Pillar 3 Report

NatWest Group plc

Pillar 3 Report 2021

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Forward looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NatWest Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NatWest Group plc in respect of, but not limited to: the impact of the COVID-19 pandemic, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of its purpose-led strategy, its ESG and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, the transition of LIBOR and IBOR rates to alternative risk free rates and NatWest Group's exposure to economic and political risks (including with respect to terms surrounding Brexit and climate change), operational risk, conduct risk, cyber, data and IT risk, financial crime risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the impact of the COVID-19 pandemic, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs (including with respect to goodwill), legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions and the impact of climate-related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Group plc's actual results are discussed in NatWest Group plc's UK 2021 Annual Report and Accounts (ARA) and NatWest Group plc's filings with the US Securities and Exchange Commission, including, but not limited to, NatWest Group plc's most recent Annual Report on Form 20-F and Reports on Form 6-K. The forward-looking statements contained in this document speak only as of the date of this document and NatWest Group plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required..

Attestation statement

We confirm that the 2021 Pillar 3 Report meets the relevant requirements for Pillar 3 disclosures and has been prepared in line with internal controls agreed by the Board.

As set out in the Compliance report of the 2021 Annual Report and Accounts, the 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 2021 Pillar 3 Report was approved by the Board on 17 February 2022.

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

Bruce Fletcher
Group Chief Risk Officer
Member, Executive Committee

Disclosure framework

The Pillar 3 disclosures made by NatWest Group plc and its consolidated subsidiaries (together NatWest Group) are designed to comply with Part VIII of the UK Capital Requirements Regulation (CRR) associated onshored binding Technical Standards and guidelines from the European Banking Authority (EBA) ahead of them being incorporated into the Disclosure (CRR) Part of the PRA Rulebook from 1 January 2022. Additional disclosures are made in accordance with supervisory expectations regarding future disclosures promulgated by the Basel Committee on Banking Supervision (BCBS) and to assist the reader in understanding the activities of NatWest Group.

Large subsidiary disclosures that are non-UK entities are presented in accordance with regulatory requirements applicable in the countries in which they are incorporated, whilst the consolidated view is calculated under the UK Capital Requirements Regulation (CRR) as described above.

NatWest Group determines its large subsidiaries, in accordance with the CRR requirements for disclosure, as those designated as an O-SII by the national competent authority or with a value of total assets equal to or greater than €30 billion.

NatWest Group's large subsidiaries as at 31 December 2021 were National Westminster Bank Plc (NWB Plc), The Royal Bank of Scotland plc (RBS plc), NatWest Markets Plc (NWM Plc), Ulster Bank Ireland DAC (UBIDAC), Royal Bank of Scotland International Limited (RBSI) and Coutts & Company (Coutts & Co). Large subsidiary disclosures are presented in this document for NWM Plc, RBSI and, for completeness, the consolidated NatWest Holdings Group . Refer to the NWH Group 2021 Pillar 3 Report for large subsidiary disclosures for NWB Plc, RBS plc, UBIDAC and Coutts & Co.

Disclosure roadmap

This document should be read in conjunction with the 2021 NatWest Group Annual Report and Accounts (ARA), available at natwestgroup.com. The CRR roadmap included in Appendix 1 of this document details where in these documents the regulatory requirements are disclosed. Refer to the Glossary for definitions of terms available on natwestgroup.com.

As part of the Pillar 3 framework, banks are required to disclose the material risks to which they are, or may be, exposed. Most of this information is disclosed in the 2021 NatWest Group ARA. The 2021 NatWest Group ARA includes a range of risk factors and provides in-depth analysis on the specific risks to which NatWest Group is or may be exposed. These Pillar 3 disclosures provide additional information over and above that contained in the 2021 NatWest Group ARA.

Key metrics for NatWest Group are published as follows:

- Financial performance measures and ratios – 2021 NatWest Group ARA – Strategic report – Highlights
- Key metrics – Capital, leverage and liquidity for NatWest Group, NWB Plc, RBS plc, UBIDAC, RBSI, Coutts & Co and NWM Plc in their respective ARAs – Risk and capital Management – Capital, liquidity and funding risk.

Certain Pillar 3 disclosures are included in the 2021 NatWest Group ARA as follows:
- Corporate governance – Directors' Remuneration Report
- Strategic report – Risk overview
- Corporate governance – Report of the Board Risk Committee
- Risk and capital management:
  - Risk management framework
  - Capital, liquidity and funding risk
  - Credit risk
  - Market risk
  - Operational risk
- Capital instruments – detailed terms - are found on the NatWest Group Investor Relations website.

The following templates required to be disclosed as at 31 December 2021 are not applicable to NatWest Group: INS1 - Non-deducted participations in insurance undertakings and CCR5-B Composition of collateral for counterparty credit risk exposure.

The following templates are not disclosed as NatWest Group had no relevant reportable exposure as at 31 December 2021: Template 9 - Changes in the stock of non-performing loans and advances.

Throughout this document the row and column references are based on those prescribed in the EBA templates, with labelling updated to remove EU references. Any tables, rows or columns which are not applicable or do not have a value have not been shown.

NatWest Group is no longer classified as a Global Systemically Important Bank (G-SIB) and not subject to an additional capital buffer. In line with the G-SIB assessment framework we will continue to report the required indicators to the BCBS.

Regulatory framework

The Basel framework is based on three pillars:
- Pillar 1 - Minimum capital requirements: defines rules for the determination of the capital requirement relating to credit, counterparty credit, market and operational risk;
- Pillar 2 - Supervisory review process: requires banks to undertake an internal capital adequacy assessment process for risks not included in Pillar 1; and
- Pillar 3 - Market discipline: requires individual banks to disclose key information which allows investors and other market participants to understand their risk profiles.

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

Pillar 1 - Minimum capital requirements

The CRR determines minimum capital requirements predominantly by calculating RWAs for credit, counterparty credit, market and operational risks. Various RWA calculation approaches are available to banks, with differing levels of sophistication.
NatWest Group uses the following approaches to calculate RWAs:
- Credit risk: The advanced internal ratings based (IRB) approach is used for most exposures. The standardised (STD) approach is used for exposures in certain portfolios.
- Counterparty credit risk: The exposure amount is calculated using either the mark-to-market (MTM) method or the internal model method (IMM) for derivative transactions dependent on product type. The financial collateral comprehensive method using supervisory volatility adjustments is used for securities financing transactions. The resultant Exposure at Default (EAD) is risk-weighted as for Credit risk.
- Market risk: The internal model approach (IMA) is predominantly used for market risk in the trading book. Some positions are capitalised under the standardised approach.
- Operational risk: The standardised approach is used.

The minimum capital requirement is calculated as a percentage of RWAs depending on the capital ratio being calculated. On top of the minimum capital requirement, a number of buffers are required to address capital conservation, countercyclicality and systemic importance. Further details on the constituents of capital and the various buffers can be found in the Capital, liquidity and funding section of this document.

Disclosure framework continued

Pillar 2 - Supervisory review process

Pillar 2 comprises (i) the internal capital adequacy assessment process (ICAAP) for NatWest Group and its key subsidiaries and (ii) a supervisory review and evaluation process which is undertaken annually and focuses on the amounts, types and distribution of capital that NatWest Group considers adequate to cover the risks to which it is or may be exposed.

NatWest Group undertakes a risk assessment to ensure all material risks are identified, adequately managed and capitalised where appropriate.

Within Pillar 2A, NatWest Group assesses credit concentration risk, certain aspects of traded market risk that are not fully captured in Pillar 1, interest rate risk in the banking book (IRRBB), pension risk and operational risk to compensate for shortcomings of the Pillar 1 standardised approach. NatWest Group uses economic capital models to estimate Pillar 2A capital charges for operational and credit concentration risk. For more information, refer to 2021 NatWest Group ARA – Risk and capital management – Operational risk. Information regarding specific credit risk concentrations, such as sector or geography, is included within Pillar 3. Refer also to 2021 NatWest Group ARA – Risk and capital management – Non-traded market risk and Pension risk.

The PRA buffer (also referred to as Pillar 2B) is based on stress testing and scenario analysis. It is used to assess the quantum and quality of capital required to be set aside to counteract the adverse impact of an extreme but plausible stress on NatWest Group's capital, and to ensure capital levels in stress conditions remain above minimum requirements.

The ICAAP submission is approved by the NatWest Group Board before it is submitted to the regulator and forms the basis of the supervisory review and the setting of the Total Capital Requirement by the PRA. Refer to 2021 NatWest Group ARA – Risk and capital management – Risk management framework.

Pillar 3 - Market discipline

NatWest Group is committed to delivering risk and capital disclosures that ensure stakeholders understand the risks faced by NatWest Group and how they are measured and capitalised. The Pillar 3 disclosures are designed to encourage and promote market transparency and stability; they represent a component of NatWest Group's broader disclosures framework.

NatWest Group publishes its Pillar 3 disclosures as required by and in accordance with UK requirements.

NatWest Group has not omitted any disclosures on the grounds that the information may be proprietary or confidential. Certain of NatWest Group's subsidiaries in Europe publish capital and RWA data externally through an appropriate mechanism (such as websites and annual reports), thereby satisfying the EBA requirements for disclosures in the member states.

It is possible that disclosures made by other banks, especially outside the UK, are not directly comparable with those in this report. Notes are included with the data tables to ensure transparency regarding the approaches used for the disclosures. At EU and global levels, different definitions and assumptions adopted by other banks can make direct comparison difficult.

UK and EU implementation of Basel framework

The European Union (EU) has implemented the initial phase of the Basel III capital framework through the CRR and the Capital Requirements Directive (CRD). On 7 June 2019, amendments to the CRR and CRD (known as CRR2 and CRD5 respectively) were published in the Official Journal of the European Union. The majority of these changes were implemented in June 2021. Further changes will be implemented by CRR3, the European Commission issued a proposal in October 2021, with implementation not expected until January 2025.

From 1 January 2021, NatWest Group has been regulated under the onshored CRR and associated onshored binding technical standards which were created by the European Union (Withdrawal) Act 2018 and amending statutory instruments. As the Withdrawal Act applied to the CRR in place as of 31 December 2020, changes to CRR in the EU during 2021 are not reflected in the UK CRR unless separately legislated and amended by statutory instruments. As detailed above the changes to the EU CRR included the substantial CRR2 amendments, these have not been implemented in the UK as of 31 December 2021.

Going forward, the Financial Services Bill gives the PRA the power to write prudential rules directly into the PRA rulebook; they will co-ordinate with HM Treasury to implement changes and to delete the current onshored rules from the CRR. Most of the Basel reforms contained in CRR2 are to be implemented in this manner on 1 January 2022. The remainder of the reforms are expected to be consulted on in H2 2022.

Regulatory disclosure developments

The evolution of the regulatory disclosure framework has been driven by the BCBS in three phases over several years. They published Phase 3 of the Pillar 3 framework in December 2019. This reflected the disclosures related to the finalisation of Basel 3 published by the committee in December 2017. On 24 June 2020, the EBA finalised a comprehensive Implementing Technical Standard (ITS) that brings all disclosure requirements together; implements changes due to CRR2 and the Prudential Backstop Regulation; and aligns the disclosure framework with international standards. The ITS has been adopted by the European Commission and implemented in the EU for end June 2021 concurrent with the entry in to force of the majority of the CRR2 amendments.

As, from 1 January 2021, the UK is not subject to EU legislation these latest changes do not apply to NatWest Group at 31 December 2021 as they have not been implemented in the UK as of that date. In line with the implementation of the Basel framework in the UK discussed above the disclosure requirements associated to the Basel reforms contained in CRR2 as are to be adopted from 1 January 2022, therefore there are no significant changes to the UK disclosure framework compared to that in place at 31 December 2020 for the current reporting date.

Consolidation

NatWest Group plc is the parent entity for all authorised firms in NatWest Group and is subject to consolidated supervision by the PRA.NWH Ltd is subject to sub-consolidated supervision by the PRA as the parent of the ring-fenced bank (RFB) sub-group.

Inclusion of an entity in the statutory consolidation is driven by NatWest Group's ability to exercise control over that entity. The regulatory consolidation applies a comparable test, but consolidation is restricted to certain categories of entities. In accordance with PRA rules, non-financial and certain structured entities are excluded from the regulatory consolidation.

Disclosure framework continued

Where NatWest Group does not have control of an entity but has significant influence or more than 20% of the voting rights or capital of that entity, then it must be included in the regulatory consolidation on a pro-rata basis, unless it falls into one of the excluded categories or NatWest Group has agreed a different treatment with the PRA. Where NatWest Group has joint control such entities will only be included in the statutory consolidation on a pro-rata basis. Entities where NatWest Group has significant influence will be equity accounted in the statutory consolidation. For further information refer to Note 12 Related undertakings in the 2021 NatWest Group ARA – Parent company financial statements and notes.

Impediments to the transfer of capital resources and aggregate capital deficiency

All NatWest Group companies are subject to policies, governance and controls set centrally. Aside from regulatory requirements, there are no current or foreseen material, practical or legal impediments to the transfer of capital or prompt repayments of liabilities when due.

Independent review

The information presented in this Pillar 3 Report is not required to be, and has not been, subject to external audit.

Internal Audit undertakes procedures to provide management and the Board with assurance relating to the adequacy and effectiveness of the processes, controls and governance framework over the production of the Pillar 3 disclosures.

Internal Audit includes within the scope of its assurance work, the modelling and management of the organisation's capital and liquidity risks. Internal Audit is independent from the risk management function, and therefore from those responsible for the development and independent validation activity. Any material gaps in control identified by Internal Audit are escalated through standard board reporting and action plans agreed with those accountable for the activity behind the control.

Capital, liquidity and funding

Capital and leverage

Capital consists of reserves and instruments issued that are available that have a degree of permanency and are capable of absorbing losses. A number of strict conditions set by regulators must be satisfied to be eligible to count as capital.

Capital adequacy risk is the risk that there is or will be insufficient capital and other loss-absorbing debt instruments to operate effectively including meeting minimum regulatory requirements, operating within Board-approved Group risk appetite and supporting its strategic goals.

Capital management is the process by which NatWest Group ensures that it has sufficient capital and other loss-absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board-approved risk appetite, maintaining its credit rating and supporting its strategic goals. Capital management is critical in supporting NatWest Group's business and is enacted through an end to end framework across NatWest Group, its businesses and the legal entities through which it operates.

NatWest Group manages capital having regard to regulatory requirements. For large subsidiaries, regulatory capital is monitored and reported on an individual regulated bank legal entity basis, as relevant in each jurisdiction. For NatWest Group and the RFB sub-group, regulatory capital is monitored and reported on a consolidated basis.

Determination of capital sufficiency

In determining whether NatWest Group holds sufficient capital and other loss-absorbing debt instruments, NatWest Group assesses the amount and type of capital under a number of different bases:

Going concern vs. gone concern view

Going concern: This determination of capital sufficiency is made on the basis that there is sufficient capital to absorb losses and remain a viable going concern. NatWest Group is considered a going concern if it can operate in the foreseeable future to carry out its objectives and commitments without the need or intention on the part of management to liquidate.

Gone concern: This determination of capital sufficiency is made on the basis that there is sufficient capital and other loss-absorbing instruments to enable an orderly resolution in the event of failure. Gone concern would apply if NatWest Group had been deemed to fail, or likely to fail by the Bank of England (BoE).

Spot vs. forward-looking view

Spot view: This determination of capital sufficiency is made on the basis of prevailing actual positions and exposures.

Forward-looking view: This determination of capital sufficiency is made on the basis of positions, balance and exposures under a forward-looking view of the balance sheet in line with NatWest Group's planning horizons and parameters. This analysis examines both base and stress views.

Regulatory vs. risk appetite view

Regulatory requirements: This determination of capital sufficiency is an assessment of whether NatWest Group has sufficient capital and other loss-absorbing debt instruments to meet the requirements of prudential regulation.

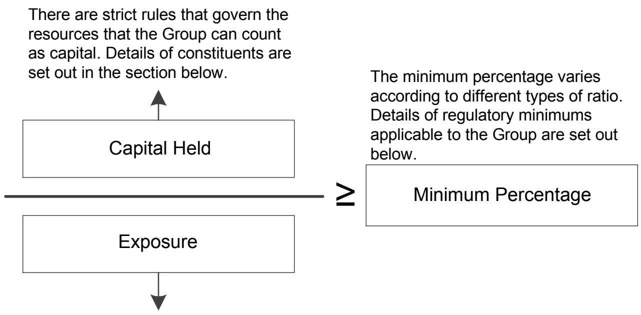
Risk appetite: This determination of capital sufficiency is an assessment of whether NatWest Group has sufficient capital and other loss-absorbing debt instruments to meet risk appetite limits. NatWest Group's risk appetite framework establishes quantitative and qualitative targets and limits within which NatWest Group operates to achieve its strategic objectives.

Capital sufficiency: going concern view

There are two types of capital ratios based on different exposure types:

Ratio	Exposure type	Description
Capital adequacy ratio	Risk-weighted assets	Assesses capital held against both size and inherent riskiness of on and off-balance sheet exposures.
Leverage ratio	Leverage exposure	Assesses capital held against the size of on and off-balance sheet exposures (largely based on accounting value with some adjustments).

The regulatory requirement for going concern capital typically takes the form of a ratio of capital compared to a defined exposure amount having to exceed a minimum percentage:



Constituents of capital held

The determination of which instruments and financial resources are eligible to be counted as capital is laid down by applicable regulation.

Capital is categorised by the CRR under two tiers (Tier 1 and Tier 2) according to the ability to absorb losses, degree of permanency and the ranking of absorbing losses. There are three broad categories of capital across these two tiers:

– CET1 capital. Common Equity Tier (CET1) capital must be perpetual and capable of unrestricted and immediate use to cover risks or losses as soon as these occur. This includes ordinary shares issued and retained earnings. CET1 capital absorbs losses before other types of capital and any loss-absorbing instruments.

Capital and leverage continued

- AT1 capital. This is the second form of loss-absorbing capital and must be capable of absorbing losses on a going concern basis. These instruments are either written down or converted into CET1 capital when a pre-specified CET1 ratio is reached. Coupons on Additional Tier 1 (AT1) issuances are discretionary and may be cancelled at the discretion of the issuer at any time. AT1 capital may not be called, redeemed or repurchased for five years from issuance.
- Tier 2 capital. Tier 2 capital is supplementary capital and provides loss absorption on a gone concern basis. Tier 2 capital absorbs losses after Tier 1 capital. It typically consists of subordinated debt securities with a minimum maturity of five years.

In addition to capital, other specific loss-absorbing instruments including senior notes issued by NatWest Group may be used to cover certain gone concern capital requirements which is referred to as minimum requirement for own funds and eligible liabilities (MREL). In order for liabilities to be eligible for MREL, a number of conditions must be met including the BoE being able to apply its stabilisation powers to them, including the use of bail-in provisions.

Capital adequacy

NatWest Group has to hold a minimum amount and quality of capital to satisfy capital adequacy regulatory requirements.

Risk-weighted assets

Capital adequacy ratios compare the amount of capital held to RWAs. RWAs are a measure of NatWest Group's assets and off-balance sheet exposures that capture both the size and risks inherent in those positions.

RWAs are grouped into four categories:

Risk	Description
Credit	Risk of loss from a borrower failing to repay amounts due by the due date.
Counterparty credit	Risk of loss from a counterparty not meeting its contractual obligations. Also included is the risk of loss from changes in the fair value of derivative instruments.
Market	Risk of loss arising from fluctuations in market prices.
Operational	Risk of loss from inadequate or failed internal processes, people and systems or from external events.

Capital adequacy ratios

Regulation defines a minimum percentage of capital compared to RWAs. The percentage comprises system-wide requirements that apply to all banks and a component where the percentage is specific to NatWest Group. This is summarised as follows:

Type	Name	Description
System-wide	Pillar 1	Standard minimum percentages applicable to all banks. Must be held at all times.
	Capital conservation, countercyclical and Systemic buffers	Includes capital to absorb losses in times of stress, capital built up in response to credit conditions in the macro economic environment and for institutions of systemic importance.
Bank-specific	Pillar 2A	Captures risks that apply to individual banks that are either not adequately captured or not captured at all under Pillar 1. For example, pension risk is not captured in Pillar 1; therefore, capital that may need to be held against the risk is assessed under Pillar 2A. Must be held at all times.
	PRA buffer	Captures forward-looking risks and potential losses under a severe stress scenario. The PRA buffer is a capital buffer that is designed to ensure that NatWest Group can continue to meet minimum requirements (Pillar 1 and Pillar 2A) during a stressed period. The buffer also accommodates add-ons which may be applied by the regulator to cover Group Risk (subsidiary/sub-group capital requirements in excess of their share of NatWest Group) and Risk Management and Governance scalars (which may be levied where Risk Management and Governance deficiencies have been identified by the regulator.

Capital and leverage continued

These minimum requirements are shown in more detail in the 2021 NatWest Group ARA – Capital, liquidity and funding risk.

The assessment of Pillar 2 requirements (including the PRA buffer) is an output from the NatWest Group's ICAAP, which is described in more detail on page 194 of the 2021 NatWest Group ARA. Pillar 2 also utilises the output of NatWest Group's stress testing exercises which are described in more detail on pages 193 to 196 of the 2021 NatWest Group ARA.

Future changes to regulation

UK, EU and international standard and rule-making bodies have issued proposals, draft regulation and final standards on revising the level and measurement of capital adequacy ratios including the measurement of RWAs. This may affect the level of RWAs and the minimum capital that NatWest Group is required to hold in future years. Further details of prudential regulatory changes that may impact NatWest Group's capital adequacy ratio are set out on page 12.

Leverage ratios

NatWest Group has to hold a minimum amount and quality of capital to satisfy leverage ratio regulatory requirements. Unlike capital adequacy ratios, leverage ratio requirements do not consider the riskiness of NatWest Group's positions.

The leverage exposure is broadly aligned to the accounting value of NatWest Group's on and off-balance sheet exposures but subject to certain adjustments for derivatives, securities financing transactions and off balance sheet exposures.

In common with capital adequacy ratios, the leverage ratio requirement for NatWest Group consists of a minimum requirement and a leverage ratio buffer. The leverage ratio requirements that NatWest Group must meet may be subject to change from developing regulation. Further details are set out on page 12.

For more information regarding the minimum capital and leverage requirements that NatWest Group must meet, refer to the NatWest Group ARA – Capital, liquidity and funding risk.

MREL: capital sufficiency under the gone concern view

NatWest Group is required to hold sufficient capital and other loss absorbing instruments such that, in the event of failure, there can be an orderly resolution that minimises any adverse impact on financial stability whilst preventing public funds being exposed to loss. NatWest Group follows the single point of entry (SPE) resolution strategy.

MREL will be set by the BoE on a case-by-case basis. The BoE has stated that it expects institutions that are subject to a bail-in resolution strategy, such as NatWest Group, to meet interim MREL requirements from 1 January 2019 and end state MREL requirements from 1 January 2022.

Internal MREL

1 January 2021	The higher of: The sum of two times NatWest Group's Pillar 1 requirement and one times NatWest Group's Pillar 2A add-ons; and Two times the applicable leverage ratio requirement for NatWest Group.

End state MREL

1 January 2022	The higher of: Two times the sum of NatWest Group's Pillar 1 requirement and NatWest Group's Pillar 2A add-ons; and Two times the applicable leverage ratio requirement for NatWest Group.

MREL may consist of capital and other loss absorbing instruments. To qualify as eligible for MREL, liabilities have to comply with a number of strict conditions as set by the BoE including the ability for the BoE to apply its stabilisation powers to those liabilities. In addition, liabilities must have an effective remaining maturity (taking account of any rights of early repayment to investors) of greater than one year.

Internal MREL

In order that there is sufficient loss absorbing capacity pre-positioned across NatWest Group, the proceeds of externally issued MREL will be allocated to material operating subsidiaries in the form of capital or other subordinated claims. This ensures that internal MREL will absorb losses before operating liabilities within operating subsidiaries.

In June 2018 the BoE published a Policy Statement on internal MREL and updated the MREL Statement of Policy. This policy statement sets out the framework that it will use to determine the distribution of MREL within banking groups. Under this framework, the BoE will set individual MRELs for all material entities within NatWest Group and may also set individual MRELs for entities within NatWest Group that are important from a resolution perspective. The framework requires that ring-fence bank sub-groups meet MREL requirements equivalent to 90% of the equivalent NatWest Group requirement, whilst other material legal entities are required to meet 75% of the equivalent Group requirement. The BoE published its revised MREL Policy Statement in December 2021, effective 1 January 2022. The framework remains unchanged for internal MREL.

Double leverage

Double leverage is where one or more parent entities in a group funds some of the capital in its subsidiaries by raising debt or lower forms of capital externally. In April 2018, the PRA issued a Policy Statement related to NatWest Group's assessment and mitigation of risks associated with double leverage. Associated analysis and assessments are now incorporated into the ICAAP submission, and forms part of NatWest Group's risk appetite framework.

Capital and leverage continued

Regulatory changes that may impact capital requirements

NatWest Group faces numerous changes in prudential regulation that may adversely impact the minimum amount of capital it must hold and consequently may increase funding costs and reduce return on equity. The nature and timing of implementation of a number of these changes are not currently final.

The UK is expected to further develop prudential regulation through the CRR and finalisation of Basel 3 standards, which will impact various areas including the approach to calculating credit risk, market risk, leverage ratio, capital floors and operational risk RWAs.

Regulatory changes are actively monitored by NatWest Group including engagement with industry associations and regulators and participation in quantitative impact studies. Monitoring the changing regulatory landscape forms a fundamental part of capital planning and management of its business.

NatWest Group believes that its strategy to focus on simpler, lower risk activities within a more resilient recovery and resolution framework will enable it to manage the impact of these changes.

Key prudential regulatory developments that have been published and may impact NatWest Group are set out on page 12.

Liquidity and funding

Definition

Liquidity consists of assets that can be readily converted to cash within a short timeframe at a reliable value. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due.

Funding consists of on-balance sheet liabilities that are used to provide cash to finance assets. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base.

Regulatory oversight and liquidity framework

NatWest Group operates across different jurisdictions and is subject to a number of regulatory regimes, with the key metrics being:

Ratio	Profile type	Description
Liquidity coverage ratio (LCR)	Liquidity profile	Coverage of 30 day net outflows in stress.
Net stable funding ratio (NSFR)	Structural funding profile	Required and available stable funding sources less than and greater than 1 year timeline. Following the publication of PS 22/21 on 14 October 2021 a binding NSFR minimum requirement of 100% will be effective from January 2022.

The principal regulator, the PRA, implements the CRR liquidity regime in the UK. To comply with the regulatory framework, NatWest Group undertakes the following:

Activity	Description
Individual Liquidity Adequacy Assessment Process (ILAAP)	This is NatWest Group's annual assessment of its key liquidity and funding vulnerabilities including control frameworks to measure and manage the risks.
Liquidity Supervisory Review and Evaluation Process (L-SREP)	An annual exercise with the PRA that involves a comprehensive review of the NatWest Group ILAAP, liquidity policies and risk management framework. This results in the setting of the Individual Liquidity Guidance, which influences the size of the liquidity portfolio.

Asset encumbrance

NatWest Group evaluates the extent to which assets can be financed in a secured form (encumbrance), but certain asset types lend themselves more readily to encumbrance. The typical characteristics that support encumbrance are an ability to pledge those assets to another counterparty or entity through operation of law without necessarily requiring prior notification, homogeneity, predictable and measurable cash flows, and a consistent and uniform underwriting and collection process. Retail assets including residential mortgages, credit card receivables and personal loans display many of these features.

The reported values represent the median of the quarter end values reported to the regulator via supervisory returns over the period 1 January 2021 to 31 December 2021.

NatWest Group categorises its assets into three broad groups; assets that are:
- Already encumbered and used to support funding currently in place via own asset securitisations, covered bonds and securities repurchase agreements.
- Pre-positioned with central banks as part of funding schemes and those encumbered under such schemes.
- Not currently encumbered. In this category, NatWest Group has in place an enablement programme which seeks to identify assets which are capable of being encumbered. The programme identifies required actions to facilitate such encumbrance without impacting customer relationships or servicing.

Encumbered and unencumbered assets for the year ended 31 December 2021, based on the requirements in Part Eight of CRR and related technical standards, are set out on page 34.

Summary of changes to prudential regulation that may impact NatWest Group

The table below covers future changes to prudential regulation which impact NatWest Group at a consolidated level. Future regulatory requirements will be implemented by the PRA as the supervisor for the consolidated group. Certain entities within the group will be exposed to changes in prudential regulation from other legislative bodies (including the EU) on a solo basis and these changes may be different in substance, scope and timing than those highlighted below.

Area of development	Key changes	Source of changes/implementation date
Leverage ratio framework	– Changes to the design and calibration of the framework with a focus on derivative exposures and margining. – Binding leverage ratio at individual bank level for material entities.	– PRA PS 21/21. – UK implementation date – 1 January 2022. – Individual bank level – 1 January 2023.
Large exposure framework	– Changes to the design and calibration of the capital base and large exposure limit. – Changes to the exposure measure to incorporate SA-CCR.	– PRA PS 22/21. – Implementation date – 1 January 2022.
Counterparty credit risk RWAs	– Introduction of new standardised approach (SA-CCR) with greater risk sensitivity and incorporation of margining into PFE. – Changes to the treatment of exposures to central counterparties.	– PRA PS 22/21. – Implementation date – 1 January 2022.
Net stable funding ratio (NSFR)	– Information on required and available stable funding sources less than and greater than 1 year. – Must hold stable funding to cover funding needs over 1 year horizon.	– PRA PS 22/21. – Implementation date – 1 January 2022.
Liquidity coverage ratio	– Change in LCR treatment of non CQS 1 EU sovereign debt.	– PRA PS 22/21. – Implementation date – 1 January 2022.
Mortgage risk weights for IRB	– Introduction of hybrid methodology for the purposes of PD calibration. – Assumption of early 1990s as a downturn reference point and extended use of haircuts in LGD models.	– PRA PS 13/17. – Implementation date - 1 January 2022.
Mortgage risk weight floor (IRB)	– Sets risk weight floor for UK mortgages. – Average performing portfolio RW floor of 10%.	– PRA PS 16/21. – Implementation date - 1 January 2022.
Credit risk RWAs – IRB repair	– Additional requirements applied to CRR via Guidelines and Regulatory Technical Standards covering PD/LGD estimation, definition of default and definition of an economic downturn.	– PS 11/20 Credit risk: the Probability of Default and Loss Given Default estimation', which implements the RTS on economic downturn, the GL on PD & LGD Estimation, and the GL on downturn LGD. – PS 7/19 Credit risk: the definition of default', which implements the RTS for the materiality threshold, the Guidelines on the definition of default. – Implementation by 1 January 2022 for IRB firms.
Software Assets	– Removes prudential amortisation for software assets, which is a divergence from EU treatment. – The removal decreases the CET1 ratio.	– Implementation date - 1 January 2022.
End of Brexit temporary transition power.	– TTP falls away which means certain changes re EU exposures. – Dependent on equivalence reviews.	– 1 March 2022.

For the notes to this table refer to the following page.

Summary of changes to prudential regulation that may impact NatWest Group continued

Area of development	Key changes	Source of changes/implementation date
Credit risk RWAs – Basel 3	– Restriction in the scope of using internal models. – Avoidance of mechanistic reliance on external ratings. – For model-based RWAs, adoption of "input" floors for PD and LGD.	– Finalisation of Basel 3(1). – Expected implementation date – 2024/5.
Capital floors	– Aggregate output floor to limit the benefit of internal models compared to standardised approach. – Extended transitional arrangements culminating in a floor of 72.5%.	– Finalisation of Basel 3(1). – Expected implementation date – 2025.
Credit valuation adjustment (CVA) risk RWAs	– Alignment of CVA risk charge with revised standardised market risk framework. – Removal of modelled CVA risk methodology.	– Finalisation of Basel 3(1). – Expected implementation date – 2025.
Operational risk RWAs	– Revision of business indicator as proxy for size of operational risk. – Potential incorporation of bank-specific loss data into the calculation.	– Finalisation of Basel 3(1). – Expected implementation date – 2025.
New standardised approach for credit risk	– Completely revised standardised approach for credit risk. – Slightly more risk sensitive.	– Finalisation of Basel 3(1). – Expected implementation date – 2025.
Market risk capital treatment	– New internal model approach – New standardised approach (SBM + DRC + RRAO) – Inclusion of risk of market illiquidity.	– Finalisation of Basel 3(1). – Expected implementation date – 2025.
Securities Financing Transactions	– Revision and recalibration of exposure calculation methodology. – Introduction of minimum haircut floors.	– Finalisation of Basel 3(1). – Expected to be implemented by markets regulation.

(1) Finalisation of the Basel 3 standards published by BCBS on 7 December 2017. These standards will subsequently be brought into UK legislation via amendments to the onshored CRR or successor legislation.

NatWest Group - Key points

CET1 ratio (CRR end-point)

2021	18.2%
2020	18.5%

The CET1 ratio decreased 30 basis points over the period, due to a £2.9 billion decrease in CET1 and a £13.3 billion decrease in RWAs.
The CET1 decrease of c.£2.9 billion is mainly driven by:

- the directed buy back and associated pension contribution of £1.2 billion,
- the on-market share buy back programmes of £1.5 billion (two £750 million programmes),
- foreseeable dividends and associated pension contributions of £1.2 billion,
- a £1.1 billion decrease in the IFRS 9 transitional adjustment, and
- other reserve movements.
- These reductions were offset by the £3.0 billion attributable profit in the period.

MREL

2021	£62.4bn
2020	£63.9bn

NatWest Group total regulatory capital and MREL as at 31 December 2021 was £62.4 billion, the reduction of £1.5 billion primarily relating to a reduction in capital explained above, offset by an increase in eligible instruments.
MREL was 39.8% of RWAs, representing an increase compared to 37.5% of RWAs in 2020. This was due to the reductions in RWAs explained below.

RWA

2021	£157.0bn
2020	£170.3bn

Total RWAs decreased by £13.3 billion or 7.8% to £157.0 billion mainly reflecting:

- a reduction in credit risk RWAs of £9.8 billion due to repayments and expired facilities in Commercial Banking and additional decreases within Ulster Bank RoI as repayments have been in excess of new lending through the year, in line with announced phased withdrawal.
- Market risk RWAs decreased by £1.4 billion driven by the transition from LIBOR to alternative risk-free rates.
- Counterparty credit risk RWAs decreased by £1.2 billion as a result of lower exposures in NatWest Markets and the strengthening of the sterling against the euro over the period.
- Operational risk RWAs reduced by £0.9 billion following the annual recalculation in Q1 2021.

UK leverage

2021	5.8%
2020	6.4%

The UK leverage ratio has decreased by c.60 basis points driven by a £4.0 billion decrease in Tier 1 capital.

CRR leverage

2021	4.4%
2020	5.2%

The CRR leverage ratio decreased by c.80 basis points driven by a £40 billion increase in the leverage exposure driven by balance sheet exposures and a £4 billion decrease in Tier 1 capital.

NSFR

2021	157%
2020	151%

The net stable funding ratio (NSFR) for FY 2021 was 157% compared to 151% in the prior year. The increase is mainly due to deposits growth.

KM1: BCBS 2 & IFRS 9-FL: Key metrics – NatWest Group

The table below reflects the key metrics template in the BCBS consolidated Pillar 3 framework and the EBA's IFRS 9 template. Capital and leverage ratios presented are based on end-point CRR rules. NatWest Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. 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 transition period has been further amended by the CRR COVID-19 Amendment Regulation. The effect of this is to fully mitigate the increases in Stage 1 and Stage 2 expected credit loss provisions arising in 2020 and 2021 due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

BCBS2 KM1	IFRS 9-FL	Capital	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m	31 March 2021 £m	31 December 2020 £m
1	1	Common equity tier 1 (CET1)	**28,596**	29,862	29,660	30,046	31,447
1a	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	**27,975**	28,889	28,462	28,391	29,700
2	3	Tier 1 capital	**32,471**	33,737	35,576	35,426	36,430
2a	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**31,850**	32,764	34,378	33,771	34,683
3	5	Total capital	**37,873**	39,259	40,549	39,544	41,685
3a	6	Total capital as if IFRS 9 transitional arrangements had not been applied	**37,405**	38,509	39,602	38,192	40,199
		Risk-weighted assets (amounts)					
4	7	Total risk-weighted assets (RWAs)	**156,971**	159,755	162,970	164,703	170,310
4a	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**156,935**	159,681	162,877	164,568	170,146
		Risk-based capital ratios as a percentage of RWA	**%**	%	%	%	%
5	9	Common equity tier 1 ratio	**18.2**	18.7	18.2	18.2	18.5
5a	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**17.8**	18.1	17.5	17.2	17.5
6	11	Tier 1 ratio	**20.7**	21.1	21.8	21.5	21.4
6a	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**20.3**	20.5	21.1	20.5	20.4
7	13	Total capital ratio	**24.1**	24.6	24.9	24.0	24.5
7a	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**23.8**	24.1	24.3	23.2	23.6
		Additional CET1 buffer requirements as a percentage of RWA					
8		Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9		Countercyclical capital buffer requirement (1)	**—**	—	—	—	—
10		Bank GSIB and/or DSIB additional requirements	**—**	—	—	—	—
11		Total of CET1 specific buffer requirements (8+9+10)	**2.5**	2.5	2.5	2.5	2.5
12		CET1 available after meeting the bank's minimum capital requirements (2)	**11.7**	12.1	11.7	11.8	12.1
		UK leverage ratio	**£m**	£m	£m	£m	£m
		UK leverage ratio exposure measure	**561,858**	569,822	575,636	567,959	572,558
		UK leverage ratio (%) (3)	**5.8**	5.9	6.2	6.2	6.4
		Average exposure	**568,802**	585,657	572,040	572,471	576,906
		Average leverage ratio (%)	**5.8**	5.7	6.2	6.3	6.3
		CRR leverage ratio	**£m**	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	**743,480**	739,355	732,519	714,253	703,093
14	16	CRR leverage ratio (%)	**4.4**	4.6	4.9	5.0	5.2
14a	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**4.3**	4.4	4.7	4.7	4.9
		Liquidity coverage ratio	**£m**	£m	£m	£m	£m
15		Total high-quality liquid assets (HQLA)	**193,404**	183,713	177,678	171,814	161,894
16		Total net cash outflows	**117,217**	113,392	110,241	106,619	101,500
17		LCR ratio (%) (4)	**165**	162	161	161	159
		Net stable funding ratio (NSFR)					
18		Total available stable funding	**438,143**	426,899	423,120	414,076	417,786
19		Total required stable funding	**278,714**	275,970	275,332	271,412	275,816
20		NSFR (%) (5)	**157**	155	154	153	151

(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 (see CCyB1 for more information).
(2) Represents the CET1 ratio less TSCR (Pillar 1 & 2A).
(3) The PRA minimum leverage ratio requirement is supplemented with a countercyclical leverage ratio buffer of 0.0% (31 December 2020 – 0.0%).
(4) The liquidity coverage ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.
(5) NSFR reported in line with CRR2 regulations finalised in June 2019. Following the publication of PS 22/21 on 14 October 2021, a binding Net Stable Funding Ratio (NSFR) requirement will be effective from January 2022.

IFRS 9-FL: Key metrics - large subsidiaries

The table below shows key metrics as required by the EBA relating to IFRS 9 for NatWest Group and its large subsidiaries. Capital measures are on a CRR transitional basis. NatWest Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. 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 transition period has been further amended by the CRR COVID-19 Amendment Regulation. The effect of this is to fully mitigate the increases in expected Stage 1 and Stage 2 expected credit loss provisions arising in 2020 and 2021 due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024. The transitional basis rules do not apply to RBSI and therefore only end-point basis values are disclosed for this subsidiary.

		31 December 2021			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Common equity tier 1	**28,596**	**19,715**	**4,072**	**1,541**
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**27,975**	**19,066**	**4,071**	**1,541**
3	Tier 1 capital	**33,042**	**23,397**	**4,755**	**1,841**
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**32,421**	**22,748**	**4,754**	**1,841**
5	Total capital	**38,748**	**28,541**	**5,870**	**1,842**
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**38,280**	**27,996**	**5,869**	**1,842**
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	**156,971**	**124,076**	**22,686**	**7,356**
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**156,935**	**124,038**	**22,685**	**7,356**
Risk-based capital ratios as a percentage of RWAs		**%**	**%**	**%**	**%**
9	Common equity tier 1 ratio	**18.2**	**15.9**	**17.9**	**20.9**
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**17.8**	**15.4**	**17.9**	**20.9**
11	Tier 1 ratio	**21.0**	**18.9**	**21.0**	**25.0**
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**20.7**	**18.3**	**21.0**	**25.0**
13	Total capital ratio	**24.7**	**23.0**	**25.9**	**25.0**
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**24.4**	**22.6**	**25.9**	**25.0**
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	**743,480**	**566,064**	**110,603**	**44,336**
16	CRR leverage ratio (%)	**4.4**	**4.1**	**4.3**	**4.2**
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**4.4**	**4.0**	**4.3**	**4.2**

		30 September 2021			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Common equity tier 1	29,862	21,371	4,553	1,349
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	28,889	20,404	4,549	1,349
3	Tier 1 capital	34,308	25,053	5,231	1,649
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	33,335	24,086	5,227	1,649
5	Total capital	40,192	30,123	6,463	1,652
6	Total capital as if IFRS 9 transitional arrangements had not been applied	39,442	29,347	6,459	1,652
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	159,755	125,036	23,445	7,878
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	159,681	124,980	23,441	7,878
Risk-based capital ratios as a percentage of RWAs		%	%	%	%
9	Common equity tier 1 ratio	18.7	17.1	19.4	17.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.1	16.3	19.4	17.1
11	Tier 1 ratio	21.5	20.0	22.3	20.9
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.9	19.3	22.3	20.9
13	Total capital ratio	25.2	24.1	27.6	21.0
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.7	23.5	27.6	21.0
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	739,355	554,311	122,124	43,352
16	CRR leverage ratio (%)	4.6	4.5	4.3	3.8
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.5	4.4	4.3	3.8

IFRS 9-FL: Key metrics - large subsidiaries continued

		30 June 2021			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Common equity tier 1	29,660	21,026	4,969	1,357
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	28,462	19,846	4,965	1,357
3	Tier 1 capital	36,145	24,702	5,864	1,657
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,947	23,522	5,860	1,657
5	Total capital	41,658	29,702	7,100	1,663
6	Total capital as if IFRS 9 transitional arrangements had not been applied	40,711	28,739	7,096	1,663
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	162,970	126,797	24,582	7,294
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	162,877	126,724	24,578	7,294
Risk-based capital ratios as a percentage of RWA		%	%	%	%
9	Common equity tier 1 ratio	18.2	16.6	20.2	18.6
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	15.7	20.2	18.6
11	Tier 1 ratio	22.2	19.5	23.9	22.7
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	21.5	18.6	23.8	22.7
13	Total capital ratio	25.6	23.4	28.9	22.8
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	25.0	22.7	28.9	22.8
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	732,519	545,161	124,600	40,470
16	CRR leverage ratio (%)	4.9	4.5	4.7	4.1
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.8	4.3	4.7	4.1

		31 March 2021			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Common equity tier 1	30,046	24,017	5,208	1,416
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	28,391	22,407	5,204	1,416
3	Tier 1 capital	36,136	27,721	6,105	1,716
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,481	26,111	6,101	1,716
5	Total capital	40,927	32,736	7,356	1,738
6	Total capital as if IFRS 9 transitional arrangements had not been applied	39,575	31,380	7,352	1,738
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	164,703	129,717	24,690	7,476
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	164,568	129,604	24,686	7,476
Risk-based capital ratios as a percentage of RWA		%	%	%	%
9	Common equity tier 1 ratio	18.2	18.5	21.1	18.9
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.2	17.3	21.1	18.9
11	Tier 1 ratio	21.9	21.4	24.7	23.0
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	21.0	20.1	24.7	23.0
13	Total capital ratio	24.8	25.2	29.8	23.2
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.0	24.2	29.8	23.2
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	714,253	534,610	123,431	40,340
16	CRR leverage ratio (%)	5.1	5.2	4.9	4.3
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.8	4.9	4.9	4.3

IFRS 9-FL: Key metrics - large subsidiaries continued

		31 December 2020			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Common equity tier 1	31,447	23,743	5,547	1,353
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,700	22,043	5,540	1,353
3	Tier 1 capital	37,260	27,477	6,433	1,653
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	35,513	25,777	6,426	1,653
5	Total capital	43,733	32,750	7,753	1,681
6	Total capital as if IFRS 9 transitional arrangements had not been applied	42,247	31,247	7,746	1,681
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	170,310	135,331	25,564	7,292
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	170,146	135,192	25,557	7,292
Risk-based capital ratios as a percentage of RWA		%	%	%	%
9	Common equity tier 1 ratio	18.5	17.5	21.7	18.6
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	16.3	21.7	18.6
11	Tier 1 ratio	21.9	20.3	25.2	22.7
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.9	19.1	25.1	22.7
13	Total capital ratio	25.7	24.2	30.3	23.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.8	23.1	30.3	23.1
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	703,093	521,600	123,927	37,881
16	CRR leverage ratio (%)	5.3	5.3	5.2	4.4
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.1	5.0	5.2	4.4

Large subsidiary key points

Capital and leverage

NWH Group - 31 December 2021 compared with 31 December 2020

- The CET1 ratio decreased to 15.9% from 17.5% at 31 December 2020, due to a £4.0 billion decrease in CET1 capital and a £11.3 billion decrease in RWAs. The CET1 decrease reflects the attributable profit in the period of £3.2 billion, dividends paid of £3.5 billion and foreseeable charges of £2.2 billion. There was also a £1.1 billion decrease in the IFRS 9 transitional arrangements on expected credit losses.
- Total RWAs decreased by £11.3 billion reflecting a decrease in credit risk RWAs of £10.2 billion and a £0.9 billion reduction in operational risk RWAs following the annual recalculation in Q1 2021. The credit risk decrease mainly reflects repayments and expired facilities in Commercial Banking in addition to improved risk metrics. Additionally, credit risk RWAs benefitted from a £0.8 billion reduction as a result of the CRR COVID-19 amendment for the infrastructure supporting factor.
- The leverage ratio decreased by c.120 basis points to 4.1% from 5.3% at 31 December 2020 due to a £44 billion increase in the leverage exposure predominantly driven by cash and balances at central banks and a decrease in of £4 billion in Tier 1 capital.

