1,100**	**13,747**	**92.94%**	

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

	RBS plc												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures - Market risk				Own fund requirements						
31 December 2022	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Securitisation exposures Exposure value for non-trading book £m	Total exposure value £m	Relevant credit risk exposures - Credit risk £m	Relevant credit exposures - Market risk £m	Relevant credit exposures - Securitisation positions in the non trading book £m	Total £m	Risk weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
Breakdown by country (with zero CCyB rates and with own funds requirement weights 1% and above)													
US	**3**	**1,992**	**—**	**—**	**—**	**1,995**	**31**	**—**	**—**	**31**	**388**	**2.62%**	
Jersey	**95**	**204**	**—**	**—**	**—**	**299**	**17**	**—**	**—**	**17**	**218**	**1.47%**	
Total (Countries with zero CCyB rate and with own funds requirement weights 1% and above)	**98**	**2,196**	**—**	**—**	**—**	**2,294**	**48**	**—**	**—**	**48**	**606**	**4.09%**	
Total (rest of the world with zero CCyB rate and below 1% requirement)	**1**	**1,215**	**—**	**—**	**—**	**1,216**	**35**	**—**	**—**	**35**	**438**	**2.97%**	
Total	**3,722**	**47,023**	**—**	**—**	**—**	**50,744**	**1,183**	**—**	**—**	**1,183**	**14,791**	**100.00%**	

UK CCyB2: Amount of institution-specific countercyclical capital buffer

		RBS plc
		31 December 2022
		£m
1	Total risk exposure amount	**18,540**
2	Institution specific countercyclical capital buffer	**0.93%**
3	Institution specific countercyclical capital buffer requirement (1)	**172**

(1) In response to COVID-19 many countries reduced their CCyB rates. In December 2021, the Financial Policy Committee announced an increase in 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.

		RBS plc	
		31 December 2022	30 June 2022
		£m	£m
1	Total assets as per published financial statements	**96,663**	107,668
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)	**(31,656)**	(37,765)
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	**—**	—
7	Adjustment for eligible cash pooling transactions	**—**	—
8	Adjustment for derivative financial instruments	**1,001**	969
9	Adjustment for securities financing transactions (SFTs)	**—**	—
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**6,554**	7,111
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(11)**	(17)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**(23,797)**	(25,986)
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	**203**	(417)
13	Total exposure measure	**48,957**	51,563

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

		RBS Plc	
		31 December 2022	30 June 2022
On-balance sheet exposures (excluding derivatives and SFTs)		£m	£m
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**95,257**	106,226
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)	**—**	—
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))	**1,109**	716
7	Total on-balance sheet exposures (excluding derivatives, and SFTs)	**96,366**	106,942
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**692**	420
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	**—**	—
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	**808**	853
UK-9b	Exposure determined under the original exposure method	**—**	—
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**—**	—
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	**—**	—
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	**—**	—
11	Adjusted effective notional amount of written credit derivatives	**—**	—
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**—**	—
13	Total derivative exposures	**1,500**	1,273
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**—**	—
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**—**	—
16	Counterparty credit risk exposure for SFT assets	**—**	—
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	**—**	—
UK-17	Agent transaction exposures	**—**	—
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	**—**	—
18	Total securities financing transaction exposures	**—**	—
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**21,708**	22,513
20	(Adjustments for conversion to credit equivalent amounts)	**(15,155)**	(15,402)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	**(9)**	(12)
22	Off-balance sheet exposures	**6,544**	7,099

UK LR2: LRCom: Leverage ratio common disclosure continued

		RBS Plc	
		31 December 2022 £m	30 June 2022 £m
	Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**(23,797)**	(25,986)
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)	**(23,797)**	(25,986)
	Capital and total exposure measure		
23	Tier 1 capital (leverage)	**3,119**	3,253
24	Total exposure measure including claims on central banks	**80,613**	89,328
UK-24a	(-) Claims on central banks excluded	**(31,656)**	(37,765)
UK-24b	Total exposure measure excluding claims on central banks	**48,957**	51,563
	Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	**6.4**	6.3
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**6.2**	6.2
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	**6.4**	6.3
UK-25c	Leverage ratio including claims on central banks (%)	**3.9**	3.6
26	Regulatory minimum leverage ratio requirement (%) (1)		
	Additional leverage ratio disclosure requirements - leverage ratio buffers (1)		
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 (%)		
	Additional leverage ratio disclosure requirements - disclosure of mean values (1)		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and receivable netted of amounts of associated cash payables and cash		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and receivables netted of amounts of associated cash payables and cash		
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) RBS 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.

		RBS plc	
		31 December 2022 £m	30 June 2022 £m
UK-1	Total on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	43,523	45,723
UK-2	Trading book exposures	—	—
UK-3	Banking book exposures, of which:	43,523	45,723
UK-4	Covered bonds	—	—
UK-5	Exposures treated as sovereigns	2,358	2,424
UK-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	479	551
UK-7	Institutions	750	779
UK-8	Secured by mortgages of immovable properties	22,336	24,499
UK-9	Retail exposures	3,563	3,603
UK-10	Corporate	9,575	10,610
UK-11	Exposures in default	817	900
UK-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	3,645	2,357

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 6.4%, calculated in accordance with current requirements in the Leverage Ratio (CRR) part of the PRA rulebook. The ratio decreased by 10 basis points in the period since 30 June 2022. The key driver is a £0.1 billion decrease in Tier 1 capital, offset by a £2.6 billion decrease in leverage exposure due to reduced balance sheet exposures, predominantly in loans to customers.

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.

		RBS 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*
31 December 2022		Performing forborne £m	Non-performing forborne £m	*Of which: defaulted £m*	*Of which: impaired £m*	On performing forborne exposures £m	On non-performing forborne exposures £m	£m	*£m*
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	Loans and advances	**1,024**	**463**	***432***	***436***	**(36)**	**(137)**	**1,129**	**309**
020	*Central banks*	—	—	—	—	—	—	—	—
030	*General governments*	—	—	—	—	—	—	—	—
040	*Credit institutions*	—	—	—	—	—	—	—	—
050	*Other financial corporations*	***1***	—	—	—	—	—	—	—
060	*Non-financial corporations*	***938***	***220***	***207***	***208***	***(34)***	***(81)***	***874***	***130***
070	*Households*	***85***	***243***	***225***	***228***	***(2)***	***(56)***	***255***	***179***
080	Debt securities	—	—	—	—	—	—	—	—
090	Loan commitments given	**241**	**11**	***9***	***10***	—	—	**56**	**8**
100	Total	**1,265**	**474**	**441**	**446**	**(36)**	**(137)**	**1,185**	**317**

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	*Past due > 30 days ≤ 90 days*		*Unlikely to pay that are not past due or are past due ≤ 90 days*	*Past due > 90 days ≤ 180 days*	*Past due > 180 days ≤ 1 year*	*Past due > 1 year ≤ 2 years*	*Past due > 2 years ≤ 5 years*	*Past due > 5 years ≤ 7 years*	*Past due > 7 years*	*Of which: defaulted*
	31 December 2022	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
005	Cash balances at central banks and other demand deposits	34,847	34,847	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	58,785	58,518	267	1,055	557	125	109	101	123	16	24	996
020	*Central banks*	276	276	—	—	—	—	—	—	—	—	—	—
030	*General governments*	560	560	—	—	—	—	—	—	—	—	—	—
040	*Credit institutions*	18,123	18,123	—	—	—	—	—	—	—	—	—	—
050	*Other financial corporations*	3,718	3,716	2	10	5	1	2	—	2	—	—	10
060	*Non-financial corporations*	19,257	19,047	210	377	233	34	28	25	35	5	17	360
070	*Of which SMEs*	4,009	3,966	43	178	90	12	23	23	20	4	6	165
080	*Households*	16,851	16,796	55	668	319	90	79	76	86	11	7	626
090	Debt securities	—	—	—	—	—	—	—	—	—	—	—	—
100	*Central banks*	—	—	—	—	—	—	—	—	—	—	—	—
110	*General governments*	—	—	—	—	—	—	—	—	—	—	—	—
120	*Credit institutions*	—	—	—	—	—	—	—	—	—	—	—	—
130	*Other financial corporations*	—	—	—	—	—	—	—	—	—	—	—	—
140	*Non-financial corporations*	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	21,555			113								108
160	*Central banks*	—			—								—
170	*General governments*	307			—								—
180	*Credit institutions*	1,210			—								—
190	*Other financial corporations*	1,719			—								—
200	*Non-financial corporations*	10,976			39								38
210	*Households*	7,343			74								70
220	Total	115,187	93,365	267	1,168	557	125	109	101	123	16	24	1,104

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.