NWM Plc - 31 December 2021 compared with 31 December 2020

- The CET1 ratio decreased from 21.7% to 17.9%. The decrease reflected the impact of dividends paid to NatWest Group plc and other reserve movements, partly offset by the reduction in RWAs.
- NWM Plc's RWAs reduced by £2.9 billion, mainly reflecting a £1.3 billion decrease in counterparty credit risk. This was mainly due to reduced exposures as well as strengthening of the sterling over the euro in the period. Market risk RWAs reduced by £1.2 billion due to lower SVaR and VaR based RWAs, resulting from a regulator-approved updated to the VaR model, aimed at addressing the impact of the transition from LIBOR to alternative risk-free rates.
- The leverage ratio decreased to 4.3% from 5.2% due to a £1.7 billion reduction in capital, offset a £13.3 billion decrease in the leverage exposure predominantly due to a decrease in trading assets.

RBSI - 31 December 2021 compared with 31 December 2020

- The RBSI CET1 ratio increased to 20.9%. A dividend of £54 million was paid in Q2 2021, following full year 2020 profit verification. Q3 YTD 2021 profit verification of £0.2bn is added to the capital base.
- RWAs of £7.4 billion have increased £0.1bn on 2020, driven by increased lending activity.
- The leverage ratio reduced to 4.2% from 4.4% at 31 December 2020. This was driven by increased balance sheet size as a result of customer deposit growth, which is partially offset with an increase in CET1 capital.
- RBSI leverage exposure is presented on the CRR basis. The primary driver of the ratio under CRR is short-term deposit balances, which RBSI typically holds in high-quality liquid assets. Excluding unencumbered central bank balances would result in a ratio of 6.8%.

CC1: Composition of regulatory capital – NatWest Group and large subsidiaries

The table below sets out the capital resources in the prescribed template on a CRR transitional basis as relevant for the jurisdiction. The adjustments to end-point CRR are presented for NatWest Group only.

		2021						
		NatWest Group						
CET1 capital: instruments and reserves		PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWH Group £m	NWM Plc £m	RBSI £m
1	Capital instruments and the related share premium accounts	11,804	—	11,804	(a) & (k)	3,263	2,346	97
	Of which: ordinary shares	*11,468*	—	*11,468*	*(a)*	*3,263*	*400*	*97*
2	Retained earnings	9,868	—	9,868	(b)	34,003	5,094	1,657
3	Accumulated other comprehensive income (and other reserves)	12,311	—	12,311	(c)	(11,447)	(155)	(23)
4	Public sector capital injections grandfathered until 1 January 2018	—	—	—		—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	1,393	—	1,393	(b)	—	—	—
6	CET1 capital before regulatory adjustments	35,376	—	35,376		25,819	7,285	1,731
7	Additional value adjustments	(274)	—	(274)		(15)	(227)	—
8	(-) Intangible assets (net of related tax liability)	(6,312)	—	(6,312)	(d)	(5,984)	—	(14)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(761)	—	(761)	(e)	(713)	—	—
11	Fair value reserves related to gains or losses on cash flow hedges	395	—	395	(i)	50	(46)	36
12	(-) Negative amounts resulting from the calculation of expected loss amounts	—	—	—		—	(11)	(35)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	21	—	21		—	47	—
15	(-) Defined-benefit pension fund assets	(465)	—	(465)	(f) & (g)	(86)	(202)	(177)
18	(-) Direct and indirect holdings by the institution of the CET1 instruments of financial sector institution does not have a significant investment in those entities (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 where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—	—		—	(1,685)	—
22	(-) Amount exceeding the 17.65% threshold	—	—	—		—	—	—
23	*(-) Of which: 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*	—	—	—		—	—	—
25	*(-) Of which: deferred tax assets arising from temporary differences*	—	—	—		—	—	—
25a	(-) Losses for the current financial period	—	—	—	(b)	—	(1,090)	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	(5)	—	(5)		(5)	—	—
26a	*Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468*	—	—	—		—	—	—
26b	*Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR*	(5)	—	(5)		(5)	—	—
27	(-) Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution	—	—	—		—	—	—
27a	Other regulatory adjustments to CET1 capital	621	(621)	—		649	1	—
28	Total regulatory adjustments to CET1	(6,780)	(621)	(7,401)		(6,104)	(3,213)	(190)
29	CET1 capital	28,596	(621)	27,975		19,715	4,072	1,541
AT1 capital: instruments								
30	Capital instruments and the related share premium accounts	3,875	—	3,875	(h)	3,682	904	300
31	*Of which: classified as equity under applicable accounting standards*	*3,875*	—	*3,875*		*3,682*	*904*	*300*

CC1: Composition of regulatory capital – NatWest Group and large subsidiaries continued

	2021						
	NatWest Group						
AT1 capital: instruments	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWH Group £m	NWM Plc £m	RBSI £m
32 *Of which: classified as debt under applicable accounting standards*	—	—	—		—	—	—
33 Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	571	(571)	—	(j)	—	—	—
34 Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) 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	4,446	(571)	3,875		3,682	904	300
AT1 capital: regulatory adjustments							
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 (amount above 10% threshold and net of eligible short positions)	—	—	—		—	(221)	—
41 (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—
41b Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: Direct and indirect 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	—	—	—		—	—	—
43 Total regulatory adjustments to AT1 capital	—	—	—		—	(221)	—
44 AT1 capital	4,446	(571)	3,875		3,682	683	300
45 Tier 1 capital (T1 = CET1 + AT1)	33,042	(1,192)	31,850		23,397	4,755	1,841
T2 capital: instruments and provisions							
46 Capital instruments and the related share premium accounts	4,935	—	4,935	(j)	4,587	1,451	—
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	—	—	—	(j)	—	39	—
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interests phase out from T2 and AT1 instruments not included in CET1 or AT1) issued by subsidiaries	314	(304)	10	(j)	126	—	—
49 *Of which: instruments issued by subsidiaries subject to phase out*	*304*	*(304)*	—		*126*	—	—
50 Credit risk adjustments	457	153	610		431	26	1
51 T2 capital before regulatory adjustments	5,706	(151)	5,555		5,144	1,516	1
T2 capital: regulatory adjustments							
54 (-) Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	—	—	—		—	—	—
55 (-) Direct and indirect 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)	—	—	—		—	(401)	—
56a (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—
56b (-) Other regulatory adjustments to T2 capital	—	—	—		—	—	—
56c (-) Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	—	—	—		—	—	—

CC1: Composition of regulatory capital – NatWest Group and large subsidiaries continued

	2021						
	NatWest Group						
T2 capital before regulatory adjustments	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWH Group £m	NWM Plc £m	RBSI £m
57 Total regulatory adjustments to T2 capital	—	—	—		—	(401)	—
58 T2 capital	5,706	(151)	5,555		5,144	1,115	1
59 Total capital (TC = T1 + T2)	38,748	(1,343)	37,405		28,541	5,870	1,842
60 Total risk-weighted assets	156,971	(36)	156,935		124,076	22,686	7,356
Capital ratios and buffers							
61 CET1 (as a percentage of risk exposure amount)	18.2%		17.8%		15.9%	17.9%	20.9%
62 T1 (as a percentage of risk exposure amount)	21.0%		20.3%		18.9%	21.0%	25.0%
63 Total capital (as a percentage of risk exposure amount)	24.7%		23.8%		23.0%	25.9%	25.0%
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.0%		7.0%		8.5%	7.0%	6.3%
65 *Of which: capital conservation buffer requirement*	*2.5%*		*2.5%*		*2.5%*	*2.5%*	*0.0%*
66 *Of which: counter cyclical buffer requirement*	*0.0%*		*0.0%*		*0.0%*	*0.0%*	*0.0%*
67 *Of which: systemic risk buffer requirement*	—		—		*1.5%*	—	—
67a *Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	—		—		*0.0%*	—	—
68 CET1 available to meet buffers (1)	11.7%		11.3%		9.7%	10.1%	12.4%
Amounts below the threshold deduction							
72 Direct and indirect holdings of the capital 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)	428	—	428		3	282	—
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	597	—	597		—	576	—
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	167	—	167		430	—	1
Available caps on the inclusion of provisions in T2							
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	—	—		—	—	—
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	232	—	232		202	32	19
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	457	801	1,258		431	26	—
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	610	—	610		535	26	38
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)							
82 Current cap on AT1 instruments subject to phase out arrangements	960	(960)	—		29	500	—
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—	—		—	—	—
84 Current cap on T2 instruments subject to phase out arrangements	673	(673)	—		134	278	—
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—		—	—	—

(1) Represents the CET1 ratio less TSCR (Pillar 1 & 2A). RBSI 8.5% under Jersey Financial Services Commission regulations.
(2) The references (a) to (k) identify balance sheet components in table CC2 that are used in the calculation of regulatory capital table CC1. Amounts between the CC2 and CC1 are not always directly comparable due to differences in definitions and application of CRD IV for the calculation of regulatory capital.

CC1: Composition of regulatory capital – NatWest Group and large subsidiaries continued

	CET1 capital: instruments and reserves	NatWest Group PRA transitional £m	NatWest Group CRR prescribed residual amounts £m	NatWest Group CRR end-point £m	2020 Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWH Group £m	NWM Plc £m	RBSI £m
1	Capital instruments and the related share premium accounts	13,240	—	13,240	(a) & (k)	3,263	2,158	97
	Of which: ordinary shares	*12,129*	—	*12,129*	*(a)*	*3,263*	*400*	*97*
2	Retained earnings	12,196	—	12,196	(b)	36,709	5,846	1,421
3	Accumulated other comprehensive income (and other reserves)	13,054	—	13,054	(c)	(10,658)	24	—
4	Public sector capital injections grandfathered until 1 January 2018	—	—	—		—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	—	—	—	(b)	—	—	—
6	CET1 capital before regulatory adjustments	38,490	—	38,490		29,314	8,028	1,518
7	Additional value adjustments	(286)	—	(286)		(12)	(251)	—
8	(-) Intangible assets (net of related tax liability)	(6,182)	—	(6,182)	(d)	(5,868)	—	(8)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(760)	—	(760)	(e)	(760)	—	—
11	Fair value reserves related to gains or losses on cash flow hedges	(229)	—	(229)	(i)	(387)	(201)	(1)
12	(-) Negative amounts resulting from the calculation of expected loss amounts	—	—	—		—	(1)	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1)	—	(1)		—	43	—
15	(-) Defined-benefit pension fund assets	(579)	—	(579)	(f) & (g)	(244)	(174)	(156)
18	(-) Direct and indirect holdings by the institution of the CET1 instruments of financial sector institution does not have a significant investment in those entities (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 where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—	—		—	(1,624)	—
22	(-) Amount exceeding the 17.65% threshold	—	—	—		—	—	—
23	*(-) Of which: 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*	—	—	—		—	—	—
25	*(-) Of which: deferred tax assets arising from temporary differences*	—	—	—		—	—	—
25a	(-) Losses for the current financial period	(753)	—	(753)	(b)	—	(280)	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	—	—	—		—	—	—
26a	*Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468*	—	—	—		—	—	—
26b	*Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR*	—	—	—		—	—	—
27	(-) Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution	—	—	—		—	—	—
27a	Other regulatory adjustments to CET1 capital	1,747	(1,747)	—		1,700	7	—
28	Total regulatory adjustments to CET1	(7,043)	(1,747)	(8,790)		(5,571)	(2,481)	(165)
29	CET1 capital	31,447	(1,747)	29,700		23,743	5,547	1,353

CC1: Composition of regulatory capital – NatWest Group and large subsidiaries continued

	2020						
	NatWest Group						
AT1 capital: instruments	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWH Group £m	NWM Plc £m	RBSI £m
30 Capital instruments and the related share premium accounts	4,983	—	4,983	(h)	3,676	904	300
31 *Of which: classified as equity under applicable accounting standards*	*4,983*	—	*4,983*		*3,676*	*904*	*300*
32 *Of which: classified as debt under applicable accounting standards*	—	—	—		—	—	—
33 Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	690	(690)	—	(j)	—	219	—
34 Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	140	(140)	—	(j)	58	—	—
35 *Of which: instruments issued by subsidiaries subject to phase out*	140	(140)	—		58	—	—
36 AT1 capital before regulatory adjustments	5,813	(830)	4,983		3,734	1,123	300
AT1 capital: regulatory adjustments							
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 (amount above 10% threshold and net of eligible short positions)	—	—	—		—	(237)	—
41 (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—
41b Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: Direct and indirect 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	—	—	—		—	—	—
43 Total regulatory adjustments to AT1 capital	—	—	—		—	(237)	—
44 AT1 capital	5,813	(830)	4,983		3,734	886	300
45 Tier 1 capital (T1 = CET1 + AT1)	37,260	(2,577)	34,683		27,477	6,433	1,653
T2 capital: instruments and provisions							
46 Capital instruments and the related share premium accounts	4,803	—	4,803	(j)	4,613	1,615	—
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	79	(27)	52	(j)	—	89	—
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interests phase out from T2 and AT1 instruments not included in CET1 or AT1) issued by subsidiaries	1,191	(1,191)	—	(j)	267	—	—
49 *Of which: instruments issued by subsidiaries subject to phase out*	*1,191*	*(1,191)*	—		*267*	—	—
50 Credit risk adjustments	400	261	661		393	22	27
51 T2 capital before regulatory adjustments	6,473	(957)	5,516		5,273	1,726	27
T2 capital: regulatory adjustments							
54 (-) Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	—	—	—		—	—	—
55 (-) Direct and indirect 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)	—	—	—		—	(406)	—
56a (-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—
56b (-) Other regulatory adjustments to T2 capital	—	—	—		—	—	—

CC1: Composition of regulatory capital – NatWest Group and large subsidiaries continued

	2020						
	NatWest Group						
T2 capital: regulatory adjustments	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	NWH Group £m	NWM Plc £m	RBSI £m
56c (-) Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	—	—	—		—	—	—
T2 capital before regulatory adjustments							
57 Total regulatory adjustments to T2 capital	—	—	—		—	(406)	—
58 T2 capital	6,473	(957)	5,516		5,273	1,320	27
59 Total capital (TC = T1 + T2)	43,733	(3,534)	40,199		32,750	7,753	1,681
60 Total risk-weighted assets	170,310	(164)	170,146		135,331	25,564	7,291
Capital ratios and buffers							
61 CET1 (as a percentage of risk exposure amount)	18.5%		17.5%		17.5%	21.7%	18.6%
62 T1 (as a percentage of risk exposure amount)	21.9%		20.4%		20.3%	25.2%	22.7%
63 Total capital (as a percentage of risk exposure amount)	25.7%		23.6%		24.2%	30.3%	23.1%
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.0%		7.0%		8.5%	7.0%	6.3%
65 *Of which: capital conservation buffer requirement*	*2.5%*		*2.5%*		*2.5%*	*2.5%*	*0.0%*
66 *Of which: counter cyclical buffer requirement*	*0.0%*		*0.0%*		*0.0%*	*0.0%*	*0.0%*
67 *Of which: systemic risk buffer requirement*	—		—		—	—	—
67a *Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	—		—		*1.5%*	—	—
68 CET1 available to meet buffers	12.1%		11.1%		11.5%	13.2%	10.1%
Amounts below the threshold deduction							
72 Direct and indirect holdings of the capital 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)	367	—	367		—	226	—
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 10% threshold and net of eligible short positions)	632	—	632		—	766	—
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	183	—	183		461	—	1
Available caps on the inclusion of provisions in T2							
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	—	—		—	—	—
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	247	—	247		214	40	18
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	400	2,169	2,569		393	25	—
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	661	—	661		590	22	30
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)							
82 Current cap on AT1 instruments subject to phase out arrangements	1,920	(1,920)	—		58	1,001	—
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—	—		82	—	—
84 Current cap on T2 instruments subject to phase out arrangements	1,345	(1,345)	—		267	556	—
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—		707	—	—

CC2: Reconciliation of regulatory capital to balance sheet

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

	As at 31 December 2021		
	a	b	
	Balance sheet as in published financial statements as at period end	Under regulatory scope of consolidation as at period end	
Assets	£m	£m	References
Cash and balances at central banks	177,757	177,791	
Trading assets	59,158	59,158	
Derivatives	106,139	106,139	
Settlement balances	2,141	2,141	
Loans and advances to banks - amortised cost	7,682	7,682	
Loans and advances to customers - amortised cost	358,990	359,158	
Other financial assets	46,145	45,714	
Intangible assets	6,723	6,723	*(d)*
Property, plant and equipment	4,289	4,230	
Current and deferred tax assets	1,384	1,384	
of which: DTAs that rely on future profitability and do not arise from temporary differences	*760*	*760*	*(e)*
Prepayments, accrued income and other assets	2,569	2,686	
of which: Defined benefit pension fund assets	*602*	*602*	*(f)*
Assets of disposal groups	9,015	9,075	
Total assets	781,992	781,881	
Liabilities			
Bank deposits	26,279	26,279	
Customer deposits	479,810	480,464	
Settlement balances	2,068	2,068	
Trading liabilities	64,598	64,598	
Derivatives	100,835	100,835	
Other financial liabilities	49,326	48,448	
Provisions, deferred income and other liabilities	8,354	8,471	
Retirement benefit liabilities	114	114	
Current and deferred tax liabilities	371	367	
of which: Defined benefit pension scheme assets	*137*	*137*	*(g)*
Subordinated liabilities	8,429	8,429	*(j)*
Liabilities of disposal groups	5	5	
Total liabilities	740,189	740,078	
Shareholder's Equity			
Non-controlling interests	7	7	
Owners' equity			
Called up share capital	11,468	11,468	(a)
Reserves	*30,328*	*30,328*	
of which: amount eligible for retained earnings	*12,966*	*12,966*	*(b)*
of which: amount eligible for accumulated OCI & other reserves	*12,311*	*12,311*	*(c) & (i)*
of which: amount of other equity instruments	*3,890*	*3,890*	*(h)*
of which: share premium accounts	*1,161*	*1,161*	*(k)*
Total shareholder's equity	41,803	41,803	

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

OV1: CAP: RWAs and MCR summary – NatWest Group and large subsidiaries

The table below shows RWAs and minimum capital requirements (MCR) by risk type for NatWest Group and its large subsidiaries. MCR is calculated as 8% of RWAs, with the exception of RBSI where the MCR in accordance with the local jurisdiction is 10% of RWAs.

		NatWest Group		NWH Group		NWM Plc		RBSI	
		RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR
	2021	£m	£m	£m	£m	£m	£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	115,992	9,280	102,921	8,234	4,488	359	6,367	637
2	*Standardised (STD) approach*	*16,622*	*1,330*	*15,051*	*1,204*	*1,137*	*91*	*1,519*	*152*
4	*Advanced internal ratings based (IRB) approach (1)*	*97,985*	*7,839*	*87,870*	*7,030*	*3,351*	*268*	*4,848*	*485*
5	*Equity IRB under the simple risk-weight or the internal model approach (IMA)*	*1,385*	*111*	—	—	—	—	—	—
6	Counterparty credit risk	7,647	612	705	56	6,602	528	33	3
6a	*of which: securities financing transactions*	*663*	*53*	*167*	*13*	*371*	*30*	*22*	*2*
7	*of which: marked-to-market*	*1,338*	*107*	*224*	*18*	*1,295*	*104*	*11*	*1*
10	*of which: internal model method (IMM)*	*4,120*	*330*	—	—	*3,753*	*299*	—	—
11	*of which: risk exposure amount for contributions to the default fund of a central counterparty*	*159*	*13*	*149*	*12*	*10*	*1*	—	—
12	*of which: credit valuation adjustment (CVA)*	*1,367*	*109*	*165*	*13*	*1,173*	*94*	—	—
13	Settlement risk	3	—	—	—	1	—	—	—
14	Securitisation exposures in banking book	2,470	198	1,236	99	1,202	96	—	—
15	*IRB approach (SEC-IRBA)*	*911*	*73*	*911*	*73*	—	—	—	—
17	*STD approach*	*1,146*	*92*	*152*	*12*	*965*	*77*	—	—
18	*External ratings-based approach (SEC-ERBA) (2)*	*327*	*26*	*173*	*14*	*154*	*12*	—	—
	1,250%	*86*	*7*	—	—	*83*	*7*	—	—
19	Market risk	7,917	633	203	16	6,934	555	28	3
20	*STD approach*	*1,010*	*81*	*203*	*16*	*444*	*36*	*28*	*3*
21	*IMA*	*6,907*	*552*	—	—	*6,490*	*519*		
23	Operational risk - STD approach	21,031	1,682	17,935	1,435	2,020	162	925	93
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	1,911	153	1,076	86	1,439	115	3	—
29	Total	156,971	12,558	124,076	9,926	22,686	1,815	7,356	736

For the notes to this table refer to the following page.

OV1: CAP: RWAs and MCR summary – NatWest Group and large subsidiaries continued

		NatWest Group		NWH Group		NWM Plc		RBSI	
		RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR
	2020	£m	£m	£m	£m	£m	£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	125,711	10,058	112,872	9,030	4,193	335	6,317	630
2	*Standardised (STD) approach*	*17,682*	*1,415*	*15,959*	*1,277*	*1,317*	*105*	*1,399*	*139*
4	*Advanced internal ratings based (IRB) approach* (1)	*107,033*	*8,563*	*96,913*	*7,753*	*2,876*	*230*	*4,918*	*491*
5	*Equity IRB under the simple risk-weight or the internal model approach (IMA)*	*996*	*80*	—	—	—	—	—	—
6	Counterparty credit risk	8,682	695	961	77	7,708	617	28	3
6a	*of which: securities financing transactions*	*632*	*51*	*172*	*14*	*294*	*24*	*20*	*2*
7	*of which: marked-to-market*	*1,347*	*108*	*268*	*22*	*1,235*	*99*	*8*	*1*
10	*of which: internal model method (IMM)*	*5,099*	*408*	—	—	*4,836*	*387*	—	—
11	*of which: risk exposure amount for contributions to the default fund of a central counterparty*	*86*	*7*	*53*	*4*	*12*	*1*	—	—
12	*of which: credit valuation adjustment (CVA)*	*1,518*	*121*	*468*	*37*	*1,331*	*106*	—	—
13	Settlement risk	—	—	—	—	—	—	—	—
14	Securitisation exposures in banking book	2,586	206	1,372	110	1,215	97	—	—
15	*IRB approach (SEC-IRBA)*	*1,004*	*80*	*1,004*	*80*	—	—	—	—
17	*STD approach*	*821*	*66*	*169*	*14*	*653*	*52*	—	—
18	*External ratings-based approach (SEC-ERBA)* (2)	*664*	*52*	*199*	*16*	*465*	*37*	—	—
	1,250%	*97*	*8*	—	—	*97*	*8*	—	—
19	Market risk	9,362	749	106	9	8,150	652	42	4
20	*STD approach*	*1,008*	*81*	*106*	*9*	*253*	*20*	*42*	*4*
21	*IMA*	*8,354*	*668*	—	—	*7,897*	*632*		
23	Operational risk - STD approach	21,930	1,754	18,866	1,509	2,382	191	902	90
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	2,039	163	1,154	92	1,916	153	3	—
29	Total	170,310	13,625	135,331	10,827	25,564	2,045	7,292	727

(1) Of which £543 million RWAs (2020 – £535 million) relate to equity IRB under the probability of default/loss given default approach.
(2) Includes the internal assessment approach (IAA).

CR8: IRB and STD: Credit risk RWAs and MCR flow statement

The table below shows the drivers of movements in credit risk RWAs and MCR. RWAs include securitisations, deferred tax assets and significant investments to align with the capital management approaches of NatWest Group and its segments.

		a			b
		RWAs			
		IRB	STD	Total RWAs	MCR
		£m	£m	£m	£m
1	At 1 January 2021	110,193	19,721	129,914	10,393
2	Asset size (1)	(4,165)	(885)	(5,050)	(404)
3	Asset quality (2)	(2,070)	(200)	(2,270)	(182)
4	Model updates (3)	(477)	—	(477)	(38)
5	Methodology and policy (4)	137	—	137	11
6	Acquisitions and disposals (5)	(159)	—	(159)	(13)
7	Foreign exchange movements (6)	(1,086)	(103)	(1,189)	(95)
8	Other	(790)	—	(790)	(63)
9	At 31 December 2021	101,583	18,533	120,116	9,609

(1) Organic changes in portfolio size and composition (including the origination of new business and maturing loans).
(2) Changes in the assessed quality of assets due to changes in borrower risk, such as rating grade migration or similar effects.
(3) Changes due to model implementation, changes in model scope, or any changes intended to address model weakness.
(4) Changes due to methodological changes in calculations driven by regulatory policy changes, including both revisions to existing regulations and new regulations.
(5) Changes in portfolio sizes due to acquisitions and disposals.
(6) Changes arising from foreign currency translation movements.

- The reduction in asset size was mainly due to repayments and expired facilities in Commercial Banking. There were additional decreases within the Ulster Bank RoI mortgage portfolio as repayments were in excess of new lending in the period, in line with phased withdrawal strategy expectation.
- The decrease in RWAs relating to asset quality primarily reflected improved risk metrics in Commercial Banking and Ulster Bank RoI.
- The RWA reduction in foreign exchange movements was mainly a result of sterling strengthening against the euro during the period.
- The movement in the other category reflected reductions in Commercial Banking as a result of the CRR COVID-19 amendment for the infrastructure supporting factor.
- The reduction in RWAs relating to model updates was largely a result of revisions to Wholesale loss given default models.
- The decrease in acquisitions and disposals reflected the sale of non-performing loans in Ulster Bank RoI.
- The increase in RWAs in methodology and policy was mainly due to calculation changes for a population of performing secured by real estate deals.

CCR7: CCR: IMM and Non-IMM: Counterparty credit risk RWAs and MCR flow statement

The table below shows the drivers of movements in counterparty credit risk RWAs and MCR (excluding CVA). There were no methodology or regulatory policy changes, model updates or acquisitions and disposals of subsidiaries during the period.

		a			b		
		RWAs			MCR		
		IMM	Non-IMM	Total	IMM	Non-IMM	Total
		£m	£m	£m	£m	£m	£m
1	At 1 January 2021	5,300	2,285	7,585	424	183	607
2	Asset size (1)	(897)	140	(757)	(72)	11	(61)
3	Credit quality of counterparties (2)	(35)	(57)	(92)	(3)	(5)	(8)
7	Foreign exchange movements (3)	(160)	(36)	(196)	(13)	(3)	(16)
9	At 31 December 2021	4,208	2,332	6,540	336	186	522

(1) Organic changes in portfolio size and composition (including the origination of new business).
(2) Changes in the assessed quality of counterparties.
(3) Changes arising from foreign currency retranslation movements.

- The RWA decrease related to the IMM mainly reflected an overall reduction in exposure as well as the strengthening of sterling against the euro over the year.

MR2_B: MR IMA and STD: Market risk RWAs and MCR flow statement

The table below shows the drivers of movements in market risk RWAs and MCR. There were no acquisitions and disposals of subsidiaries during the period. Changes in market risk arising from foreign currency retranslation are included within movement in risk levels as they are managed together with portfolio changes.

		IMA						STD		Total	
		RWAs (1)									
		a	b	c	e	f	g				
		VaR	SVaR	IRC	Other (RNIV)	Total	MCR	RWAs	MCR	RWAs	MCR
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	At 1 January 2021	1,599	3,666	1,459	1,630	8,354	668	1,008	81	9,362	749
2	Movement in risk levels (2)	145	2,174	(206)	(224)	1,889	151	(343)	(28)	1,546	123
3	Model updates/changes (3)	(288)	(3,249)	42	159	(3,336)	(267)	—	—	(3,336)	(267)
4	Methodology and policy (4)							345	28	345	28
8	At 31 December 2021	1,456	2,591	1,295	1,565	6,907	552	1,010	81	7,917	633

(1) NatWest Group does not use the comprehensive risk measure to calculate market risk RWAs.
(2) Movements due to position changes as well as time series updates.
(3) Updates to the model to reflect recent experience or changes to model scope.
(4) Movements due to methodological changes in calculations driven by regulatory policy changes, such as new regulations.

- Overall, market risk RWAs for NatWest Group decreased, in line with the strategic focus on RWA reduction.
- The comments below mainly relate to NWM Plc, NWM N.V. and NWM SI, which accounted for the majority of the exposure.
- The reductions in SVaR and VaR based RWAs notably reflected a regulator-approved update to the VaR model, aimed at addressing the impact of the transition from LIBOR to alternative risk-free rates. This impact had resulted in a rise in tenor basis risk in sterling flow trading in the first two quarters of the year.
- The decrease in RNIV-based RWAs was mainly due to a reduction in interest rate related RNIVs, partially offset by a new RNIV aimed at capturing the residual risk of LIBOR cessation.
- The decrease in the incremental risk charge reflected a reduction in eurozone corporate bond positions.
- RWAs under the standardised approach were broadly unchanged. A decrease in the interest rate position, in NWM Plc and NWM SI, was largely offset by an increased banking book foreign exchange charge following changes to NatWest Group's regulatory foreign exchange hedging permission, which took effect on 31 December 2021.

LRSum: Summary comparison of accounting assets vs leverage ratio exposure measure

The table below sets out the leverage exposures in the prescribed template on a CRR transitional basis as relevant for the jurisdiction.

		2021				2020			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m	NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Total assets as per published financial statements	781,992	541,123	182,554	40,985	799,491	496,583	256,082	34,401
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(110)	(166)	—	—	(356)	(274)	—	—
4	Adjustment for derivative financial instruments	(75,169)	(1,848)	(74,082)	74	(134,487)	(2,997)	(133,498)	63
5	Adjustments for securities financing transactions (SFTs)	1,397	146	1,298	—	1,179	191	999	—
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	44,240	32,914	4,993	3,468	45,853	33,670	5,037	3,580
6a	Adjustment for Intra-Group exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	—	—	(974)	—	—	—	(1,716)	—
7	Other adjustments	(8,870)	(6,105)	(3,186)	(191)	(8,587)	(5,573)	(2,977)	(164)
8	Total leverage ratio exposure	743,480	566,064	110,603	44,336	703,093	521,600	123,927	37,880

LRCom: Leverage ratio common disclosure template

The table below sets out the leverage ratio common disclosure in the prescribed template on a CRR transitional basis as relevant for the jurisdiction.

		2021				2020			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m	NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
On-balance sheet exposures (excluding derivatives and SFTs)									
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	626,782	513,173	66,926	40,827	585,747	469,927	76,952	34,361
2	Asset amounts deducted in determining Tier 1 capital	(6,801)	(6,105)	(2,391)	(191)	(6,290)	(5,573)	(2,481)	(164)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	619,981	507,068	64,535	40,636	579,457	464,354	74,471	34,197
Derivative exposures									
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6,943	49	5,936	151	10,908	347	10,295	41
5	Add-on amounts for PFE associated with all derivatives transactions (mtm method)	35,035	1,169	32,235	81	38,171	1,112	35,654	63
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—	—	—	—	—	—	—
7	Deductions of receivable assets for cash variation margin provided in derivatives transactions	(11,458)	(1,086)	(9,660)	—	(17,675)	(1,340)	(15,952)	—
8	Exempted CCP leg of client-cleared trade exposures	—	—	—	—	—	—	—	—
9	Adjusted effective notional amount of written credit derivatives	3,740	—	3,871	—	4,464	—	4,697	—
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	(3,290)	—	(3,422)	—	(3,832)	—	(4,088)	—
11	Total derivative exposures	30,970	132	28,960	232	32,036	119	30,606	104

LRCom: Leverage ratio common disclosure template continued

		2021 NatWest Group £m	2021 NWH Group £m	2021 NWM Plc £m	2021 RBSI £m	2020 NatWest Group £m	2020 NWH Group £m	2020 NWM Plc £m	2020 RBSI £m
Securities financing transaction exposures									
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**80,435**	**34,769**	**24,862**	**1,526**	80,388	33,202	28,502	1,017
13	Netted amounts of cash payables and cash receivable of gross SFT assets	**(33,543)**	**(8,965)**	**(13,071)**	**(1,526)**	(35,820)	(9,936)	(13,972)	(1,017)
14	Counterparty credit risk exposures for SFT assets	**1,397**	**146**	**1,298**	**—**	1,179	191	999	—
16	Total securities financing transaction exposures	**48,289**	**25,950**	**13,089**	**—**	45,747	23,457	15,529	—
Other off-balance sheet exposures									
17	Off-balance sheet exposures at gross notional amount	**128,918**	**106,970**	**8,726**	**9,788**	132,995	109,722	9,138	9,643
18	Adjustments for conversion to credit equivalent amounts	**(84,678)**	**(74,056)**	**(3,733)**	**(6,320)**	(87,142)	(76,052)	(4,101)	(6,062)
19	Other off-balance sheet exposures	**44,240**	**32,914**	**4,993**	**3,468**	45,853	33,670	5,037	3,581
19a	Exemption of Intra-Group exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet)	**—**	**—**	**(974)**	**—**	—	—	(1,716)	—
19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	**—**	**—**	**—**	**—**	—	—	—	—
Capital and total exposures									
20	Tier 1 capital	**33,042**	**23,397**	**4,755**	**1,841**	37,260	27,477	6,433	1,653
21	Total leverage ratio exposure	**743,480**	**566,064**	**110,603**	**44,336**	703,093	521,600	123,927	37,881
22	Leverage ratio	**4.4%**	**4.1%**	**4.3%**	**4.2%**	5.3%	5.3%	5.2%	4.4%
22a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)	**4.4%**	**4.1%**	**4.3%**	**4.2%**	5.3%	5.3%	5.2%	4.4%

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

		Leverage ratio exposures 2021 NatWest Group £m	2021 NWH Group £m	2021 NWM Plc £m	2021 RBSI £m	2020 NatWest Group £m	2020 NWH Group £m	2020 NWM Plc £m	2020 RBSI £m
1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**619,981**	**507,068**	**65,855**	**40,636**	579,457	464,354	74,411	34,197
2	Trading book exposures	**39,583**	**—**	**32,084**	**—**	51,737	—	42,160	—
3	Banking book exposures, of which:	**580,398**	**507,068**	**33,771**	**40,636**	527,720	464,354	32,251	34,197
4	Covered bonds	**3,611**	**3,492**	**—**	**—**	2,888	2,764	—	—
5	Exposures treated as sovereigns	**213,547**	**168,897**	**16,876**	**23,545**	168,870	128,841	17,020	19,056
6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	**6,221**	**5,192**	**211**	**200**	5,878	4,983	137	210
7	Institutions	**6,962**	**5,512**	**1,760**	**1,566**	5,482	4,153	1,787	1,742
8	Secured by mortgages of immovable properties	**234,392**	**230,336**	**75**	**2,433**	224,136	219,863	76	2,502
9	Retail exposures	**26,102**	**26,035**	**—**	**260**	27,004	26,927	—	223
10	Corporate	**68,204**	**51,025**	**5,659**	**12,204**	71,953	57,372	5,235	10,104
11	Exposures in default	**3,272**	**3,160**	**18**	**81**	3,696	3,431	24	146
12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	**18,087**	**13,419**	**9,172**	**347**	17,813	16,020	7,972	214

CCyB1 – Geographical distribution of credit exposures used in the countercyclical capital 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 NatWest Group'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.

2021		UK £m	RoI £m	US £m	France £m	Hong Kong £m	Norway £m	Luxembourg £m	Slovakia £m	Czech Republic £m	Bulgaria £m	Other £m	Total £m
General credit exposures	Exposure value for STD	24,910	652	91	120	221	55	91	—	—	—	3,662	29,802
	Exposure value for IRB	324,472	18,427	11,097	3,394	77	929	5,955	2	4	1	21,522	385,880
Trading book	Sum of long and short position of trading book	18	—	8	—	—	—	—	—	—	—	5	31
	Value of trading book exposure for internal models	257	14	108	79	—	10	25	—	—	—	1,729	2,222
Securitisation exposures	Exposure value	9,898	439	1,142	177	—	—	138	—	—	—	563	12,357
Own funds	Of which: General credit exposures	7,205	597	283	114	8	22	110	—	—	—	932	9,271
	Trading book exposures	16	1	12	2	—	—	2	—	—	—	30	63
	Securitisation exposures	156	5	15	2	—	—	3	—	—	—	17	198
	Total	7,377	603	310	118	8	22	115	—	—	—	979	9,532
Own funds requirement weights		77.40%	6.33%	3.25%	1.24%	0.08%	0.23%	1.21%	0.00%	0.00%	0.00%	10.25%	100.00%
Countercyclical capital buffer rate		0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	0.50%	1.00%	0.50%	0.50%	0.00%	0.01%
Total risk exposure (sum of general credit, trading and securitisation)													
NWH Group		340,055	18,806	4,461	2,294	78	972	574	2	3	1	11,815	379,061
NWM Plc		12,280	683	7,270	299	2	21	1,671	—	—	—	5,268	27,494
Total own fund requirements													
NWH Group		6,600	581	145	79	2	22	27	—	—	—	532	7,988
NWM Plc		424	20	152	8	—	—	33	—	—	—	147	784

The additional countercyclical capital buffer requirement is shown below for NatWest Group and its large subsidiaries.

	NatWest Group £m	NWH Group £m	NWM Plc £m
Total risk exposure amount	156,971	124,076	22,686
Institution specific countercyclical buffer rate	0.01%	0.00%	0.02%
Institution specific countercyclical buffer requirement (1)	14	6	5

(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. In response to COVID-19, many countries announced reductions in their countercyclical capital buffer rates. In December 2021 the Financial Policy Committee announced an increase in the UK CCyB rate from 0% to 1%. This rate will come into effect from December 2022 in line with the 12 month implementation period. The CBI continues to maintain the rate at 0% with an announcement of a gradual increase of the CCyB expected in 2022.
(2) The Jersey Financial Services Commission (JRFC) currently do not recognise countercyclical buffers, as such RBSI is not presented.

PV1: BCBS 2: Prudential valuation adjustment
Prudential valuation
Prudential valuation is a regulatory provision that requires additional valuation adjustments (AVAs) to be made over and above fair value adjustments that are calculated in accordance with accounting standards. AVAs represent excess valuation adjustments required to achieve a prudential value over the reported fair value. The purpose of these adjustments is to achieve an appropriate degree of certainty that the valuation is sufficiently prudent having regard to the dynamic nature of trading positions. Prudential valuation adjustments (PVAs) result in a deduction to CET1 capital in accordance with Article 105 of the CRR.

NatWest Group applies prudential valuation to all positions that are subject to fair value accounting (both regulatory trading and non-trading books).

The prudential valuation is the value of the positions at the lower bound (downside) of the valuation uncertainty range and is always equal to or lower than the fair value for assets, and equal to or higher than the fair value for liabilities. Types of financial instruments on which the highest PVA is observed include interest rate swaps, and equity positions.

For more information regarding valuation methodologies of modelled and non-modelled products, the independent price verification process and the control and governance framework, please refer to the 2021 NatWest Group ARA Financial instruments – valuation (note 11).

		a	b	c	d	f	g	h
		Equities	Interest rates	FX	Credit	Total	Of which: in the trading book	Of which: in the non-trading book
2021		£m	£m	£m	£m	£m	£m	£m
1	Closeout uncertainty, of which	**14**	**141**	**10**	**11**	**176**	**134**	**42**
2	*Mid-market value*	***14***	***113***	***9***	***10***	***146***	***109***	***37***
3	*Closeout cost*	—	***11***	***1***	—	***12***	***12***	—
4	*Concentration*	—	***17***	—	***1***	***18***	***13***	***5***
5	Early termination	—	—	—	—	—	—	—
6	Model risk	—	**51**	**1**	—	**52**	**51**	**1**
7	Operational risk	**1**	**13**	**1**	**2**	**17**	**13**	**4**
8	Investing and funding costs	—	**4**	—	—	**4**	**4**	—
9	Unearned credit spreads	—	**18**	—	—	**18**	**18**	—
10	Future administrative costs	**1**	**5**	**1**	—	**7**	**6**	**1**
11	Other	—	—	—	—	—	—	—
12	Total prudential valuation adjustment (PVA)	**16**	**232**	**13**	**13**	**274**	**226**	**48**
	PVA excluding diversification benefit	**29**	**422**	**24**	**23**	**498**	**420**	**78**

		a	b	c	d	f	g	h
		Equities	Interest rates	FX	Credit	Total	Of which: in the trading book	Of which: in the non-trading book
2020		£m	£m	£m	£m	£m	£m	£m
1	Closeout uncertainty, of which	7	173	10	13	203	176	27
2	*Mid-market value*	*7*	*154*	*7*	*11*	*179*	*156*	*23*
3	*Closeout cost*	—	*9*	*3*	—	*12*	*12*	—
4	*Concentration*	—	*10*	—	*2*	*12*	*8*	*4*
5	Early termination	—	—	—	—	—	—	—
6	Model risk	—	21	2	4	27	27	—
7	Operational risk	1	16	1	2	20	17	3
8	Investing and funding costs	—	7	—	—	7	7	—
9	Unearned credit spreads	—	20	—	—	20	20	—
10	Future administrative costs	—	9	—	—	9	8	1
11	Other	—	—	—	—	—	—	—
12	Total prudential valuation adjustment (PVA)	8	246	13	19	286	255	31
	PVA excluding diversification benefit	22	650	35	49	756	686	70

(1) A diversification benefit is applied, where permitted under the EBA Regulatory Technical Standards on prudential valuation. The aggregation factor was restored to 50% from 66% at December 2020.
(2) Commodities have been excluded from the above table as this was nil in both the current and prior period.

– Movement in the year is primarily driven by restoration of the 50% aggregation factor from 66% at December 2020.

Asset encumbrance

The values presented below, including totals, are based on a four-point median average across the four quarters in each of 2021 and 2020.