		RBS plc					
		a	b	c	d	e	f
	31 December 2022	Gross carrying amount £m	Of which: non-performing £m	Of which: defaulted £m	Of which: loans and advances subject to impairment £m	Accumulated impairment £m	Accumulated negative changes in fair value due credit risk on non-performing exposures £m
010	Agriculture, forestry and fishing	649	10	10	649	(10)	—
020	Mining and quarrying	356	2	2	356	(5)	—
030	Manufacturing	2,196	16	11	2,196	(11)	—
040	Electricity, gas, steam and air conditioning supply	417	4	4	417	(1)	—
050	Water supply	57	—	—	57	—	—
060	Construction	830	58	57	830	(31)	—
070	Wholesale and retail trade	2,554	3	3	2,551	(17)	—
080	Transport and storage	1,089	43	43	1,089	(15)	—
090	Accommodation and food service activities	1,160	36	33	1,160	(44)	—
100	Information and communication	736	4	4	736	(3)	—
110	Financial and insurance activities	—	—	—	—	—	—
120	Real estate activities	7,087	108	107	7,087	(72)	—
130	Professional, scientific and technical activities	695	16	14	695	(10)	—
140	Administrative and support service activities	203	14	13	203	(10)	—
150	Public administration and defence, compulsory social security	4	—	—	4	—	—
160	Education	112	1	1	112	(1)	—
170	Human health services and social work activities	1,260	36	33	1,260	(21)	—
180	Arts, entertainment and recreation	122	2	1	122	(2)	—
190	Other services	107	24	24	107	—	—
200	Total	19,634	377	360	19,631	(253)	—

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

		RBS plc														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				Collateral and financial guarantee received	
			Of which: Stage 1	*Of which: Stage 2*		*Of which: Stage 2*	*Of which: Stage 3*	Total	*Of which: Stage 1*	*Of which: Stage 2*		*Of which: Stage 2*	*Of which: Stage 3*	Accumulated partial write-off	On performing exposures	On non-performing exposures
31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	34,847	*34,847*	—	—	—	—	(4)	*(4)*	—	—	—	—	—	5	—
010	Loans and advances	58,785	*50,669*	*8,051*	1,055	*42*	*1,009*	(271)	*(107)*	*(164)*	(371)	*(3)*	*(368)*	(48)	29,372	638
020	*Central banks*	*276*	*276*	—	—	—	—	—	—	—	—	—	—	—	—	—
030	*General governments*	*560*	*432*	*77*	—	—	—	—	—	—	—	—	—	—	*449*	—
040	*Credit institutions*	*18,123*	*18,123*	—	—	—	—	*(27)*	*(27)*	—	—	—	—	—	—	—
050	*Other financial corporations*	*3,718*	*3,639*	*79*	*10*	—	*10*	*(2)*	*(1)*	*(1)*	*(3)*	—	*(3)*	—	*599*	*7*
060	*Non-financial corporations*	*19,257*	*14,425*	*4,829*	*377*	*13*	*364*	*(117)*	*(37)*	*(80)*	*(136)*	*(1)*	*(135)*	*(5)*	*14,003*	*236*
070	*Of which: SMEs*	*4,009*	*2,796*	*1,212*	*178*	*7*	*171*	*(56)*	*(14)*	*(42)*	*(63)*	*(1)*	*(62)*	—	*3,580*	*108*
080	*Households*	*16,851*	*13,774*	*3,066*	*668*	*29*	*635*	*(125)*	*(42)*	*(83)*	*(232)*	*(2)*	*(230)*	*(43)*	*14,321*	*395*
090	Debt securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
100	*Central banks*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
110	*General governments*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
120	*Credit institutions*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
130	*Other financial corporations*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
140	*Non-financial corporations*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance sheet exposures	21,555	*18,563*	*2,992*	113	*2*	*109*	(15)	*(5)*	*(10)*	(4)	—	*(4)*		5,862	25
160	*Central banks*	—	—	—	—	—	—	—	—	—	—	—	—		—	—
170	*General governments*	*307*	*307*	—	—	—	—	—	—	—	—	—	—		—	—
180	*Credit institutions*	*1,210*	*1,208*	*2*	—	—	—	—	—	—	—	—	—		—	—
190	*Other financial corporations*	*1,719*	*1,600*	*119*	—	—	—	—	—	—	—	—	—		*10*	—
200	*Non-financial corporations*	*10,976*	*8,699*	*2,277*	*39*	*1*	*38*	*(11)*	*(3)*	*(8)*	*(4)*	—	*(4)*		*3,353*	*14*
210	*Households*	*7,343*	*6,749*	*594*	*74*	*1*	*71*	*(4)*	*(2)*	*(2)*	—	—	—		*2,499*	*11*
220	Total	115,187	104,079	11,043	1,168	44	1,118	(290)	(116)	(174)	(375)	(3)	(372)	(48)	35,239	663

(1) The gross NPL ratio for RBS plc is 1.76%. Cash balances at central banks and other demand deposits were excluded from the ratio calculation.

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.

	RBS plc					
	a	b	c	d	e	f
	Net exposure value					
31 December 2022	On demand £m	<= 1 year £m	> 1 year <= 5 years £m	> 5 years £m	No stated maturity £m	Total £m
1 Loans and advances	7,651	9,515	22,429	19,603	—	59,198
2 Debt securities	—	—	—	—	—	—
3 Total	7,651	9,515	22,429	19,603	—	59,198

(1) Cash balances at central banks and other demand deposits are 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.

		RBS plc
		a
		Gross carrying amount £m
010	Initial stock of non-performing loans and advances	1,133
020	Inflows to non-performing portfolios	755
030	Outflows from non-performing portfolios	(833)
040	Outflows due to write-offs	(77)
050	Outflow due to other situations	(756)
060	Final stock of non-performing loans and advances	1,055

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

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. RBS plc's IFRS 9 provisioning models, which use existing Basel models as a starting point, incorporate term structures and forward-looking information. Regulatory conservatism within the Basel models has been removed as appropriate to comply with the IFRS 9 requirement for unbiased ECL estimates.

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

Model build:

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

Model application:

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

IFRS 9 ECL model design principles

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

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

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

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

PD estimates

Personal models

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

Wholesale models

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

LGD estimates

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

Personal

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

Wholesale

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

EAD estimates

Personal

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

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

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

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

Wholesale

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

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

Governance and post model adjustments

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

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

Post-model adjustments will remain a key focus area of RBS 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). RBS 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 RBS plc and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

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

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

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

Annex XVII: Credit risk mitigation

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

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

		RBS 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
	31 December 2022	£m	£m	£m	£m	£m
1	Loans and advances	**63,117**	**30,924**	**28,406**	**1,609**	**—**
2	Debt securities	**—**	**—**	**—**	**—**	**—**
3	Total	**63,117**	**30,924**	**28,406**	**1,609**	**—**
4	*Of which: non-performing exposures*	***41***	***643***	***572***	***66***	**—**
5	*Of which: defaulted*	***36***	***594***	***525***	***64***	**—**

UK CRC: Qualitative disclosure requirements

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 RBS 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.

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

Mitigation techniques, as set out in the appropriate credit policies and transactional acceptance standards, are used in the management of credit portfolios across RBS 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 RBS 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. RBS plc uses industry-standard loan and security documentation wherever possible.

However, when non-standard documentation is used, external lawyers are employed to review the documentation on a case-by-case basis. Mitigants (including any associated insurance) are monitored throughout the life of the transaction to ensure they perform as anticipated. Similarly, documentation is also monitored to ensure it remains enforceable.

Wholesale

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

- Commercial real estate.
- Other physical assets – Including stock, plant, equipment, machinery, vehicles, ships and aircraft. Such assets are suitable collateral only if RBS plc can identify, locate, and segregate them from other assets on which it does not have a claim. RBS 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 RBS 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. RBS plc monitors the value of the collateral and, if there is a shortfall, will review the position, which may lead to seeking additional collateral.

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

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

Personal

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

Annex XIX: Credit risk – standardised approach

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

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

		RBS plc					
		a	b	c	d	e	f
		Exposures pre CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	Expsoure Classes	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	34,064	132	34,172	14	83	—
2	Regional governments or local authorities	—	79	—	—	—	—
3	Public sector entities	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	18,598	1,072	18,599	589	17	—
7	Corporates	3,327	1,504	3,233	135	242	7
8	Retail	173	638	173	—	111	64
9	Secured by mortgages on immovable property	112	71	99	43	136	96
10	Exposures in default	20	—	18	—	27	147
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	7	—	7	—	16	229
16	Other items	13	—	13	—	13	100
17	Total	56,314	3,496	56,314	781	645	1