Encumbered and unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	£m	£m	£m	£m	£m	£m	£m	£m
Assets of the reporting institution	89,659	69,749			688,606	364,016		
Equity instruments	—	—			573	—		
Debt securities	46,305	44,020	46,386	44,070	29,344	25,996	29,344	25,997
of which: covered bonds	236	191	236	191	3,347	2,910	3,347	2,910
of which: asset-backed securities	2,840	2,381	2,840	2,381	755	658	755	658
of which: issued by general governments	41,275	39,795	41,326	39,846	19,884	17,439	19,920	17,474
of which: issued by financial corporations	4,613	3,803	4,613	3,803	9,115	7,591	9,115	7,591
of which: issued by non-financial corporations	618	484	634	484	200	135	200	135
Other assets	39,007	21,490			655,279	335,356		

Collateral received

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
		of which EHQLA and HQLA		of which EHQLA and HQLA
	£m	£m	£m	£m
Collateral received by the reporting institution	48,361	46,092	16,101	14,556
Loans on demand	—	—	—	—
Equity instruments	—	—	—	—
Debt securities	48,361	46,092	16,101	14,556
of which: covered bonds	282	282	16	9
of which: asset-backed securities	924	42	1,075	—
of which: issued by general governments	45,189	45,189	14,620	14,455
of which: issued by financial corporations	2,150	720	1,278	101
of which: issued by non-financial corporations	1,368	547	162	—
Loans and advances other than loans on demand	—	—	—	—
Other collateral received	—	—	—	—
of which:	—	—	—	—
- Own debt securities issued other than own covered bonds or asset-backed securities	—	—	—	—
- Own covered bonds and asset-backed securities issued and not yet pledged	—	—	—	—
Total assets, collateral received and own debt securities issued	136,308	114,642	—	—

Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and asset-backed securities encumbered
	£m	£m
Carrying amount of selected financial liabilities	73,329	83,855

LIQ1: Liquidity coverage ratio

The table below shows the breakdown of high quality liquid assets, cash inflows and cash outflows, on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio. The weightings applied reflect the stress factors applicable under the UK LCR rules. The values presented below are the simple average of the preceding monthly periods ending on the quarterly reporting date as specified in the table.

LCR outflows do not capture all liquidity risks (e.g. intra-day liquidity). NatWest Group assesses these risks as part of its Individual Liquidity Adequacy Assessment Process (ILAAP) and maintains appropriate levels of liquidity.

	Total unweighted value (average)				Total weighted value (average)			
	31 December 2021	30 September 2021	30 June 2021	31 March 2021	**31 December 2021**	30 September 2021	30 June 2021	31 March 2021
Number of data points used in the calculation of averages	**12**	12	12	12	**12**	12	12	12
	£m	£m	£m	£m	**£m**	£m	£m	£m
High quality liquid assets								
1 Total high-quality liquid assets (HQLA)					**193,404**	183,713	177,678	171,814
Cash outflows								
2 Retail deposits and deposits from small business customers	**258,155**	252,598	246,516	238,789	**20,380**	19,833	19,287	18,701
3 of which: stable deposits	**160,966**	158,808	155,934	151,516	**8,048**	7,940	7,797	7,576
4 of which: less stable deposits	**97,008**	93,573	90,326	86,956	**12,151**	11,675	11,233	10,808
5 Unsecured wholesale funding	**181,415**	175,385	169,089	163,694	**82,146**	79,105	76,267	73,859
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	**71,792**	69,484	67,374	66,148	**17,628**	17,052	16,524	16,217
7 Non-operational deposits (all counterparties)	**108,145**	104,412	100,272	96,193	**63,040**	60,564	58,300	56,289
8 Unsecured debt	**1,478**	1,489	1,443	1,353	**1,478**	1,489	1,443	1,353
9 Secured wholesale funding					**617**	654	772	1,108
10 Additional requirements	**77,768**	78,445	78,926	77,763	**20,182**	20,039	20,273	20,323
11 Outflows related to derivative exposures and other collateral requirements	**7,448**	7,651	7,848	7,993	**6,714**	6,883	7,064	7,189
12 Outflows related to loss of funding on debt products	**—**	—	151	256	**—**	—	151	256
13 Credit and liquidity facilities	**70,320**	70,794	70,927	69,514	**13,468**	13,156	13,058	12,878
14 Other contractual funding obligations	**26,444**	26,886	26,219	24,967	**2,378**	2,113	2,068	2,128
15 Other contingent funding obligations	**47,028**	47,826	48,934	50,351	**4,154**	4,044	3,779	3,641
16 Total cash outflows					**129,857**	125,788	122,446	119,760
17 Secured lending (e.g. reverse repos)	**58,893**	59,392	58,315	57,574	**269**	294	324	529
18 Inflows from fully performing exposures	**8,962**	8,622	8,195	8,981	**7,386**	7,066	6,698	7,183
19 Other cash inflows	**13,157**	13,285	13,486	13,820	**4,985**	5,036	5,183	5,429
19a Difference between total weighted inflows and outflows	**—**	—	—	—	**—**	—	—	—
19b Excess inflows from a related specialised credit institution	**—**	—	—	—	**—**	—	—	—
20 Total cash inflows	**81,012**	81,299	79,996	80,375	**12,640**	12,396	12,205	13,141
20a Fully exempt inflows	**—**	—	—	—	**—**	—	—	—
20b Inflows subject to 90% cap	**—**	—	—	—	**—**	—	—	—
20c Inflows subject to 75% cap	**76,294**	77,150	76,599	77,497	**—**	12,396	12,205	13,141
21 Liquidity buffer					**193,404**	183,713	177,678	171,814
22 Total net cash outflows					**117,217**	113,392	110,241	106,619
23 Liquidity coverage ratio (%)					**165**	162	161	161

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The table below provides a reconciliation between the accounting and regulatory consolidation and shows the allocation of the balance sheet items across the different regulatory risk frameworks.

	2021						
			Carrying value of items:				
	Carrying values as reported in published financial statements £m	Carrying values under scope of regulatory consolidation £m	Subject to credit risk framework £m	Subject to securitisation framework £m	Subject to counterparty credit risk framework £m	Subject to the market risk framework £m	Not subject to capital requirements or subject to deduction from capital £m
Assets							
Cash and balances at central banks	177,757	177,791	177,791	—	—	—	—
Trading assets	59,158	59,158	13,462	—	33,935	59,158	—
Derivatives	106,139	106,139	—	383	106,139	106,139	—
Settlement balances	2,141	2,141	1,136	—	1,005	—	—
Loans to banks - amortised cost	7,682	7,682	7,494	—	188	—	—
Loans to customers - amortised cost	358,990	359,158	333,027	5,740	25,962	—	—
Other financial assets	46,145	45,714	45,714	3,929	—	—	—
Intangible assets	6,723	6,723	411	—	—	—	6,312
Other assets	8,242	8,300	6,855	—	—	—	1,445
Assets of disposal groups	9,015	9,075	9,075	—	—	—	—
Total assets	781,992	781,881	594,965	10,052	167,229	165,297	7,757
Liabilities							
Bank deposits	26,279	26,279	—	—	8,739	—	17,540
Customer deposits	479,810	480,464	—	—	33,103	—	447,361
Settlement balances	2,068	2,068	—	—	—	—	2,068
Trading liabilities	64,598	64,598	—	—	—	64,598	—
Derivatives	100,835	100,835	—	—	100,835	100,835	—
Other financial liabilities	49,326	48,448	—	—	—	—	48,448
Subordinated liabilities	8,429	8,429	—	—	—	—	8,429
Notes in circulation	3,047	3,047	—	—	—	—	3,047
Other liabilities	5,797	5,910	—	—	—	—	5,910
Total liabilities	740,189	740,078	—	—	142,677	165,433	532,803

(1) The table provides the breakdown of how the amounts reported in the consolidated regulatory balance sheet correspond to regulatory risk framework categories. Certain items included in these columns are subject to more than one risk framework and therefore the sum of all the risk framework categories may not equal the value reported in the "Carrying values under scope of regulatory consolidation" column.

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The table below provides a reconciliation between assets carrying values under the regulatory consolidation as per table LI1 and the exposures used for regulatory purposes, split by regulatory risk framework.

	Items subject to:		
2021	Credit risk framework £bn	Securitisation framework £bn	Counterparty credit risk framework £bn
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	594,965	10,052	167,229
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	—	—	(142,677)
Total net amount under regulatory scope of consolidation	594,965	10,052	24,552
Off-balance sheet amounts	69,326	2,305	—
Differences due to different netting rules, other than those already included above	(22,597)	—	—
Differences due to consideration of provisions	(3,564)	—	—
Methodology differences and reclassifications	(405)	—	(1,704)
Exposure amounts considered for regulatory purposes	637,725	12,357	22,848

(1) Off balance sheet items – under the credit risk and securitisation frameworks these balances principally consist of undrawn credit facilities after the application of credit conversion factors (CCF).
(2) Differences due to different netting rules – this reflects the effects of master netting agreements in addition to the netting permitted under International Accounting Standards (IAS) framework.
(3) Differences due to consideration of provisions – this relates to impairment loss provisions on loans and advances and securities, and credit valuation adjustments on derivatives.
(4) Methodology differences and reclassifications – includes regulatory consolidation differences and CCR regulatory exposure being calculated by prescribed methods using several risk factors which are not considered in financial statement carrying values.

LI3: Outline of the differences in the scope of consolidation (entity by entity)

Name of Entity	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity
Alcover A.G.	Full consolidation	Deconsolidated	Insurance undertaking
BGF Group Plc	Equity	Proportional consolidation	Financial institution
CITIC Capital China Mezzanine Fund Ltd	Investment Accounting	Proportional consolidation	Financial institution
Coutts Private Equity Ltd Partnership II	Equity	Proportional consolidation	Financial institution
Eris Finance S.R.L.	Investment Accounting	Proportional consolidation	Financial institution
Fondo Sallustio	Fully Consolidated	Deconsolidated	Other / non financial
Foundation Commercial Property Ltd	Equity	Proportional consolidation	Other / non financial
Gatehouse Way Developments Ltd	Full consolidation	Deconsolidated	Other / non financial
German Biogas Holdco Ltd	Full consolidation	Deconsolidated	Financial institution
German Public Sector Finance B.V.	Equity	Proportional consolidation	Financial institution
GWNW City Developments Ltd	Equity	Deconsolidated	Other / non financial
Herge Holding B.V.	Investment Accounting	Proportional consolidation	Financial institution
Higher Broughton (GP) Ltd	Equity	Proportional consolidation	Ancillary services undertaking
Higher Broughton Partnership LP	Equity	Deconsolidated	Other / non financial
KUC Properties Ltd	Full consolidation	Deconsolidated	Other / non financial
Land Options (East) Ltd	Equity	Deconsolidated	Other / non financial
Land Options (West) Ltd	Full consolidation	Deconsolidated	Other / non financial
London Rail Leasing Ltd	Equity	Proportional consolidation	Financial institution
Lothbury Insurance Company Ltd	Full consolidation	Deconsolidated	Insurance undertaking
Lunar Funding VIII Ltd	Full consolidation	Deconsolidated	Financial institution
Morar ICC Insurance Ltd	Full consolidation	Deconsolidated	Insurance undertaking
National Westminster Properties No. 1 Ltd	Full consolidation	Deconsolidated	Other / non financial
NatWest Property Investments Ltd	Full consolidation	Deconsolidated	Other / non financial
Pharos Estates Ltd	Equity	Deconsolidated	Other / non financial
Priority Sites Investments Ltd	Full consolidation	Deconsolidated	Other / non financial
Priority Sites Ltd	Full consolidation	Deconsolidated	Other / non financial
NatWest (LM) Ltd	Investment Accounting	Proportional consolidation	Financial institution
NatWest Markets Secured Funding (LM) Ltd	Full consolidation	Proportional consolidation	Financial institution
The RBS Group Ireland Retirement Savings Trustee Ltd	Full consolidation	Deconsolidated	Other / non financial
Ulster Bank Pension Trustees (RI) Ltd	Fully Consolidated	Deconsolidated	Other / non financial
Ulster Bank Pension Trustees Ltd	Fully Consolidated	Deconsolidated	Other / non financial
Walton Lake Developments Ltd	Full consolidation	Deconsolidated	Other / non financial
West Register (Hotels Number 3) Ltd	Full consolidation	Deconsolidated	Other / non financial
West Register (Property Investments) Ltd	Full consolidation	Deconsolidated	Other / non financial
West Register (Realisations) Ltd	Full consolidation	Deconsolidated	Other / non financial
Wiöniowy Management Sp. Z.o.o.	Equity	Deconsolidated	Other / non financial

NatWest Group and certain large subsidiaries are subject to external MREL requirements. The disclosures TLAC1, TLAC2, TLAC3 and KM2 provide key metrics and relevant information that form the elements of MREL resources.

These disclosures have been prepared using the uniform format published by the EBA providing more relevant and up to date information than the BCBS templates formally used.

TLAC1 - Composition - MREL and, where applicable, the G-SII requirement for own funds and eligible liabilities

The table below shows the composition of own funds and eligible liabilities and ratio's for NatWest Group.

		2021 a Minimum requirement for own funds and eligible liabilities (MREL) £m	2020 a Minimum requirement for own funds and eligible liabilities (MREL) £m
Own funds and eligible liabilities: Non-regulatory capital elements			
1	Common Equity Tier 1 capital (CET1)	**28,596**	31,447
2	Additional Tier 1 capital (AT1)	**4,369**	5,617
6	Tier 2 capital (T2)	**5,284**	5,854
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD arising from regulatory capital instruments	**38,249**	42,918
Own funds and eligible liabilities: Non-regulatory capital elements			
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	**22,807**	19,612
12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	**—**	—
12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	**—**	—
12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	**1,346**	1,321
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	**—**	—
13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	**—**	—
14	Amount of non subordinated instruments eligible, where applicable after application of articles 72b (3) and (4) CRR		
17	Eligible liabilities items before adjustments	**24,153**	20,933
17a	Of which subordinated	**24,153**	20,933
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements			
18	Own funds and eligible liabilities items before adjustments	**62,402**	63,851
19	Deduction of exposures between MPE resolution groups		
20	Deduction of investments in other eligible liabilities instruments		
22	Own funds and eligible liabilities after adjustments	**62,402**	63,851
22a	Of which own funds and subordinated	**62,402**	63,851
Risk-weighted exposure amount and leverage exposure measure of the resolution group			
23	Total risk exposure amount adjusted as permitted by article 45h(2) of Directive 2014/59/EU	**156,971**	170,310
24	Total exposure measure	**561,858**	572,558
Ratio of own funds and eligible liabilities			
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	**39.8%**	37.5%
25a	Of which own funds and subordinated	**39.8%**	37.5%
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	**11.1%**	11.2%
26a	Of which own funds and subordinated	**11.1%**	11.2%
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	**11.7%**	12.1%
28	Institution-specific combined buffer requirement	**2.5%**	2.5%
29	of which: capital conservation buffer requirement	**2.5%**	2.5%
30	of which: countercyclical buffer requirement	**0.0%**	0.0%
31	of which: systemic risk buffer requirement	**0.0%**	0.0%
31a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	**0.0%**	0.0%

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

The table below shows information regarding creditor ranking for NatWest Group large subsidiaries (list which are included).

		Insolvency ranking								
2	Description of insolvency ranking	Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt		
	NatWest Markets Plc 2021	**Resolution entity £m**	**Other £m**	**Resolution entity £m**	**Other £m**	**Resolution entity £m**	**Other £m**	**Resolution entity £m**	**Other £m**	**Total £m**
3	Total liabilities and own funds	**6,445**	**—**	**904**	**—**	**1,428**	**394**	**3,729**	**—**	**12,900**
4	o/w excluded liabilities	**—**	**—**	**—**	**—**	**—**	**378**	**—**	**—**	**378**
5	Total liabilities and own funds less excluded liabilities	**6,445**	**—**	**904**	**—**	**1,428**	**16**	**3,729**	**—**	**12,522**
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	**6,445**	**—**	**904**	**—**	**1,428**	**16**	**3,729**	**—**	**12,522**
7	o/w residual maturity ≥ 1 year < 2 years	**—**	**—**	**—**	**—**	**—**	**—**	**924**	**—**	**924**
8	o/w residual maturity ≥ 2 year < 5 years	**—**	**—**	**—**	**—**	**—**	**—**	**2,805**	**—**	**2,805**
9	o/w residual maturity ≥ 5 years < 10 years	**—**	**—**	**—**	**—**	**798**	**—**	**—**	**—**	**798**
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	**—**	**—**	**—**	**—**	**185**	**—**	**—**	**—**	**185**
11	o/w perpetual securities	**6,445**	**—**	**904**	**—**	**445**	**16**	**—**	**—**	**7,810**

		Insolvency ranking								
2	Description of insolvency ranking	Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt		
	NatWest Markets Plc 2020	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Total £m
3	Total liabilities and own funds	8,248	—	904	—	1,695	486	4,926	—	16,259
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	8,248	—	904	—	1,695	486	4,926	—	16,259
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	8,248	—	904	—	1,695	486	4,926	—	16,259
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	270	—	—	270
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	130	4,926	—	5,056
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	853	—	—	—	853
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	183	—	—	—	183
11	o/w perpetual securities	8,248	—	904	—	659	86	—	—	9,897

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

		Insolvency ranking								
2	Description of insolvency ranking	Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt		
RBSI 2021		Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Total £m
3	Total liabilities and own funds	**1,812**	—	**300**	—	—	—	—	—	**2,112**
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	**1,812**	—	**300**	—	—	—	—	—	**2,112**
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	**1,812**	—	**300**	—	—	—	—	—	**2,112**
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	—	—	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	—	—	—	—	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—
11	o/w perpetual securities	**1,812**	—	**300**	—	—	—	—	—	**2,112**

		Insolvency ranking								
2	Description of insolvency ranking	Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt		
RBSI 2020		Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Resolution entity £m	Other £m	Total £m
3	Total liabilities and own funds	1,607	—	300	—	—	—	—	—	1,907
4	o/w excluded liabilities	—	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	1,607	—	300	—	—	—	—	—	1,907
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	1,607	—	300	—	—	—	—	—	1,907
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	—	—	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	—	—	—	—	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—	—
11	o/w perpetual securities	1,607	—	300	—	—	—	—	—	1,907

TLAC3: creditor ranking - resolution entity

The table below shows information regarding creditor ranking for NatWest Group.

2021		insolvency ranking				
		Shareholders Equity	Preference shares and contingent capital notes	Subordinated debt	Senior unsecured debt and other pari passu liabilities	Total
1	Description of insolvency ranking	£m	£m	£m	£m	£m
2	Total liabilities and own funds	44,636	4,384	7,273	22,813	79,106
3	o/w excluded liabilities	—	—	1,156	6	1,162
4	Total liabilities and own funds less excluded liabilities	44,636	4,384	6,117	22,807	77,944
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting MREL	44,636	4,384	6,117	22,807	77,944
6	o/w residual maturity ≥ 1 year < 2 years	—	—	1,380	6,710	8,090
7	o/w residual maturity ≥ 2 year < 5 years	—	—	920	7,844	8,764
8	o/w residual maturity ≥ 5 years < 10 years	—	—	2,557	8,253	10,810
9	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	1,260	—	1,260
10	o/w perpetual securities	44,636	4,384	—	—	49,020

2020		insolvency ranking				
		Shareholders Equity	Preference shares and contingent capital notes	Subordinated debt	Senior unsecured debt and other pari passu liabilities	Total
1	Description of insolvency ranking	£m	£m	£m	£m	£m
2	Total liabilities and own funds	38,966	5,517	7,250	19,619	71,352
3	o/w excluded liabilities	—	—	1,489	7	1,496
4	Total liabilities and own funds less excluded liabilities	38,966	5,517	5,761	19,612	69,856
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting MREL	38,966	5,517	5,761	19,612	69,856
6	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—
7	o/w residual maturity ≥ 2 year < 5 years	—	—	3,511	11,549	15,060
8	o/w residual maturity ≥ 5 years < 10 years	—	—	1,549	8,063	9,612
9	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	622	—	622
10	o/w perpetual securities	38,966	5,517	79	—	44,562

KM2: Key metrics – MREL requirements

The table below provides a summary of own funds, eligible liabilities, ratios and components for NatWest Group.

		a Minimum requirement for own funds and eligible liabilities (MREL) 31 December 2021 £m	a Minimum requirement for own funds and eligible liabilities (MREL) 30 June 2021 £m
Own funds and eligible liabilities, ratios and components			
1	Own funds and eligible liabilities	**62,402**	63,344
1a	Of which own funds and subordinated liabilities	**62,402**	63,344
2	Total risk exposure amount of the resolution group (TREA)	**156,971**	162,970
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	**39.8%**	38.9%
3a	Of which own funds and subordinated liabilities	**39.8%**	38.9%
4	Total exposure measure of the resolution group	**561,858**	575,636
5	Own funds and eligible liabilities as percentage of the total exposure measure	**11.1%**	11.0%
5a	Of which own funds or subordinated liabilities	**11.1%**	11.0%
6a	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	**n/a**	n/a
6b	Does the subordination exemption in Article 72(b)(4) of the CRR apply? (5% exemption)	**n/a**	n/a
6c	Pro-memo item: If a capped subordination exemption applies under Article 72(b)(3) or (4), the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 10110, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised under row 1 0110 if no cap was applied (%)	**n/a**	n/a
Minimum requirement for own funds and eligible liabilities (MREL)			
7	MREL requirement expressed as percentage of the total risk exposure amount (2)	**23.3%**	23.0%
9	MREL requirement expressed as percentage of the total exposure measure	**6.5%**	6.5%

(1) As NatWest Group is a single point of entry resolution firm, the resolution group is equal to the prudential consolidation group. Therefore, information on differences between the own funds amounts disclosed and the IFRS 9 fully loaded amount at the resolution group level is disclosed in template KM1: BCBS 2 & IFRS 9-FL: Key metrics.
(2) Row 7 –"MREL requirement expressed as percentage of the total risk exposure amount" is based on interim 2020 BoE MREL requirement i.e. (2 x Pillar 1) plus (1 x Pillar 2A) + CRDIV combined buffer requirements.

Credit risk

CRA: IRB and STD: General qualitative information about credit risk

This section details NatWest Group's overall credit risk profile. Further analysis is provided in subsequent sections for credit risk, counterparty credit risk and securitisation credit risk.

The risk profile is analysed by a variety of asset concentrations, credit quality and regulatory RWA treatments, including internal model estimates for probability of default, loss given default and exposure at default.

An overview of these models, as well as the governance process used to develop and review them, and back-testing of model performance, is also presented.

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

General information about credit risk

Credit risk is the risk that customers and counterparties fail to meet their contractual obligation to settle outstanding amounts.

The principal sources of credit risk for NatWest Group are lending, off-balance sheet products, derivatives and securities financing, and debt securities. NatWest Group is also exposed to settlement risk through foreign exchange, trade finance and payments activities.

The disclosures in this section cover credit risk and counterparty credit risk. When considered together, they are referred to as total credit risk.

Counterparty credit risk principally comprises exposures arising from derivatives and securities financing transactions. Credit risk excludes such exposures but includes loans and advances to customers, banks and central banks, as well as holdings of debt securities and equity shares.

The two subsequent sections cover credit risk and counterparty credit risk separately. Further detail on securitisation credit risk is provided in the Securitisation section of this document.

Credit risk governance and management

For a description of the main characteristics and elements of credit risk governance and management in NatWest Group as well as additional credit risk disclosures, refer to the Credit risk section of the 2021 NatWest Group ARA.

Presentation of data in the Credit risk section

The exposure at default (EAD) figures presented in this document may be either pre or post credit risk mitigation (CRM), and are labelled accordingly.

Credit risk (excluding counterparty credit risk) EAD pre CRM:
- Standardised approach – EAD before legally enforceable netting and financial collateral.
- IRB approach – EAD before legally enforceable netting only.

Credit risk (excluding counterparty credit risk) EAD post CRM:
- Standardised approach – EAD after legally enforceable netting and financial collateral.
- IRB approach – EAD after legally enforceable netting only.

Counterparty credit risk EAD post CRM for derivatives and securities financing transactions, under both the standardised and IRB approaches, is EAD after legally enforceable netting and collateral.

Except where noted, the disclosures exclude inter-Group exposures.

Other items

Non-credit obligation assets that are included in the credit risk tables contain the following categories of exposure:
- Non-credit assets – assets owned by NatWest Group without associated credit risk or uncertainty related to obligor performance affecting their future value. These comprise tangible assets (such as property, plant and equipment), prepayments, accrued income, items in transit and deferred tax assets.
- Consortium investment exposures – exposures arising as a result of equity investments made by NatWest Group in its capacity as a member of a consortium.
- Inter-Group exposures – exposures to NatWest Group entities included in regulatory consolidation, including in the core UK group.

CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group and large subsidiaries

The table below shows credit risk (including securitisations) and counterparty credit risk separately for NatWest Group and large subsidiaries (including inter-Group exposures). It presents EAD pre and post CRM, RWAs and MCR, split by regulatory approach and exposure class.

	NatWest Group				NWH Group				NWM Plc				RBSI			
Credit risk	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m
2021																
IRB																
Central governments and central banks	58,809	58,407	2,851	228	38,762	38,429	2,347	188	9,528	9,528	331	26	5,535	5,389	40	4
Institutions	10,320	8,198	2,205	176	7,996	5,875	1,623	130	405	405	139	11	1,260	1,604	329	33
Corporates	135,336	126,631	55,513	4,441	108,384	99,776	47,062	3,765	8,006	7,945	2,751	220	16,594	15,319	4,478	448
Specialised lending	*16,994*	*16,980*	*10,878*	*870*	*14,738*	*14,725*	*9,299*	*744*	*335*	*335*	*240*	*19*	*1,942*	*1,871*	*1,350*	*135*
SME	*17,604*	*17,250*	*6,511*	*521*	*17,423*	*17,068*	*6,419*	*514*	*7*	*7*	—	—	*172*	*147*	*90*	*9*
Other corporate	*100,738*	*92,401*	*38,124*	*3,050*	*76,223*	*67,983*	*31,344*	*2,507*	*7,664*	*7,603*	*2,511*	*201*	*14,480*	*13,301*	*3,038*	*304*
Retail	240,224	240,224	32,411	2,593	240,224	240,223	32,410	2,593	—	—	—	—	—	—	—	—
Secured by real estate property - SME	*1,129*	*1,129*	*383*	*31*	*1,129*	*1,129*	*383*	*31*	—	—	—	—	—	—	—	—
- non-SME	*196,803*	*196,803*	*17,236*	*1,379*	*196,803*	*196,802*	*17,235*	*1,379*	—	—	—	—	—	—	—	—
Qualifying revolving	*20,356*	*20,356*	*4,550*	*364*	*20,356*	*20,356*	*4,550*	*364*	—	—	—	—	—	—	—	—
Other retail - SME	*15,464*	*15,464*	*3,794*	*303*	*15,464*	*15,464*	*3,794*	*303*	—	—	—	—	—	—	—	—
- non-SME	*6,472*	*6,472*	*6,448*	*516*	*6,472*	*6,472*	*6,448*	*516*	—	—	—	—	—	—	—	—
Equities	891	891	1,928	154	11	11	30	2	11	11	37	3	—	—	1	—
Non-credit obligation assets	6,545	6,545	4,462	357	6,362	6,362	4,398	352	93	93	93	7	—	—	—	—
Total IRB	452,125	440,896	99,370	7,949	401,739	390,676	87,870	7,030	18,043	17,982	3,351	267	23,389	22,312	4,848	485
STD																
Central governments and central banks	161,138	160,151	418	33	135,551	134,727	1,075	86	7,615	7,616	—	—	18,075	18,078	3	—
Regional governments and local authorities	27	24	5	—	27	24	5	—	—	—	—	—	—	—	—	—
Multilateral development banks	462	462	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	2,221	2,221	437	35	2,347	2,347	532	43	1,643	1,643	703	56	762	762	192	19
Corporates	6,807	4,968	4,691	375	6,193	4,584	4,310	345	1,635	1,628	414	33	48	48	53	5
Retail	2,581	2,400	1,431	115	2,498	2,325	1,375	110	—	—	—	—	690	559	215	22
Secured by mortgages on immovable property																
- residential	17,538	17,454	6,125	490	15,091	15,008	5,269	422	—	—	—	—	2,433	2,433	892	89
- commercial	2,681	2,661	2,577	206	2,681	2,661	2,577	206	—	—	—	—	—	—	—	—
Exposures in default	453	438	490	39	398	383	430	34	2	2	2	—	42	42	42	4
Covered bonds	122	122	24	2	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	612	612	1,508	121	3	3	4	—	588	588	1,452	117	—	—	—	—
Other exposures	901	901	827	66	593	593	550	44	23	23	5	—	342	342	125	13
Total STD	195,543	192,414	18,533	1,482	165,382	162,655	16,127	1,290	11,506	11,500	2,576	206	22,392	22,264	1,522	152
Total securitisations (1)	11,974	11,974	2,213	178	6,004	6,004	1,236	98	5,795	5,795	951	77	—	—	—	—
Total IRB, STD and securitisations	659,642	645,284	120,116	9,609	573,125	559,335	105,233	8,418	35,344	35,277	6,878	550	45,781	44,576	6,370	637

For the notes to this table refer to page 48.

CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group and large subsidiaries continued

	NatWest Group			NWH Group			NWM Plc			RBSI		
Counterparty credit risk	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m
2021												
IRB												
Central governments and central banks	665	53	4	157	1	—	359	32	2	—	—	—
Institutions	5,019	2,787	223	246	131	10	4,348	2,448	196	—	—	—
Corporates	11,590	4,265	341	1,078	182	15	8,448	3,472	278	—	—	—
Specialised lending	*852*	*548*	*44*	*18*	*11*	*1*	*794*	*511*	*41*	—	—	—
SME	*34*	*21*	*2*	—	—	—	*33*	*20*	*2*	—	—	—
Other corporate	*10,704*	*3,696*	*295*	*1,060*	*171*	*14*	*7,621*	*2,941*	*235*	—	—	—
Total IRB	17,274	7,105	568	1,481	314	25	13,155	5,952	476	—	—	—
STD												
Central governments and central banks	601	3	—	385	—	—	206	—	—	—	—	—
Regional governments and local authorities	53	4	—	—	—	—	18	4	—	—	—	—
Institutions	4,295	364	29	1,713	317	25	2,863	490	39	56	11	1
Corporates	245	173	14	49	74	6	334	156	13	27	22	2
Past Due Items	—	1	—	—	—	—	—	1	—	—	—	—
Total STD	5,194	545	43	2,147	391	31	3,421	651	52	83	33	3
Total securitisations (2)	383	257	21	—	—	—	373	251	20	—	—	—
Total IRB, STD and securitisations	22,851	7,907	632	3,628	705	56	16,949	6,854	548	83	33	3

For the notes to this table refer to page 48.

CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group and large subsidiaries continued

	NatWest Group				NWH Group				NWM Plc				RBSI			
Credit risk	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m
2020																
IRB																
Central governments and central banks	58,291	58,152	3,381	271	36,170	36,101	2,809	225	11,402	11,402	361	29	5,625	5,556	71	7
Institutions	9,884	7,934	2,247	180	7,261	5,311	1,537	123	485	485	164	13	1,569	1,569	383	38
Corporates	141,246	130,968	63,674	5,094	116,616	106,454	55,554	4,444	6,976	6,976	2,223	178	13,147	13,135	4,462	446
Specialised lending	*18,626*	*18,604*	*12,053*	*964*	*15,774*	*15,753*	*10,038*	*803*	*515*	*515*	*322*	*26*	*2,106*	*2,105*	*1,588*	*159*
SME	*18,255*	*17,919*	*7,355*	*588*	*18,051*	*17,717*	*7,252*	*580*	*8*	*8*	—	—	*175*	*174*	*103*	*10*
Other corporate	*104,365*	*94,445*	*44,266*	*3,542*	*82,791*	*72,984*	*38,264*	*3,061*	*6,453*	*6,453*	*1,901*	*152*	*10,866*	*10,856*	*2,771*	*277*
Retail	231,326	231,326	33,060	2,645	231,326	231,326	33,060	2,645	—	—	—	—	—	—	—	—
Secured by real estate property - SME	*1,134*	*1,134*	*398*	*32*	*1,134*	*1,134*	*398*	*32*	—	—	—	—	—	—	—	—
- non-SME	*187,117*	*187,117*	*17,135*	*1,372*	*187,117*	*187,117*	*17,135*	*1,372*	—	—	—	—	—	—	—	—
Qualifying revolving	*20,019*	*20,019*	*4,731*	*378*	*20,019*	*20,019*	*4,731*	*378*	—	—	—	—	—	—	—	—
Other retail - SME	*16,378*	*16,378*	*3,768*	*301*	*16,378*	*16,378*	*3,768*	*301*	—	—	—	—	—	—	—	—
- non-SME	*6,678*	*6,678*	*7,028*	*562*	*6,678*	*6,678*	*7,028*	*562*	—	—	—	—	—	—	—	—
Equities	679	680	1,530	122	—	—	—	—	13	13	41	3	—	—	2	—
Non-credit obligation assets	6,279	6,279	4,137	331	5,943	5,943	3,953	316	87	87	87	7	—	—	—	—
Total IRB	447,705	435,339	108,029	8,643	397,316	385,135	96,913	7,753	18,963	18,963	2,876	230	20,341	20,260	4,918	491
STD																
Central governments and central banks	115,331	115,553	469	38	96,441	96,662	1,158	93	5,807	5,809	—	—	13,591	13,594	3	—
Regional governments and local authorities	32	2	1	—	32	2	1	—	—	—	—	—	—	—	—	—
Multilateral development banks	422	422	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	411	455	83	7	782	782	269	22	1,639	1,639	706	56	605	605	121	12
Corporates	7,477	6,524	5,082	407	6,620	5,856	4,512	361	2,607	2,588	563	45	25	19	19	2
Retail	2,342	2,244	1,342	107	2,248	2,158	1,278	102	—	—	—	—	487	380	163	16
Secured by mortgages on immovable property																
- residential	17,232	17,230	6,285	502	14,712	14,711	5,403	433	—	—	—	—	2,502	2,502	932	93
- commercial	2,847	2,797	2,776	222	2,806	2,757	2,737	219	—	—	—	—	—	—	—	—
Exposures in default	462	462	532	43	392	392	455	36	1	1	1	—	52	52	53	5
Covered bonds	127	127	25	2	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	649	649	1,597	128	1	1	1	—	782	782	1,933	156	—	—	—	—
Other exposures	2,179	2,179	1,529	122	1,854	1,854	1,299	104	124	124	30	2	210	210	111	11
Total STD	149,511	148,644	19,721	1,578	125,888	125,175	17,113	1,370	10,960	10,943	3,233	259	17,472	17,362	1,402	139
Total securitisations (1)	12,325	12,325	2,164	172	7,650	7,650	1,372	110	4,676	4,676	793	64	—	—	—	—
Total IRB, STD and securitisations	609,541	596,308	129,914	10,393	530,854	517,960	115,398	9,233	34,599	34,582	6,902	553	37,813	37,622	6,320	630

For the notes to this table refer to the following page.

CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group and large subsidiaries continued

	NatWest Group			NWH Group			NWM Plc			RBSI		
Counterparty credit risk	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m
2020												
IRB												
Central governments and central banks	891	83	7	245	2	—	540	65	5	—	—	—
Institutions	5,193	3,127	250	283	133	11	4,635	2,807	225	—	—	—
Corporates	12,214	5,029	402	819	175	14	9,395	4,241	339	—	—	—
Specialised lending	*1,050*	*676*	*54*	*29*	*18*	*1*	*966*	*621*	*50*	—	—	—
SME	*59*	*22*	*2*	*1*	*1*	—	*58*	*21*	*2*	—	—	—
Other corporate	*11,105*	*4,331*	*346*	*789*	*156*	*13*	*8,371*	*3,599*	*287*	—	—	—
Total IRB	18,298	8,239	659	1,347	310	25	14,570	7,113	569	—	—	—
STD												
Central governments and central banks	449	—	—	186	—	—	263	—	—	—	—	—
Regional governments and local authorities	41	6	—	—	—	—	28	6	—	—	—	—
Institutions	3,352	212	17	1,095	448	36	2,414	400	33	41	8	1
Corporates	339	224	18	125	203	16	476	188	15	20	20	2
Total STD	4,182	443	35	1,406	651	52	3,182	595	48	61	28	3
Total securitisations (2)	806	422	34	—	—	—	805	422	34	—	—	—
Total IRB, STD and securitisations	23,286	9,104	728	2,753	961	77	18,557	8,130	651	61	28	3

(1) Credit risk securitisations are presented as a subtotal of total credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables OV1, SEC 1, SEC 3 and SEC 4.
(2) Counterparty credit risk securitisations are presented as a subtotal of total counterparty credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables OV1, SEC 1, SEC 3 and SEC 4.

Credit risk and counterparty credit risk
NWM Plc
- The overall rise in credit risk EAD was mainly as a result of new syndications and bond positions as well as an increase in limits and facilities. There were offsetting decreases in IRB central governments and central banks exposures due to money market loans.
- The overall decrease in counterparty credit risk RWAs was mainly due to the reductions in exposures as well as favourable foreign exchange movements during the period.

RBSI
- The EAD rise was mainly a result of increased money markets loans with central banks in addition to increased nostro utilisation and drawdowns. The increase in RWAs corresponds to the increase in EAD.

CR3: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group segments

The table below shows credit risk (including securitisations) and counterparty credit risk separately for NatWest Group and its segments. It presents EAD post CRM and RWAs, analysed by regulatory approach and exposure class. NatWest Group allocates all central costs relating to services and functions to the business using appropriate drivers. These are reported as indirect costs in the segmental income statements. The assets (and RWAs) held centrally, mainly relating to Treasury, are allocated to the business using appropriate drivers.

	Retail Banking		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total excluding Ulster Bank RoI		Ulster Bank RoI		Total	
Credit risk	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m
2021																		
IRB																		
Central governments and central banks	20,155	388	11,797	745	—	—	5,596	84	14,530	526	219	327	52,297	2,070	6,110	781	58,407	2,851
Institutions	3,081	331	2,435	820	—	—	1,280	366	1,066	306	33	278	7,895	2,101	303	104	8,198	2,205
Corporates	989	158	94,486	43,998	—	—	16,595	4,495	10,122	3,883	11	128	122,203	52,662	4,428	2,851	126,631	55,513
Specialised lending	*—*	*—*	*13,785*	*8,717*	—	—	*1,942*	*1,350*	*314*	*229*	—	—	*16,041*	*10,296*	*939*	*582*	*16,980*	*10,878*
SME	*1*	—	*16,312*	*5,845*	—	—	*172*	*90*	*9*	*2*	—	—	*16,494*	*5,937*	*756*	*574*	*17,250*	*6,511*
Other corporate	*988*	*158*	*64,389*	*29,436*	—	—	*14,481*	*3,055*	*9,799*	*3,652*	*11*	*128*	*89,668*	*36,429*	*2,733*	*1,695*	*92,401*	*38,124*
Retail	210,735	24,789	16,391	4,130	—	—	—	—	—	—	—	—	227,126	28,919	13,098	3,492	240,224	32,411
Secured by real estate property																		
- SME	—	—	*1,129*	*382*	—	—	—	—	—	—	—	—	*1,129*	*382*	—	*1*	*1,129*	*383*
- non-SME	*184,583*	*14,236*	—	—	—	—	—	—	—	—	—	—	*184,583*	*14,236*	*12,220*	*3,000*	*196,803*	*17,236*
Qualifying revolving	*20,077*	*4,432*	*1*	—	—	—	—	—	—	—	—	—	*20,078*	*4,432*	*278*	*118*	*20,356*	*4,550*
Other retail - SME	*28*	*11*	*14,971*	*3,516*	—	—	—	—	—	—	—	—	*14,999*	*3,527*	*465*	*267*	*15,464*	*3,794*
- non-SME	*6,047*	*6,110*	*290*	*232*	—	—	—	—	—	—	—	—	*6,337*	*6,342*	*135*	*106*	*6,472*	*6,448*
Equities (1)	540	450	317	845	—	—	4	52	22	139	6	380	889	1,866	2	62	891	1,928
Non-credit obligation assets	3,116	1,825	2,553	2,038	—	—	176	128	225	199	2	48	6,072	4,238	473	224	6,545	4,462
Total IRB	238,616	27,941	127,979	52,576	—	—	23,651	5,125	25,965	5,053	271	1,161	416,482	91,856	24,414	7,514	440,896	99,370

For the notes to this table refer to page 54.

CR3: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group segments continued

	Retail Banking		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total excluding Ulster Bank RoI		Ulster Bank RoI		Total	
Credit risk	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m
2021																		
STD																		
Central governments and central banks	79,104	74	44,704	134	8,948	93	18,379	8	7,865	12	878	87	159,878	408	273	10	160,151	418
Regional governments and local authorities	—	—	24	5	—	—	—	—	—	—	—	—	24	5	—	—	24	5
Multilateral development banks	—	—	—	—	—	—	462	—	—	—	—	—	462	—	—	—	462	—
Institutions	1,076	65	610	118	403	136	74	21	41	12	13	76	2,217	428	4	9	2,221	437
Corporates	—	—	2,728	2,648	1,279	1,109	235	228	170	171	—	—	4,412	4,156	556	535	4,968	4,691
Retail	40	31	1,162	699	1,112	638	75	56	—	—	—	—	2,389	1,424	11	7	2,400	1,431
Secured by mortgages on immovable property																		
- residential	2,454	884	—	—	12,552	4,384	2,446	855	—	—	—	—	17,452	6,123	2	2	17,454	6,125
- commercial	—	—	—	—	2,623	2,539	—	—	—	—	—	—	2,623	2,539	38	38	2,661	2,577
Exposures in default	13	20	67	92	286	298	53	58	2	2	—	—	421	470	17	20	438	490
Covered bonds	—	—	—	—	—	—	—	—	122	24	—	—	122	24	—	—	122	24
Equity exposures	352	266	200	482	40	328	2	30	13	55	4	310	611	1,471	1	37	612	1,508
Other exposures	283	88	205	184	355	419	2	9	38	20	3	93	886	813	15	14	901	827
Total STD	83,322	1,428	49,700	4,362	27,598	9,944	21,728	1,265	8,251	296	898	566	191,497	17,861	917	672	192,414	18,533
Total securitisations (2)	753	80	5,234	1,056	—	—	5	9	5,971	990	8	67	11,971	2,202	3	11	11,974	2,213
Total IRB, STD and securitisations	322,691	29,449	182,913	57,994	27,598	9,944	45,384	6,399	40,187	6,339	1,177	1,794	619,950	111,919	25,334	8,197	645,284	120,116

For the notes to this table refer to page 54.

CR3: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group segments continued

Counterparty credit risk	Retail Banking		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total excluding Ulster Bank RoI		Ulster Bank RoI		Total	
	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m
2021																		
IRB																		
Central governments and central banks	100	—	57	—	—	—	—	—	508	53	—	—	665	53	—	—	665	53
Institutions	156	47	88	84	—	—	—	—	4,773	2,656	—	—	5,017	2,787	2	—	5,019	2,787
Corporates	677	62	384	112	—	—	—	—	10,513	4,083	—	—	11,574	4,257	16	8	11,590	4,265
Specialised lending	*5*	*2*	*3*	*4*	—	—	—	—	*834*	*537*	—	—	*842*	*543*	*10*	*5*	*852*	*548*
SME	—	—	—	—	—	—	—	—	*34*	*21*	—	—	*34*	*21*	—	—	*34*	*21*
Other corporate	*672*	*60*	*381*	*108*	—	—	—	—	*9,645*	*3,525*	—	—	*10,698*	*3,693*	*6*	*3*	*10,704*	*3,696*
Total IRB	933	109	529	196	—	—	—	—	15,794	6,792	—	—	17,256	7,097	18	8	17,274	7,105
STD																		
Government and multilateral institutions (3)	223	—	127	—	35	—	—	—	216	3	—	—	601	3	—	—	601	3
Exposures to international organisations	—	—	—	—	—	—	—	—	53	4	—	—	53	4	—	—	53	4
Institutions	929	53	527	96	144	50	56	11	2,639	154	—	—	4,295	364	—	—	4,295	364
Corporates	—	—	—	—	6	5	27	22	212	146	—	—	245	173	—	—	245	173
Past due items	—	—	—	—	—	—	—	—	—	1	—	—	—	1	—	—	—	1
Total STD	1,152	53	654	96	185	55	83	33	3,120	308	—	—	5,194	545	—	—	5,194	545
Total securitisations (4)	—	—	—	—	—	—	—	—	383	257	—	—	383	257	—	—	383	257
Total IRB, STD and securitisations	2,085	162	1,183	292	185	55	83	33	19,297	7,357	—	—	22,833	7,899	18	8	22,851	7,907

For the notes to this table refer to page 54.

CR3: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group segments continued

Credit risk	Retail Banking EAD post CRM £m	Retail Banking RWAs £m	Commercial Banking EAD post CRM £m	Commercial Banking RWAs £m	Private Banking EAD post CRM £m	Private Banking RWAs £m	RBS International EAD post CRM £m	RBS International RWAs £m	NatWest Markets EAD post CRM £m	NatWest Markets RWAs £m	Central items & other EAD post CRM £m	Central items & other RWAs £m	Total excluding Ulster Bank RoI EAD post CRM £m	Total excluding Ulster Bank RoI RWAs £m	Ulster Bank RoI EAD post CRM £m	Ulster Bank RoI RWAs £m	Total EAD post CRM £m	Total RWAs £m
2020																		
IRB																		
Central governments and central banks	16,859	415	11,656	991	—	—	6,044	120	16,118	579	226	297	50,903	2,402	7,249	979	58,152	3,381
Institutions	2,489	352	2,374	819	—	—	1,276	409	1,347	363	30	156	7,516	2,099	418	148	7,934	2,247
Corporates	1,044	153	100,158	51,619	—	—	14,789	4,480	9,572	3,548	14	103	125,577	59,903	5,391	3,771	130,968	63,674
Specialised lending	*—*	*—*	*14,684*	*9,319*	—	—	*2,223*	*1,588*	*628*	*427*	—	—	*17,535*	*11,334*	*1,069*	*719*	*18,604*	*12,053*
SME	*5*	*1*	*16,901*	*6,516*	—	—	*195*	*103*	*8*	—	—	—	*17,109*	*6,620*	*810*	*735*	*17,919*	*7,355*
Other corporate	*1,039*	*152*	*68,573*	*35,784*	—	—	*12,371*	*2,789*	*8,936*	*3,121*	*14*	*103*	*90,933*	*41,949*	*3,512*	*2,317*	*94,445*	*44,266*
Retail	198,951	24,156	17,257	4,124	—	—	—	—	—	—	—	—	216,208	28,280	15,118	4,780	231,326	33,060
Secured by real estate property																		
- SME	*1*	—	*1,133*	*398*	—	—	—	—	—	—	—	—	*1,134*	*398*	—	—	*1,134*	*398*
- non-SME	*173,035*	*12,925*	—	—	—	—	—	—	—	—	—	—	*173,035*	*12,925*	*14,082*	*4,210*	*187,117*	*17,135*
Qualifying revolving	*19,708*	*4,602*	*1*	—	—	—	—	—	—	—	—	—	*19,709*	*4,602*	*310*	*129*	*20,019*	*4,731*
Other retail - SME	*32*	*10*	*15,804*	*3,458*	—	—	—	—	—	—	—	—	*15,836*	*3,468*	*542*	*300*	*16,378*	*3,768*
- non-SME	*6,175*	*6,619*	*319*	*268*	—	—	—	—	—	—	—	—	*6,494*	*6,887*	*184*	*141*	*6,678*	*7,028*
Equities (1)	393	341	252	698	—	—	3	42	25	139	5	246	645	1,466	2	64	680	1,530
Non-credit obligation assets	3,005	1,584	2,407	1,939	—	—	201	150	209	203	3	47	5,412	3,923	454	214	6,279	4,137
Total IRB	222,741	27,001	134,104	60,190	—	—	22,313	5,201	27,271	4,832	278	849	406,707	98,073	28,632	9,956	435,339	108,029

For the notes to this table refer to page 54.

CR3: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group segments continued

Credit risk	Retail Banking		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total excluding Ulster Bank RoI		Ulster Bank RoI		Total	
	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m
2020																		
STD																		
Central governments and central banks	54,839	82	33,819	175	6,439	87	13,472	16	6,037	16	742	77	115,348	453	205	16	115,553	469
Regional governments and local authorities	—	—	1	—	—	—	—	—	—	—	—	—	1	—	1	1	2	1
Multilateral development banks	—	—	—	—	—	—	422	—	—	—	—	—	422	—	—	—	422	—
Institutions	29	2	19	4	285	59	69	14	53	2	—	2	455	83	—	—	455	83
Corporates	2	2	3,406	2,363	1,836	1,591	144	139	600	470	—	—	5,988	4,565	536	517	6,524	5,082
Retail	44	31	1,172	706	931	535	86	64	—	—	—	—	2,233	1,336	11	6	2,244	1,342
Secured by mortgages on immovable property	2,990	1,111	109	109	11,518	4,089	2,519	882	—	—	—	—	17,136	6,191	94	94	17,230	6,285
- residential	—	—	370	380	2,348	2,318	32	30	8	8	—	—	2,758	2,736	39	40	2,797	2,776
Covered bonds	355	287	227	585	42	301	2	34	17	70	5	266	648	1,543	1	54	649	1,597
Equity exposures	1,190	432	532	486	299	386	2	15	120	49	6	122	2,149	1,490	30	39	2,179	1,529
Other exposures	59,466	1,973	39,745	4,934	23,954	9,631	16,818	1,270	6,962	641	753	467	147,698	18,916	946	805	148,644	19,721
Total securitisations (2)	787	86	6,843	1,180	—	—	4	10	4,677	810	11	62	12,322	2,148	3	16	12,325	2,164
Total IRB, STD and securitisations	282,994	29,060	180,692	66,304	23,954	9,631	39,135	6,481	38,910	6,283	1,042	1,378	566,727	119,137	29,581	10,777	596,308	129,914

For the notes to this table refer to the following page.

CR3: IRB and STD: EAD, RWAs and MCR by CRR exposure class: NatWest Group segments continued

	Retail Banking		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total excluding Ulster Bank RoI		Ulster Bank RoI		Total	
Counterparty credit risk	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m
2020																		
IRB																		
Central governments and central banks	150	—	96	1	—	—	—	—	645	82	—	—	837	83	—	—	891	83
Institutions	173	44	110	89	—	—	—	—	4,910	2,994	—	—	5,193	3,083	—	—	5,193	3,127
Corporates	484	53	309	108	—	—	—	—	11,395	4,853	—	—	12,188	4,961	26	15	12,214	5,029
Specialised lending	*7*	*3*	*5*	*6*	—	—	—	—	*1,021*	*658*	—	—	*1,033*	*664*	*17*	*9*	*1,050*	*676*
SME	—	—	—	—	—	—	—	—	*58*	*21*	—	—	*58*	*21*	*1*	*1*	*59*	*22*
Other corporate	*477*	*50*	*304*	*102*	—	—	—	—	*10,316*	*4,174*	—	—	*11,097*	*4,276*	*8*	*5*	*11,105*	*4,331*
Total IRB	807	97	515	198	—	—	—	—	16,950	7,929	—	—	18,272	8,127	26	15	18,298	8,239
STD																		
Government and multilateral institutions (3)	101	—	65	—	20	—	—	—	263	—	—	—	449	—	—	—	449	—
Exposures to international													—	—				
organisations	—	—	—	—	—	—	—	—	41	6	—	—	41	6	—	—	41	6
Institutions	514	18	328	38	101	34	41	8	2,368	114	—	—	3,352	212	—	—	3,352	212
Corporates	—	—	—	—	32	31	20	20	287	173	—	—	339	224	—	—	339	224
Retail	—	—	—	—	—	—	—	—	1	1	—	—	1	1	—	—	1	1
Total STD	615	18	393	38	153	65	61	28	2,960	294	—	—	4,182	443	—	—	4,182	443
Total securitisations (4)	—	—	—	—	—	—	—	—	806	422	—	—	806	422	—	—	806	422
Total IRB, STD and securitisations	1,422	115	908	236	153	65	61	28	20,716	8,645	—	—	23,260	9,089	26	15	23,286	9,104

(1) Represents equity warrants held by NatWest Group, granting it the option to purchase shares in corporate entities. For accounting purposes, the warrants are treated as over-the-counter derivatives and are reported under counterparty credit risk in regulatory disclosures.
(2) Credit risk securitisations are presented as a subtotal of total credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables OV1, SEC 1, SEC 3 and SEC 4.
(3) Comprises central governments or central banks, regional governments or local authorities, administrative bodies and non-commercial undertakings, and multilateral development banks.
(4) Counterparty credit risk securitisations are presented as a subtotal of total counterparty credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables OV1, SEC 1, SEC 3 and SEC 4.

Credit risk

- Retail Banking – The rise in EAD was mainly due to increased money market loans with central banks in addition to a rise in mortgage lending during the year. The increase in RWAs reflected the rise in mortgage exposure.
- Private Banking – The rise in EAD mainly reflected an increase in exposure to central banks. Further increases in EAD and RWAs reflected growth in the mortgage portfolio during the year.
- Commercial Banking – The rise in EAD reflected an increase in exposure to central banks which was partially offset by corporate repayments and expired facilities. The overall decrease in RWAs was a result of an increase in repayments and expired facilities as well as improved risk metrics. There were further reductions resulting from the CRR COVID-19 amendment for infrastructure supporting factors.
- RBS International – The EAD rise was mainly a result of increased money market loans with central banks in addition to increased nostro utilisation and drawdowns. The increase in RWAs corresponds to the increase in EAD.
- NatWest Markets – The increase in EAD and RWAs was mainly a result of new syndications, bond positions as well as increases in limits and facilities. There were further movements in credit risk EADs between STD and IRB central governments and central banks primarily due to money markets loans.
- Ulster Bank RoI – The decreases in EAD and RWAs were primarily a result of reduced exposures in line with phased withdrawal strategy expectation. Further reductions in RWAs were due to improved risk metrics as well as the sale of non-performing loans during the year.

Counterparty credit risk

- NatWest Markets – The overall decrease in RWAs was mainly due to reductions in exposures as well as favourable foreign exchange movements during the year.

CRE_1: IRB Models: Credit RWA calculation approach by exposure class

There are three approaches available to calculate RWAs. These are:
- Standardised approach.
- Foundation internal ratings based (FIRB) approach.
- Advanced internal ratings based (AIRB) approach.

The CRR establishes the standardised approach as the method for banks to calculate RWAs for credit and counterparty credit risk.

To use the more complex FIRB or AIRB approaches, banks must gain regulatory permission. NatWest Group has been granted permission by the PRA and other European regulators to use the AIRB approach to calculate RWAs for the majority of its credit and counterparty credit risk exposures.

NatWest Group does not use the FIRB approach. Therefore, in these disclosures, IRB refers to the AIRB approach.

The IRB permission allows NatWest Group to use its own estimates for the following inputs to the regulatory formula used to calculate RWAs:
- PD and LGD for credit risk and counterparty credit risk.
- EAD for credit risk.

EAD for counterparty credit risk is estimated in accordance with NatWest Group's internal model method permission – refer to page 63.

In the case of specialised lending to project finance and income-producing real estate customers, the IRB supervisory slotting methodology is used to calculate RWAs.

NatWest Group uses the standardised approach for certain portfolios on a permanent basis; for low default/data portfolios where modelling is not suitable and for immaterial/run-off portfolios.

CRE_1: IRB models: Credit RWA calculation approach by exposure class continued

The table below shows total credit risk EAD and RWAs (including counterparty credit risk) under both IRB and STD approaches, on an IRB exposure class basis, as well as the percentage split between the two approaches.

	EAD post CRM							RWAs						
				STD							STD			
	Total credit and counterparty credit risk	AIRB		Permanent portfolios		Portfolios subject to an IRB rollout plan		Total credit and counterparty credit risk	AIRB		Permanent portfolios		Portfolios subject to an IRB rollout plan	
Exposure class	£m	% of total	£m	% of total	£m	% of total	£m	£m	% of total	£m	% of total	£m	% of total	£m
2021														
Central governments and central banks	219,293	27	59,072	73	160,221	—	—	3,325	87	2,904	13	421	—	—
Institutions	19,750	67	13,217	33	6,533	—	—	5,796	86	4,992	14	804	—	—
Corporates	148,803	93	138,221	7	10,568	—	14	68,355	87	59,778	13	8,574	—	3
Specialised lending	*19,596*	*91*	*17,832*	*9*	*1,764*	—	—	*13,153*	*87*	*11,426*	*13*	*1,727*	—	—
SME	*19,023*	*91*	*17,284*	*9*	*1,739*	—	—	*7,462*	*88*	*6,532*	*12*	*930*	—	—
Other	*110,184*	*94*	*103,105*	*6*	*7,065*	—	*14*	*47,740*	*88*	*41,820*	*12*	*5,917*	—	*3*
Retail	258,986	93	240,224	7	18,762	—	—	39,379	82	32,411	18	6,968	—	—
Secured by real estate property - SME	*1,149*	*98*	*1,129*	*2*	*20*	—	—	*388*	*99*	*383*	*1*	*5*	—	—
- non-SME	*214,313*	*92*	*196,803*	*8*	*17,510*	—	—	*23,427*	*74*	*17,236*	*26*	*6,191*	—	—
Qualifying revolving	*20,516*	*99*	*20,356*	*1*	*160*	—	—	*4,679*	*97*	*4,550*	*3*	*129*	—	—
Other retail - SME	*16,474*	*94*	*15,464*	*6*	*1,010*	—	—	*4,390*	*86*	*3,794*	*14*	*596*	—	—
- Non-SME	*6,534*	*99*	*6,472*	*1*	*62*	—	—	*6,495*	*99*	*6,448*	*1*	*47*	—	—
Equities	1,503	59	891	41	612	—	—	3,436	56	1,928	44	1,508	—	—
Non-credit obligation assets	7,440	88	6,545	12	895	—	—	5,259	85	4,462	15	797	—	—
Total	655,775	70	458,170	30	197,591	—	14	125,550	85	106,475	15	19,072	—	3

CRE_1: IRB models: Credit RWA calculation approach by exposure class continued

	EAD post CRM							RWAs						
				STD							STD			
	Total credit and counterparty credit risk	AIRB		Permanent portfolios		Portfolios subject to an IRB rollout plan		Total credit and counterparty credit risk	AIRB		Permanent portfolios		Portfolios subject to an IRB rollout plan	
Exposure class	£m	% of total	£m	% of total	£m	% of total	£m	£m	% of total	£m	% of total	£m	% of total	£m
2020														
Central governments and central banks	175,195	34	59,043	66	116,152	—	—	3,928	88	3,464	12	464	—	—
Institutions	16,956	77	13,127	23	3,829	—	—	5,677	95	5,375	5	302	—	—
Corporates	153,542	93	143,181	7	10,361	—	—	77,146	89	68,702	11	8,444	—	—
Specialised lending	*21,738*	*90*	*19,654*	*10*	*2,084*	—	—	*14,735*	*86*	*12,729*	*14*	*2,006*	—	—
SME	*19,595*	*92*	*17,978*	*8*	*1,617*	—	—	*8,204*	*90*	*7,377*	*10*	*827*	—	—
Other	*112,209*	*94*	*105,549*	*6*	*6,660*	—	—	*54,207*	*90*	*48,596*	*10*	*5,611*	—	—
Retail	251,139	92	231,326	8	19,813	—	—	41,052	81	33,061	19	7,991	—	—
Secured by real estate property - SME	*1,199*	*95*	*1,134*	*5*	*65*	—	—	*420*	*95*	*398*	*5*	*22*	—	—
- non-SME	*204,674*	*91*	*187,117*	*9*	*17,557*	—	—	*23,766*	*72*	*17,135*	*28*	*6,631*	—	—
Qualifying revolving	*20,155*	*99*	*20,019*	*1*	*136*	—	—	*4,843*	*98*	*4,731*	*2*	*112*	—	—
Other retail - SME	*17,416*	*94*	*16,378*	*6*	*1,038*	—	—	*4,388*	*86*	*3,768*	*14*	*620*	—	—
- Non-SME	*7,695*	*87*	*6,678*	*13*	*1,017*	—	—	*7,635*	*92*	*7,029*	*8*	*606*	—	—
Equities	1,329	51	680	49	649	—	—	3,127	49	1,530	51	1,597	—	—
Non-credit obligation assets	8,302	76	6,279	24	2,023	—	—	5,502	75	4,136	25	1,366	—	—
Total	606,463	75	453,636	25	152,827	—	—	136,432	85	116,268	15	20,164	—	—

CRE: Qualitative disclosures relating to IRB models (credit and counterparty risk)

Advanced IRB models

NatWest Group uses credit risk models not only to calculate RWAs under the IRB approach but also to support risk assessments in the credit approval process as well as ongoing credit risk management, monitoring and reporting.

NatWest Group develops credit risk models for both Retail and Wholesale customers. Retail models are automated and applied across a portfolio of products. Wholesale models generally rely on the input of customer data as part of the credit risk management process – usually at the time of the customer's annual review – and permit the use of expert judgment overrides, which are subject to Credit Risk approval.

Retail IRB models

Table CRE_2a presents an overview of the Retail IRB models used to calculate RWAs for UK and Republic of Ireland Retail customers and small business brands. Most Retail models are statistical models developed using logistic or linear regression techniques.

Probability of default/customer credit grade models

- PD models assess the probability that a customer will fail to honour their credit obligations in the next 12 months.
- NatWest Group assigns a score to each customer account and this is used across the businesses to support decision making and portfolio management. This score is used as an input into the PD model.
- Retail PD models are point-in-time by design, meaning they predict the probability of default under economic conditions at a given point-in-time. They are typically developed applying logistic regression techniques using a range of customer and account data across portfolios, as well as data from credit bureaux.
- Different models are developed for different product types, with further distinctions based on other criteria such as whether a customer also has a current account with NatWest Group. All Retail PD models produce both a best estimate measure, used for portfolio reporting and forecasting, and a downturn estimate, which is an input to RWA calculations. The downturn estimate is designed to consider normal volatility in actual default rates and is floored at 0.03%, as mandated by regulation.
- All Retail PD models are regularly monitored for accuracy, discrimination and stability.

Loss given default models

- LGD models estimate the amount of exposure that will not be recovered by NatWest Group in the event of customer default.
- These models are developed by product type using internal loss data reflecting the collections and recoveries processes. They use a combination of borrower and facility characteristics and take account of credit risk mitigants, including collateral.
- As LGD represents economic loss, the estimate also incorporates the cost of collections and the impact of discounting to account for delays in recovery. In accordance with regulatory requirements, the estimates are calibrated to reflect loss rates expected during an economic downturn.

Exposure at default models

- EAD models estimate the utilisation of a credit facility at the time of a customer's default, recognising that further drawings on unused credit facilities may be made prior to default.
- Historical data on limit utilisation, in the period prior to customer default, is used for estimation and calibration. EAD for revolving products (for example credit cards and current accounts) has a more material anticipation of further drawings.
- As required by regulation, EAD estimates are set to be no lower than the current balance and reflect economic downturn conditions.

CRE_2a: Overview of Retail IRB models

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Mortgages	17,236	PD	4	Retail – Secured by real estate SME Retail – Secured by real estate non-SME	Separate models are in place for the United Kingdom and Republic of Ireland. Within the United Kingdom, there are separate models for standard and non-standard products.	Key United Kingdom model drivers include the internal behaviour score of the related current account and loan-to-value (LTV).
		LGD	2			For United Kingdom portfolios, LGD is estimated by modelling the probability of possession given default and shortfall given repossession, using key drivers such as LTV. Regulatory floors are applied at the appropriate level.
		EAD	3			EAD estimate is determined by account limit.
Personal unsecured loans and current accounts	7,836	PD	3	Retail – Other non-SME Retail – Qualifying revolving	Product level PD and EAD models are in place, with loans common across all regions and current account models split across the United Kingdom and Republic of Ireland. LGD models are combined across products and split across the United Kingdom and Republic of Ireland.	Model estimates are mainly based on internal behavioural data, with some also using external credit bureau data.
		LGD	2			Models estimate the probability of loss on a defaulted account, which is converted into an LGD estimate.
		EAD	2			Current accounts: A combination of linear regression and average models have been developed using internal data, such as account limit and balance. Loans: EAD estimate is determined by account balance.
Small business loans and current accounts	4,078	PD	2	Retail – Other SME	For PD and EAD, separate models are in place for loans and current accounts, common across all regions. LGD models are split across the United Kingdom and Republic of Ireland.	Model estimates are mainly based on internal behaviour score.
		LGD	2			For unsecured lending the models estimate the probability of loss on a defaulted account which is converted into an LGD estimate. For secured lending the LGD model estimates are based on the estimated recoveries from the liquidation of collateral. Regulatory floors are applied depending on the type of security.
		EAD	2			Current accounts: A combination of linear regression and average models have been developed using internal data, such as account limit and balance. Loans: EAD estimate is determined by account balance.
Personal credit cards	2,970	PD	1	Retail – Qualifying revolving	PD, EAD and LGD models developed for use across the retail brands.	Model estimates are based on internal behavioural data.
		LGD	1			Statistical model developed using internal and external data.
		EAD	1			A combination of linear regression and average models has been developed using internal data, such as account limit and balance.
Personal and small business asset finance	334	PD	1	Retail – Other SME Retail – Other non-SME	PD, EAD and LGD models developed for use within the UK Lombard brand.	Statistical model segmented by time on book, customer type and entity type.
		LGD	1			For LGD, a statistical model is used based on long-run internal loss outcomes with key model drivers being security, together with customer and facility attributes.
		EAD	1			EAD for leasing is the present value of lease payments per regulatory requirements.

Wholesale IRB models

Table CRE_2b presents the Wholesale IRB models NatWest Group uses to calculate RWAs.

Probability of default/customer credit grade models

- As part of the credit assessment process, NatWest Group assigns each customer a credit grade reflecting the customer's PD. NatWest Group maintains and uses a number of credit grading models which consider risk characteristics relevant to the customer, incorporating both quantitative and qualitative inputs. NatWest Group uses these credit grades in its risk management and measurement frameworks, including credit sanctioning and expected credit loss as well as managing single name concentration risk.
- Different models are developed for different customer types.
- Regulation defines the minimum time series and other attributes of the data used for developing and calibrating models. For the most material models, external data (historical default and rating data from rating agencies and insolvency rates) is referenced for estimation and calibration purposes so that models are based on over 20 years of default experience. The models applied to medium to large-size corporate customers and bank and sovereign counterparties (those used for the largest aggregate amounts of exposure) are the most material models.
- Most of the less material models are developed for portfolios with low default frequency – where customer loan volumes are lower or borrowers are of higher credit quality. In these cases, as required by the PRA, a specific low-default portfolio approach is applied to produce an appropriately prudent calibration to reflect the potential that future outcomes differ from the very low risk outcomes historically observed. The models applied to non-bank financial institutions and quasi-government entities are considered less material models.
- The majority of the PD model suite discriminates risk levels well and is stable; current observed default rates are generally lower than model estimates. This reflects prudent calibrations across most of the Wholesale models.
- PDs are floored at 0.03% (except for the sovereign exposure class) as mandated by regulation.

Loss given default models

- Models are developed for different customer segments and reflect the recoveries approach applied to each segment.
- Where sufficient internal and external loss data exists, LGD is modelled based on this experience and directly incorporates the impact of credit cycle conditions.
- For low-default portfolios, where loss data is scarce or the effect of credit conditions is only of limited relevance, simple benchmark LGDs are assigned in accordance with the PRA's low-default portfolio framework.

Exposure at default models

- EAD is estimated on a product type basis, with different credit conversion factors (CCFs) – measuring the portion of unused credit facility expected to be further drawn prior to default – assigned to each product. For contingent products, such as trade letters of credit, a "probability of call" multiplier is also applied which reflects the likelihood of pay-out once issued.
- Exposure can be reduced by a netting agreement, subject to meeting standards of legal enforceability.
- Where sufficient internal historical data exists, CCF estimates are developed to reflect economic downturn conditions and are based on limit utilisation in the period prior to customer default.
- For low-default portfolios, where data is scarce, products are rank-ordered and CCFs benchmarked to modelled products or relevant regulatory values.
- The most material product families for EAD are those applying to non-contingent products, in particular loans, overdrafts and revolving credit facilities.

CRE_2b: Overview of Wholesale IRB models

<table>
<tr><th>Portfolio</th><th>RWAs (£m)</th><th>Model type</th><th>Number of models</th><th>IRB exposure class</th><th>IRB model segmentation</th><th>Model characteristics</th></tr>
<tr><td rowspan="2">Sovereign and quasi-government entities</td><td rowspan="2">6,479</td><td>PD</td><td>4</td><td rowspan="2">Central governments and central banks

Institutions

Corporate – Other</td><td rowspan="2">Global PD and LGD models are developed for sovereign and quasi-government type entities.</td><td>Sovereign: external rating agency replication model calibrated to the agency long-run average default rates.
Local authority, housing association and UK university: expert-driven scorecard models using qualitative and in some cases quantitative inputs.</td></tr>
<tr><td>LGD</td><td>2</td><td>Sovereign: an unsecured model calibrated using a logistic regression on a limited dataset of internal and external observations. LGD is floored at 45% in accordance with PRA requirements.
Quasi-Government: the model is based on sovereign LGDs or regulatory LGD benchmarks due to its low-default nature.</td></tr>
<tr><td rowspan="2">Financial institutions</td><td rowspan="2">11,287</td><td>PD</td><td>7</td><td rowspan="2">Central governments and central banks

Institutions

Corporate – Other

Equity IRB</td><td rowspan="2">Global PD and LGD models are developed for bank and non-bank financial institutions (NBFIs).</td><td>PD models are developed by counterparty type:
Bank and insurance companies: external rating agency replication models calibrated to agency long-run average default rates.
Broker dealer: a mix of external rating replication and calibration to internal default rates.
Geared investment fund: statistical model which is directly calibrated to internal default experience.
Investment fund bridging: expert-driven model using quantitative and qualitative inputs.
Hedge fund and managed fund: expert-driven scorecard models based mainly on qualitative inputs, due to their low-default nature.</td></tr>
<tr><td>LGD</td><td>2</td><td>Bank models and a single NBFI model are structured as simple decision trees relying on a few regulatory LGD benchmarks, due to low frequency or loss data.</td></tr>
<tr><td rowspan="2">Corporations: Turnover above £50 million</td><td rowspan="2">25,660</td><td>PD</td><td>2</td><td rowspan="2">Corporates – Other

Equity IRB</td><td rowspan="2">PD: global large corporate model is used to grade customers that are externally rated or have a turnover in excess of £500 million.

Mid-large corporate model is used to grade customers in key countries (United Kingdom, US & Republic of Ireland) with turnover between £50 million and £500 million, and that are not externally rated.

LGD: single global LGD model is used for large and mid-large corporate customers.</td><td>Large corporate: external rating agency replication model which is calibrated to external and internal long-run average default data.
Mid-large corporate: statistical model which is calibrated to internal long run data.</td></tr>
<tr><td>LGD</td><td>1</td><td>Statistical model using a combination of internal and external loss data. Key model drivers are seniority, collateral, industry facility type and a credit cycle index.
Lease facilities use secured collateral specific recovery rate models, calibrated to internal loss data.

A 35% LGD floor is applied for certain countries due to scarcity of loss data.</td></tr>
</table>

CRE_2b: Overview of Wholesale IRB models continued

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Corporations: Turnover below £50 million	11,955	PD	1	Corporates – SME Corporate – Other Equity IRB	United Kingdom and Republic of Ireland PD and LGD models for corporates with a turnover below £50 million.	Statistical rating model which uses qualitative and quantitative inputs to produce a score that is transformed into a PD. Separate long-run average default rate calibrations exist for Great Britain and Republic of Ireland customers, based on internal and external data and taking into account differences between industry and sectors.
		LGD	4			For the UK portfolio, a statistical model is used based on long-run internal loss outcomes with key model drivers being security, together with customer and facility attributes. For the Republic of Ireland portfolio, LGD is based on a framework which uses an unsecured recovery rate model and a suite of secured recovery rate models. The framework accounts for the value of collateral linked to each facility, together with costs and haircuts associated with the recovery of collateral.
Shipping	–	PD	1	Corporates – Specialised lending	Global PD and LGD model for ship finance customers meeting the CRR specialised lending definition.	Expert-driven scorecard model based on a mix of qualitative and quantitative inputs.
		LGD	1			Simple model based on benchmarks (which are different for different ship types) calibrated to internal loss data.
Credit risk (excluding counterparty credit risk) EAD model			2	Central governments and central banks Institutions Corporates – SME Corporates – Specialised lending Corporates – Other	Consists of a global wholesale EAD model for banking book portfolios and a specialist EAD model for the RBS Invoice Finance brand.	EAD is modelled by grouping product types (products sharing similar contractual features and expected drawdown behaviour) and calculated based on the assigned CCF. CCFs are estimated either using historical internal data or based on benchmarks when data is scarce.

IRB modelling governance

The governance process for approval and oversight of IRB credit models involves the model developers, model users and independent model validation. The process applies increased scrutiny to the more material models. Credit risk models are developed and maintained within a framework that includes the following key components:

- A high level policy framework that establishes responsibilities and minimum requirements applying to each stage of the modelling lifecycle:
  - Model development and testing.
  - Model approval.
  - Model implementation and use.
  - Model monitoring, reporting and challenge.
- Detailed procedures and associated material that define the approaches and activities undertaken at each of these stages.
- Defined structures and roles and responsibilities.
- Model development teams that are part of the independent risk management function, separate from the functions responsible for originating or renewing exposures.
- An independent Model Risk function that is organisationally separate from the model development teams sets validation standards, independently reviews all activities and also completes a formal regular validation for each model.

The framework aims to ensure NatWest Group model risk is managed appropriately and that the approaches deployed continue to meet both internal and regulatory standards.

The model performance is tested by monitoring and regular validation. Each model is subject to a comparison of estimates to outcomes to assess the accuracy of the model. Other statistical tests assess the ability of the models to discriminate risk (i.e. its ability to determine the relative risk of a particular customer or exposure), the extent to which portfolio composition remains stable and, where relevant, the frequency and magnitude of overrides applied to modelled estimates.

Validation reports include further analyses that consider:

- Ongoing user acceptance and confidence in the model and its performance.
- Movements in the portfolio (both observed and anticipated).
- Other relevant data that might be used to explain or assess model performance.

Action may be taken when model performance is determined to be outside tolerance. This may entail recalibration of the model, enhancement (such as by reweighting existing model factors) or redevelopment. Interim adjustments may be applied whilst the remediation activity is undertaken if management believe the underperformance may lead to insufficient capital requirements for the portfolio.

Because IRB models are used in the calculation of credit risk regulatory capital requirements, once they have been approved through internal governance, they need to follow appropriate regulatory approval or notification processes before implementation.

Independent model validation

All new and changed credit risk models are subject to detailed independent review aimed at testing that the models are appropriate for regulatory capital calculations. The following (non-exhaustive) list outlines key areas of focus:

- Conceptual soundness of the methodology.
- Testing the assumptions underlying the model, where feasible, against actual behaviour.
- Checking the accuracy of calculations.
- Comparing outputs with results from alternative methods.
- Testing parameter selection and calibration.
- Back-testing of key model metrics (accuracy, discrimination and stability).
- Sensitivity analysis.

Based on the review findings, the relevant model approver will consider whether a model or model change can be approved and whether any conditions need to be imposed, including those relating to the remediation of material issues raised through the review process.

Model Risk sets standards for all independent reviews and conducts the majority of them.

Internal Audit

Internal Audit includes within the scope of its assurance work, the modelling and management of the organisation's capital and liquidity risks. Internal Audit is independent from the risk management function, and therefore from those responsible for model development and independent validation activity. Any material gaps in control identified by Internal Audit are escalated through standard board reporting and action plans are agreed with those accountable for the activity behind the control.

EAD calculation methods for counterparty credit risk

For counterparty credit risk, RWAs are calculated under the IRB or standardised approaches. The PD and LGD values for the IRB approach are estimated from the above wholesale IRB models, while EAD estimates are calculated using one of the following methods.

Internal model method (IMM)

NatWest Group has permission from the PRA to use an internal model for calculating EADs for certain derivatives.

The IMM calculates EAD as the product of effective expected positive exposure (EEPE) or stressed EEPE, whichever is the higher, and the regulatory prescribed alpha multiplier. The alpha multiplier, which was 1.4 for both 2021 and for 2020, uplifts the EAD. It is indicative of the robustness of an institution's approach and governance framework for managing counterparty credit risk.

In accordance with the CRR requirements, the EAD for over-the-counter derivatives is adjusted for wrong-way risk (for more information on wrong-way risks, refer to page 111), collateral and an increased margin period of risk, when appropriate.

Mark-to-market (mtm) method

For derivatives that fall outside the IMM and for exchange-traded derivatives where NatWest Group does not have permission to use the IMM to calculate EAD for regulatory capital purposes, it calculates counterparty credit risk exposures using the mtm method. Exposure is calculated as the positive mtm value of outstanding contracts plus a potential future exposure. Exposure is adjusted for collateral, including any haircuts applied to collateral in accordance with regulatory requirements.

Financial collateral comprehensive method

NatWest Group uses the financial collateral comprehensive method for calculating EAD on securities financing transactions. Exposure is adjusted for collateral, after volatility adjustments are applied.

CR9: IRB: IRB models back-testing

Probability of default and exposure at default

Wholesale credit grading models are hybrid models. They exhibit a degree of cyclicality that reflects broader credit conditions, but not the full cyclicality of a more point-in-time methodology. In contrast, retail PD models are point-in-time models and estimate the probability of default under current economic conditions, resulting in more variable estimates.

Refer to CRE_2: IRB models for more details on the methodology and characteristics of the models.

CR9_a: IRB: IRB models - Estimated probability of default, actual default rates and EAD outcomes versus estimates

The table below compares, across a two-year period, the PD estimates for the current year with the actual realised default rate across the year.

- For Wholesale exposures, the estimate shown is the averaged obligor PD. For retail exposures, it is the averaged account-level PD.
- For Wholesale exposures, estimated PDs are through-the-cycle whilst actual default rates are point-in-time.
- Exposures in default at the end of the previous year are excluded from the PD estimates because their probability of default is 100%.
- The default rate is the number of defaults observed during the year, divided by the number of obligors or accounts at the end of the previous year.
- The EAD ratio represents the total EAD estimated at the end of the previous year, against the total actual exposure at the time of default, for the defaulted exposures.

	PD				EAD	
	Estimated at 2020 %	**Actual 2021 %**	Estimated at 2019 %	Actual 2020 %	**Estimated to actual ratio 2021 %**	Estimated to actual ratio 2020 %
Retail						
- SME	3.69	**2.17**	2.24	1.53	**105**	111
- Secured by real estate non-SME	0.72	**0.40**	0.80	0.45	**103**	102
- Qualifying revolving	0.93	**0.74**	1.16	0.90	**120**	117
- Other	4.42	**3.93**	4.39	4.14	**108**	109
Central governments and central banks	0.04	**—**	0.06	—	**n/a**	n/a
Institutions	0.39	**—**	0.36	—	**n/a**	n/a
Corporates	1.73	**0.64**	1.81	0.83	**107**	108
Equities	2.02	**—**	1.96	—	**n/a**	n/a

- The actual default experience in 2021 for all exposure classes was below the estimated outcomes.
- For SME, the increase in both estimated and actual PD was mainly due to a portion of government originated support loans with higher-than-average default risk. However, that did not reflect an overall increase in credit risk of the portfolio given the government guarantee associated with these loans. The decrease in EAD ratio was also mainly due to the higher proportion of government support loans in the portfolio.
- In the secured by real estate and qualifying revolving exposure classes, the decrease in estimates was reflective of the economic environment and customer behaviour.
- For all retail exposure classes (except SME) and the corporate exposure classes, the reduction in actual default rate was reflective of the effect of UK government support schemes introduced following the onset of COVID-19.
- PD estimates for corporates reduced year-on-year, reflecting a decrease in higher risk clients.

Back-testing of PD by exposure band

To enhance disclosure on the PD analysis, the two tables below provide a further breakdown by exposure class and asset quality band: Table CR9_a_1 for retail classes and Table CR9_a_2 for wholesale classes.

The CR9_a tables include the following:

- The PDs estimated for 2021 as at the end of 2020, on both an EAD-weighted and obligor-weighted basis.
- The actual default rates for 2021 and the average annual default rates across the five-year period covering 2017-2021 – both on an obligor-weighted basis.
- The number of obligors at 2021 and 2020 year-ends respectively. These numbers differ slightly from the obligor numbers in CR6 and CCR4 due to the application of specific modelling filters or due to scope differences.
- The total default count in 2021.
- The number of clients defaulting in 2021 that did not have committed facilities granted at the end of 2020. These newly-funded clients are not included in the actual 2021 default rates.

CR9_a_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk

In the table below, defaults are recognised at an individual account level for the retail classes. Obligors therefore relate to accounts in the figures shown in the table and the two terms are equivalent in this context.

			PD estimate at		Defaulted rates actual		Number of obligors		Number of defaulted obligors	
Exposure class	AQ band	PD range	EAD weighted 2020 %	Obligor weighted 2020 %	Obligor weighted 2021 %	Obligor weighted 2017-2021 %	2020	2021	All 2021	of which: newly funded obligors during the year 2021
2021										
Retail - SME	AQ01	0% to 0.034%	—	—	—	0.06%	—	—	—	—
Retail - SME	AQ02	0.034% to 0.048%	—	—	—	—	—	—	—	—
Retail - SME	AQ03	0.048% to 0.095%	0.08%	0.09%	0.04%	0.04%	31,260	455	14	—
Retail - SME	AQ04	0.095% to 0.381%	0.18%	0.19%	0.22%	0.17%	430,526	299,479	944	—
Retail - SME	AQ05	0.381% to 1.076%	0.78%	0.67%	0.62%	0.59%	242,326	462,259	1,511	2
Retail - SME	AQ06	1.076% to 2.153%	1.34%	1.57%	0.98%	1.13%	243,537	260,425	2,417	26
Retail - SME	AQ07	2.153% to 6.089%	3.73%	3.46%	1.86%	2.35%	170,802	287,091	3,355	185
Retail - SME	AQ08	6.089% to 17.222%	8.84%	8.99%	3.95%	7.73%	239,588	67,181	9,539	74
Retail - SME	AQ09	17.222% to 100%	27.07%	27.44%	19.60%	25.73%	68,844	31,268	13,534	39
Retail - SME	AQ10	100%	n/a	n/a	n/a	n/a	21,304	37,768	n/a	n/a
Total - Retail - SME			7.33%	3.69%	2.17%	1.89%	1,448,187	1,445,926	31,314	326
Retail - Secured by real estate non-SME	AQ01	0% to 0.034%	0.03%	0.03%	0.01%	—	18,459	9,500	1	—
Retail - Secured by real estate non-SME	AQ02	0.034% to 0.048%	0.04%	0.04%	0.01%	0.02%	9,872	4,678	1	—
Retail - Secured by real estate non-SME	AQ03	0.048% to 0.095%	0.07%	0.07%	0.06%	0.07%	46,242	34,666	28	2
Retail - Secured by real estate non-SME	AQ04	0.095% to 0.381%	0.24%	0.23%	0.15%	0.15%	866,066	736,952	1,345	11
Retail - Secured by real estate non-SME	AQ05	0.381% to 1.076%	0.55%	0.55%	0.24%	0.31%	316,773	479,252	776	1
Retail - Secured by real estate non-SME	AQ06	1.076% to 2.153%	1.48%	1.45%	0.87%	0.77%	13,604	25,203	121	2
Retail - Secured by real estate non-SME	AQ07	2.153% to 6.089%	3.76%	3.84%	2.74%	2.64%	7,815	8,723	215	1
Retail - Secured by real estate non-SME	AQ08	6.089% to 17.222%	11.20%	11.29%	7.22%	9.46%	10,979	11,316	794	1
Retail - Secured by real estate non-SME	AQ09	17.222% to 100%	27.52%	27.34%	13.71%	17.78%	14,206	8,215	1,955	8
Retail - Secured by real estate non-SME	AQ10	100%	n/a	n/a	n/a	n/a	18,347	15,839	n/a	n/a
Total - Retail - Secured by real estate non-SME			0.71%	0.72%	0.40%	0.53%	1,322,363	1,334,344	5,236	26

CR9_a_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk continued

			PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
Exposure class	AQ band	PD range	EAD weighted 2020 %	Obligor weighted 2020 %	Obligor weighted 2021 %	Obligor weighted 2017-2021 %	2020	2021	All 2021	of which: newly funded obligors during the year 2021
2021										
Retail - Qualifying revolving	AQ01	0% to 0.034%	0.03%	0.03%	**0.01%**	**0.02%**	6,107,380	**7,605,403**	**912**	**7**
Retail - Qualifying revolving	AQ02	0.034% to 0.048%	0.04%	0.04%	**0.04%**	**0.05%**	1,206,946	**94,373**	**502**	**2**
Retail - Qualifying revolving	AQ03	0.048% to 0.095%	0.08%	0.07%	**0.05%**	**0.07%**	1,249,947	**1,343,514**	**652**	**7**
Retail - Qualifying revolving	AQ04	0.095% to 0.381%	0.21%	0.21%	**0.18%**	**0.19%**	1,940,081	**2,329,517**	**3,459**	**58**
Retail - Qualifying revolving	AQ05	0.381% to 1.076%	0.62%	0.62%	**0.48%**	**0.50%**	3,835,588	**3,413,958**	**18,552**	**189**
Retail - Qualifying revolving	AQ06	1.076% to 2.153%	1.54%	1.53%	**1.27%**	**1.40%**	1,716,340	**1,461,913**	**22,086**	**231**
Retail - Qualifying revolving	AQ07	2.153% to 6.089%	3.68%	3.59%	**2.28%**	**2.68%**	1,204,373	**1,116,821**	**28,787**	**1,338**
Retail - Qualifying revolving	AQ08	6.089% to 17.222%	9.10%	9.30%	**7.86%**	**8.23%**	330,609	**283,480**	**26,420**	**420**
Retail - Qualifying revolving	AQ09	17.222% to 100%	35.53%	33.88%	**32.56%**	**31.50%**	99,229	**88,158**	**32,591**	**283**
Retail - Qualifying revolving	AQ10	100%	n/a	n/a	**n/a**	**n/a**	326,941	**300,227**	**n/a**	**n/a**
Total - Retail - Qualifying revolving			1.26%	0.93%	**0.74%**	**1.04%**	18,017,434	**18,037,364**	**133,961**	**2,535**
Retail - Other	AQ01	0% to 0.034%	—	—	**—**	**—**	—	**—**	**—**	**—**
Retail - Other	AQ02	0.034% to 0.048%	—	—	**—**	**—**	—	**—**	**—**	**—**
Retail - Other	AQ03	0.048% to 0.095%	—	—	**—**	**—**	—	**1**	**—**	**—**
Retail - Other	AQ04	0.095% to 0.381%	0.32%	0.31%	**0.25%**	**0.39%**	7,276	**6,054**	**18**	**—**
Retail - Other	AQ05	0.381% to 1.076%	0.93%	0.96%	**0.75%**	**0.77%**	276,358	**128,725**	**2,200**	**141**
Retail - Other	AQ06	1.076% to 2.153%	1.48%	1.37%	**1.05%**	**1.69%**	279,234	**397,841**	**3,126**	**192**
Retail - Other	AQ07	2.153% to 6.089%	3.74%	3.51%	**3.32%**	**3.98%**	146,382	**168,914**	**5,251**	**390**
Retail - Other	AQ08	6.089% to 17.222%	9.66%	9.40%	**7.32%**	**9.13%**	57,025	**61,321**	**4,583**	**411**
Retail - Other	AQ09	17.222% to 100%	38.17%	37.69%	**35.61%**	**41.96%**	50,628	**25,499**	**18,180**	**151**
Retail - Other	AQ10	100%	n/a	n/a	**n/a**	**n/a**	64,686	**69,716**	**n/a**	**n/a**
Total - Retail - Other			4.48%	4.42%	**3.93%**	**4.07%**	881,589	**858,071**	**33,358**	**1,285**