Annex XXI: Credit risk – IRB approach

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

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

		RBS plc	
		31 December 2022	
		a	b
		Pre-credit derivatives RWAs £m	Actual RWAs £m
5	Exposures under AIRB	11,870	11,842
6	Central governments and central banks	—	—
7	Institutions	246	246
8	Corporates	6,375	6,348
8.1	*Of which: SME*	1,144	1,126
8.2	*Of which: Specialised lending (2)*	—	—
8.3	*Of which: Other*	5,231	5,222
9	Retail	5,249	5,249
9.1	*Of which: Secured by real estate SME - Secured by immovable property collateral*	114	114
9.2	*Of which: Secured by real estate non-SME - Secured by immovable property collateral*	2,234	2,234
9.3	*Of which: Qualifying revolving*	1,011	1,011
9.4	*Of which: Other SME*	603	603
9.5	*Of which: Other non-SME*	1,287	1,287
10	Total	11,870	11,842

(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.

		RBS plc													
			Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWAs	
			Funded credit protection (FCP)									Unfunded credit protection (UFCP)			
		Total exposures £m	Part of exposures covered by financial collaterals %	Part of exposures covered by other eligible collaterals %	Part of exposures covered by immovable property collaterals %	Part of exposures covered by receivables %	Part of exposures covered by other physical collaterals %	Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA post all assigned to the obligor exposure class £m	RWA with substitution effects £m
	31 December 2022	a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	11	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Institutions	931	44.74	1.61	1.61	—	—	—	—	—	—	—	—	290	246
3	Corporates	17,576	40.11	121.23	99.98	—	21.26	0.07	—	—	0.07	2.55	—	6,586	6,348
3.1	*Of which: SME*	2,820	36.22	196.99	160.77	—	36.22	0.03	—	—	0.03	8.74	—	1,215	1,126
3.2	*Of which: Specialised lending*	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3.3	*Of which: Other*	14,756	40.86	106.76	88.36	—	18.40	0.08	—	—	0.08	1.36	—	5,371	5,222
4	Retail	24,843	—	231.61	231.61	—	—	—	—	—	—	4.15	—	1,547	5,248
4.1	*Of which: Immovable property SME*	284	—	—	—	—	—	—	—	—	—	1.24	—	113	114
4.2	*Of which: Immovable property non-SME*	16,783	—	342.84	342.84	—	—	—	—	—	—	—	—	1,181	2,233
4.3	*Of which: Qualifying revolving*	4,014	—	—	—	—	—	—	—	—	—	—	—	61	1,011
4.4	*Of which: Other SMEs*	2,448	—	—	—	—	—	—	—	—	—	41.96	—	27	603
4.5	*Of which: Other non-SME*	1,314	—	—	—	—	—	—	—	—	—	—	—	165	1,287
5	Total	43,361	17.22	181.87	173.26	—	8.62	0.03	—	—	0.03	3.41	—	8,423	11,842

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

	A-IRB	RBS plc													
			Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWAs	
			Funded credit protection (FCP)									Unfunded credit protection (UFCP)			
		Total exposures £m	Part of exposures covered by financial collaterals %	Part of exposures covered by other eligible collaterals %	Part of exposures covered by immovable property collaterals %	Part of exposures covered by receivables %	Part of exposures covered by other physical collaterals %	Part of exposures covered by other funded credit protection %	Part of exposures covered by cash on deposit %	Part of exposures covered by life insurance policies %	Part of exposures covered by instruments held by a third party %	Part of exposures covered by guarantees %	Part of exposures covered by credit derivatives %	RWA post all assigned to the obligor exposure class £m	RWA with substitution effects £m
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
6	Specialised lending under the slotting approach	**3,653**	**1.43**	**168.35**	**151.12**	**—**	**17.24**	**—**	**—**	**—**	**—**	**5.87**	**—**	**2,437**	**2,439**
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. RBS plc does not have Object Finance and Commodities Finance exposures; therefore, those are not presented separately.

		RBS plc					
		a	b	c	d	e	f
		Specialised lending: Project finance (slotting approach)					
31 December 2022	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
Category 1	Less than 2.5 years	7	12	50%	12	5	—
	Equal to or more than 2.5 years	661	42	70%	684	374	3
Category 2	Less than 2.5 years	—	—	70%	—	—	—
	Equal to or more than 2.5 years	—	4	90%	2	1	—
Category 3	Less than 2.5 years	—	—	115%	—	—	—
	Equal to or more than 2.5 years	6	2	115%	6	7	—
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	30	—	—	30	—	15
Total	Less than 2.5 years	7	12		12	5	—
	Equal to or more than 2.5 years	697	48		722	382	18