CR9_a_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk continued

Exposure class	AQ band	PD range	PD estimate at: EAD weighted 2019 %	PD estimate at: Obligor weighted 2019 %	Defaulted rates actual: Obligor weighted 2020 %	Defaulted rates actual: Obligor weighted 2016-2020 %	Number of obligors: 2019	Number of obligors: 2020	Number of defaulted obligors: All 2020	Number of defaulted obligors: of which: newly funded obligors during the year 2020
2020										
Retail - SME	AQ01	0% to 0.034%	—	0.03%	—	0.06%	415	—	—	—
Retail - SME	AQ02	0.034% to 0.048%	0.04%	0.04%	—	—	2,248	—	—	—
Retail - SME	AQ03	0.048% to 0.095%	0.07%	0.07%	0.05%	0.05%	27,303	31,260	15	—
Retail - SME	AQ04	0.095% to 0.381%	0.17%	0.19%	0.16%	0.19%	433,705	430,526	701	—
Retail - SME	AQ05	0.381% to 1.076%	0.84%	0.71%	0.62%	0.60%	273,817	242,326	1,720	26
Retail - SME	AQ06	1.076% to 2.153%	1.56%	1.59%	0.96%	1.31%	196,841	243,537	2,013	114
Retail - SME	AQ07	2.153% to 6.089%	3.49%	3.34%	1.88%	2.64%	180,296	170,802	3,829	438
Retail - SME	AQ08	6.089% to 17.222%	9.93%	9.85%	6.65%	8.97%	56,418	239,588	4,156	403
Retail - SME	AQ09	17.222% to 100%	32.99%	33.29%	24.26%	28.19%	28,211	68,844	7,726	883
Retail - SME	AQ10	100%	n/a	n/a	n/a	n/a	25,013	21,304	n/a	n/a
Total - Retail - SME			2.97%	2.24%	1.53%	1.87%	1,224,267	1,448,187	20,160	1,864
Retail - Secured by real estate non-SME	AQ01	0% to 0.034%	0.03%	0.03%	0.01%	—	12,848	18,459	1	—
Retail - Secured by real estate non-SME	AQ02	0.034% to 0.048%	0.04%	0.04%	0.02%	0.07%	4,589	9,872	1	—
Retail - Secured by real estate non-SME	AQ03	0.048% to 0.095%	0.07%	0.07%	0.05%	0.07%	34,186	46,242	16	—
Retail - Secured by real estate non-SME	AQ04	0.095% to 0.381%	0.22%	0.22%	0.15%	0.15%	730,997	866,066	1,098	11
Retail - Secured by real estate non-SME	AQ05	0.381% to 1.076%	0.57%	0.57%	0.21%	0.34%	431,598	316,773	909	6
Retail - Secured by real estate non-SME	AQ06	1.076% to 2.153%	1.50%	1.48%	0.72%	0.72%	18,732	13,604	136	2
Retail - Secured by real estate non-SME	AQ07	2.153% to 6.089%	3.92%	3.92%	2.76%	2.59%	9,758	7,815	271	2
Retail - Secured by real estate non-SME	AQ08	6.089% to 17.222%	10.61%	10.85%	7.82%	10.23%	11,264	10,979	883	2
Retail - Secured by real estate non-SME	AQ09	17.222% to 100%	27.74%	27.69%	16.23%	18.27%	15,073	14,206	2,450	3
Retail - Secured by real estate non-SME	AQ10	100%	n/a	n/a	n/a	n/a	21,898	18,347	n/a	n/a
Total - Retail - Secured by real estate non-SME			0.78%	0.80%	0.45%	0.58%	1,290,943	1,322,363	5,765	26

CR9_a_1: IRB models – Back-testing of PD by exposure class – Retail – total credit risk continued

			PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
			EAD weighted 2019	Obligor weighted 2019	Obligor weighted 2020	Obligor weighted 2016-2020			All 2020	of which: newly funded obligors during the year 2020
Exposure class	AQ band	PD range	%	%	%	%	2019	2020	2020	2020
2020										
Retail - Qualifying revolving	AQ01	0% to 0.034%	0.03%	0.03%	0.01%	0.02%	5,395,832	6,107,380	677	2
Retail - Qualifying revolving	AQ02	0.034% to 0.048%	0.04%	0.04%	0.04%	0.05%	1,345,379	1,206,946	584	17
Retail - Qualifying revolving	AQ03	0.048% to 0.095%	0.06%	0.06%	0.04%	0.07%	622,010	1,249,947	283	16
Retail - Qualifying revolving	AQ04	0.095% to 0.381%	0.23%	0.23%	0.15%	0.19%	2,744,704	1,940,081	4,130	34
Retail - Qualifying revolving	AQ05	0.381% to 1.076%	0.64%	0.63%	0.50%	0.51%	3,681,976	3,835,588	18,639	182
Retail - Qualifying revolving	AQ06	1.076% to 2.153%	1.54%	1.54%	1.25%	1.44%	1,778,732	1,716,340	22,532	228
Retail - Qualifying revolving	AQ07	2.153% to 6.089%	3.72%	3.63%	2.24%	2.78%	1,486,732	1,204,373	35,022	1,746
Retail - Qualifying revolving	AQ08	6.089% to 17.222%	9.04%	9.31%	7.37%	8.24%	463,548	330,609	35,168	1,001
Retail - Qualifying revolving	AQ09	17.222% to 100%	34.86%	32.87%	30.57%	31.11%	149,404	99,229	46,373	696
Retail - Qualifying revolving	AQ10	100%	n/a	n/a	n/a	n/a	397,125	326,941	n/a	n/a
Total - Retail - Qualifying revolving			1.40%	1.16%	0.90%	1.14%	18,065,442	18,017,434	163,408	3,922
Retail - Other	AQ01	0% to 0.034%	—	—	—	—	—	—	—	—
Retail - Other	AQ02	0.034% to 0.048%	—	—	—	—	—	—	—	—
Retail - Other	AQ03	0.048% to 0.095%	—	—	—	—	—	—	—	—
Retail - Other	AQ04	0.095% to 0.381%	0.30%	0.29%	0.27%	0.49%	7,383	7,276	20	—
Retail - Other	AQ05	0.381% to 1.076%	0.92%	0.93%	0.82%	0.75%	350,927	276,358	3,108	233
Retail - Other	AQ06	1.076% to 2.153%	1.54%	1.51%	1.46%	1.83%	160,400	279,234	2,742	397
Retail - Other	AQ07	2.153% to 6.089%	3.64%	3.54%	3.65%	4.01%	198,113	146,382	8,232	1,006
Retail - Other	AQ08	6.089% to 17.222%	9.72%	9.79%	7.87%	9.71%	89,227	57,025	7,905	882
Retail - Other	AQ09	17.222% to 100%	39.02%	40.34%	39.85%	43.94%	38,784	50,628	15,740	286
Retail - Other	AQ10	100%	n/a	n/a	n/a	n/a	68,570	64,686	n/a	n/a
Total - Retail - Other			4.41%	4.39%	4.14%	3.92%	913,404	881,589	37,747	2,804

CR9_a_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk

				PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
					Obligor	Obligor	Obligor				of which: newly
				EAD weighted	weighted	weighted	weighted				funded obligors
			Equivalent	2020	2020	2021	2017-2021			All	during the year
Exposure class	AQ band	PD range	S&P Rating	%	%	%	%	2020	2021	2021	2021
2021											
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.02%	—	—	57	54	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	5	6	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	—	10	10	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.32%	0.33%	—	—	4	3	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	20.00%	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	n/a	1	1	—	—
Total - Central governments and central banks				0.01%	0.04%	—	0.25%	77	74	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	—	75	59	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	22	12	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	—	119	136	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.17%	0.19%	—	0.05%	348	340	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.48%	0.61%	—	—	97	82	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.40%	1.49%	—	1.30%	40	36	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	2.72%	3.42%	—	0.95%	15	21	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	13.66%	10.65%	—	—	3	3	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	—	—	—	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	n/a	1	1	—	—
Total - Institutions				0.18%	0.39%	—	0.11%	720	690	—	—

CR9_a_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk continued

Exposure class	AQ band	PD range	Equivalent S&P Rating	PD estimate at EAD weighted 2020 %	PD estimate at Obligor weighted 2020 %	Default rates actual Obligor weighted 2021 %	Default rates actual Obligor weighted 2017-2021 %	Number of obligors 2020	Number of obligors 2021	Number of defaulted obligors All 2021	Number of defaulted obligors of which: newly funded obligors during the year 2021
2021											
Corporates	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	0.01%	2,083	2,273	—	—
Corporates	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	0.05%	899	903	—	—
Corporates	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	0.02%	839	901	—	—
Corporates	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.20%	0.25%	0.05%	0.10%	7,607	7,595	4	—
Corporates	AQ05	0.381% to 1.076%	BB+ to BB-	0.67%	0.69%	0.30%	0.39%	18,692	17,290	58	2
Corporates	AQ06	1.076% to 2.153%	B+	1.54%	1.51%	0.46%	0.66%	14,824	12,105	70	2
Corporates	AQ07	2.153% to 6.089%	B to B-	3.34%	3.17%	1.19%	1.53%	9,197	7,596	113	4
Corporates	AQ08	6.089% to 17.222%	CCC+	9.88%	10.13%	4.96%	6.76%	1,734	1,197	89	3
Corporates	AQ09	17.222% to 100%	CCC to CC	23.00%	29.92%	8.41%	10.07%	452	287	38	—
Corporates	AQ10	100%	D	n/a	n/a	n/a	—	1,867	1,638	n/a	n/a
Total - Corporates				0.86%	1.73%	0.64%	0.94%	58,194	51,785	372	11
Equities	AQ01	0% to 0.034%	AAA to AA	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ02	0.034% to 0.048%	AA-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ03	0.048% to 0.095%	A+ to A-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ04	0.095% to 0.381%	BBB+ to BBB-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ06	1.076% to 2.153%	B+	1.26%	1.31%	—	—	10	9	—	—
Equities	AQ07	2.153% to 6.089%	B to B-	2.50%	2.50%	—	—	15	6	—	—
Equities	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Equities				1.69%	2.02%	—	—	25	15	—	—

CR9_a_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk continued

				PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
Exposure class	AQ band	PD range	Equivalent S&P Rating	EAD weighted 2019 %	Obligor weighted 2019 %	Obligor weighted 2020 %	Obligor weighted 2016-2020 %	2019	2020	All 2020	of which: newly funded obligors during the year 2020
2020											
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.01%	—	—	56	57	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	2	5	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	—	12	10	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.23%	0.23%	—	—	5	4	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	0.45%	0.45%	—	—	1	—	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	1.81%	1.81%	—	—	1	—	—	—
Central governments and central banks	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	20.00%	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	n/a	1	1	—	—
Total - Central governments and central banks				0.02%	0.06%	—	0.25%	78	77	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	—	91	75	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	68	22	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	—	94	119	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.15%	0.19%	—	0.05%	359	348	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.57%	0.61%	—	—	97	97	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.71%	1.49%	—	1.70%	35	39	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	2.66%	3.17%	—	0.95%	23	15	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	10.24%	10.24%	—	—	1	3	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	—	—	1	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	n/a	1	1	—	—
Total - Institutions				0.18%	0.36%	—	0.13%	769	720	—	—

CR9_a_2: IRB models – Back-testing of PD by exposure class – Wholesale – total credit risk continued

				PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
Exposure class	AQ band	PD range	Equivalent S&P Rating	EAD weighted 2019 %	Obligor weighted 2019 %	Obligor weighted 2020 %	Obligor weighted 2016-2020 %	2019	2020	All 2020	of which: newly funded obligors during the year 2020
2020											
Corporates	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	0.01%	3,347	2,083	—	—
Corporates	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	420	899	—	—
Corporates	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	0.10%	0.02%	1,008	839	1	—
Corporates	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.20%	0.25%	0.05%	0.10%	6,576	7,607	5	2
Corporates	AQ05	0.381% to 1.076%	BB+ to BB-	0.67%	0.69%	0.31%	0.40%	18,810	18,691	61	2
Corporates	AQ06	1.076% to 2.153%	B+	1.54%	1.53%	0.71%	0.73%	15,807	14,824	114	2
Corporates	AQ07	2.153% to 6.089%	B to B-	3.23%	3.11%	1.43%	1.58%	11,464	9,198	177	13
Corporates	AQ08	6.089% to 17.222%	CCC+	10.25%	10.27%	6.06%	7.39%	1,716	1,732	105	1
Corporates	AQ09	17.222% to 100%	CCC to CC	24.35%	28.19%	9.63%	11.43%	561	452	55	1
Corporates	AQ10	100%	D	n/a	n/a	n/a	n/a	2,132	1,869	2	2
Total - Corporates				0.74%	1.81%	0.83%	1.06%	61,841	58,194	520	23
Equities	AQ01	0% to 0.034%	AAA to AA	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ02	0.034% to 0.048%	AA-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ03	0.048% to 0.095%	A+ to A-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.23%	0.23%	—	—	1	—	—	—
Equities	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ06	1.076% to 2.153%	B+	1.27%	1.32%	—	—	9	10	—	—
Equities	AQ07	2.153% to 6.089%	B to B-	2.50%	2.50%	—	0.71%	14	15	—	—
Equities	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Equities				0.60%	1.96%	—	0.45%	24	25	—	—

Loss given default

Both estimated and actual LGDs are EAD-weighted. Corporate exposures where EAD varies more can give rise to significant movements when compared year-on-year.

More generally, differences between estimates and actuals can arise when comparing regulatory capital downturn estimates to actual outcomes that have been realised in non-downturn conditions.

Corporates

In the corporates exposure class, the actual LGD includes all defaulted client cases that closed during the year.

The estimated LGDs are the average pre-default downturn estimates for these defaults, with actual LGDs being the averaged observed outcomes, time-discounted to reflect actual workout periods.

Closure of a defaulted customer case occurs when none of the defined default criteria have been met. This may include instances where debt is repaid, fully or partially written off, or returned to the performing book.

Retail

In the retail exposure classes (except Lombard SME), estimated LGDs related to loss estimates on defaulted exposures over defined outcome periods, which vary by exposure class, from 36 to 72 months. These periods align with the collections and recoveries process. The actual losses included in the table below relate to the corresponding defaulted exposures, which reached the relevant outcome period during 2020. Lombard SME applies the corporate LGD methodology for 2021.

CR9_b: IRB: IRB models: Back-testing of LGD by exposure class – total credit risk

	2021		2020	
IRB exposure class	**LGD - estimated %**	**LGD - actual %**	LGD - estimated %	LGD - actual %
Retail				
- SME	**70.16**	**69.55**	70.36	59.47
- Secured by real estate non-SME	**26.51**	**18.28**	30.10	20.46
- Qualifying revolving	**85.72**	**75.87**	86.18	74.00
- Other	**87.50**	**82.69**	84.58	79.32
Corporates	**28.04**	**18.88**	35.42	24.17

- The increase in actual LGD in the SME exposure class was due to a change in the methodology used for calculating actual LGDs for Lombard.
- In the secured by real estate exposure class, the decrease in estimated LGD was due to an increase in house prices across both UK and UBIDAC regions. The decrease in actual LGD was a result of an earlier UBIDAC debt sale dropping out of the reporting window.
- For corporates, the decrease in both estimated and actual year-on-year was due to the resolution of a small number of high-exposure secured cases in 2021.

CR9_c: IRB: IRB models: Back-testing of EL by exposure class – total credit risk

	Expected loss estimated for following year at the end of						Impairment charge/(release) for the year	
	2020			2019				
	Non-defaulted (AQ1-AQ9) £m	Defaulted (AQ10) £m	Total £m	Non-defaulted (AQ1-AQ9) £m	Defaulted (AQ10) £m	Total £m	**2021 £m**	2020 £m
Retail								
- SME	125	168	293	127	190	317	**(130)**	221
- Secured by real estate non-SME	190	291	481	198	418	616	**(103)**	286
- Qualifying revolving	175	216	391	229	268	497	**(51)**	276
- Other non-SME	250	333	583	277	360	637	**5**	289
Central governments and central banks	4	—	4	5	—	5	**—**	1
Institutions	10	—	10	13	—	13	**(7)**	5
Corporates	395	1,096	1,491	344	908	1,252	**(937)**	1,953
Equities	7	—	7	9	—	9	**—**	—
	1,156	2,104	3,260	1,202	2,144	3,346	**(1,223)**	3,031

Credit risk (excluding counterparty credit risk)

This section provides more detailed analysis of credit risk exposures (excluding counterparty credit risk).

Risk profile by asset concentrations

CRB_B: IRB & STD: Credit risk exposures by exposure class

The table below shows credit risk EAD pre and post CRM on a period end and 12 month average basis, analysed by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations.

	EAD pre CRM		EAD post CRM	
	Period end	Average	Period end	Average
2021	£m	£m	£m	£m
IRB				
Central governments and central banks	58,809	59,376	58,407	59,217
Institutions	10,320	10,688	8,198	8,510
Corporates	135,336	136,393	126,631	126,614
Specialised lending	*16,994*	*17,498*	*16,980*	*17,477*
SME	*17,604*	*18,538*	*17,250*	*18,198*
Other corporate	*100,738*	*100,357*	*92,401*	*90,939*
Retail	240,224	235,332	240,224	235,332
Secured by real estate property - SME	*1,129*	*1,124*	*1,129*	*1,124*
- non-SME	*196,803*	*191,583*	*196,803*	*191,583*
Qualifying revolving	*20,356*	*20,015*	*20,356*	*20,015*
Other retail - SME	*15,464*	*16,154*	*15,464*	*16,154*
- non-SME	*6,472*	*6,456*	*6,472*	*6,456*
Equities	891	821	891	821
Non-credit obligation assets	6,545	5,565	6,545	5,565
Total IRB	452,125	448,175	440,896	436,059
STD				
Central governments and central banks	161,138	138,260	160,151	138,649
Regional governments and local authorities	27	27	24	11
Multilateral development banks	462	349	462	349
Institutions	2,221	2,049	2,221	2,084
Corporates	6,807	7,313	4,968	5,937
Retail	2,581	2,470	2,400	2,334
Secured by mortgages on immovable property - residential	17,538	17,594	17,454	17,558
- commercial	2,681	2,678	2,661	2,636
Exposures in default	453	477	438	468
Items associated with particularly high risk	—	—	—	—
Covered bonds	122	121	122	121
Equity exposures	612	632	612	632
Other exposures	901	1,845	901	1,845
Total STD	195,543	173,815	192,414	172,624
Total IRB and STD	647,668	621,990	633,310	608,683

CRB_B: IRB & STD: Credit risk exposures by exposure class continued

2020	EAD pre CRM Period end £m	EAD pre CRM Average £m	EAD post CRM Period end £m	EAD post CRM Average £m
IRB				
Central governments and central banks	58,291	54,171	58,152	54,068
Institutions	9,884	11,069	7,934	9,099
Corporates	141,246	145,850	130,968	135,488
Specialised lending	*18,626*	*18,401*	*18,604*	*18,366*
SME	*18,255*	*20,638*	*17,919*	*20,234*
Other corporate	*104,365*	*106,811*	*94,445*	*96,888*
Retail	231,326	224,342	231,326	224,342
Secured by real estate property - SME	*1,134*	*1,230*	*1,134*	*1,230*
- non-SME	*187,117*	*180,662*	*187,117*	*180,662*
Qualifying revolving	*20,019*	*21,960*	*20,019*	*21,960*
Other retail - SME	*16,378*	*13,342*	*16,378*	*13,342*
- non-SME	*6,678*	*7,148*	*6,678*	*7,148*
Equities	679	1,129	680	1,128
Non-credit obligation assets	6,279	5,670	6,279	5,670
Total IRB	447,705	442,231	435,339	429,795
STD				
Central governments and central banks	115,331	99,781	115,553	99,851
Regional governments and local authorities	32	39	2	7
Multilateral development banks	422	216	422	216
Institutions	411	485	455	531
Corporates	7,477	7,221	6,524	6,448
Retail	2,342	2,371	2,244	2,271
Secured by mortgages on immovable property - residential	17,232	14,138	17,230	14,138
- commercial	2,847	2,607	2,797	2,573
Exposures in default	462	450	462	443
Items associated with particularly high risk	—	9	—	9
Covered bonds	127	127	127	127
Equity exposures	649	658	649	658
Other exposures	2,179	1,460	2,179	1,460
Total STD	149,511	129,562	148,644	128,732
Total IRB and STD	597,216	571,793	583,983	558,527

CRB_C: IRB & STD: Credit risk exposures by geographic region

The table below shows credit risk EAD post CRM analysed by geography, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Geographical analysis is based on country of operation of the customer.

2021	UK £m	RoI £m	Other Western Europe £m	US £m	Rest of world £m	Total £m
IRB						
Central governments and central banks	409	4,408	39,857	9,668	4,065	58,407
Institutions	1,575	17	1,615	3,505	1,486	8,198
Corporates	94,448	4,920	16,704	7,442	3,117	126,631
Specialised lending	*14,251*	*976*	*1,184*	*264*	*305*	*16,980*
SME	*16,296*	*916*	*25*	*3*	*10*	*17,250*
Other corporate	*63,901*	*3,028*	*15,495*	*7,175*	*2,802*	*92,401*
Retail	226,820	13,110	127	43	124	240,224
Secured by real estate property - SME	*1,124*	*1*	*1*	*1*	*2*	*1,129*
- non-SME	*184,583*	*12,220*	*—*	*—*	*—*	*196,803*
Qualifying revolving	*19,787*	*296*	*117*	*40*	*116*	*20,356*
Other retail - SME	*14,997*	*458*	*5*	*1*	*3*	*15,464*
- non-SME	*6,329*	*135*	*4*	*1*	*3*	*6,472*
Equities	866	—	1	15	9	891
Non-credit obligation assets	5,478	407	562	10	88	6,545
Total IRB	329,596	22,862	58,866	20,683	8,889	440,896
Proportion	75%	5%	13%	5%	2%	100%
STD						
Central governments and central banks	157,604	21	1,032	801	693	160,151
Regional governments and local authorities	24	—	—	—	—	24
Multilateral development banks	—	—	—	—	462	462
Institutions	1,855	—	296	26	44	2,221
Corporates	3,467	554	887	7	53	4,968
Retail	2,393	1	2	—	4	2,400
Secured by mortgages on immovable property						
- residential	16,573	8	84	82	707	17,454
- commercial	2,483	45	11	—	122	2,661
Exposures in default	390	8	12	1	27	438
Covered bonds	—	—	122	—	—	122
Equity exposures	597	—	15	—	—	612
Other exposures	861	25	15	—	—	901
Total STD	186,247	662	2,476	917	2,112	192,414
Proportion	98%	—	1%	—	1%	100%
Total IRB and STD	515,843	23,524	61,342	21,600	11,001	633,310
Proportion	81%	4%	10%	3%	2%	100%
Of which: by large subsidiary (excludes inter-Group exposures)						
NatWest Holdings Group	473,328	23,341	36,155	13,007	7,246	553,077
NWM Plc	10,986	153	7,637	6,198	1,479	26,453
RBS International	30,199	9	10,015	1,989	2,124	44,336

CRB_C: IRB & STD: Credit risk exposures by geographic region continued

2020	UK £m	RoI £m	Other Western Europe £m	US £m	Rest of world £m	Total £m
IRB						
Central governments and central banks	928	5,025	36,438	11,472	4,289	58,152
Institutions	1,877	21	2,014	3,330	692	7,934
Corporates	98,230	5,859	17,078	6,991	2,810	130,968
Specialised lending	*15,496*	*1,114*	*1,603*	*73*	*318*	*18,604*
SME	*16,998*	*897*	*11*	—	*13*	*17,919*
Other corporate	*65,736*	*3,848*	*15,464*	*6,918*	*2,479*	*94,445*
Retail	215,893	15,129	135	43	126	231,326
Secured by real estate property - SME	*1,130*	*1*	*2*	—	*1*	*1,134*
- non-SME	*173,035*	*14,082*	—	—	—	*187,117*
Qualifying revolving	*19,410*	*328*	*123*	*40*	*118*	*20,019*
Other retail - SME	*15,835*	*533*	*5*	*2*	*3*	*16,378*
- non-SME	*6,483*	*185*	*5*	*1*	*4*	*6,678*
Equities	655	—	1	17	7	680
Non-credit obligation assets	5,254	389	563	5	68	6,279
Total IRB	322,837	26,423	56,229	21,858	7,992	435,339
Proportion	74%	6%	13%	5%	2%	100%
STD						
Central governments and central banks	114,255	1	209	740	348	115,553
Regional governments and local authorities	1	1	—	—	—	2
Multilateral development banks	—	—	—	—	422	422
Institutions	71	—	304	25	55	455
Corporates	4,464	589	960	68	443	6,524
Retail	2,094	1	72	7	70	2,244
Secured by mortgages on immovable property						
- residential	15,074	120	231	289	1,516	17,230
- commercial	2,475	39	112	8	163	2,797
Exposures in default	352	21	11	4	74	462
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	127	—	—	127
Equity exposures	633	—	16	—	—	649
Other exposures	2,108	27	44	—	—	2,179
Total STD	141,527	799	2,086	1,141	3,091	148,644
Proportion	95%	1%	1%	1%	2%	100%
Total IRB and STD	464,364	27,222	58,315	22,999	11,083	583,983
Proportion	79%	5%	10%	4%	2%	100%
Of which: by large subsidiary (excludes inter-Group exposures)						
NatWest Holdings Group	427,962	27,061	32,350	14,820	7,590	509,783
NWM Plc	8,984	109	9,518	6,041	1,510	26,162
RBS International	25,130	9	8,448	1,733	1,717	37,037

- The overall rise in exposures in the UK was a result of increased money market loans with central banks. There were further increases reflecting the growth in the UK mortgage portfolio in Retail Banking.
- The reduction in exposures in the Republic of Ireland was primarily attributed to a decrease in the mortgage portfolio as repayments were in excess of new lending in the period, in line with phased withdrawal strategy expectation.

CRB_D: IRB & STD: Credit risk exposures by industry sector

The table below shows credit risk EAD post CRM analysed by industry, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Industry analysis reflects the sector classification used by NatWest Group for risk management purposes.

	Sovereign			Financial institutions			Corporates							Personal		Other	
2021	Central banks £m	Central governments £m	Other sovereign £m	Banks £m	Non-bank £m	SSPEs £m	Property £m	Natural resources £m	Transport £m	Manufacturing £m	Retail and leisure £m	Services £m	TMT £m	Mortgages £m	Other personal £m	Not allocated £m	Total £m
IRB																	
Central governments and central banks	38,878	14,153	2,176	3,158	32	—	—	—	—	—	—	10	—	—	—	—	58,407
Institutions	—	—	559	7,563	1	—	—	—	75	—	—	—	—	—	—	—	8,198
Corporates	—	—	49	71	25,109	80	32,103	12,090	14,381	10,806	12,769	13,295	5,795	—	79	4	126,631
Specialised lending	*—*	*—*	*32*	*—*	*53*	*—*	*11,364*	*3,535*	*114*	*35*	*18*	*990*	*837*	*—*	*2*	*—*	*16,980*
SME	*—*	*—*	*—*	*—*	*906*	*—*	*1,625*	*515*	*1,871*	*3,781*	*3,543*	*4,565*	*441*	*—*	*3*	*—*	*17,250*
Other corporate	*—*	*—*	*17*	*71*	*24,150*	*80*	*19,114*	*8,040*	*12,396*	*6,990*	*9,208*	*7,740*	*4,517*	*—*	*74*	*4*	*92,401*
Retail	—	—	22	1	140	—	3,932	114	1,140	2,482	3,852	4,222	549	196,803	26,967	—	240,224
Secured by real estate property - SME	*—*	*—*	*—*	*—*	*4*	*—*	*526*	*5*	*49*	*142*	*197*	*186*	*13*	*—*	*7*	*—*	*1,129*
- non-SME	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*196,803*	*—*	*—*	*196,803*
Qualifying revolving	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*20,356*	*—*	*20,356*
Other retail - SME	*—*	*—*	*22*	*1*	*136*	*—*	*3,406*	*109*	*1,091*	*2,339*	*3,655*	*4,035*	*536*	*—*	*134*	*—*	*15,464*
- non-SME	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*1*	*—*	*1*	*—*	*—*	*6,470*	*—*	*6,472*
Equities	—	—	—	6	867	—	—	—	11	1	—	2	4	—	—	—	891
Non-credit obligation assets	—	17	78	—	14	—	179	32	376	48	64	25	63	—	—	5,649	6,545
Total IRB	38,878	14,170	2,884	10,799	26,163	80	36,214	12,236	15,983	13,337	16,685	17,554	6,411	196,803	27,046	5,653	440,896
STD																	
Central governments and central banks	142,225	17,893	2	31	—	—	—	—	—	—	—	—	—	—	—	—	160,151
Regional governments and local authorities	—	—	24	—	—	—	—	—	—	—	—	—	—	—	—	—	24
Multilateral development banks	—	—	249	213	—	—	—	—	—	—	—	—	—	—	—	—	462
Institutions	—	—	—	353	1,868	—	—	—	—	—	—	—	—	—	—	—	2,221
Corporates	—	—	1	—	495	20	1,175	268	318	551	589	606	306	129	510	—	4,968
Retail	—	—	—	—	7	—	214	50	34	232	12	200	4	221	1,426	—	2,400
Secured by mortgages on immovable property																	
- residential	—	—	—	—	89	—	35	—	3	139	9	67	1	16,563	548	—	17,454
- commercial	—	—	—	—	12	—	1,562	2	8	113	493	363	4	2	102	—	2,661
Exposures in default	—	—	—	—	2	—	37	—	15	27	17	16	1	229	94	—	438
Covered bonds	—	—	—	—	122	—	—	—	—	—	—	—	—	—	—	—	122
Equity exposures	—	—	—	—	604	—	—	—	—	—	—	—	8	—	—	—	612
Other exposures	—	—	—	—	36	—	40	4	—	4	1	3	—	—	—	813	901
Total STD	142,225	17,893	276	597	3,235	20	3,063	324	378	1,066	1,121	1,255	324	17,144	2,680	813	192,414
Total IRB and STD	181,103	32,063	3,160	11,396	29,398	100	39,277	12,560	16,361	14,403	17,806	18,809	6,735	213,947	29,726	6,466	633,310

CRB_D: IRB & STD: Credit risk exposures by industry sector continued

	Sovereign			Financial institutions			Corporates							Personal		Other	
2020	Central banks £m	Central governments £m	Other sovereign £m	Banks £m	Non-bank £m	SSPEs £m	Property £m	Natural resources £m	Transport £m	Manufacturing £m	Retail and leisure £m	Services £m	TMT £m	Mortgages £m	Other personal £m	Not allocated £m	Total £m
IRB																	
Central governments and central banks	33,918	18,421	2,164	3,606	32	—	—	—	—	—	—	11	—	—	—	—	58,152
Institutions	—	—	681	7,205	1	—	12	—	35	—	—	—	—	—	—	—	7,934
Corporates	—	—	61	16	22,026	89	35,951	11,746	15,303	11,383	14,486	13,627	6,167	—	112	1	130,968
Specialised lending	—	—	*37*	—	*71*	—	*13,322*	*3,342*	*122*	*113*	*14*	*729*	*851*	—	*3*	—	*18,604*
SME	—	—	*1*	—	*713*	—	*1,656*	*453*	*1,840*	*3,827*	*3,763*	*5,148*	*514*	—	*4*	—	*17,919*
Other corporate	—	—	*23*	*16*	*21,242*	*89*	*20,973*	*7,951*	*13,341*	*7,443*	*10,709*	*7,750*	*4,802*	—	*105*	*1*	*94,445*
Retail	—	—	25	1	152	—	3,921	120	1,223	2,616	4,193	4,564	604	187,117	26,790	—	231,326
Secured by real estate property - SME	—	—	—	—	*4*	—	*466*	*5*	*55*	*152*	*233*	*197*	*16*	—	*6*	—	*1,134*
- non-SME	—	—	—	—	—	—	—	—	—	—	—	—	—	*187,117*	—	—	*187,117*
Qualifying revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—	*20,019*	—	*20,019*
Other retail - SME	—	—	*25*	*1*	*148*	—	*3,455*	*115*	*1,168*	*2,464*	*3,960*	*4,366*	*588*	—	*88*	—	*16,378*
- non-SME	—	—	—	—	—	—	—	—	—	—	—	*1*	—	—	*6,677*	—	*6,678*
Equities	—	—	—	4	663	—	—	—	3	1	—	5	4	—	—	—	680
Non-credit obligation assets	—	18	87	70	15	—	124	13	354	58	70	24	65	—	—	5,381	6,279
Total IRB	33,918	18,439	3,018	10,902	22,889	89	40,008	11,879	16,918	14,058	18,749	18,231	6,840	187,117	26,902	5,382	435,339
STD																	
Central governments and central banks	91,311	23,937	273	32	—	—	—	—	—	—	—	—	—	—	—	—	115,553
Regional governments and local authorities	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—	—	2
Multilateral development banks	—	—	249	173	—	—	—	—	—	—	—	—	—	—	—	—	422
Institutions	—	—	—	403	52	—	—	—	—	—	—	—	—	—	—	—	455
Corporates	—	—	2	17	517	268	918	196	777	631	1,045	1,296	273	2	582	—	6,524
Retail	—	—	—	80	4	—	202	50	32	227	9	187	1	84	1,368	—	2,244
Secured by mortgages on immovable property																	
- residential	—	—	—	7	13	—	226	—	—	22	12	14	11	16,317	608	—	17,230
- commercial	—	—	—	—	92	—	2,112	55	12	88	219	117	4	11	87	—	2,797
Exposures in default	—	—	—	—	—	—	48	5	24	17	16	4	—	249	99	—	462
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	127	—	—	—	—	—	—	—	—	—	—	—	127
Equity exposures	—	—	—	—	642	—	—	—	—	—	—	—	7	—	—	—	649
Other exposures	—	—	—	—	164	—	47	22	1	4	1	22	—	—	—	1,918	2,179
Total STD	91,311	23,937	526	712	1,611	268	3,553	328	846	989	1,302	1,640	296	16,663	2,744	1,918	148,644
Total IRB and STD	125,229	42,376	3,544	11,614	24,500	357	43,561	12,207	17,764	15,047	20,051	19,871	7,136	203,780	29,646	7,300	583,983

CRB_E: IRB & STD: Credit risk exposures by maturity profile

The table below shows credit risk EAD post CRM analysed by residual maturity, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Exposures with no stated maturity, principally equities, are reported within the >5 years band.

2021	On demand £m	<=1 year £m	>1 year <=5 years £m	>5 years £m	Total £m
IRB					
Central governments and central banks	4,703	38,424	10,294	4,986	58,407
Institutions	4,666	610	1,691	1,231	8,198
Corporates	5,622	32,249	66,630	22,130	126,631
Specialised lending	*63*	*3,440*	*9,437*	*4,040*	*16,980*
SME	*1,724*	*3,553*	*7,893*	*4,080*	*17,250*
Other corporate	*3,835*	*25,256*	*49,300*	*14,010*	*92,401*
Retail	22,873	2,355	17,281	197,715	240,224
Secured by real estate property - SME	*130*	*110*	*227*	*662*	*1,129*
- non-SME	*—*	*1,307*	*6,196*	*189,300*	*196,803*
Qualifying revolving	*20,356*	*—*	*—*	*—*	*20,356*
Other retail - SME	*2,385*	*552*	*6,425*	*6,102*	*15,464*
- non-SME	*2*	*386*	*4,433*	*1,651*	*6,472*
Equities	—	—	—	891	891
Non-credit obligation assets	—	251	5,974	320	6,545
Total IRB	37,864	73,889	101,870	227,273	440,896
Proportion	8%	17%	23%	52%	100%
STD					
Central governments and central banks	3,653	17,442	129,263	9,793	160,151
Regional governments and local authorities	—	10	10	4	24
Multilateral development banks	—	—	236	226	462
Institutions	353	—	1,868	—	2,221
Corporates	350	1,394	2,608	616	4,968
Retail	674	162	752	812	2,400
Secured by mortgages on immovable property - residential	11	1,069	5,617	10,757	17,454
- commercial	3	474	1,920	264	2,661
Exposures in default	37	208	67	126	438
Covered bonds	—	—	117	5	122
Equity exposures	—	—	—	612	612
Other exposures	—	22	467	412	901
Total STD	5,081	20,781	142,925	23,627	192,414
Proportion	3%	11%	74%	12%	100%
Total IRB and STD	42,945	94,670	244,795	250,900	633,310
Proportion	6%	15%	39%	40%	100%
Of which: by large subsidiary (excludes inter-Group exposures)					
NatWest Holdings Group	40,520	52,117	217,158	243,282	553,077
NWM Plc	282	10,248	14,767	1,156	26,453
RBS International	19,599	9,637	10,093	5,007	44,336

CRB_E: IRB & STD: Credit risk exposures by maturity profile continued

2020	On demand £m	<=1 year £m	>1 year <=5 years £m	>5 years £m	Total £m
IRB					
Central governments and central banks	774	38,409	12,124	6,845	58,152
Institutions	4,145	710	1,595	1,484	7,934
Corporates	6,548	30,906	69,682	23,832	130,968
Specialised lending	*83*	*3,617*	*11,026*	*3,878*	*18,604*
SME	*1,929*	*3,188*	*7,080*	*5,722*	*17,919*
Other corporate	*4,536*	*24,101*	*51,576*	*14,232*	*94,445*
Retail	22,629	2,258	12,584	193,855	231,326
Secured by real estate property - SME	*139*	*98*	*255*	*642*	*1,134*
- non-SME	—	*1,458*	*6,264*	*179,395*	*187,117*
Qualifying revolving	*20,019*	—	—	—	*20,019*
Other retail - SME	*2,468*	*349*	*1,464*	*12,097*	*16,378*
- non-SME	*3*	*353*	*4,601*	*1,721*	*6,678*
Equities	—	—	—	680	680
Non-credit obligation assets	—	153	5,731	395	6,279
Total IRB	34,096	72,436	101,716	227,091	435,339
Proportion	8%	17%	23%	52%	100%
STD					
Central governments and central banks	3,150	11,659	87,615	13,129	115,553
Regional governments and local authorities	1	—	1	—	2
Multilateral development banks	—	—	110	312	422
Institutions	350	10	95	—	455
Corporates	378	975	3,737	1,434	6,524
Retail	595	160	874	615	2,244
Secured by mortgages on immovable property - residential	9	937	6,326	9,958	17,230
- commercial	10	609	1,830	348	2,797
Exposures in default	44	193	95	130	462
Items associated with particularly high risk	—	—	—	—	—
Covered bonds	—	—	87	40	127
Equity exposures	—	—	—	649	649
Other exposures	—	17	1,607	555	2,179
Total STD	4,537	14,560	102,377	27,170	148,644
Proportion	3%	10%	69%	18%	100%
Total IRB and STD	38,633	86,996	204,093	254,261	583,983
Proportion	7%	15%	35%	43%	100%
Of which: by large subsidiary (excludes inter-Group exposures)					
NatWest Holdings Group	36,735	49,044	177,363	246,641	509,783
NWM Plc	342	11,740	12,568	1,512	26,162
RBS International	15,107	6,641	10,588	4,701	37,037

Risk profile by credit quality

CR1_A: IRB and STD: Credit risk exposures by exposure class – Defaulted and non-defaulted split

The table below shows gross carrying values of credit risk exposures and specific credit risk adjustments (SCRA) analysed by credit quality, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Gross carrying value comprises both on and off-balance sheet exposures including SCRA. The table has been prepared on an accounting basis adjusted for regulatory consolidation.

		a	b	c	e	g	a	b	c	e	g
		2021					2020				
		Gross carrying values			Year-to-date		Gross carrying values			Year-to-date	
		Defaulted exposures (1)	Non-defaulted exposures	SCRA (2)	accumulated write-offs	Net value	Defaulted exposures (1)	Non-defaulted exposures	SCRA (2)	accumulated write-offs	Net value
	Exposure class	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	IRB										
1	Central governments and central banks	2	58,888	4	—	58,886	2	58,727	5	—	58,724
2	Institutions	—	10,551	2	—	10,549	—	10,165	25	—	10,140
3	Corporates	1,552	174,727	1,487	499	174,792	2,756	181,952	3,068	261	181,640
4	*Specialised lending*	*331*	*18,056*	*221*	*138*	*18,166*	*727*	*19,870*	*666*	*26*	*19,931*
5	*SME*	*497*	*19,197*	*556*	*46*	*19,138*	*587*	*20,130*	*917*	*84*	*19,800*
	Other corporate	*724*	*137,474*	*710*	*315*	*137,488*	*1,442*	*141,952*	*1,485*	*151*	*141,909*
6	Retail	3,461	243,147	2,242	338	244,366	3,307	234,132	2,709	653	234,730
8	*Secured by real estate property - SME*	*30*	*1,142*	*25*	*2*	*1,147*	*27*	*1,157*	*25*	*3*	*1,159*
9	*- non-SME*	*1,684*	*196,017*	*745*	*81*	*196,956*	*2,001*	*185,796*	*969*	*218*	*186,828*
10	*Qualifying revolving*	*531*	*25,905*	*515*	*117*	*25,921*	*566*	*25,479*	*662*	*204*	*25,383*
12	*Other retail - SME*	*752*	*14,220*	*286*	*35*	*14,686*	*288*	*15,560*	*309*	*47*	*15,539*
13	*- non-SME*	*464*	*5,863*	*671*	*103*	*5,656*	*425*	*6,140*	*744*	*181*	*5,821*
14	Equities	—	891	—	—	891	—	680	—	—	680
	Non-credit obligation assets	—	5,648	—	—	5,648	—	5,380	—	—	5,380
15	Total IRB	5,015	493,852	3,735	837	495,132	6,065	491,036	5,807	914	491,294
	Of which: Loans	*4,576*	*309,765*	*3,587*	*835*	*310,754*	*5,325*	*304,264*	*5,495*	*912*	*304,094*
	Debt securities	*—*	*22,921*	*3*	*—*	*22,918*	*—*	*26,196*	*5*	*—*	*26,191*
	Other assets	*20*	*45,337*	*17*	*—*	*45,340*	*35*	*40,448*	*22*	*—*	*40,461*
	Off-balance sheet exposures	*419*	*115,829*	*128*	*2*	*116,120*	*705*	*120,128*	*285*	*2*	*120,548*

For the notes to this table refer to the following page.

CR1_A: IRB and STD: Credit risk exposures by exposure class – Defaulted and non-defaulted split continued

	a	b	c	e	g	a	b	c	e	g
	2021					2020				
	Gross carrying values			Year-to-date		Gross carrying values			Year-to-date	
	Defaulted	Non-defaulted		accumulated		Defaulted	Non-defaulted		accumulated	
	exposures (1)	exposures	SCRA (2)	write-offs	Net value	exposures (1)	exposures	SCRA (2)	write-offs	Net value
STD	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
16 Central governments and central banks	—	159,717	17	—	159,700	—	115,726	12	—	115,714
17 Regional governments and local authorities	—	287	—	—	287	—	304	—	—	304
19 Multilateral development banks	—	457	—	—	457	—	420	—	—	420
21 Institutions	—	2,217	—	—	2,217	—	462	—	—	462
22 Corporates	122	8,673	66	31	8,729	146	9,557	208	7	9,495
24 Retail	143	6,650	48	3	6,745	95	6,601	53	4	6,643
Secured by mortgages on immovable property:										
26 - residential	51	18,721	17	1	18,755	288	18,292	25	9	18,555
27 - commercial	271	2,760	47	4	2,984	45	3,085	80	2	3,050
28 Exposures in default (3)	587	—	95	39	492	574	—	107	21	467
30 Covered bonds	—	121	—	—	121	—	124	—	—	124
33 Equity exposures	—	612	—	—	612	—	649	—	—	649
34 Other exposures	—	848	—	—	848	—	2,083	—	—	2,083
35 Total STD	587	201,063	195	39	201,455	574	157,303	378	22	157,499
Of which: Loans	*523*	*32,910*	*165*	*36*	*33,268*	*535*	*31,037*	*349*	*22*	*31,223*
Debt securities	—	*18,594*	*2*	—	*18,592*	—	*24,562*	*3*	—	*24,559*
Other assets	—	*140,058*	*18*	—	*140,040*	*2*	*92,323*	*10*	—	*92,315*
Off-balance sheet exposures	*64*	*9,501*	*10*	*3*	*9,555*	*37*	*9,381*	*16*	—	*9,402*
37 Total: Loans	5,099	342,675	3,752	871	344,022	5,860	335,301	5,844	934	335,317
38 Debt securities	—	41,515	5	—	41,510	—	50,758	8	—	50,750
Other assets	20	185,395	35	—	185,380	37	132,771	32	—	132,776
39 Off-balance sheet exposures	483	125,330	138	5	125,675	742	129,509	301	2	129,950
36 Total IRB and STD	5,602	694,915	3,930	876	696,587	6,639	648,339	6,185	936	648,793

(1) Defaulted exposures are those with a PD of one and past due exposures of one day or more on the payment of a credit obligation.
(2) SCRA includes ECL for defaulted and non-defaulted customers.
(3) The breakdown of the standardised exposures in default is reported by the exposure class that corresponded to the exposure before default.

This section contains disclosures on non-performing exposures (NPEs), forborne exposures (FBEs) and foreclosed assets.

Only templates mandatory for all institutions are disclosed. NatWest Group monitors its gross non-performing loan (NPL) ratio to ensure that it is not required to disclose the additional templates for institutions with an NPL ratio above 5%.

The PRA issued guidance on the treatment of payment holidays and covenant breaches during the COVID-19 pandemic when applying IFRS 9 and the classification of exposures as non-performing. The use of payment holidays would not automatically trigger a move to Stage 2 or Stage 3 for the calculation of ECL, nor classification as non-performing in the tables below. NatWest Group assesses each customer individually, taking into consideration a range of factors in deciding the correct stage for the calculation of ECL.

Template 1: 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.

		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			
2021		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	Collateral received and financial guarantees received on forborne exposures £m	*Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures* £m
1	Loans and advances	**5,157**	**2,222**	**1,722**	**1,749**	**(277)**	**(692)**	**5,196**	**1,310**
2	*Central banks*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
3	*General governments*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
4	*Credit institutions*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
5	*Other financial corporations*	***16***	***20***	***20***	***20***	***(2)***	***(1)***	***11***	**—**
6	*Non-financial corporations*	***4,065***	***803***	***662***	***667***	***(238)***	***(276)***	***3,247***	***356***
7	*Households*	**1,076**	**1,399**	**1,040**	**1,062**	**(37)**	**(415)**	**1,938**	**954**
8	Debt securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9	Loan commitments given	**767**	**131**	**48**	**50**	**(1)**	**—**	**236**	**32**
10	Total	**5,924**	**2,353**	**1,770**	**1,799**	**(278)**	**(692)**	**5,432**	**1,342**
2020									
1	Loans and advances	5,374	3,571	2,842	2,822	(368)	(1,070)	5,932	2,294
2	*Central banks*	—	—	—	—	—	—	—	—
3	*General governments*	—	—	—	—	—	—	—	—
4	*Credit institutions*	—	—	—	—	—	—	—	—
5	*Other financial corporations*	*93*	*6*	—	—	*(5)*	*(1)*	*26*	*5*
6	*Non-financial corporations*	*3,918*	*1,670*	*1,365*	*1,368*	*(300)*	*(564)*	*3,325*	*924*
7	*Households*	1,363	1,895	1,477	1,454	(63)	(505)	2,581	1,365
8	Debt securities	—	—	—	—	—	—	—	—
9	Loan commitments given	676	99	61	61	(3)	—	254	34
10	Total	6,050	3,670	2,903	2,883	(371)	(1,070)	6,186	2,328

Template 3: Credit quality of performing and non-performing exposures by past due days

The table below shows performing and non-performing exposures by portfolio, exposure class and days past due.

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
2021	Performing exposures £m	*Of which: Not past due or past due ≤ 30 days* £m	*Of which: Past due > 30 days ≤ 90 days* £m	Non-performing exposures £m	*Of which: Unlikely to pay that are not past due or are past due ≤ 90 days* £m	*Of which: Past due > 90 days ≤ 180 days* £m	*Of which: Past due > 180 days ≤ 1 year* £m	*Of which: Past due > 1 year ≤ 2 years* £m	*Of which: Past due > 2 years ≤ 5 years* £m	*Of which: Past due > 5 years ≤ 7 years* £m	*Of which: Past due > 7 years* £m	*Of which: Defaulted* £m
1 Loans and advances	362,747	361,747	1,000	5,597	2,535	753	632	588	707	131	251	4,885
2 *Central banks*	2,617	2,617	—	—	—	—	—	—	—	—	—	—
3 *General governments*	3,786	3,786	—	3	3	—	—	—	—	—	—	3
4 *Credit institutions*	469	469	—	—	—	—	—	—	—	—	—	—
5 *Other financial corporations*	49,196	49,177	19	45	41	1	—	—	3	—	—	45
6 *Non-financial corporations*	95,601	95,050	551	1,964	1,190	210	168	89	176	43	88	1,784
7 *Of which: SMEs*	26,440	26,286	154	1,035	440	185	143	73	129	24	41	966
8 *Households*	211,078	210,648	430	3,585	1,301	542	464	499	528	88	163	3,053
9 Debt securities	44,575	44,575	—	—	—	—	—	—	—	—	—	—
10 *Central banks*	181	181	—	—	—	—	—	—	—	—	—	—
11 *General governments*	33,092	33,092	—	—	—	—	—	—	—	—	—	—
12 *Credit institutions*	5,735	5,735	—	—	—	—	—	—	—	—	—	—
13 *Other financial corporations*	5,482	5,482	—	—	—	—	—	—	—	—	—	—
14 *Non-financial corporations*	85	85	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	127,981	—	—	575	—	—	—	—	—	—	—	463
16 *Central banks*	—	—	—	—	—	—	—	—	—	—	—	—
17 *General governments*	1,696	—	—	—	—	—	—	—	—	—	—	—
18 *Credit institutions*	887	—	—	—	—	—	—	—	—	—	—	—
19 *Other financial corporations*	17,177	—	—	2	—	—	—	—	—	—	—	2
20 *Non-financial corporations*	66,191	—	—	236	—	—	—	—	—	—	—	158
21 *Households*	42,030	—	—	337	—	—	—	—	—	—	—	303
22 Total	535,303	406,322	1,000	6,172	2,535	753	632	588	707	131	251	5,348

(1) The gross NPL ratio for NatWest Group is 1.52% (2020 – 1.92%). Loans and advances classified as held-for-sale, cash balances at central banks and other demand deposits were excluded.

Template 3: Credit quality of performing and non-performing exposures by past due days continued

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
2020		Performing exposures £m	*Of which: Not past due or past due ≤ 30 days £m*	*Of which: Past due > 30 days ≤ 90 days £m*	Non-performing exposures £m	*Of which: Unlikely to pay that are not past due or are past due ≤ 90 days £m*	*Of which: Past due > 90 days ≤ 180 days £m*	*Of which: Past due > 180 days ≤ 1 year £m*	*Of which: Past due > 1 year ≤ 2 years £m*	*Of which: Past due > 2 years ≤ 5 years £m*	*Of which: Past due > 5 years ≤ 7 years £m*	*Of which: Past due > 7 years £m*	*Of which: Defaulted £m*
1	Loans and advances	364,329	363,449	880	7,120	3,762	764	683	707	751	164	289	6,318
2	*Central banks*	*1,689*	1,689	—	—	—	—	—	—	—	—	—	—
3	*General governments*	*3,386*	3,386	—	*3*	*3*	—	—	—	—	—	—	*3*
4	*Credit institutions*	*1,204*	1,204	—	—	—	—	—	—	—	—	—	—
5	*Other financial corporations*	*43,975*	43,865	110	*22*	*17*	—	*1*	—	*4*	—	—	*16*
6	*Non-financial corporations*	*106,123*	105,853	270	*2,973*	*2,012*	*211*	*147*	*154*	*262*	*52*	*135*	*2,646*
7	*Of which: SMEs*	*28,001*	27,922	79	*869*	*484*	*30*	*68*	*89*	*119*	*29*	*50*	*781*
8	*Households*	*207,952*	207,452	500	*4,122*	*1,730*	*553*	*535*	*553*	*485*	*112*	*154*	*3,653*
9	Debt securities	53,764	53,764	—	—	—	—	—	—	—	—	—	—
10	*Central banks*	*176*	176	—	—	—	—	—	—	—	—	—	—
11	*General governments*	*42,506*	42,506	—	—	—	—	—	—	—	—	—	—
12	*Credit institutions*	*5,416*	5,416	—	—	—	—	—	—	—	—	—	—
13	*Other financial corporations*	*5,432*	5,432	—	—	—	—	—	—	—	—	—	—
14	*Non-financial corporations*	*234*	234	—	—	—	—	—	—	—	—	—	—
15	Off-balance sheet exposures	132,076	—	—	810	—	—	—	—	—	—	—	760
16	*Central banks*	—	—	—	—	—	—	—	—	—	—	—	—
17	*General governments*	*2,329*	—	—	—	—	—	—	—	—	—	—	—
18	*Credit institutions*	*1,088*	—	—	—	—	—	—	—	—	—	—	—
19	*Other financial corporations*	*15,996*	—	—	*6*	—	—	—	—	—	—	—	*6*
20	*Non-financial corporations*	*72,131*	—	—	*447*	—	—	—	—	—	—	—	*416*
21	*Households*	*40,532*	—	—	*357*	—	—	—	—	—	—	—	*338*
22	Total	550,169	417,213	880	7,930	3,762	764	683	707	751	164	289	7,078

Template 4: 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.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	Collateral and financial guarantees received	
2021	Total £m	Of which: Stage 1 £m	Of which: Stage 2 £m	Total £m	Of which: Stage 2 £m	Of which: Stage 3 £m	Total £m	Of which: Stage 1 £m	Of which: Stage 2 £m	Total £m	Of which: Stage 2 £m	Of which: Stage 3 £m	£m	On performing exposures £m	On non-performing exposures £m
1 Loans and advances	362,747	329,050	33,399	5,597	571	5,018	(1,643)	(266)	(1,377)	(2,050)	(36)	(2,014)	(233)	294,238	3,137
2 *Central banks*	2,617	2,617	—	—	—	—	(1)	(1)	—	—	—	—	—	—	—
3 *General governments*	3,786	3,572	132	3	—	3	(1)	—	(1)	(2)	—	(2)	—	2,874	1
4 *Credit institutions*	469	439	30	—	—	—	(1)	(1)	—	—	—	—	—	189	—
5 *Other financial corporations*	49,196	48,501	695	45	—	45	(45)	(8)	(37)	(3)	—	(3)	—	27,838	20
6 *Non-financial corporations*	95,601	78,570	16,888	1,964	137	1,827	(782)	(104)	(678)	(729)	(8)	(721)	(29)	66,188	1,076
7 *Of which: SMEs*	26,440	19,694	6,729	1,035	37	998	(363)	(47)	(316)	(330)	(2)	(328)	—	22,692	613
8 *Households*	211,078	195,351	15,654	3,585	434	3,143	(813)	(152)	(661)	(1,316)	(28)	(1,288)	(204)	197,149	2,040
9 Debt securities	44,575	44,282	287	—	—	—	(5)	(5)	—	—	—	—	—	—	—
10 *Central banks*	181	181	—	—	—	—	—	—	—	—	—	—	—	—	—
11 *General governments*	33,092	33,045	47	—	—	—	(2)	(2)	—	—	—	—	—	—	—
12 *Credit institutions*	5,735	5,507	228	—	—	—	(1)	(1)	—	—	—	—	—	—	—
13 *Other financial corporations*	5,482	5,468	12	—	—	—	(2)	(2)	—	—	—	—	—	—	—
14 *Non-financial corporations*	85	81	—	—	—	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	127,981	120,152	7,829	575	90	476	(81)	(16)	(65)	(13)	(1)	(12)		20,619	74
16 *Central banks*	—	—	—	—	—	—	—	—	—	—	—	—		—	—
17 *General governments*	1,696	1,692	4	—	—	—	—	—	—	—	—	—		419	—
18 *Credit institutions*	887	853	34	—	—	—	—	—	—	—	—	—		402	—
19 *Other financial corporations*	17,177	16,703	474	2	—	2	(2)	(1)	(1)	—	—	—		592	—
20 *Non-financial corporations*	66,191	61,589	4,602	236	77	159	(43)	(6)	(37)	(13)	(1)	(12)		13,255	63
21 *Households*	42,030	39,315	2,715	337	13	315	(36)	(9)	(27)	—	—	—		5,951	11
22 Total	535,303	493,484	41,515	6,172	661	5,494	(1,729)	(287)	(1,442)	(2,063)	(37)	(2,026)	(233)	314,857	3,211

Template 4: Performing and non-performing exposures and related provisions continued

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	Collateral and financial guarantees received	
2020	Total £m	Of which: Stage 1 £m	Of which: Stage 2 £m	Total £m	Of which: Stage 2 £m	Of which: Stage 3 £m	Total £m	Of which: Stage 1 £m	Of which: Stage 2 £m	Total £m	Of which: Stage 2 £m	Of which: Stage 3 £m	£m	On performing exposures £m	On non-performing exposures £m
1 Loans and advances	364,329	286,232	77,648	7,120	857	6,254	(3,344)	(472)	(2,872)	(2,644)	(85)	(2,559)	(220)	291,030	3,982
2 *Central banks*	1,689	1,621	68	—	—	—	—	—	—	—	—	—	—	—	—
3 *General governments*	3,386	3,148	150	3	—	3	(1)	—	(1)	(2)	—	(2)	—	2,289	1
4 *Credit institutions*	1,204	1,093	111	—	—	—	(4)	(2)	(2)	—	—	—	—	154	—
5 *Other financial corporations*	43,975	40,874	3,101	22	6	16	(96)	(14)	(82)	(8)	(1)	(7)	(29)	27,101	12
6 *Non-financial corporations*	106,123	68,310	37,535	2,973	308	2,664	(1,959)	(277)	(1,682)	(1,227)	(39)	(1,188)	—	69,736	1,517
7 *Of which: SMEs*	28,001	16,632	11,350	869	82	786	(723)	(80)	(643)	(343)	(12)	(331)	—	20,393	393
8 *Households*	207,952	171,186	36,683	4,122	543	3,571	(1,284)	(179)	(1,105)	(1,407)	(45)	(1,362)	(191)	191,750	2,452
9 Debt securities	53,764	52,677	1,000	—	—	—	(11)	(9)	(2)	—	—	—	—	—	—
10 *Central banks*	176	176	—	—	—	—	—	—	—	—	—	—	—	—	—
11 *General governments*	42,506	42,506	—	—	—	—	(4)	(4)	—	—	—	—	—	—	—
12 *Credit institutions*	5,416	4,480	936	—	—	—	(3)	(1)	(2)	—	—	—	—	—	—
13 *Other financial corporations*	5,432	5,284	64	—	—	—	(4)	(4)	—	—	—	—	—	—	—
14 *Non-financial corporations*	234	231	—	—	—	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	132,076	106,951	25,125	810	48	752	(152)	(30)	(122)	(27)	—	(27)		19,531	88
16 *Central banks*	—	—	—	—	—	—	—	—	—	—	—	—		—	—
17 *General governments*	2,329	2,298	31	—	—	—	—	—	—	—	—	—		510	—
18 *Credit institutions*	1,088	292	796	—	—	—	(1)	—	(1)	—	—	—		545	—
19 *Other financial corporations*	15,996	13,519	2,477	6	—	6	(5)	(3)	(2)	—	—	—		368	—
20 *Non-financial corporations*	72,131	54,752	17,379	447	31	416	(92)	(17)	(75)	(26)	—	(26)		13,773	72
21 *Households*	40,532	36,090	4,442	357	17	330	(54)	(10)	(44)	(1)	—	(1)		4,335	16
22 Total	550,169	445,860	103,773	7,930	905	7,006	(3,507)	(511)	(2,996)	(2,671)	(85)	(2,586)	(220)	310,561	4,070

Template 5: Quality of non-performing exposures by geography

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

		a	b	c	d	e	f	g
		Gross carrying/ nominal amount	Of which: Non-performing		Of which: Subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
2021		£m	£m	Of which: Defaulted £m	£m	£m	£m	£m
1	On-balance sheet exposures	**412,919**	**5,597**	**4,885**	**410,475**	**(3,698)**		**—**
2	*UK*	***360,589***	***4,589***	***3,928***	***359,299***	***(3,038)***		**—**
3	*RoI*	***8,255***	***810***	***766***	***8,244***	***(456)***		**—**
4	*Other Western Europe*	***19,025***	***57***	***50***	***18,451***	***(91)***		**—**
5	*US*	***16,346***	***1***	***1***	***16,003***	***(12)***		**—**
6	*Rest of the world*	***8,704***	***140***	***140***	***8,478***	***(101)***		**—**
7	Off-balance sheet exposures	**128,556**	**575**	**463**			**(94)**	
8	*UK*	***96,584***	***499***	***388***			***(81)***	
9	*RoI*	***2,998***	***22***	***21***			***(4)***	
10	*Other Western Europe*	***18,229***	***43***	***43***			***(8)***	
11	*US*	***8,391***	**—**	**—**			***(1)***	
12	*Rest of the world*	***2,354***	***11***	***11***			**—**	
13	Total	**541,475**	**6,172**	**5,348**	**410,475**	**(3,698)**	**(94)**	**—**

2020		a	b	c	d	e	f	g
1	On-balance sheet exposures	425,213	7,120	6,318	422,380	(5,999)		—
2	*UK*	*358,011*	*5,423*	*4,745*	*357,411*	*(4,774)*		—
3	*RoI*	*19,776*	*1,358*	*1,255*	*19,746*	*(828)*		—
4	*Other Western Europe*	*20,648*	*213*	*193*	*19,621*	*(209)*		—
5	*US*	*18,958*	—	—	*18,031*	*(25)*		—
6	*Rest of the world*	*7,820*	*126*	*125*	*7,571*	*(163)*		—
7	Off-balance sheet exposures	132,886	810	760			(179)	
8	*UK*	*97,429*	*657*	*608*			*(151)*	
9	*RoI*	*3,595*	*33*	*32*			*(8)*	
10	*Other Western Europe*	*20,699*	*99*	*99*			*(14)*	
11	*US*	*8,566*	*10*	*10*			*(4)*	
12	*Rest of the world*	*2,597*	*11*	*11*			*(2)*	
13	Total	558,099	7,930	7,078	422,380	(5,999)	(179)	—

Template 6: Credit quality of loans and advances by industry

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

		a	b	c	d	e	f
2021		Gross carrying amount £m	Of which: Non-performing £m	Of which: Defaulted £m	Of which Loans and advances subject to impairment £m	Accumulated impairment £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
1	Agriculture, forestry and fishing	**3,862**	**64**	**42**	**3,862**	**(57)**	**—**
2	Mining and quarrying	**888**	**50**	**50**	**888**	**(39)**	**—**
3	Manufacturing	**7,760**	**111**	**96**	**7,710**	**(98)**	**—**
4	Electricity, gas, steam and air conditioning supply	**4,073**	**6**	**1**	**4,073**	**(6)**	**—**
5	Water supply	**2,950**	**5**	**4**	**2,948**	**(8)**	**—**
6	Construction	**5,615**	**320**	**297**	**5,615**	**(136)**	**—**
7	Wholesale and retail trade	**13,906**	**177**	**165**	**13,854**	**(188)**	**—**
8	Transport and storage	**5,961**	**118**	**107**	**5,960**	**(116)**	**—**
9	Accommodation and food service activities	**5,568**	**288**	**242**	**5,560**	**(277)**	**—**
10	Information and communication	**3,569**	**56**	**56**	**3,533**	**(44)**	**—**
11	Financial and insurance activities	**30**	**—**	**—**	**30**	**—**	**—**
12	Real estate activities	**25,129**	**330**	**318**	**25,073**	**(200)**	**—**
13	Professional, scientific and technical activities	**4,121**	**101**	**89**	**3,911**	**(55)**	**—**
14	Administrative and support service activities	**6,432**	**89**	**84**	**6,347**	**(133)**	**—**
15	Public administration and defence, compulsory social security	**168**	**6**	**6**	**168**	**(1)**	**—**
16	Education	**647**	**16**	**15**	**647**	**(14)**	**—**
17	Human health services and social work activities	**4,555**	**145**	**135**	**4,488**	**(101)**	**—**
18	Arts, entertainment and recreation	**1,358**	**18**	**14**	**1,358**	**(19)**	**—**
19	Other services	**973**	**64**	**63**	**971**	**(19)**	**—**
20	Total	**97,565**	**1,964**	**1,784**	**96,996**	**(1,511)**	**—**

2020							
1	Agriculture, forestry and fishing	4,020	73	60	4,020	(116)	—
2	Mining and quarrying	1,058	82	82	1,058	(75)	—
3	Manufacturing	8,473	153	129	8,467	(189)	—
4	Electricity, gas, steam and air conditioning supply	3,473	—	—	3,473	(12)	—
5	Water supply	3,105	5	4	3,105	(18)	—
6	Construction	7,321	408	346	7,320	(287)	—
7	Wholesale and retail trade	14,846	200	175	14,814	(385)	—
8	Transport and storage	7,017	140	125	7,014	(226)	—
9	Accommodation and food service activities	6,481	349	248	6,481	(435)	—
10	Information and communication	4,223	21	16	4,210	(50)	—
11	Financial and insurance activities	3	—	—	3	—	—
12	Real estate activities	29,062	916	876	29,003	(761)	—
13	Professional, scientific and technical activities	5,318	81	77	5,317	(100)	—
14	Administrative and support service activities	6,014	339	337	5,962	(222)	—
15	Public administration and defence,						—
	compulsory social security	120	3	3	120	(1)	—
16	Education	755	14	13	755	(30)	—
17	Human health services and social work activities	5,076	157	129	5,076	(189)	—
18	Arts, entertainment and recreation	1,738	14	10	1,738	(57)	—
19	Other services	993	18	16	993	(33)	—
20	Total	109,096	2,973	2,646	108,929	(3,186)	—

COVID-19 – Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

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, on loans and advances subject to moratoria.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							
			Performing			Non-performing				Performing			Non-performing			
				Of which: Exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)		Of which: Exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days			Of which: Exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)		Of which: Exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days	Gross Inflows to non-performing exposures
	31 December 2021	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Loans and advances subject to moratorium	**624**	**606**	**170**	**248**	**18**	**18**	**15**	**(22)**	**(20)**	**(14)**	**(18)**	**(2)**	**(2)**	**(1)**	**4**
2	*Of which: Households*	***42***	***40***	***13***	***18***	***2***	***2***	***2***	***(2)***	***(2)***	***(2)***	***(2)***	**—**	**—**	**—**	***2***
3	*Of which: Collateralised by residential immovable property*	***14***	***13***	***5***	***6***	***1***	***1***	***1***	***(1)***	***(1)***	***(1)***	***(1)***	**—**	**—**	**—**	***1***
4	*Of which: Non-financial corporations*	***575***	***559***	***157***	***229***	***16***	***16***	***13***	***(20)***	***(18)***	***(12)***	***(16)***	***(2)***	***(2)***	***(1)***	***2***
5	*Of which: Small and medium-sized enterprises*	***366***	***354***	***101***	***145***	***12***	***12***	***9***	***(12)***	***(10)***	***(6)***	***(9)***	***(2)***	***(2)***	***(1)***	***2***
6	*Of which: Collateralised by commercial immovable property*	***460***	***445***	***146***	***192***	***15***	***15***	***13***	***(17)***	***(15)***	***(11)***	***(13)***	***(2)***	***(2)***	***(1)***	***2***
	30 June 2021															
1	Loans and advances subject to moratorium	1,782	1,713	368	540	69	62	50	(79)	(66)	(30)	(32)	(13)	(9)	(8)	31
2	*Of which: Households*	*446*	*430*	*28*	*143*	*16*	*11*	*9*	*(23)*	*(17)*	*(3)*	*(13)*	*(6)*	*(4)*	*(3)*	*10*
3	*Of which: Collateralised by residential immovable property*	*277*	*272*	*7*	*57*	*5*	*3*	*5*	*(3)*	*(2)*	*(1)*	*(1)*	*(1)*	—	*(1)*	*1*
4	*Of which: Non-financial corporations*	*1,325*	*1,272*	*339*	*395*	*53*	*51*	*41*	*(56)*	*(49)*	*(26)*	*(19)*	*(7)*	*(5)*	*(5)*	*20*
5	*Of which: Small and medium-sized enterprises*	*777*	*746*	*217*	*247*	*31*	*31*	*21*	*(32)*	*(30)*	*(16)*	*(13)*	*(2)*	*(2)*	*(1)*	*4*
6	*Of which: Collateralised by commercial immovable property*	*986*	*938*	*249*	*291*	*48*	*48*	*36*	*(41)*	*(37)*	*(21)*	*(13)*	*(4)*	*(4)*	*(3)*	*20*

COVID-19 – Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

The table below shows gross carrying amount, on loans and advances subject to moratoria, by residential maturity.

		a	b	c	d	e	f	g	h	i
			Gross carrying amount							
						Residual maturity of moratoria				
	31 December 2021	Number of obligators	£m	Of which: Legislative moratoria £m	Of which: Expired £m	<= 3 months £m	> 3 months <= 6 months £m	> 6 months <= 9 months £m	> 9 months <= 12 months £m	> 1 year £m
1	Loans and advances for which moratorium was offered	**456,182**	**44,653**							
2	Loans and advances subject to moratorium (granted)	**455,524**	**44,541**	**—**	**43,917**	**189**	**183**	**117**	**69**	**66**
3	*Of which: Households*		***35,055***	**—**	***35,013***	***29***	***9***	***3***	***1***	**—**
4	*Of which: Collateralised by residential immovable property*		***33,498***	**—**	***33,484***	***11***	***3***	**—**	**—**	**—**
5	*Of which: Non-financial corporations*		***9,392***	**—**	***8,817***	***154***	***174***	***113***	***68***	***66***
6	*Of which: Small and medium-sized enterprises*		***5,597***	**—**	***5,231***	***106***	***82***	***87***	***51***	***40***
7	*Of which: Collateralised by commercial immovable property*		***5,560***	**—**	***5,100***	***124***	***133***	***100***	***56***	***47***

	30 June 2021									
1	Loans and advances for which moratorium was offered	457,279	48,955							
2	Loans and advances subject to moratorium (granted)	456,604	48,914	—	47,132	1,170	343	89	93	87
3	*Of which: Households*		*38,652*	—	*38,206*	*398*	*32*	*8*	*6*	*2*
4	*Of which: Collateralised by residential immovable property*		*36,898*	—	*36,621*	*269*	*2*	*1*	*3*	*2*
5	*Of which: Non-financial corporations*		*10,190*	—	*8,865*	*768*	*309*	*76*	*87*	*85*
6	*Of which: Small and medium-sized enterprises*		*6,152*	—	*5,375*	*470*	*180*	*50*	*57*	*20*
7	*Of which: Collateralised by commercial immovable property*		*6,226*	—	*5,240*	*596*	*189*	*63*	*59*	*79*

COVID-19 – Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The table below shows gross carrying amount, on newly originated loans and advances subject to public guarantee schemes.

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			Of which: Forborne	Public guarantees received	Inflows to non-performing exposures
	31 December 2021	**£m**	**£m**	**£m**	**£m**
1	Newly originated loans and advances subject to public guarantee schemes	**11,518**	**586**	**10,705**	**371**
2	*Of which: Households*	***1,981***			***105***
3	*Of which: Collateralised by residential immovable property*	***4***			**—**
4	*Of which: Non-financial corporations*	***9,451***	***546***	***8,691***	***266***
5	*Of which: Small and medium-sized enterprises*	***8,174***			***255***
6	*Of which: Collateralised by commercial immovable property*	***705***			***9***
	30 June 2021				
1	Newly originated loans and advances subject to public guarantee schemes	13,051	557	12,090	91
2	*Of which: Households*	*2,180*			*12*
3	*Of which: Collateralised by residential immovable property*	*4*			—
4	*Of which: Non-financial corporations*	*10,791*	*538*	*9,893*	*78*
5	*Of which: Small and medium-sized enterprises*	*9,199*			*64*
6	*Of which: Collateralised by commercial immovable property*	*1,027*			*18*

CR2_A: Changes in the stock of general and specific credit risk adjustments

The table below shows the drivers of movements in SCRA held against defaulted or impaired loans, debt securities and contingent liabilities. There is no general credit risk adjustment under NatWest Group's IFRS 9 framework. The table has been prepared on an accounting basis adjusted for regulatory consolidation.

		Accumulated SCRA £m
1	At 1 January 2021	**2,586**
2	Increases due to amounts set aside for estimated loan losses during the period	**1,108**
3	Decreases due to amounts reversed for estimated loan losses during the period	**(624)**
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(851)**
5	Transfers between credit risk adjustments	**—**
6	Impact of exchange rate differences	**(89)**
7	Business combinations, including acquisitions and disposals of subsidiaries	**(22)**
8	Other adjustments	**(82)**
9	At 31 December 2021	**2,026**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	**—**
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	**—**

CR2_B: Changes in the stock of defaulted and impaired loans and debt securities

The table below shows the drivers in movements in gross carrying value defaulted exposure held against loans and debt securities. It has been prepared on an accounting basis adjusted for regulatory consolidation.

	Gross carrying value defaulted exposure £m
At 1 January 2021	**6,358**
Loans and debt securities that have defaulted or impaired since the last reporting period	**3,021**
Returned to non-defaulted status	**(1,593)**
Amounts written-off	**(851)**
Other changes	**(1,917)**
At 31 December 2021	**5,018**

Risk profile by credit risk mitigation techniques

Recognition of credit risk mitigation in the calculation of RWAs

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 NatWest Group. 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.

Table CR3_a indicates how different risk mitigants are incorporated into IRB risk parameters.

CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation

Credit risk mitigation

NatWest Group 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 NatWest Group. 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 NatWest Group 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. NatWest Group 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

NatWest Group 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 NatWest Group can identify, locate, and segregate them from other assets on which it does not have a claim. NatWest Group 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 NatWest Group'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.
- Financial collateral – Refer to the Counterparty credit risk section on page 111.

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

The key sector where NatWest Group provides asset-backed lending is commercial real estate and residential mortgages. The valuation approach is detailed below.

Commercial real estate valuations – NatWest Group has an actively managed panel of chartered surveying firms that cover the spectrum of geography and property sectors in which NatWest Group takes collateral. Suitable 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. In the Republic of Ireland, assets are revalued in line with the Central Bank of Ireland threshold requirements, which permits indexation for lower value residential assets, but demands regular valuations for higher value assets.

Personal

NatWest Group takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. NatWest Group values residential property individually during the loan underwriting process, either by obtaining an appraisal by a suitably qualified appraiser (for example, Royal Institution of Chartered Surveyors (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. NatWest Group updates residential property values quarterly using the relevant residential property index namely:

Region	Index used
UK (including Northern Ireland)	Office for National Statistics House Price Index
Republic of Ireland	Central Statistics Office Residential Property Price Index

For further information on credit risk mitigation, refer to Table CR3_a.

Counterparty credit risk

For information on how counterparty credit risk is managed and mitigated, refer to page 111.

CR3: IRB: Credit risk mitigation techniques by exposure class

The table below shows net carrying values of credit risk exposures analysed by use of different credit risk mitigation techniques, split by regulatory approach, balance sheet caption and exposure class, as required by the CRR. It excludes counterparty credit risk and securitisations.

The guidelines require net carrying values to be analysed by exposure values of the secured assets, irrespective of the level of collateralisation. Unsecured exposure represents loans that have no security or collateral attached

	a	c	d	e		
	Unsecured	Net carrying values secured by				
	net carrying value	Collateral	Guarantees	Credit derivatives	Total secured	Total
2021	£m	£m	£m	£m	£m	£m
IRB						
Central governments and central banks	58,432	452	2	—	454	58,886
Institutions	7,947	2,150	452	—	2,602	10,549
Corporates	97,951	69,725	5,683	1,433	76,841	174,792
Specialised lending	4,361	13,275	530	—	13,805	18,166
SME	3,680	13,483	1,975	—	15,458	19,138
Other corporate	89,910	42,967	3,178	1,433	47,578	137,488
Retail	38,722	198,084	7,560	—	205,644	244,366
Secured by real estate property - SME	—	1,128	19	—	1,147	1,147
- non-SME	—	196,956	—	—	196,956	196,956
Qualifying revolving	25,921	—	—	—	—	25,921
Other retail - SME	7,145	—	7,541	—	7,541	14,686
- non-SME	5,656	—	—	—	—	5,656
Equities	891	—	—	—	—	891
Non-credit obligation assets	5,648	—	—	—	—	5,648
Total IRB	209,591	270,411	13,697	1,433	285,541	495,132
Of which: Loans	62,596	236,157	12,001	—	248,158	310,754
Debt securities	22,918	—	—	—	—	22,918
Other assets	44,605	731	4	—	735	45,340
Off-balance sheet exposures	79,472	33,523	1,692	1,433	36,648	116,120
Defaulted	663	1,848	572	—	2,420	3,083
STD						
Central governments and central banks	158,303	—	1,397	—	1,397	159,700
Regional governments and local authorities	287	—	—	—	—	287
Multilateral development banks	457	—	—	—	—	457
Institutions	2,217	—	—	—	—	2,217
Corporates	6,775	889	982	—	1,871	8,646
Retail	6,394	146	86	—	232	6,626
Secured by mortgages on immovable property - residential	—	18,710	1	—	18,711	18,711
- commercial	—	2,721	17	—	2,738	2,738
Exposures in default	467	3	22	—	25	492
Covered bonds	121	—	—	—	—	121
Equity exposures	612	—	—	—	—	612
Other exposures	848	—	—	—	—	848
Total STD	176,481	22,469	2,505	—	24,974	201,455
Of which: Loans	10,675	20,941	1,652	—	22,593	33,268
Debt securities	18,592	—	—	—	—	18,592
Other assets	140,040	—	—	—	—	140,040
Off-balance sheet exposures	7,174	1,528	853	—	2,381	9,555
Defaulted	467	3	22	—	25	492
Total IRB and STD	386,072	292,880	16,202	1,433	310,515	696,587
Total: Loans	73,271	257,098	13,653	—	270,751	344,022
Debt securities	41,510	—	—	—	—	41,510
Other assets	184,645	731	4	—	735	185,380
Off-balance sheet exposures	86,646	35,051	2,545	1,433	39,029	125,675
Defaulted	1,130	1,851	594	—	2,445	3,575

CR3: IRB: Credit risk mitigation techniques by exposure class continued

	a	c	d	e		
	Unsecured	Net carrying values secured by				
	net carrying value	Collateral	Guarantees	Credit derivatives	Total secured	Total
2020	£m	£m	£m	£m	£m	£m
IRB						
Central governments and central banks	57,563	188	973	—	1,161	58,724
Institutions	7,530	2,009	601	—	2,610	10,140
Corporates	100,873	74,253	4,436	2,078	80,767	181,640
Specialised lending	3,577	15,859	495	—	16,354	19,931
SME	3,685	14,225	1,890	—	16,115	19,800
Other corporate	93,611	44,169	2,051	2,078	48,298	141,909
Retail	38,566	187,969	8,195	—	196,164	234,730
Secured by real estate property - SME	—	1,141	18	—	1,159	1,159
- non-SME	—	186,828	—	—	186,828	186,828
Qualifying revolving	25,383	—	—	—	—	25,383
Other retail - SME	7,362	—	8,177	—	8,177	15,539
- non-SME	5,821	—	—	—	—	5,821
Equities	680	—	—	—	—	680
Non-credit obligation assets	5,380	—	—	—	—	5,380
Total IRB	210,592	264,419	14,205	2,078	280,702	491,294
Of which: Loans	61,186	231,006	11,899	3	242,908	304,094
Debt securities	26,191	—	—	—	—	26,191
Other assets	39,751	707	3	—	710	40,461
Off-balance sheet exposures	83,464	32,706	2,303	2,075	37,084	120,548
Defaulted	1,126	2,435	82	—	2,517	3,643
STD						
Central governments and central banks	115,714	—	—	—	—	115,714
Regional governments and local authorities	304	—	—	—	—	304
Multilateral development banks	420	—	—	—	—	420
Institutions	462	—	—	—	—	462
Corporates	8,173	946	296	—	1,242	9,415
Retail	6,255	307	—	—	307	6,562
Secured by mortgages on immovable property - residential	—	18,275	—	—	18,275	18,275
- commercial	—	2,984	40	—	3,024	3,024
Exposures in default	467	—	—	—	—	467
Covered bonds	124	—	—	—	—	124
Equity exposures	649	—	—	—	—	649
Other exposures	2,083	—	—	—	—	2,083
Total STD	134,651	22,512	336	—	22,848	157,499
Of which: Loans	10,504	20,406	313	—	20,719	31,223
Debt securities	24,559	—	—	—	—	24,559
Other assets	92,243	72	—	—	72	92,315
Off-balance sheet exposures	7,345	2,034	23	—	2,057	9,402
Defaulted	467	—	—	—	—	467
Total IRB and STD	345,243	286,931	14,541	2,078	303,550	648,793
Total: Loans	71,690	251,412	12,212	3	263,627	335,317
Debt securities	50,750	—	—	—	—	50,750
Other assets	131,994	779	3	—	782	132,776
Off-balance sheet exposures	90,809	34,740	2,326	2,075	39,141	129,950
Defaulted	1,593	2,435	82	—	2,517	4,110

CR3_a: IRB: Credit risk mitigation – incorporation within IRB parameters

	LGD	PD	EAD
Real estate (commercial and residential)	√		
Other physical collateral	√		
Third party guarantees	√		
Credit derivatives	√		
Parental guarantees (connected parties)		√	
Financial collateral			
- trading book			√
- non-trading book	√		
Netting (on and off-balance sheet)			√
Receivables	√		
Life policies	√		
Credit insurance	√		

CR7: IRB: 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 IRB exposure class. The table excludes counterparty credit risk and securitisations.

	2021		2020	
	a	b	a	b
Exposures under IRB	Pre-credit derivatives RWAs £m	Actual RWAs £m	Pre-credit derivatives RWAs £m	Actual RWAs £m
Central governments and central banks	**2,851**	**2,851**	3,382	3,381
Institutions	**2,205**	**2,205**	2,247	2,247
Corporates - SMEs	**6,511**	**6,511**	7,355	7,355
Corporates - Specialised lending	**10,878**	**10,878**	12,053	12,053
Corporates - Other	**38,233**	**38,124**	44,402	44,266
Retail - Secured by real estate SMEs	**383**	**383**	398	398
Retail - Secured by real estate non-SMEs	**17,236**	**17,236**	17,134	17,135
Retail - Qualifying revolving	**4,550**	**4,550**	4,731	4,731
Retail - Other SMEs	**3,794**	**3,794**	3,768	3,768
Retail - Other non-SMEs	**6,448**	**6,448**	7,028	7,028
Equity IRB	**1,928**	**1,928**	1,530	1,530
Other non-credit obligation assets	**4,462**	**4,462**	4,136	4,137
Total	**99,479**	**99,370**	108,164	108,029

NatWest Group profile by RWA calculation approach

NatWest Group uses the PD/LGD slotting and standardised approaches to calculate RWAs for credit risk exposures.

IRB approach: PD/LGD

CR6_a: IRB: Exposures by exposure class and PD range – Retail

The table below shows the key parameters used to calculate MCR for credit risk exposures in Retail exposure classes under the IRB approach, split by PD range. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty credit risk and securitisations. A maturity adjustment is not a component of the IRB RWA formula for retail exposures and is therefore not reported in this table. Original on-balance sheet gross exposure includes SCRA.