		RBS plc					
		a	b	c	d	e	f
		Specialised lending: Income-producing real estate and high volatility commercial real estate (slotting approach)					
31 December 2022	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk-weight %	Exposure value £m	Risk-weighted exposure amount £m	Expected loss amount £m
Category 1	Less than 2.5 years	721	85	50%	765	382	—
	Equal to or more than 2.5 years	507	39	70%	525	367	2
Category 2	Less than 2.5 years	1,012	112	70%	1,069	748	4
	Equal to or more than 2.5 years	302	15	90%	309	278	2
Category 3	Less than 2.5 years	115	9	115%	125	144	4
	Equal to or more than 2.5 years	80	—	115%	80	92	2
Category 4	Less than 2.5 years	14	—	250%	14	36	1
	Equal to or more than 2.5 years	2	—	250%	2	5	—
Category 5	Less than 2.5 years	20	—	—	20	—	10
	Equal to or more than 2.5 years	11	—	—	11	—	7
Total	Less than 2.5 years	1,882	206		1,993	1,310	19
	Equal to or more than 2.5 years	902	54		927	742	13

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. No adjustments were made as part of accountability reviews undertaken in 2022 for any colleagues in RBS.

Remuneration of Material Risk Takers ('MRTs') – The Royal Bank of Scotland plc

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 340 individuals who have been identified as MRTs for The Royal Bank of Scotland plc (RBS).

We have excluded 282 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within a subsidiary entity, they do not receive any remuneration for this role and they perform their primary role for another entity within NatWest Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. Note the numbers in the tables all agree to the underlying source data, but when presented to two decimal places and aggregated, this can result in small rounding differences.

Following the publication of the updated EBA Guidelines on Remuneration Benchmarking in June 2022, in order to ensure consistency across remuneration disclosures, there has been a change of approach to our reporting of the number of MRTs and their variable pay, reflected in the tables below. The total number of MRTs now excludes colleagues who left the Group prior to year end (but their remuneration remains within the pay values reported); and all severance payments made to MRTs are now included in the variable remuneration value disclosed, even when some or all of that severance does not count towards the calculation of the ratio of fixed to variable pay.

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

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

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

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

	RBS Plc NEDs	RBS Plc EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area					Total
									Control functions	
Fixed remuneration										
Total number of MRTs	—	—	—	58						58
Other senior management - split by business area					—	—	—	—	—	
Other MRTs - split by business area					—	—	—	—	58	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	—	—	—	4.46	—	—	—	—	4.46	4.46
Cash-based	—	—	—	4.46	—	—	—	—	4.46	4.46
Share-based	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Variable remuneration										
Total number of MRTs	—	—	—	57	—	—	—	—	—	57
Other senior management - split by business area					—	—	—	—	—	
Other MRTs - split by business area					—	—	—	—	57	
Total variable remuneration of MRTs	—	—	—	0.84	—	—	—	—	0.84	0.84
Cash-based	—	—	—	0.79	—	—	—	—	0.79	0.79
Of which: deferred cash	—	—	—	0.02	—	—	—	—	0.02	0.02
Share-based (annual bonus)	—	—	—	0.05	—	—	—	—	0.05	0.05
Of which: deferred shares	—	—	—	0.02	—	—	—	—	0.02	0.02
Share-based (RSP awards)	—	—	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Total remuneration of MRTs	—	—	—	5.30	—	—	—	—	5.30	5.30

(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 55 MRTs in respect of performance year 2022. Total remuneration for these individuals in 2022 was £4.41 million, of which £3.93 million was fixed pay and £0.48 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 0.13. The majority of MRTs were based in the UK.

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

Special payments	RBS Plc NEDs	RBS Plc EDs	Other senior management	Other MRTs
Guaranteed awards and sign on awards				
Number of MRTs	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
Severance payments awarded in previous periods, paid out during the financial year				
Number of MRTs	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
Severance payments awarded during the financial year				
Number of MRTs	—	—	—	4
	£m	£m	£m	£m
Total amount	—	—	—	0.26
Of which: paid during the financial year	—	—	—	0.26
Of which: deferred	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	0.26
Of which: highest payment that has been awarded to a single person	—	—	—	0.12

(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
RBS plc NEDs - No deferred or retained remuneration held								
RBS plc EDs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
Other MRTs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—
Share-linked or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
Total amount	—	—	—	—	—	—	—	—

*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	—
€1.5 million to below €2.0 million	—
€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	—
Total	—

(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.