In accordance with regulatory requirements, for defaulted exposures, RWAs are calculated as the difference between the LGD for an economic downturn and the best estimate LGD. This is the unexpected loss amount for which capital must be held. Retail EAD models estimate EAD directly, so CCFs are not reported in this table for retail exposure classes.

	a	b	d	e	f	g	i	l	j	k	l
2021	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL Provisions £m
Retail - Secured by real estate SME	0.00 to <0.15	—	—	—	0.14	1	72	—	—	—	—
Retail - Secured by real estate SME	0.15 to <0.25	—	1	—	0.17	69	60	—	—	—	—
Retail - Secured by real estate SME	0.25 to <0.50	—	83	54	0.31	5,678	62	15	28	—	1
Retail - Secured by real estate SME	0.50 to <0.75	61	2	63	0.63	1,322	30	14	22	—	—
Retail - Secured by real estate SME	0.75 to <2.50	684	37	707	1.19	9,539	21	176	25	2	6
Retail - Secured by real estate SME	2.50 to <10.0	230	2	232	4.77	2,507	23	138	59	3	5
Retail - Secured by real estate SME	10.0 to <100.00	42	—	42	25.32	457	18	32	77	2	2
Retail - Secured by real estate SME	100.00 (default)	30	—	31	100.00	498	23	8	26	7	11
Total - Retail - Secured by real estate SME		1,047	125	1,129	5.48	20,071	24	383	34	14	25
Retail - Secured by real estate non-SME	0.00 to <0.15	5,934	2,092	8,069	0.09	54,601	17	378	5	2	3
Retail - Secured by real estate non-SME	0.15 to <0.25	23,112	852	23,990	0.16	179,695	10	885	4	4	8
Retail - Secured by real estate non-SME	0.25 to <0.50	108,813	12,208	119,975	0.33	868,085	10	7,799	7	45	75
Retail - Secured by real estate non-SME	0.50 to <0.75	32,267	101	32,445	0.59	196,264	13	3,905	12	27	27
Retail - Secured by real estate non-SME	0.75 to <2.50	7,333	92	7,443	1.12	51,966	13	1,314	18	11	26
Retail - Secured by real estate non-SME	2.50 to <10.0	1,318	10	1,332	5.57	11,020	12	707	53	10	24
Retail - Secured by real estate non-SME	10.0 to <100.00	1,883	2	1,895	23.38	15,584	13	1,408	74	60	60
Retail - Secured by real estate non-SME	100.00 (default)	1,677	7	1,654	100.00	15,839	19	840	51	246	522
Total - Retail - Secured by real estate non-SME		182,337	15,364	196,803	1.47	1,393,054	11	17,236	9	405	745
Retail - Qualifying revolving	0.00 to <0.15	10	5,881	10,711	0.04	9,937,607	53	167	2	2	12
Retail - Qualifying revolving	0.15 to <0.25	193	390	603	0.17	424,973	66	39	7	1	5
Retail - Qualifying revolving	0.25 to <0.50	272	1,237	1,487	0.36	1,564,726	59	158	11	3	14
Retail - Qualifying revolving	0.50 to <0.75	789	5,997	1,656	0.60	1,534,182	68	306	18	7	18
Retail - Qualifying revolving	0.75 to <2.50	1,451	6,954	3,141	1.40	2,988,218	70	1,144	36	31	66
Retail - Qualifying revolving	2.50 to <10.0	1,677	811	2,229	4.57	1,112,717	74	1,973	89	76	148
Retail - Qualifying revolving	10.0 to <100.00	205	38	273	22.89	174,714	72	518	190	44	56
Retail - Qualifying revolving	100.00 (default)	250	280	256	100.00	300,227	83	245	95	194	196
Total - Retail - Qualifying revolving		4,847	21,588	20,356	2.38	18,037,364	60	4,550	22	358	515

CR6_a: IRB: Exposures by exposure class and PD range – Retail continued

		a	b	d	e	f	g	i	j	k	l
2021	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL Provisions £m
Retail - Other SME	0.00 to <0.15	—	77	136	0.14	19,371	72	24	18	—	—
Retail - Other SME	0.15 to <0.25	—	11	8	0.17	3,950	60	1	18	—	—
Retail - Other SME	0.25 to <0.50	—	861	885	0.32	387,953	63	249	28	2	5
Retail - Other SME	0.50 to <0.75	776	45	893	0.63	91,130	33	196	22	2	2
Retail - Other SME	0.75 to <2.50	8,078	352	8,609	1.24	542,942	22	1,709	20	25	37
Retail - Other SME	2.50 to <10.0	3,201	55	3,393	4.66	288,144	26	1,047	31	42	51
Retail - Other SME	10.0 to <100.00	754	10	775	25.47	52,437	24	328	42	42	28
Retail - Other SME	100.00 (default)	752	—	765	100.00	36,750	24	240	31	170	163
Total - Retail - Other SME		13,561	1,411	15,464	7.99	1,422,677	27	3,794	25	283	286
Retail - Other non-SME	0.00 to <0.15	—	—	—	0.13	4	71	—	—	—	—
Retail - Other non-SME	0.15 to <0.25	—	—	—	0.17	3	75	—	—	—	—
Retail - Other non-SME	0.25 to <0.50	38	—	39	0.36	6,864	74	18	47	—	—
Retail - Other non-SME	0.50 to <0.75	108	—	109	0.68	19,461	70	69	63	1	—
Retail - Other non-SME	0.75 to <2.50	3,967	—	4,059	1.44	575,602	72	3,578	88	43	114
Retail - Other non-SME	2.50 to <10.0	1,356	—	1,384	5.03	142,913	76	1,654	120	53	92
Retail - Other non-SME	10.0 to <100.00	395	—	395	25.21	47,592	77	701	177	77	46
Retail - Other non-SME	100.00 (default)	464	—	486	100.00	70,213	82	428	88	366	419
Total - Retail - Other non-SME		6,328	—	6,472	11.04	862,652	74	6,448	100	540	671
Total - Retail all portfolios		208,120	38,488	240,224	2.24	21,735,818	18	32,411	13	1,600	2,242

CR6_a: IRB: Exposures by exposure class and PD range – Retail continued

2020	PD Range %	b Original on-balance sheet gross exposure £m	d Off-balance sheet exposures pre CCF £m	e EAD post CRM and post CCF £m	f Average PD %	g Number of obligors	i Average LGD %	l RWAs £m	j RWA density %	k Expected loss £m	l IFRS 9 ECL Provisions £m
Retail - Secured by real estate SME	0.00 to <0.15	—	77	48	0.14	4,965	62	7	16	—	—
Retail - Secured by real estate SME	0.15 to <0.25	—	10	7	0.15	373	58	1	16	—	—
Retail - Secured by real estate SME	0.25 to <0.50	—	17	12	0.31	1,678	66	3	28	—	—
Retail - Secured by real estate SME	0.50 to <0.75	50	2	52	0.69	890	37	13	25	—	—
Retail - Secured by real estate SME	0.75 to <2.50	710	30	728	1.30	9,763	41	272	37	4	5
Retail - Secured by real estate SME	2.50 to <10.0	205	9	211	4.67	2,677	31	76	36	3	5
Retail - Secured by real estate SME	10.0 to <100.00	47	—	48	21.24	583	8	7	14	1	6
Retail - Secured by real estate SME	100.00 (default)	27	—	28	100.00	554	44	19	69	10	9
Total - Retail - Secured by real estate SME		1,039	145	1,134	5.06	21,483	39	398	35	18	25
Retail - Secured by real estate non-SME	0.00 to <0.15	47,759	3,526	51,360	0.13	386,040	11	1,672	3	8	17
Retail - Secured by real estate non-SME	0.15 to <0.25	4,788	192	4,998	0.16	62,173	10	193	4	1	4
Retail - Secured by real estate non-SME	0.25 to <0.50	91,532	10,205	100,901	0.33	708,521	11	6,889	7	39	62
Retail - Secured by real estate non-SME	0.50 to <0.75	18,214	84	18,366	0.61	121,257	18	3,148	17	22	69
Retail - Secured by real estate non-SME	0.75 to <2.50	5,513	99	5,629	1.18	40,626	13	1,047	19	9	25
Retail - Secured by real estate non-SME	2.50 to <10.0	1,315	17	1,336	6.28	10,944	12	606	45	11	27
Retail - Secured by real estate non-SME	10.0 to <100.00	2,547	4	2,567	27.14	20,394	14	2,146	84	100	162
Retail - Secured by real estate non-SME	100.00 (default)	1,993	9	1,960	100.00	18,347	21	1,434	73	291	603
Total - Retail - Secured by real estate non-SME		173,661	14,136	187,117	1.78	1,368,302	12	17,135	9	481	969
Retail - Qualifying revolving	0.00 to <0.15	38	5,743	10,217	0.04	9,527,894	53	168	2	2	10
Retail - Qualifying revolving	0.15 to <0.25	131	215	346	0.22	121,526	65	27	8	—	4
Retail - Qualifying revolving	0.25 to <0.50	650	5,098	2,133	0.38	2,210,312	64	258	12	5	23
Retail - Qualifying revolving	0.50 to <0.75	409	3,291	1,260	0.62	1,353,320	63	222	18	5	24
Retail - Qualifying revolving	0.75 to <2.50	1,455	5,825	3,135	1.37	2,993,796	69	1,109	35	30	100
Retail - Qualifying revolving	2.50 to <10.0	1,639	640	2,285	4.59	1,274,937	73	2,005	88	77	203
Retail - Qualifying revolving	10.0 to <100.00	279	67	359	21.60	208,705	72	674	188	56	82
Retail - Qualifying revolving	100.00 (default)	279	286	284	100.00	326,941	83	268	94	216	216
Total - Retail - Qualifying revolving		4,880	21,165	20,019	2.65	18,017,431	60	4,731	24	391	662

CR6_a: IRB: Exposures by exposure class and PD range – Retail continued

		a	b	d	e	f	g	i	j	k	l
2020	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL Provisions £m
Retail - Other SME	0.00 to <0.15	—	866	825	0.13	278,018	64	128	16	1	4
Retail - Other SME	0.15 to <0.25	—	60	81	0.15	13,461	58	13	16	—	—
Retail - Other SME	0.25 to <0.50	7	266	407	0.33	244,692	66	120	30	1	3
Retail - Other SME	0.50 to <0.75	487	37	590	0.68	76,853	42	169	29	2	3
Retail - Other SME	0.75 to <2.50	3,672	291	4,117	1.39	346,021	45	1,716	42	27	43
Retail - Other SME	2.50 to <10.0	7,035	74	7,254	6.92	325,841	11	984	14	42	44
Retail - Other SME	10.0 to <100.00	2,756	10	2,807	21.41	117,978	8	386	14	46	58
Retail - Other SME	100.00 (default)	288	—	297	100.00	20,204	58	252	85	156	154
Total - Retail - Other SME		14,245	1,604	16,378	8.94	1,423,068	25	3,768	23	275	309
Retail - Other non-SME	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—
Retail - Other non-SME	0.15 to <0.25	—	—	—	0.19	77	75	—	—	—	—
Retail - Other non-SME	0.25 to <0.50	61	—	63	0.37	9,023	74	30	47	—	—
Retail - Other non-SME	0.50 to <0.75	97	—	99	0.67	15,773	69	63	64	1	1
Retail - Other non-SME	0.75 to <2.50	4,144	—	4,229	1.42	593,584	72	3,870	92	51	125
Retail - Other non-SME	2.50 to <10.0	1,301	—	1,323	5.08	134,356	76	1,638	124	59	131
Retail - Other non-SME	10.0 to <100.00	537	—	520	29.49	69,177	77	1,037	200	138	122
Retail - Other non-SME	100.00 (default)	425	—	444	100.00	65,404	82	390	88	334	365
Total - Retail - Other non-SME		6,565	—	6,678	10.87	887,394	74	7,028	105	583	744
Total - Retail all portfolios		200,390	37,050	231,326	2.64	21,717,678	19	33,060	14	1,748	2,709

CR6_b: IRB: Exposures by exposure class and PD range – Wholesale

The table below shows the key parameters used to calculate MCR for credit risk exposures in Wholesale exposure classes under the IRB approach, split by PD range. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty risk and securitisations. The average maturity used in the RWA calculation is capped at five years in accordance with regulatory requirements. The corporates – specialised lending exposure class includes only exposures modelled under the PD/LGD method (relating to shipping). For specialised lending exposures under the supervisory slotting approach, refer to CR10. Original on-balance sheet gross exposure includes SCRA.

2021	PD Range %	a Original on-balance sheet gross exposure £m	b Off-balance sheet exposures pre CCF £m	c Average CCF %	d EAD post CRM and post CCF £m	e Average PD %	f Number of obligors	g Average LGD %	h Average maturity years	i RWAs £m	j RWA density %	k Expected loss £m	l IFRS 9 ECL provisions £m
Central governments and central banks	0.00 to <0.15	57,989	223	39	58,128	0.01	61	45	1.13	2,698	5	3	2
Central governments and central banks	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	0.25 to <0.50	277	—	—	277	0.32	2	56	1.18	153	55	—	—
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	2.50 to <10.0	—	—	—	—	2.50	—	50	4.99	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	2	—	—	2	100.00	1	7	1.00	—	—	—	2
Total - Central governments and central banks		58,268	223	39	58,407	0.02	64	45	1.13	2,851	5	3	4
Institutions	0.00 to <0.15	4,580	659	83	5,024	0.10	235	40	1.41	1,038	21	2	—
Institutions	0.15 to <0.25	2,417	371	34	2,549	0.18	109	36	1.80	943	37	2	2
Institutions	0.25 to <0.50	526	21	31	534	0.35	54	15	2.38	128	24	—	—
Institutions	0.50 to <0.75	31	15	43	37	0.64	15	46	2.63	41	109	—	—
Institutions	0.75 to <2.50	34	15	36	39	1.18	25	36	2.00	31	81	—	—
Institutions	2.50 to <10.0	13	3	67	15	3.02	106	54	1.07	23	148	—	—
Institutions	10.0 to <100.00	—	1	20	—	28.90	6	60	1.17	1	332	—	—
Institutions	100.00 (default)	—	—	—	—	100.00	1	50	1.00	—	—	—	—
Total - Institutions		7,601	1,085	64	8,198	0.16	551	37	1.60	2,205	27	4	2
Corporates - Specialised lending	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.75 to <2.50	—	—	100	—	1.81	1	1	5.00	—	—	—	—
Corporates - Specialised lending	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	100.00 (default)	—	—	—	—	100.00	1	90	1.00	—	—	—	—
Total - Corporates - Specialised lending		—	—	100	—	54.29	2	49	2.86	—	—	—	—

CR6_b: IRB: Exposures by exposure class and PD range – Wholesale continued

2021	PD Range %	a Original on-balance sheet gross exposure £m	b Off-balance sheet exposures pre CCF £m	c Average CCF %	d EAD post CRM and post CCF £m	e Average PD %	f Number of obligors	g Average LGD %	h Average maturity years	i RWAs £m	j RWA density %	k Expected loss £m	l IFRS 9 ECL provisions £m
Corporates - SME	0.00 to <0.15	30	2	79	32	0.11	51	37	3.78	7	24	—	—
Corporates - SME	0.15 to <0.25	483	175	59	586	0.21	1,545	25	3.38	112	19	—	1
Corporates - SME	0.25 to <0.50	2,871	1,000	53	3,408	0.40	6,104	23	3.28	855	25	3	21
Corporates - SME	0.50 to <0.75	2,401	707	47	2,739	0.64	3,810	23	2.74	785	29	4	25
Corporates - SME	0.75 to <2.50	5,803	1,827	47	6,676	1.29	9,185	21	2.87	2,630	39	18	107
Corporates - SME	2.50 to <10.0	2,740	563	50	3,040	3.46	3,852	21	2.78	1,301	43	22	158
Corporates - SME	10.0 to <100.00	284	31	49	302	15.33	467	23	2.66	232	77	10	35
Corporates - SME	100.00 (default)	452	41	31	467	100.00	1,062	46	2.35	589	126	178	209
Total - Corporates - SME		15,064	4,346	49	17,250	4.27	26,076	23	2.92	6,511	38	235	556
Corporates - Other	0.00 to <0.15	30,303	40,361	44	47,989	0.06	2,497	42	2.76	9,983	21	11	10
Corporates - Other	0.15 to <0.25	6,494	8,835	42	10,153	0.18	1,300	39	2.45	3,887	38	7	10
Corporates - Other	0.25 to <0.50	5,545	7,144	46	8,713	0.38	2,624	39	2.39	4,694	54	11	47
Corporates - Other	0.50 to <0.75	3,825	2,747	44	4,982	0.64	2,137	33	2.70	3,114	63	10	20
Corporates - Other	0.75 to <2.50	10,148	7,178	45	13,276	1.34	9,460	30	2.43	9,765	74	52	119
Corporates - Other	2.50 to <10.0	4,814	2,404	48	5,906	3.57	4,411	29	2.35	5,452	92	60	172
Corporates - Other	10.0 to <100.00	860	167	47	936	15.11	565	24	1.92	1,070	114	32	71
Corporates - Other	100.00 (default)	431	85	39	446	100.00	675	45	2.17	159	36	194	261
Total - Corporates - Other		62,420	68,921	44	92,401	1.18	23,669	38	2.60	38,124	41	377	710
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.75 to <2.50	161	—	—	161	1.25	10	90	5.00	520	323	2	—
Equities	2.50 to <10.0	4	3	100	7	2.50	7	90	5.00	23	346	—	—
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Equities	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Equities		165	3	100	168	1.31	17	90	5.00	543	324	2	—
Total - Wholesale all portfolios		143,518	74,578	45	176,424	1.05	50,379	39	2.10	50,234	28	621	1,272

CR6_b: IRB: Exposures by exposure class and PD range – Wholesale continued

		a	b	c	d	e	f	g	h	i	j	k	l
2020	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL provisions £m
Central governments and central banks	0.00 to <0.15	57,175	1,151	57	57,879	0.01	62	45	1.45	3,240	6	4	4
Central governments and central banks	0.15 to <0.25	—	—	100	—	0.23	2	19	1.00	—	—	—	—
Central governments and central banks	0.25 to <0.50	271	—	—	271	0.32	2	53	1.12	141	52	—	—
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	2.50 to <10.0	—	—	—	—	2.50	—	50	4.99	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	2	—	—	2	100.00	1	7	1.00	—	—	—	1
Total - Central governments and central banks		57,448	1,151	57	58,152	0.02	67	45	1.45	3,381	6	4	5
Institutions	0.00 to <0.15	3,761	820	85	4,339	0.10	248	39	1.76	930	21	2	2
Institutions	0.15 to <0.25	2,594	337	38	2,730	0.19	110	37	1.42	939	34	2	19
Institutions	0.25 to <0.50	754	60	39	778	0.39	48	17	3.42	283	36	1	3
Institutions	0.50 to <0.75	7	43	41	25	0.64	15	54	2.17	29	117	—	—
Institutions	0.75 to <2.50	40	17	31	45	1.44	31	39	2.34	43	94	—	1
Institutions	2.50 to <10.0	16	—	67	16	3.05	35	47	1.02	21	129	—	—
Institutions	10.0 to <100.00	—	1	20	1	29.30	66	60	1.99	2	299	—	—
Institutions	100.00 (default)	—	—	—	—	100.00	1	50	1.00	—	—	—	—
Total - Institutions		7,172	1,278	68	7,934	0.18	554	36	1.81	2,247	28	5	25
Corporates - Specialised lending	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.75 to <2.50	—	—	100	—	1.81	2	1	5.00	—	—	—	—
Corporates - Specialised lending	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	100.00 (default)	4	1	101	4	100.00	3	40	4.12	—	—	2	1
Total - Corporates - Specialised lending		4	1	101	4	97.48	5	39	4.14	—	—	2	1

CR6_b: IRB: Exposures by exposure class and PD range – Wholesale continued

		a	b	c	d	e	f	g	h	i	j	k	l
2020	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL provisions £m
Corporates - SME	0.00 to <0.15	28	4	88	31	0.11	47	35	4.00	7	24	—	—
Corporates - SME	0.15 to <0.25	486	206	70	630	0.21	1,555	30	3.37	157	25	—	6
Corporates - SME	0.25 to <0.50	2,705	821	54	3,149	0.41	6,052	22	3.25	726	23	3	50
Corporates - SME	0.50 to <0.75	2,231	739	52	2,616	0.64	4,135	23	3.12	797	30	4	58
Corporates - SME	0.75 to <2.50	6,340	2,182	45	7,341	1.30	11,076	23	2.99	3,085	42	22	283
Corporates - SME	2.50 to <10.0	2,752	879	44	3,157	3.65	4,542	21	2.77	1,398	44	25	223
Corporates - SME	10.0 to <100.00	407	73	50	449	13.88	728	22	2.64	320	71	14	65
Corporates - SME	100.00 (default)	530	53	24	546	100.00	1,241	41	2.46	865	158	227	232
Total - Corporates - SME		15,479	4,957	48	17,919	4.74	29,376	23	3.01	7,355	41	295	917
Corporates - Other	0.00 to <0.15	27,170	40,767	44	45,037	0.06	2,333	43	2.81	10,503	23	11	21
Corporates - Other	0.15 to <0.25	6,317	10,225	43	10,660	0.19	1,531	41	2.59	4,507	42	8	25
Corporates - Other	0.25 to <0.50	5,723	8,186	43	9,112	0.38	2,655	41	2.37	5,168	57	13	63
Corporates - Other	0.50 to <0.75	3,911	2,592	44	5,015	0.64	2,189	35	2.50	3,185	64	11	59
Corporates - Other	0.75 to <2.50	11,398	7,560	47	14,916	1.34	11,117	33	2.60	12,186	82	65	382
Corporates - Other	2.50 to <10.0	6,548	3,150	44	7,778	3.56	5,450	30	2.10	7,331	94	85	314
Corporates - Other	10.0 to <100.00	688	247	49	808	14.74	823	27	2.34	1,078	133	33	104
Corporates - Other	100.00 (default)	979	339	42	1,119	100.00	681	44	1.83	308	28	499	517
Total - Corporates - Other		62,734	73,066	44	94,445	1.93	26,779	39	2.62	44,266	47	725	1,485
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.50 to <0.75	—	—	—	1	—	—	—	—	—	—	—	—
Equities	0.75 to <2.50	100	—	—	100	1.26	11	90	5.00	343	343	1	—
Equities	2.50 to <10.0	55	3	100	58	2.50	17	90	5.00	191	328	1	—
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Equities	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Equities		155	3	100	159	1.71	28	90	5.00	534	337	2	—
Total - Wholesale all portfolios		142,992	80,456	45	178,613	1.52	56,809	39	2.24	57,783	32	1,033	2,433

CR6_c: IRB: Geographical split of PD and LGD

The table below shows weighted-average PD and LGD for credit risk, analysed by geography, split by exposure class. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty credit risk and securitisations.

	Total		UK		RoI		Other Western Europe		US		Rest of World	
	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD
2021	%	%	%	%	%	%	%	%	%	%	%	%
Central governments and central banks	0.02	45	0.03	47	0.06	45	0.01	45	0.01	45	0.11	46
Institutions	0.16	37	0.24	22	0.15	45	0.12	27	0.13	45	0.17	44
Corporates	1.66	36	1.79	34	4.45	34	0.65	40	0.37	44	2.91	45
Specialised lending	*54.29*	*49*	—	—	—	—	—	—	—	—	*54.29*	*49*
SME	*4.27*	*23*	*3.95*	*23*	*9.73*	*26*	*1.85*	*17*	*0.64*	*5*	*24.73*	*42*
Other corporate	*1.18*	*38*	*1.24*	*36*	*2.86*	*37*	*0.65*	*40*	*0.37*	*44*	*2.83*	*45*
Retail	2.24	18	2.09	17	4.96	30	3.38	57	1.68	55	2.56	56
Secured by real estate property - SME	*5.48*	*24*	*5.46*	*24*	*5.55*	*25*	*18.29*	*18*	*3.63*	*24*	*11.74*	*23*
- non SME	*1.47*	*11*	*1.24*	*10*	*4.94*	*27*	—	—	—	—	—	—
Qualifying revolving	*2.38*	*60*	*2.38*	*60*	*3.14*	*72*	*1.93*	*58*	*1.30*	*56*	*1.58*	*57*
Other retail - SME	*7.99*	*27*	*8.06*	*25*	*5.45*	*72*	*10.41*	*29*	*3.75*	*33*	*7.69*	*29*
- non-SME	*11.04*	*74*	*11.07*	*74*	*8.48*	*73*	*31.04*	*76*	*24.03*	*76*	*26.58*	*77*
Equities	1.31	90	1.29	90	1.28	90	1.78	90	1.48	90	1.26	90
Total	1.74	27	2.00	22	3.86	34	0.19	43	0.16	45	1.08	46
2020												
Central governments and central banks	0.02	45	0.03	38	0.06	45	0.01	45	0.01	45	0.10	48
Institutions	0.18	36	0.23	28	0.15	45	0.13	28	0.17	43	0.22	49
Corporates	2.39	37	2.69	35	3.91	36	1.03	41	0.56	46	2.94	45
Specialised lending	*97.48*	*39*	—	—	—	—	—	—	—	—	*97.48*	*39*
SME	*4.74*	*23*	*4.43*	*23*	*9.53*	*33*	*77.76*	*45*	*6.92*	*17*	*28.22*	*37*
Other corporate	*1.93*	*39*	*2.24*	*38*	*2.61*	*37*	*0.98*	*41*	*0.56*	*46*	*2.64*	*46*
Retail	2.64	19	2.37	18	6.45	30	3.58	57	2.25	56	3.17	57
Secured by real estate property - SME	*5.06*	*39*	*5.05*	*39*	*6.74*	*20*	*5.11*	*27*	*8.36*	*31*	*14.27*	*35*
- non SME	*1.78*	*12*	*1.39*	*10*	*6.54*	*27*	—	—	—	—	—	—
Qualifying revolving	*2.65*	*60*	*2.65*	*60*	*3.29*	*72*	*1.95*	*58*	*1.52*	*57*	*2.18*	*57*
Other retail - SME	*8.94*	*25*	*9.05*	*24*	*5.66*	*72*	*7.64*	*32*	*4.53*	*37*	*6.01*	*37*
- non-SME	*10.87*	*74*	*10.92*	*74*	*7.89*	*73*	*36.32*	*75*	*34.26*	*79*	*24.01*	*76*
Equities	1.71	90	1.72	90	1.28	90	1.79	90	1.67	90	1.70	90
Total	2.15	28	2.44	23	4.67	34	0.31	43	0.21	45	1.10	47

CR10: IRB: IRB specialised lending

The table below shows EAD post CRM (exposure amount) for IRB specialised lending exposures subject to the supervisory slotting approach (income producing real estate and project finance portfolios), analysed by type of lending and regulatory category. It excludes counterparty credit risk and securitisations. For specialised lending exposures under the PD/LGD method (relating to shipping), refer to CR6_b.

2021 Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	Risk-weight %	Exposure amount £m	RWAs £m	Expected loss £m
1 - Strong	Less than 2.5 years	3,795	834	50	4,277	2,061	—
	Equal to or more than 2.5 years	5,532	1,575	70	6,724	4,097	27
2 - Good	Less than 2.5 years	3,091	445	70	3,374	2,362	13
	Equal to or more than 2.5 years	1,476	244	90	1,671	1,438	13
3 - Satisfactory	Less than 2.5 years	353	5	115	357	411	10
	Equal to or more than 2.5 years	73	9	115	82	95	2
4 - Weak	Less than 2.5 years	119	—	250	119	297	10
	Equal to or more than 2.5 years	47	—	250	47	117	4
5 - Default	Less than 2.5 years	143	2	—	144	—	74
	Equal to or more than 2.5 years	184	3	—	185	—	93
Total	Less than 2.5 years	7,501	1,286		8,271	5,131	107
	Equal to or more than 2.5 years	7,312	1,831		8,709	5,747	139
2020							
1 - Strong	Less than 2.5 years	3,355	723	50	3,776	1,849	—
	Equal to or more than 2.5 years	5,999	1,536	70	7,157	4,481	29
2 - Good	Less than 2.5 years	3,801	453	70	4,146	2,903	17
	Equal to or more than 2.5 years	1,926	471	90	2,314	2,036	19
3 - Satisfactory	Less than 2.5 years	139	3	115	143	164	4
	Equal to or more than 2.5 years	185	5	115	189	218	5
4 - Weak	Less than 2.5 years	133	18	250	142	355	11
	Equal to or more than 2.5 years	18	1	250	19	47	2
5 - Default	Less than 2.5 years	401	11	—	413	—	207
	Equal to or more than 2.5 years	297	6	—	301	—	151
Total	Less than 2.5 years	7,829	1,208		8,620	5,271	239
	Equal to or more than 2.5 years	8,425	2,019		9,980	6,782	206

The table below shows EAD post CRM (exposure amount) for IRB equity exposures subject to the simple risk-weight approach. It excludes counterparty credit risk and securitisations.

2021	On-balance sheet amount £m	Off-balance sheet amount £m	Risk-weight %	Exposure amount £m	RWAs £m	Capital requirements £m
Exchange-traded equity exposures	—	—	290	—	—	—
Private equity exposures	656	64	190	719	1,369	110
Other equity exposures	4	—	370	4	16	1
Total	660	64	—	723	1,385	111
2020						
Exchange-traded equity exposures	—	—	290	—	—	—
Private equity exposures	420	100	190	520	991	80
Other equity exposures	1	—	370	1	5	—
Total	421	100	—	521	996	80

Standardised approach

Calculation of RWAs under the standardised approach

Under the standardised approach, risk-weights are assigned to exposures in accordance with the CRR. For corporates, sovereigns and financial institutions, NatWest Group uses risk-weights based on credit quality steps that are mapped from credit ratings issued by external rating agencies, namely Standard & Poor's (S&P), Moody's, Fitch and ARC.

Recognition of credit risk mitigation in the calculation of RWAs

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 NatWest Group. 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 and Table CR3_a indicates how different risk mitigants are incorporated into IRB risk parameters.

CR4: STD: Exposures 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.

		a	b	c	d	e	f
		Exposures pre CCF and CRM		Exposures post CCF and CRM			
		On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
	2021	£m	£m	£m	£m	£m	%
1	Central governments and central banks	**158,673**	**1,028**	**159,733**	**418**	**418**	**—**
2	Regional governments and local authorities	**25**	**258**	**24**	**—**	**5**	**21**
4	Multilateral development banks	**457**	**—**	**462**	**—**	**—**	**—**
6	Institutions	**2,187**	**30**	**2,221**	**—**	**437**	**20**
7	Corporates	**5,806**	**2,565**	**4,211**	**757**	**4,691**	**94**
8	Retail	**2,519**	**4,108**	**2,339**	**61**	**1,431**	**60**
9	Secured by mortgages on immovable property - residential	**17,295**	**1,415**	**17,202**	**252**	**6,125**	**35**
	- commercial	**2,641**	**98**	**2,621**	**40**	**2,577**	**97**
10	Exposures in default	**428**	**64**	**433**	**5**	**490**	**112**
11	Items associated with particularly high risk	**—**	**—**	**—**	**—**	**—**	**—**
12	Covered bonds	**120**	**—**	**122**	**—**	**24**	**20**
14	Equity exposures	**612**	**—**	**612**	**—**	**1,508**	**246**
16	Other exposures	**848**	**—**	**901**	**—**	**827**	**92**
17	Total	**191,611**	**9,566**	**190,881**	**1,533**	**18,533**	**10**
	2020						
1	Central governments and central banks	115,111	601	115,432	121	469	—
2	Regional governments and local authorities	2	272	2	—	1	61
4	Multilateral development banks	420	—	422	—	—	—
6	Institutions	411	50	455	—	83	18
7	Corporates	6,526	2,602	5,841	683	5,082	78
8	Retail	2,302	4,261	2,207	37	1,342	60
9	Secured by mortgages on immovable property - residential	16,933	1,342	16,934	296	6,285	36
10	- commercial	2,757	252	2,682	115	2,776	99
11	Exposures in default	429	38	458	4	532	115
12	Items associated with particularly high risk	—	—	—	—	—	—
13	Covered bonds	124	—	127	—	25	20
15	Equity exposures	649	—	649	—	1,597	246
16	Other exposures	2,083	—	2,179	—	1,529	70
17	Total	147,747	9,418	147,388	1,256	19,721	13

CR5a: STD: CQS mapping to external credit ratings

Under the STD approach, NatWest Group uses credit quality steps (CQS) to calculate the RWAs associated with non-counterparty credit risk exposures. Each rated exposure in the STD portfolio is assigned to one of six CQS. The CQS map to the rating of the four external rating agencies, as shown in the table below. Each CQS is associated with a particular risk-weighting. Each exposure is multiplied by the appropriate risk-weighting to calculate the relevant RWA amount. If no external rating is available, NatWest Group assigns the exposure a risk-weighting in line with the CRR.

Credit quality step	Standard & Poor's	Moody's	Fitch	ARC
Step 1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-
Step 2	A+ to A-	A1 to A3	A+ to A-	A+ to A-
Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-
Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB+ to BB-
Step 5	B+ to B-	B1 to B3	B+ to B-	B+ to B-
Step 6	CCC+ and below	Caa1 and below	CCC and below	CCC+ and below

CR5: STD: Credit risk exposure class and risk-weights

The table below shows credit risk EAD post CRM under the standardised approach by risk-weight, split by exposure class. It excludes counterparty credit risk and securitisations. Exposure classes with no exposure are excluded.

		Risk-weight																	Of which:
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150% (1)	250%	370%	1250%	Others	Deducted	Total	Unrated
	EAD post CRM	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	2021																		
1	Central governments and central banks	**159,984**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**167**	**—**	**—**	**—**	**—**	**160,151**	**168**
2	Regional governments and local authorities	**—**	**—**	**—**	**—**	**24**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**24**	**24**
3	Multilateral development banks	**462**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**462**	**—**
4	Institutions	**34**	**—**	**—**	**—**	**2,187**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,221**	**11**
5	Corporates	**2**	**—**	**—**	**—**	**158**	**—**	**37**	**—**	**—**	**4,752**	**1**	**—**	**—**	**—**	**18**	**—**	**4,968**	**1,663**
6	Retail	**—**	**—**	**—**	**—**	**346**	**2**	**—**	**—**	**2,050**	**—**	**2**	**—**	**—**	**—**	**—**	**—**	**2,400**	**—**
7	Secured by mortgages on immovable property																		
	- residential	**—**	**—**	**—**	**—**	**—**	**17,413**	**—**	**—**	**—**	**41**	**—**	**—**	**—**	**—**	**—**	**—**	**17,454**	**17,454**
	- commercial	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,661**	**—**	**—**	**—**	**—**	**—**	**—**	**2,661**	**2,626**
10	Exposures in default	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**334**	**104**	**—**	**—**	**—**	**—**	**—**	**438**	**438**
11	Items associated with particularly high risk	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
12	Covered bonds	**—**	**—**	**—**	**—**	**122**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**122**	**—**
14	Equity exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**15**	**—**	**597**	**—**	**—**	**—**	**—**	**612**	**597**
15	Other exposures	**3**	**—**	**—**	**—**	**68**	**—**	**25**	**—**	**—**	**800**	**—**	**—**	**—**	**—**	**5**	**—**	**901**	**901**
16	Total EAD post CRM	**160,485**	**—**	**—**	**—**	**2,905**	**17,415**	**62**	**—**	**2,050**	**8,603**	**107**	**764**	**—**	**—**	**23**	**—**	**192,414**	**23,882**
17	EAD pre CRM	**162,264**	**—**	**—**	**—**	**2,907**	**17,500**	**65**	**—**	**2,233**	**9,673**	**114**	**764**	**—**	**—**	**23**	**—**	**195,543**	**25,646**
	2020																		
1	Central governments and central banks	115,312	—	—	—	58	—	—	—	—	—	—	183	—	—	—	—	115,553	461
2	Regional governments and local authorities	—	—	—	—	1	—	—	—	—	1	—	—	—	—	—	—	2	2
3	Multilateral development banks	422	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	422	—
4	Institutions	43	—	—	—	412	—	—	—	—	—	—	—	—	—	—	—	455	11
5	Corporates	986	—	—	—	276	—	200	—	—	5,054	2	—	—	—	6	—	6,524	2,926
6	Retail	—	—	—	—	297	—	—	—	1,946	1	—	—	—	—	—	—	2,244	—
7	Secured by mortgages on immovable property																		
	- residential	1	—	—	—	—	16,799	—	—	62	368	—	—	—	—	—	—	17,230	17,230
	- commercial	3	—	—	—	—	—	—	—	—	2,764	27	—	—	—	3	—	2,797	2,797
10	Exposures in default	4	—	—	—	—	—	—	—	—	311	147	—	—	—	—	—	462	459
11	Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Covered bonds	—	—	—	—	127	—	—	—	—	—	—	—	—	—	—	—	127	—
14	Equity exposures	—	—	—	—	—	—	—	—	—	16	—	633	—	—	—	—	649	632
15	Other exposures	477	—	—	—	162	—	31	—	—	1,475	—	—	—	—	34	—	2,179	2,179
16	Total EAD post CRM	117,248	—	—	—	1,333	16,799	231	—	2,008	9,990	176	816	—	—	43	—	148,644	26,697
17	EAD pre CRM	117,025	—	—	—	1,364	16,799	231	—	2,107	10,912	176	815	—	—	82	—	149,511	27,215

(1) Relates to legacy assets.

Counterparty credit risk

CCRA: CCR: General qualitative information

Definition and framework

Counterparty credit risk relates to derivative contracts (including over-the-counter derivatives and exchange-traded derivatives), securities financing transactions (SFTs) and long settlement transactions in either the trading or the non-trading book. It is the risk of loss arising from a default of a counterparty before the final settlement of the transaction's cash flows, which vary in value by reference to a market factor, such as an interest rate, exchange rate or asset price.

Counterparty credit risk is covered by NatWest Group's credit risk framework. Refer to the Credit risk section in the 2021 NatWest Group ARA for more information.

A number of specific policies apply to derivatives including those transacted with central counterparties (CCPs) and SFTs. These include policies that address documentation and collateral requirements, product-specific requirements (for example, securities financing) and counterparty specific requirements (for example, hedge funds).

Counterparty credit limit setting

Counterparty credit limits are established through the credit risk management framework. Limits are based on the credit quality of the counterparty and the appetite for the maximum potential future exposure of transactions, based on 95th percentile confidence levels. The utilisations recorded against the limits also reflect the netting of transactions where legally enforceable and the anticipated close-out periods in the event of default.

For CCPs, utilisations are calculated using the same model as for other collateralised counterparties, and a credit limit is set. Limits are separately set to cover initial margin posted to the CCP, default fund contributions and other contingent liabilities. Stress testing is used to assess contingent liabilities such as additional default fund contributions.

Counterparty credit risk management

The credit policy framework governs counterparty credit risk management requirements. Industry standard documentation (for example, International Swaps and Derivatives Association master agreements for derivatives and Global Master Repurchase Agreements for SFTs) is typically executed with clients prior to trading. Exceptions to this require specific approval from a senior credit risk officer.

Where there is no legal certainty regarding the enforceability of netting, exposures are shown gross. Where netting and collateral enforceability criteria are not fulfilled, exposure is assumed to be uncollateralised. The framework also includes a formal escalation policy for counterparty collateral disputes and unpaid collateral calls.

Collateral required in the event of a credit rating downgrade

NatWest Group calculates the additional collateral and other liquidity impacts that would contractually arise in the event of its credit ratings being downgraded. This is undertaken on a daily basis for Treasury and liquidity management purposes.

As at 31 December 2021, a simultaneous one-notch long-term and associated short-term downgrade in the credit ratings of all rated entities within NatWest Group by all major ratings agencies would have required NatWest Group to post estimated additional collateral of £0.5 billion, without taking mitigating management actions into account. A two-notch downgrade would have required £2.0 billion.

Credit valuation adjustments (CVAs)

The counterparty exposure management team charges the relevant trading desk a credit premium at the inception of a trade, in exchange for taking on the credit risk over the life of the transaction. The team may then hedge the default risk using credit derivatives sourced from third party providers. CVA sensitivities may be hedged using a combination of credit derivatives, interest rate derivatives, foreign exchange derivatives and other instruments.

NatWest Group calculates a regulatory CVA capital charge. The purpose of this charge is to improve the resilience of banks to potential mark-to-market losses associated with deterioration in the creditworthiness of counterparties with which NatWest Group has transacted non-cleared derivative trades. Under CRR rules, the charge is calculated using either the advanced approach or the standardised approach. NWM Plc and NWM N.V. have regulatory approval to use an internal model to calculate counterparty credit risk capital and permission to use an internal value-at-risk model for the specific risk of debt instruments; therefore, the advanced approach is used where possible for these entities. For products that fall outside these model permissions, the standardised approach, which is based on the external credit rating of the counterparty, is used.

Wrong-way risk

Wrong-way risk represents the risk of loss that arises when the risk factors driving the exposure to a counterparty have a material positive correlation with the probability of default of that counterparty, i.e. the size of the exposure tends to increase at the same time as the risk of the counterparty being unable to meet that obligation increases.

In addition to its usual credit approval and credit authority policies, NatWest Group also manages its exposure to wrong-way risk through a dedicated policy that establishes a framework incorporating approvals, controls, limits and regular monitoring, where appropriate.

Under the framework, enhanced transaction approval is required and limits are set to constrain wrong-way risk arising through currency exposure to countries classified as high-risk under the internal Watchlist process. The reporting process includes a monthly review of wrong-way risks arising either from such currency exposure or through reverse repos, credit derivatives and equity trades.

The framework distinguishes between specific wrong-way risk (where the risk factor driving the exposure is specific to the counterparty) and general wrong-way risk (where the risk factor driving the exposure is not specific to the counterparty but still positively correlated with its probability of default, for instance country or currency related factors).

CCR1: CCR: Analysis of exposure by EAD calculation approach

The table below shows the methods used to calculate counterparty credit risk exposure and RWAs. It excludes CVA charges, securitisations and exposures cleared through a CCP.

		a	b	c	d	e	f	g
		Notional	Replacement cost/current market value	Potential future exposure	EEPE		EAD post-CRM	RWA
	2021	£m	£m	£m	£m	Multiplier	£m	£m
1	Mark-to-market	**n/a**	**5,090**	**1,881**	**n/a**	**n/a**	**2,707**	**1,236**
4	Internal model method (for derivatives and SFTs)	**n/a**	**n/a**	**n/a**	**7,985**	**1.4**	**11,179**	**4,100**
6	*of which: derivatives and long settlement transactions*	**n/a**	**n/a**	**n/a**	**7,985**	**1.4**	**11,179**	**4,100**
9	Financial collateral comprehensive method (for SFTs)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**4,435**	**622**
11	Total	**—**	**5,090**	**1,881**	**7,985**	**—**	**18,321**	**5,958**
	2020							
1	Mark-to-market	n/a	4,896	1,876	n/a	n/a	2,796	1,311
4	Internal model method (for derivatives and SFTs)	n/a	n/a	n/a	8,867	1.4	12,414	5,071
6	*of which: derivatives and long settlement transactions*	n/a	n/a	n/a	8,867	1.4	12,414	5,071
9	Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	n/a	4,025	599
11	Total	—	4,896	1,876	8,867	—	19,235	6,981

- The RWA decrease related to the IMM mainly reflected an overall reduction in exposure as well as the strengthening of sterling against the euro over the year.

IRB Approach PD & LGD approach

CCR4: CCR IRB: Exposures by portfolio and PD scale

The table below shows a detailed view of counterparty credit risk positions subject to the IRB approach by exposure class and PD scale. It excludes CVA charges, securitisations and exposures cleared through a CCP. Counterparty credit risk exposures are managed on a portfolio basis, hence, it is not meaningful to report valuation adjustments and provisions at the regulatory exposure class level.

		a	b	c	d	e	f	g
2021	PD scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs £m	RWA density %
Central governments and central banks	0.00 to <0.15	665	0.01	21	46	1.80	45	7
Central governments and central banks	0.15 to <0.25	—	0.23	1	45	5.00	—	—
Central governments and central banks	0.25 to <0.50	—	—	—	—	—	—	—
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	—	—	—	—	—	—	—
Central governments and central banks	2.50 to <10.00	—	—	—	—	—	—	—
Central governments and central banks	10.00 to <100.00	—	—	—	—	—	—	—
Central governments and central banks	100.00 (Default)	—	—	—	—	—	—	—
Total - Central governments and central banks		665	0.01	22	46	1.80	45	7
Institutions	0.00 to <0.15	1,996	0.09	107	45	2.21	596	30
Institutions	0.15 to <0.25	2,531	0.18	149	46	2.66	927	37
Institutions	0.25 to <0.50	404	0.38	88	47	3.09	202	50
Institutions	0.50 to <0.75	30	0.64	18	59	1.17	31	105
Institutions	0.75 to <2.50	25	1.51	33	54	1.33	31	122
Institutions	2.50 to <10.00	34	2.79	22	51	3.99	194	570
Institutions	10.00 to <100.00	—	—	—	—	—	—	—
Institutions	100.00 (Default)	—	—	—	—	—	—	—
Total - Institutions		5,020	0.19	417	46	2.51	1,981	39
Corporates - SME	0.00 to <0.15	—	—	—	—	—	—	—
Corporates - SME	0.15 to <0.25	1	0.20	24	54	1.02	—	24
Corporates - SME	0.25 to <0.50	8	0.40	137	43	2.57	3	41
Corporates - SME	0.50 to <0.75	4	0.64	82	35	2.47	2	41
Corporates - SME	0.75 to <2.50	15	1.06	207	34	1.48	6	43
Corporates - SME	2.50 to <10.00	5	3.68	50	38	2.02	3	68
Corporates - SME	10.00 to <100.00	—	10.24	2	25	1.00	—	65
Corporates - SME	100.00 (Default)	1	100.00	3	52	1.66	5	562
Total - Corporates - SME		34	3.85	505	38	1.94	19	59

CCR4: CCR IRB: Exposures by portfolio and PD scale continued

2021	PD scale	a EAD post CRM and post-CCF £m	b Average PD %	c Number of obligors	d Average LGD %	e Average maturity years	f RWAs £m	g RWA density %
Corporates - Specialised lending	Strong	603	—	185	—	4.21	325	54
Corporates - Specialised lending	Good	157	—	78	—	4.70	112	71
Corporates - Specialised lending	Satisfactory	86	—	11	—	4.54	99	115
Corporates - Specialised lending	Weak	5	—	3	—	2.12	11	250
Corporates - Specialised lending	Default	—	—	2	—	1.00	—	—
Total - Corporates - Specialised lending (1)		851	—	279	—	4.32	547	64
Corporates - Other	0.00 to <0.15	7,782	0.05	2,587	45	1.89	1,439	18
Corporates - Other	0.15 to <0.25	1,762	0.19	359	47	2.89	804	46
Corporates - Other	0.25 to <0.50	684	0.39	306	51	2.62	494	72
Corporates - Other	0.50 to <0.75	118	0.64	140	48	0.99	79	67
Corporates - Other	0.75 to <2.50	306	1.24	288	44	1.09	255	83
Corporates - Other	2.50 to <10.00	36	3.27	187	49	1.45	49	135
Corporates - Other	10.00 to <100.00	15	20.90	8	45	2.14	36	241
Corporates - Other	100.00 (Default)	1	100.00	3	28	1.39	—	—
Total - Corporates - Other		10,704	0.18	3,878	46	2.07	3,156	29
Total - Wholesale all portfolios		17,274	0.18	5,101	46	2.30	5,748	33

(1) For these specialised lending exposures, the supervisory slotting method is used to calculate RWAs, rather than the PD/LGD method.

CCR4: CCR IRB: Exposures by portfolio and PD scale continued

2020	PD scale	a EAD post CRM and post-CCF £m	b Average PD %	c Number of obligors	d Average LGD %	e Average maturity years	f RWAs £m	g RWA density %
Central governments and central banks	0.00 to <0.15	891	0.01	25	47	2.15	73	8
Central governments and central banks	0.15 to <0.25	—	0.23	1	45	5.00	—	—
Central governments and central banks	0.25 to <0.50	—	—	—	—	—	—	—
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	—	—	—	—	—	—	—
Central governments and central banks	2.50 to <10.00	—	—	—	—	—	—	—
Central governments and central banks	10.00 to <100.00	—	—	—	—	—	—	—
Central governments and central banks	100.00 (Default)	—	—	—	—	—	—	—
Total - Central governments and central banks		891	0.01	26	47	2.15	73	8
Institutions	0.00 to <0.15	1,966	0.09	120	45	2.31	633	32
Institutions	0.15 to <0.25	2,542	0.18	152	47	2.92	1,005	40
Institutions	0.25 to <0.50	554	0.38	94	48	2.77	291	53
Institutions	0.50 to <0.75	56	0.64	25	62	1.32	64	114
Institutions	0.75 to <2.50	39	1.21	44	53	2.09	48	123
Institutions	2.50 to <10.00	36	2.57	17	45	4.78	228	631
Institutions	10.00 to <100.00	—	—	—	—	—	—	—
Institutions	100.00 (Default)	—	—	—	—	—	—	—
Total - Institutions		5,193	0.20	452	46	2.67	2,269	44
Corporates - SME	0.00 to <0.15	—	—	—	—	—	—	—
Corporates - SME	0.15 to <0.25	10	0.18	23	45	1.56	3	27
Corporates - SME	0.25 to <0.50	11	0.40	157	37	1.83	4	32
Corporates - SME	0.50 to <0.75	6	0.64	109	38	2.42	3	43
Corporates - SME	0.75 to <2.50	22	1.38	219	35	1.54	9	49
Corporates - SME	2.50 to <10.00	5	3.71	86	29	1.96	3	56
Corporates - SME	10.00 to <100.00	—	14.42	6	43	1.00	—	133
Corporates - SME	100.00 (Default)	5	100.00	8	45	1.60	—	—
Total - Corporates - SME		59	9.84	608	38	1.73	22	38

CCR4: CCR IRB: Exposures by portfolio and PD scale continued

2020	PD scale	a EAD post CRM and post-CCF £m	b Average PD %	c Number of obligors	d Average LGD %	e Average maturity years	f RWAs £m	g RWA density %
Corporates - Specialised lending	Strong	676	—	203	—	3.79	373	55
Corporates - Specialised lending	Good	344	—	95	—	4.12	274	80
Corporates - Specialised lending	Satisfactory	23	—	18	—	4.03	26	115
Corporates - Specialised lending	Weak	1	—	3	—	1.26	2	250
Corporates - Specialised lending	Default	6	—	6	—	1.42	—	—
Total - Corporates - Specialised lending (1)		1,050	—	325	—	3.89	675	64
Corporates - Other	0.00 to <0.15	7,334	0.05	2,497	45	2.17	1,426	19
Corporates - Other	0.15 to <0.25	2,148	0.19	350	45	3.02	929	43
Corporates - Other	0.25 to <0.50	812	0.40	323	53	2.18	619	76
Corporates - Other	0.50 to <0.75	220	0.64	134	41	1.40	139	63
Corporates - Other	0.75 to <2.50	465	1.21	334	38	2.27	388	83
Corporates - Other	2.50 to <10.00	109	3.45	211	49	1.76	157	144
Corporates - Other	10.00 to <100.00	14	19.39	15	45	2.09	32	231
Corporates - Other	100.00 (Default)	3	100.00	8	47	1.21	—	—
Total - Corporates - Other		11,105	0.24	3,872	45	2.32	3,690	33
Total - Wholesale all portfolios		18,298	0.25	5,283	45	2.50	6,729	37

(1) For these specialised lending exposures, the supervisory slotting method is used to calculate RWAs, rather than the PD/LGD method.

- The RWA decrease in the Corporates - Other class reflected the reduction in exposure and a lower average PD.

CCR3: CCR STD: Exposures by regulatory portfolio and risk-weight

The table below shows risk-weight by exposure class.

		Risk-weight								Of which:
		0%	2%	20%	50%	75%	100%	150%	Total	Unrated
	Exposure class	£m	£m	£m	£m	£m	£m	£m	£m	£m
	2021									
1	Central governments and central banks	**601**	**—**	**—**	**—**	**—**	**—**	**—**	**601**	**—**
2	Regional government and local authorities	**35**	**—**	**18**	**—**	**—**	**—**	**—**	**53**	**—**
6	Institutions	**—**	**3,247**	**646**	**1**	**—**	**—**	**—**	**3,894**	**—**
7	Corporates	**—**	**—**	**76**	**71**	**—**	**98**	**—**	**245**	**1**
9	Exposures in default	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
11	Total	**636**	**3,247**	**740**	**72**	**—**	**98**	**—**	**4,793**	**1**
	2020									
1	Central governments and central banks	449	—	—	—	—	—	—	449	—
2	Regional government and local authorities	12	—	28	—	—	—	—	40	—
6	Institutions	—	2,819	310	—	—	—	—	3,129	—
7	Corporates	—	—	87	113	—	139	—	339	2
9	Exposures in default	—	—	—	—	—	—	1	1	—
11	Total	461	2,819	425	113	—	139	1	3,958	2

- The increase in the Institutions class was driven by an increase in exposure to qualifying central counterparties.

CCR2: CCR: Credit valuation adjustment capital charge

The table below shows the CVA charge split by approach.

		2021		2020	
		a	b	a	b
		Exposure amount	RWAs	Exposure amount	RWAs
		£m	£m	£m	£m
1	Total portfolios subject to the advanced CVA capital charge	**6,209**	**929**	6,024	1,184
2	(i) VaR component (including the multiplier)	**—**	**275**	—	406
3	(ii) Stressed VaR component (including the multiplier)	**—**	**654**	—	778
4	All portfolios subject to the standardised CVA capital charge	**1,480**	**438**	1,317	334
4	Based on original exposure method	**—**	**—**	—	—
5	Total	**7,689**	**1,367**	7,341	1,518

- For portfolios subject to the advanced charge, overall exposure increased. However, exposure to banks declined, resulting in a reduction in RWAs.
- For portfolios subject to the standardised charge, both exposures and RWAs increased.

CCR5_A: Impact of netting and collateral held on exposure values

The table below shows the effect of netting and collateral by exposure type.

		a	b	c	d	e
	2021	Gross positive fair value £m	Netting benefits £m	Netted current credit exposure £m	Collateral held (1) £m	Net credit exposure £m
1	Derivatives	115,429	92,977	22,452	17,103	5,349
2	SFTs	176,418	—	176,418	173,621	2,797
4	Total	291,847	92,977	198,870	190,724	8,146
	2020					
1	Derivatives	178,805	147,827	30,978	25,153	5,825
2	SFTs	168,803	—	168,803	165,717	3,086
4	Total	347,608	147,827	199,781	190,870	8,911

(1) Any excess collateral held is not included.

- The reduction in net credit exposure for derivatives was in line with the reduction in EAD seen in CCR1.

CCR6: CCR: Credit derivatives

As part of its strategy to manage credit risk concentrations, NatWest Group buys credit derivative products. The counterparties from which this protection is bought are subject to standard credit risk analysis. Eligibility criteria apply: credit protection bought from the same counterparty group as the reference entity is not eligible in cases where double default applies under the relevant regulation. The table below presents credit derivatives bought and sold by notional and fair values.

	2021		2020	
	a	b	a	b
Notionals	Protection bought £m	Protection sold £m	Protection bought £m	Protection sold £m
Single-name credit default swaps	3,634	2,456	4,254	2,883
Index credit default swaps	3,697	695	3,329	641
Total return swaps	150	150	150	150
Other credit derivatives	2,000	—	2,000	—
Total notionals	9,481	3,301	9,733	3,674
Of which: Own credit portfolio - notionals (1)	53	—	52	—
Fair values				
Positive fair value (asset)	91	62	50	62
Negative fair value (liability)	(195)	(93)	(221)	(50)

(1) Own credit portfolio consists of trades held in the regulatory banking book used for hedging and credit management. Fair values are not material. Intermediation activities cover all other credit derivatives.

CCR8: CCR: Exposures (EAD post CRM) to central counterparties

The table below shows counterparty credit risk exposures to CCPs including default fund contributions. A qualifying CCP (QCCP) means a CCP that has been either authorised or recognised in accordance with the relevant regulation.

		2021		2020	
		a	b	a	b
		EAD post-CRM £m	RWA £m	EAD post-CRM £m	RWA £m
1	Exposures to QCCPs (total)	4,143	322	3,244	182
2	Exposures for trades at QCCPs (excluding OTC initial margin and default fund contributions)	3,745	165	3,010	97
	Of which:				
3	*(i) OTC derivatives*	*1,429*	*118*	*967*	*56*
4	*(ii) Exchange-traded derivatives including initial margin*	*267*	*6*	*395*	*8*
5	*(iii) Securities financing transactions*	*2,049*	*41*	*1,648*	*33*
8	Non-segregated initial margin	—	—	11	—
9	Pre-funded default fund contributions	398	157	223	85

- Exposures to qualifying CCPs increased, as noted under CCR3. RWAs thus also increased.

Market risk

Market risk

MRA: MR: Qualitative information related to market risk

Definition and framework

Within trading books, traded market risk is the risk arising from changes in fair value on positions, assets, liabilities or commitments as a result of fluctuations in market prices.

The majority of traded market risk exposure arises from trading activities in NatWest Markets. The primary objective of these activities is to provide a range of financing, risk management and investment services to clients – including major corporations and financial institutions around the world. From a market risk perspective, activities are primarily focused on: currencies; rates; securitised products; and traded credit.

Apart from NWM Plc, NWM N.V. and NWM Securities Inc. are the major contributors to market risk capital requirements in NatWest Group. NWM N.V. and NWM Securities Inc. are not currently considered large subsidiaries of NatWest Group for CRR purposes and therefore values for these entities are not shown separately.

Market risk governance and management

Responsibility for identifying, measuring, monitoring and controlling market risk arising from trading activities lies with the relevant trading business. Oversight is provided by the Traded Market Risk function.

For more information on the governance and management, mitigation, monitoring and reporting of traded market risk as well as disclosures relating to non-traded market risk, refer to the Market risk section of the 2021 NatWest Group ARA. Information on traded market risk stress-testing is provided in the Risk management framework section of the 2021 ARA.

MRB_A: MR: Qualitative information – position risk

Inclusion of exposures in trading book

The Trading Book Policy sets out the principles and criteria for identifying and classifying trading book positions for the purpose of regulatory capital and market risk and credit risk measurement. The policy also stipulates the control requirements for the management and regular monitoring of the trading book status of positions and the procedures for escalation where necessary. Key criteria for determining trading book status set within the policy include considerations such as whether positions are transferable or comprise hedgeable financial instruments held with the intent to trade or in a hedging relationship with other trading book positions.

Trading book positions must be valued by marking them to market or to model on a daily basis. They are subject to market risk-based rules, with market risk capital requirements calculated either by using internal models where regulatory approval has been received or otherwise by using the non-modelled, or standardised, approach. Where the criteria set out in the policy are not met, positions are classified as non-trading book exposure and capitalised as outlined on page 121.

MRB_B: MR: Qualitative disclosure on use of internal model approach

Calculation of market risk capital requirements

NatWest Group uses two broad methodologies to calculate its market risk capital charge: (i) the standardised approach, whereby regulator-prescribed rules are applied, and (ii) the internal model approach (IMA), where, subject to regulatory approval, the internal model is used to calculate the capital charge.

NatWest Group has IMA permission from the PRA for NWM Plc and NWM N.V. on a consolidated basis and from the DNB for NWM N.V..

Under the IMA, the following measures are used to calculate the capital charge: VaR, stressed VaR (SVaR), the incremental risk charge (IRC) and Risks Not In VaR (RNIVs). NatWest Group does not use the comprehensive risk measure.

Regulatory VaR

VaR is a statistical estimate of the potential change in the market value of a portfolio (and, thus, the impact on the income statement) over a specified time horizon at a given confidence level. NatWest Markets uses an approximate revaluation approach in calculating VaR and SVaR.

The regulatory VaR model is based on a historical simulation, utilising market data from the previous 500 days on an equally weighted basis. It assumes a time horizon to hedge or liquidate of ten trading days and a confidence level of 99%.

In contrast with internal VaR, it takes into account only products, locations and legal entities covered by the regulator's IMA permission. In addition, regulatory VaR is based on a directly modelled ten-day holding period, rather than the one-day holding period on which internal VaR is based. The PRA approval covers general market risk in interest rate, foreign exchange, equity and commodity products and specific market risk in interest rate and equity products.

Management tools to assess model performance include:

- Back-testing – Regulatory and internal back-testing is conducted on a daily basis (for information on regulatory back-testing, refer to page 124. For information on internal back-testing, refer to page 276 of the 2021 NatWest Group ARA).
- Ongoing model validation – VaR model performance is assessed both regularly, and on an ad-hoc basis, if market conditions or the portfolio profile change significantly.
- Model Risk Management review – As part of the model lifecycle and in keeping with NatWest Group policy, all risk models (including the VaR model) are independently reviewed to ensure that they remain fit for purpose given current market conditions and the portfolio profile (refer to page 284 of the 2021 NatWest Group ARA).

Market risk continued

Regulatory stressed VaR (SVaR)

As with VaR, the SVaR technique produces estimates of the potential change in the market value of a portfolio, over a specified time horizon, at a given confidence level. SVaR is a VaR-based measure using historical data from a one-year period of stressed market conditions.

A simulation of 99% VaR is run on the current portfolio for each 250-day period from 2005 to the current VaR date, moving forward one day at a time. The SVaR is the worst VaR outcome of the simulated results.

This is in contrast with VaR, which is based on a rolling 500-day historical data set. A time horizon of ten trading days is assumed with a confidence level of 99%.

NatWest Group's SVaR use case of its VaR model has also been approved by the PRA for use in the capital requirement calculation. The position scopes of regulatory and internal SVaR are the same as those of regulatory and internal VaR.

Risk factors

The VaR model captures the potential impact of the following risk factors:

- Interest rate risk – the risk that a position's fair value will alter due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.
- Credit spread risk – the risk that the value of a position will alter due to changes in the real or market-perceived ability of a borrower to pay related cash flows or obligations.
- Foreign currency price risk – the risk that the fair value of a position will alter due to a change in foreign currency or gold rates.
- Equity price risk – the risk that the fair value of a position will alter due to a change in equity prices.
- Commodity price risk – the risk that the fair value of a position will alter due to a change in commodity prices.

When simulating potential movements in risk factors, a combination of absolute and relative returns is used, depending on the risk factor.

General and specific risks

The market risks subject to capital requirements under Pillar 1 are primarily interest rate and credit spread risks in the trading book and foreign exchange risk in both the trading and non-trading books. Interest rate risk is split between general and specific risks. General risks represent market risks due to a move in a market as a whole, such as a main index or yield curve, while specific risks represent market risks arising from events particular to an underlying issuer.

The aggregation approach taken for general and specific risks is as follows:

- General risks are aggregated at the simulation level, adding P&L forecasts generated by the VaR model before statistics such as VaR and SVaR are extracted.
- Specific interest rate risks have both a systematic component and an idiosyncratic component. The systematic component captures the risk in market movements of credit spreads (across sectors, geographic locations and ratings) while the idiosyncratic component captures the credit spread variability of the underlying entity. The systematic components of specific interest rate risks are aggregated at the simulation level, while the idiosyncratic components are calculated as a standalone charge.

VaR and SVaR capture general and specific risks using a single model but not risks arising from the impact of defaults and rating changes associated with traded credit products and their derivatives. For these risks, two product-dependent approaches are used:

- The incremental risk charge model (see below) captures risks arising from rating migration and default events for the more liquid traded credit instruments and their derivatives.
- Securitisation and re-securitisation risks in the trading book are treated with the non-modelled capitalisation approach.

VaR limitations

Historical VaR and NatWest Group's implementation of this risk measurement methodology have a number of known limitations, as summarised below, and VaR should be interpreted in light of these. NatWest Group's approach is to supplement VaR with other risk metrics that address these limitations to ensure appropriate coverage of all material market risks.

Historical simulation VaR may not provide the best estimate of future market movements. It can only provide a forecast of portfolio losses based on events that occurred in the past. The NatWest Group model uses the previous 500 days of data; this period represents a balance between model responsiveness to recent shocks and risk factor data coverage.

Market data time series are updated on a daily basis, with a ten-working-day time lag. The use of a 99% confidence level VaR statistic does not provide information about losses beyond this level, usually referred to as 'tail' risks. These risks are more appropriately assessed using measures such as SVaR and stress testing.

Finally, where market data time series are not appropriate (due to poor quality or a lack of liquidity in the market), NatWest Group uses proxy time series or excludes the risk factor from its VaR model and capitalises the risk through its RNIV framework.

Risks Not In VaR (RNIV)

The RNIV framework is used to identify and quantify market risks that are inadequately captured by the VaR and SVaR models.

Market risk continued

The need for an RNIV calculation is typically identified in one of the following three circumstances: (i) as part of the New Product Risk Assessment process, when a risk manager or other subject matter expert opines that the associated risk is not adequately captured by the VaR model or system; (ii) when risks are mapped to time series that are deemed to be inadequate (for example, due to data quality problems or proxy series usage); or (iii) as a result of a recommendation made during the ongoing model validation or by Model Risk Management during its annual review of the VaR model. The controls and operating model to this end are governed by internal policy.

RNIVs that are related specifically to instruments that have level 3 valuation hierarchy assumptions (refer to the 2021 NatWest Group ARA, page 276) are mainly included in the following categories: proxied sensitivities or risk factors, higher-order sensitivity terms, and static pricing parameters.

NatWest Group adopts two approaches for the quantification of RNIVs:

- Under the VaR/SVaR approach, two values are calculated: (i) the VaR RNIV; and (ii) the SVaR RNIV.
- Under the stress-scenario approach, an assessment of ten-day extreme, but plausible, market moves is used in combination with position sensitivities to give a stress-type loss number – the stress-based RNIV value.

Incremental risk charge (IRC)

The IRC model quantifies the impact of rating migration and default events on the market value of instruments with embedded credit risk (in particular, bonds and credit default swaps) that are held in the trading book. It further captures basis risk between different instruments, maturities and reference entities. Following the internal ratings-based approach for credit risk, the IRC is calculated over a one-year capital horizon with a 99.9% confidence level. The dependency of positions is modelled using a single-factor Gaussian copula.

The IRC is mainly driven by three-month credit rating transition, default and correlation parameters. The portfolio impact of correlated defaults and rating changes is assessed by observing changes in the market value of positions using stressed recovery rates and modelled credit spread changes. Revaluation matrices are used to capture any non-linear behaviour.

The transition matrix is estimated using Moody's history of issuer ratings.

NWM Plc's average liquidity horizon by position (weighted by materiality) at 31 December 2021 was 3.3 months (2020 – 3.3 months). The horizon is determined based on issuer liquidity, position concentration, product type and maturity.

The NatWest Group risk models policy governs IRC model parameter changes and ongoing model reviews as well as data inputs and outcomes. In addition, diagnostic testing is performed quarterly. IRC models are also subject to independent stress-testing and sensitivity analysis, as described more generally for risk models under Model Validation below.

Model validation

NatWest Group uses a variety of models to manage and measure market risk. These include pricing models (used for valuation of positions) and risk models (for risk measurement and capital calculation purposes). They are developed and approved in NatWest Markets, with material models subject to independent review by Model Risk Management. For further detail on the independent model validation carried out by Model Risk Management, refer to the Model risk section of the 2021 NatWest Group ARA. Information relating to pricing and market risk models is presented below.

Pricing models

Pricing models are developed by a dedicated first line team, in conjunction with the trading desk. The models are used to value positions for which prices are not directly observable as well as for the risk management of the portfolio. Any pricing models that are used as the basis for valuing portfolios and records are subject to approval and oversight by asset-level modelled product review committees. These committees comprise representatives of the trading, finance, market risk, model development and model review functions. Approval requires review and approval by these stakeholders as well as Model Risk Management.

The review process includes the following steps:

- The committees prioritise models for review by Model Risk Management, considering the materiality of the risk booked against the model and an assessment of the degree of model risk, which is the valuation uncertainty arising from the choice of modelling assumptions.
- Model Risk Management quantifies the model risk, which may include comparing the model outputs with those of alternative models developed by Model Risk Management.
- The sensitivities derived from the pricing models are validated.
- The conclusions of the review are used to inform risk limits and by the Finance function to inform model reserves.

Risk models

All model changes are approved through model governance committees at franchise level. Changes to existing models are subject to Model Risk Management review. NatWest Group follows regulatory guidance for assessing the materiality of extensions and changes to the internal model approach for market risk. In addition to Model Risk Management's independent oversight – which provides additional assurance that NatWest Group holds appropriate capital for the market risk to which it is exposed – the methodology team monitors the model performance for market risk through back-testing and other processes.

Calculation of regulatory capital for non-trading book exposures

Market risk exposures in the non-trading book that are not captured under Pillar 1 are capitalised through the Internal Capital Adequacy Assessment Process (ICAAP). This covers gap risk, basis risk, credit spread risk, pipeline risk, structural foreign exchange risk, prepayment risk and accounting volatility risk. A combination of value-based and earnings-based measures are used in the ICAAP.

The total non-traded market risk capital requirement is determined by adding the different charges for each sub risk type. The ICAAP methodology captures at least ten years of historical volatility and is produced to a 99% confidence level. Methodologies are reviewed by Model Risk Management and results are approved by the NWH Board.

MR1: MR IMA and STD: RWAs and MCR – NatWest Group and large subsidiaries

The table below shows market risk RWAs and MCR by calculation method and type of risk for NatWest Group and large subsidiaries. MCR is calculated as 8% of RWAs, with the exception of RBSI where, in accordance with the local jurisdiction, the MCR is 10% of RWAs.

		NatWest Group		NWH Group		NWM Plc		RBSI	
		a	b	a	b	a	b	a	b
		RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR
	2021	£m	£m	£m	£m	£m	£m	£m	£m
	STD	1,010	81	203	16	444	36	28	3
1	Interest rate position risk (outright products)	366	29	—	—	87	7	—	—
2	Equity position risk (outright products)	—	—	—	—	—	—	—	—
3	Foreign exchange position risk (outright products)	560	45	203	16	273	22	28	3
4	Commodity position risk (outright products)	—	—	—	—	—	—	—	—
6	Option position risk (delta-plus approach)	—	—	—	—	—	—	—	—
8	Securitisation positions	84	7	—	—	84	7	—	—
	Internal model approach	6,907	552	—	—	6,490	519	—	—
	VaR	1,456	116	—	—	1,314	105	—	—
	SVaR	2,591	207	—	—	2,345	188	—	—
	Incremental risk charge	1,295	104	—	—	1,277	102	—	—
	Other (RNIV)	1,565	125	—	—	1,554	124	—	—
	Of which: VaR-based RNIV	*173*	*14*	—	—	*171*	*14*	—	—
	Of which: SVaR-based RNIV	*330*	*26*	—	—	*327*	*26*	—	—
	Of which: Stress RNIV	*1,062*	*85*	—	—	*1,056*	*84*	—	—
	Total	7,917	633	203	16	6,934	555	28	3

		NatWest Group		NWH Group		NWM Plc		RBSI	
		a	b	a	b	a	b	a	b
		RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR
	2020	£m	£m	£m	£m	£m	£m	£m	£m
	STD	1,008	81	106	9	253	20	42	4
1	Interest rate position risk (outright products)	658	54	—	—	149	12	—	—
2	Equity position risk (outright products)	—	—	—	—	—	—	—	—
3	Foreign exchange position risk (outright products)	268	21	106	9	24	2	42	4
4	Commodity position risk (outright products)	2	—	—	—	—	—	—	—
6	Option position risk (delta-plus approach)	—	—	—	—	—	—	—	—
8	Securitisation positions	80	6	—	—	80	6	—	—
	Internal model approach	8,354	668	—	—	7,897	632	—	—
	VaR	1,599	128	—	—	1,446	116	—	—
	SVaR	3,666	293	—	—	3,377	270	—	—
	Incremental risk charge	1,459	117	—	—	1,449	116	—	—
	Other (RNIV)	1,630	130	—	—	1,625	130	—	—
	Of which: VaR-based RNIV	*125*	*10*	—	—	*124*	*10*	—	—
	Of which: SVaR-based RNIV	*264*	*21*	—	—	*261*	*21*	—	—
	Of which: Stress RNIV	*1,241*	*99*	—	—	*1,240*	*99*	—	—
	Total	9,362	749	106	9	8,150	652	42	4

NatWest Group
- Total RWAs decreased over the period. The majority of the exposure related to NatWest Markets Plc.

NWH Group
- RWAs relate solely to the banking book foreign exchange charge.
- During the year, NatWest Group also increased net investment hedging in US dollar and other non-sterling currencies to reduce the potential impact on RWAs of changes to its regulatory foreign exchange hedging permission.

NWM Plc
- Refer to MR2_B for commentary.

RBSI
- RWAs relate solely to the banking book foreign exchange charge.

MR2_A: MR IMA: RWAs and MCR

The table below shows market risk RWAs and MCR by component under the internal model approach.

		2021		2020	
		a	b	a	b
		RWAs	MCR	RWAs	MCR
		£m	£m	£m	£m
1	VaR (higher of a and b)	**1,456**	**116**	1,599	128
a	Period end VaR	**368**	**29**	431	34
b	Average of the daily VaR for preceding 60 business days x multiplication factor	**1,456**	**116**	1,599	128
2	SVaR (higher of a and b)	**2,591**	**207**	3,666	293
a	Period end SVaR	**653**	**52**	1,227	98
b	Average of the SVaR for preceding 60 business days x multiplication factor	**2,591**	**207**	3,666	293
3	Incremental risk charge (higher of a and b)	**1,295**	**104**	1,459	117
a	Period end IRC value	**1,191**	**95**	1,380	110
b	Average IRC over preceding 60 business days	**1,295**	**104**	1,459	117
5	Other (RNIV at period end)	**1,565**	**125**	1,630	130
6	Total	**6,907**	**552**	8,354	668

– Refer to the commentary below Table MR2_B.

MR3: MR IMA: IMA values for trading portfolios – NatWest Group and large subsidiaries

The table below shows the minimum, maximum, average and period end values, over the reporting period, derived from the models approved under the IMA for use in calculating market risk capital requirements and RWAs. The reported values do not include any capital multipliers or other additional capital charges that may be applied at the supervisor's discretion.

		2021		2020	
		NatWest Group	NWM Plc	NatWest Group	NWM Plc
		£m	£m	£m	£m
	VaR (10 day 99%)				
1	Maximum value	**49**	**46**	72	70
2	Average value	**36**	**33**	45	42
3	Minimum value	**28**	**25**	28	25
4	Period end	**29**	**27**	34	32
	SVaR (10 day 99%)				
5	Maximum value	**157**	**151**	141	135
6	Average value	**94**	**88**	105	99
7	Minimum value	**51**	**47**	76	70
8	Period end	**52**	**48**	98	92
	IRC (99.9%)				
9	Maximum value	**138**	**137**	183	177
10	Average value	**95**	**93**	131	129
11	Minimum value	**76**	**75**	107	106
12	Period end	**95**	**94**	110	110

– The movements in VaR, SVaR and IRC values for NatWest Group and NWM Plc were broadly in line with the trends in market risk capital requirements under the internal model approach, as presented in MR2_B.

VaR back-testing

The main approach employed to assess the VaR model's ongoing performance is back-testing, which counts the number of days when a loss exceeds the corresponding daily VaR estimate, measured at a 99% confidence level.

Two types of profit and loss (P&L) are used in back-testing comparisons: Actual P&L and Hypothetical P&L.

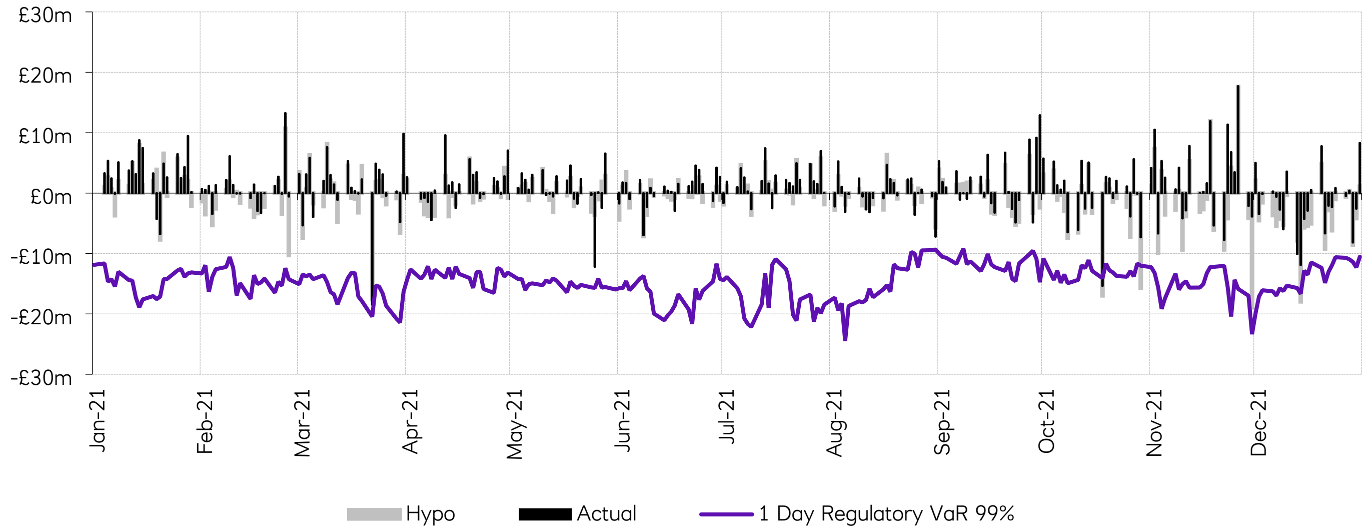
The Actual P&L for a particular business day is the firm's actual P&L in respect of the trading activities including intraday activities, adjusted by stripping out fees and commissions, brokerage, and additions to and releases from reserves that are not directly related to market risk.

The Hypothetical P&L is the firm's Actual P&L excluding any intra-day activities.

A portfolio is said to produce a back-testing exception when the Actual or Hypothetical P&L exceeds the VaR level on a given day. Such an event may be caused by a large market movement or may highlight issues such as missing risk factors or inappropriate time series. Any such issues identified are analysed and addressed through appropriate remediation or development action. Both Actual and Hypothetical back-testing exceptions are monitored.

MR4: 1-day 99% regulatory VaR vs. Actual and Hypothetical P&L

The graph below shows one-day 99% regulatory VaR compared with Actual and Hypothetical (Hypo) P&L for NatWest Markets Plc, NatWest Group's largest legal entity by market risk RWAs and positions.



- In the 250-day rolling window to 31 December 2021, NWM Plc experienced a total of one Actual and three Hypothetical VaR P&L back-testing exceptions.
- The Actual exception and two of the Hypothetical exceptions occurred in October 2021, driven by market moves in sterling rates and inflation.
- The third Hypothetical exception occurred in December 2021, driven by market moves in sterling and US dollar rates.

Securitisation

Securitisation

SECA: SEC qualitative disclosures

Framework, roles and definitions

This section presents descriptive information on NatWest Group's securitisation activities and related risk management processes and accounting policies, followed by quantitative disclosures on its exposures to securitisations.

Definitions

Securitisation and special purpose entities

The CRR defines a securitisation as a transaction or scheme where the credit risk of an exposure or pool of exposures is tranched, where the payments arising from the transaction or scheme are dependent upon the performance of the underlying exposure(s) and where the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Securitisations can broadly take two forms: traditional and synthetic. In traditional securitisations, the originator transfers ownership of the underlying exposure(s) to an SSPE, putting the asset(s) beyond the reach of the originator and its creditors. The purchase of the underlying exposure(s) by the SSPE is funded by the issuance of securities. In synthetic securitisations, the originator retains ownership of the underlying exposure(s) but transfers the associated credit risk to another entity through the use of guarantees or credit derivatives.

SSPEs are set up for a specific limited purpose to facilitate a securitisation transaction. They do not provide a commercial service or employ staff. They may take a variety of legal forms, such as trusts, partnerships and companies. Their activities are limited to those appropriate to carrying out a securitisation and their structure is intended to isolate the obligations of the SSPE from those of the originator institution and to ensure that the holders of the beneficial interests have the right to pledge or exchange those interests without restriction. Typically, their share capital is held ultimately by charitable trusts.

Although SSPEs are frequently used, they are not necessarily required for all securitisation structures.

The following definitions are used in these Pillar 3 disclosures:

Trading book – The trading book consists of positions in financial instruments and commodities held either with the intent to trade or in order to hedge other elements of the trading book. To be eligible for trading book capital treatment, financial instruments must either be free of any covenants restricting their tradability or be able to be hedged.

Non-trading book – The non-trading book consists of positions, exposures, assets and liabilities that are not in the trading book. It is also referred to as the 'banking book'. In this section, the counterparty credit risk arising from derivative trades associated with SSPEs is captured in the non-trading book disclosures, including in situations where the derivative attracts market risk in the trading book.

Securitisation position – Any exposure to a securitisation that falls within the scope of regulatory treatment (further details on page 129). This includes not only exposures arising from the purchase or retention of the securities issued by an SSPE but also loans and liquidity facilities to securitisations, and the counterparty credit risk exposure of derivative positions transacted with an SSPE.

Re-securitisation – A securitisation in which the underlying asset or pool of assets comprises at least one securitisation position.

Securitised exposure – An asset or pool of assets that is securitised by way of a traditional or synthetic securitisation.

Significant risk transfer assessment – An assessment prescribed by the CRR and designed to determine whether or not a securitisation structure transfers significant risk on the underlying assets to a party or parties other than the originator.

Term securitisation – A securitisation vehicle funding a pool of assets through the issuance of long-term securities. A term securitisation may hold the assets of one or more originators.

Asset-backed commercial paper (ABCP) conduit – A securitisation vehicle funding a pool of assets through the issuance of predominantly short-term securities (namely commercial paper). A conduit may hold the assets of one or more originators (referred to as a single-seller or multi-seller conduit, respectively).

Objectives and roles

By participating in securitisation activity, NatWest Group aims to achieve one or both of the following objectives, either for its own purposes or for customers:
- To diversify sources of funding; and
- To facilitate prudential balance sheet and risk management.

In doing so, NatWest Group may incur a range of risks, including credit, market, liquidity and funding, legal, regulatory and reputational risks; for which it must hold regulatory capital. For details of CRR rules governing the calculation of regulatory capital required in respect of securitisations, refer to page 129.

NatWest Group may play one or more of the following roles in a securitisation transaction:

Originator – To diversify its sources of funding and manage its balance sheet, NatWest Group securitises assets it has purchased or originated. As an originator NatWest Group may be exposed to credit risk and market risk on the underlying assets, particularly if the structure of the transaction does not transfer these risks to third parties. Even if these risks have been transferred, it may nevertheless be exposed to credit and market risks to the extent it retains exposure to the securitisation, for example, by providing the SSPE with a liquidity facility or entering into derivative transactions.

Investor – To generate financial returns, NatWest Group may:
- Purchase securities issued by an SSPE;
- Enter into derivative transactions with an SSPE; or
- Lend to an SSPE, often by providing a liquidity facility that the SSPE can use if it is unable to issue securities, particularly commercial paper.

Securitisation continued

To generate additional fee income, NatWest Group may play other roles as well:

Sponsor – NatWest Group may establish and manage a term securitisation that purchases bonds or other financial assets from third parties. It may do so on its own account or on behalf of its customers. Additionally, it historically established and managed ABCP conduits. In its role as sponsor, it is particularly exposed to credit and liquidity risk.

Arranger – NatWest Group may structure a securitisation transaction, drafting the documentation that governs the behaviour of the SSPE, and then sell the securities issued by the SSPE to investors. It may act as arranger for securitisation transactions it originates or, alternatively, for securitisation transactions originated by its customers, principally financial institutions and large corporates.

Manager – NatWest Group may manage and service the asset pool of the securitisation as required by the terms of the transaction.

Underwriter – NatWest Group may underwrite the securities issued by an SSPE. The associated securitisation transaction may be originated by NatWest Group or its customers.

Other administrative roles – As a 'contractual party', NatWest Group may do any of the following, alone or in combination:
- Hold the bank account of an SSPE on its own books;
- Monitor the credit quality of the underlying assets on behalf of investors;
- Report on the performance of the SSPE to investors; and
- Make payments to investors on behalf of the SSPE.

Information relating to the significant roles performed by NatWest Group (investor, originator, sponsor) is contained in the tables within this section.

Risk management

As noted above, acting as an originator, sponsor or investor in a securitisation transaction may give rise to both credit and market risk. NatWest Group may also incur other types of risk in the course of its exposure to securitisation activity.

All such risks are described in the table below, along with details of how they are monitored and managed.

Types of risk	Definition and how the risk may arise	How NatWest Group monitors and manages the risk
Credit risk	The risk that a customer or counterparty (or, in the case of a securitisation, an SSPE) fails to meet its obligations to settle outstanding amounts. Securitisation may expose NatWest Group to credit risk for any of several reasons. If NatWest Group invests in an SSPE by purchasing or (in the case of a securitisation it has originated) retaining the bonds it issues, conducting derivative transactions with it or lending to it, NatWest Group is exposed to the risk that the SSPE will fail to meet its obligations to settle outstanding amounts to NatWest Group. This may happen because cash flows generated by the underlying assets are insufficient to repay creditors, including bondholders, derivative counterparties or lenders, or in the event of a third party, such as a bank account provider or derivative counterparty, defaulting on its obligation to the SSPE. The SSPE pays principal and interest to creditors in order of seniority, with the most senior paid first. When NatWest Group originates a securitisation transaction, if the securitisation structure does not substantially transfer the economic risks of the underlying assets, including credit risk, to a third party, it is exposed to credit risk on those assets just as it would be if the securitisation had never taken place. Credit risk is heightened if the assets in the SSPE are not diversified by sector, geography or borrower.	NatWest Group's overall exposure to third party securitisation is governed by its sector concentration framework. If it retains or purchases bonds issued by an SSPE, conducts derivative transactions with it or lends to it, NatWest Group monitors the performance of the vehicle in part by reviewing information provided by the trustee as well as by rating agencies or other third parties. As an originator, if the securitisation structure does not transfer substantial credit risk to a third party, NatWest Group manages it as if the securitisation had never taken place. NatWest Group has credit limits in place and monitors SSPE positions with third party bank account providers for own asset securitisations which generate a credit risk exposure for NatWest Group. NatWest Group may seek to mitigate credit risk arising from the purchase (or retention) of bonds issued by an SSPE through the use of unfunded protection, usually credit default swaps, but also guarantees. It hedges the risk associated with purchased bonds, which are generally held in the trading book, as appropriate. It does not usually hedge the credit risk associated with retained bonds, which are generally held in the non-trading book.
Traded market risk	Traded market risk is the risk arising from changes in fair value on positions, assets, liabilities or commitments in trading portfolios as a result of fluctuations in market prices.	NatWest Group manages this risk in accordance with its policy on market risk. Re-securitisation exposures are subject to individual scrutiny. For further information, refer to the Traded market risk section of the 2021 NatWest Group ARA.
Non-traded market risk	Non-traded market risk is the risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.	NatWest Group manages this risk in accordance with its policy on non-traded market risk, including structural interest rate risk. For further information, refer to the Non-traded market risk section of the 2021 NatWest Group ARA.
Liquidity and funding risk	Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base. NatWest Group may sponsor securitisations and, as sponsor, may provide liquidity facilities to the SSPE. If the SSPE utilises these facilities, NatWest Group will need to fund them, giving rise to the risk that it will not be able to do so.	NatWest Group manages these risks in accordance with its policy on liquidity and funding risk. For further information, refer to Liquidity management and Funding risk management in the Capital, liquidity and funding risk section of the 2021 NatWest Group ARA.

Types of risk	Definition and how the risk may arise	How NatWest Group monitors and manages the risk
Legal risk	The risk that NatWest Group will incur losses as a result of the failure of the documentation relating to a securitisation to perform as expected or as a result of investors asserting that NatWest Group made inadequate disclosures or conducted inadequate due diligence in relation to the relevant credit exposures. Legal risk is elevated if the parties to the transaction are located in different jurisdictions, as documentation effective in one jurisdiction may not be effective in another. Additional losses may arise as a result of costs incurred by the parties in an effort to address documentary shortcomings. This risk is heightened in the case of re-securitisations, as NatWest Group needs to gather information surrounding each of the original transactions, together with an understanding of their interaction within the re-securitisation.	NatWest Group has specific processes and controls in place designed to ensure adequate due diligence is undertaken and appropriate disclosures are made in relation to the relevant offerings. In relation to documentation, distribution of securities and compliance with relevant laws and regulations, NatWest Group works with experienced internal and external counsel to ensure all reasonable steps are taken to ensure documentation standards are satisfactory and applicable laws and regulations in all relevant jurisdictions are complied with.
Compliance & conduct risk	Compliance risk is the risk that the behaviour of NatWest Group towards customers fails to comply with laws, regulations, rules, standards and codes of conduct. Conduct risk is the risk that the conduct of NatWest Group and its subsidiaries and its staff towards customers – or in the markets in which it operates – leads to unfair or inappropriate customer outcomes and results in reputational damage, financial loss or both. Compliance and conduct risks exist across all stages of NatWest Group's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential insider information.	Well established policies and supporting processes are in place to ensure timely identification of, and effective responses to, changes in official sector requirements, laws, regulations and major industry standards affecting NatWest Group. This risk falls under the governance of the Mandatory Change Advisory Committee, which meets monthly with representatives from all franchises and functions. For further information, refer to the Compliance & conduct risk section of the 2021 NatWest Group ARA.
Reputational risk	The risk of damage to stakeholder trust due to negative consequences arising from internal actions or external events. The three primary drivers of reputational risk have been identified as: failure in internal execution; a conflict between NatWest Group's values and the public agenda; and contagion (when NatWest Group's reputation is damaged by failures in the wider financial sector).	NatWest Group manages reputational risk in accordance with its reputational risk management framework. For further information, refer to the Reputational risk section of the 2021 NatWest Group ARA.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. This risk arises from day-to-day operations and is relevant to every aspect of the business.	NatWest Group manages operational risk in accordance with its operational risk management framework. For further information, refer to the Operational risk section of the 2021 NatWest Group ARA.

Regulatory treatment

NatWest Group determines the regulatory capital required for exposures related to its securitisation activities in accordance with the CRR. In so doing, with respect to each securitisation transaction, it considers on an ongoing basis:

- The effectiveness of the originated securitisation structure in achieving risk transfer; and
- Whether the securitisation positions it holds relate to the trading or non-trading book.

In instances where it is an originator, NatWest Group carries out a significant risk transfer assessment to evaluate whether the securitisation structure transfers significant credit risk associated with the underlying assets to the holders of the securitisation positions and that the reduction in capital requirements is commensurate with the reduction in risk.

If significant risk transfer is achieved, NatWest Group does not hold any capital against the underlying assets, but does hold capital against any retained securitisation positions. However, if it is not achieved, capital must be held against the underlying assets as if the securitisation had never taken place.

As noted earlier, NatWest Group may play several roles in respect of securitisations. Of these, three may result in NatWest Group holding securitisation positions in connection with which a capital charge is required: originator; sponsor; or investor.

In the case of securitisation positions related to the trading book, NatWest Group calculates regulatory capital needed for specific and general market risks (refer to the market risk section on page 119). In the case of securitisation positions in the non-trading book, NatWest Group calculates regulatory capital for credit risk. Depending on the nature of the instrument there may also be capital requirements for counterparty credit risk.

Calculation of risk-weighted exposures

Risk weighted exposures for securitisation positions are calculated in accordance with the CRR, which was amended in 2019.

There are three different methodologies for calculating risk weights and a hierarchy of approaches.

SEC-IRBA is the Internal Ratings-Based Approach. The calculation of the applicable risk weight is based on the capital charge for the underlying pool of exposures calculated under the IRB approach. Additional data inputs used in the calculation are the attachment and detachment points of the tranche, tranche maturity, effective number of exposures and the pool LGD.

SEC-SA is the Standardised Approach. The calculation of the applicable risk weight is based on the capital charge for the underlying pool of exposures calculated under the Standardised Approach. Additional data inputs used in the calculation are the nominal amount of delinquent exposures and the attachment and detachment points of the tranche.

SEC-ERBA is the External Ratings-Based Approach. This is based on external credit ratings from credit rating agencies. The ratings are mapped to corresponding credit quality steps (CQS) and, along with seniority of the tranche, maturity and tranche thickness, these are used to determine the risk weight for each exposure. NatWest Group recognises ratings issued by Standard & Poor's, Moody's, Fitch, DBRS or ARC Ratings. Most transactions are rated by two or more of these rating agencies, which are formally classified as external credit assessment institutions (ECAIs).

Lower risk weights apply under all approaches to positions which qualify as Simple, Transparent and Standardised securitisations.

NatWest Group applies the hierarchy as set out in the CRR and applies one of the methodologies, SEC-IRBA, SEC-SA or SEC-ERBA as required. The SEC-IRBA approach has only been used on own-originated transactions, where IRB risk weights on the underlying assets are available. The remaining exposures are risk weighted, as appropriately, using SEC-SA or SEC-ERBA.

Summary of accounting policies including derecognition

Accounting assessment takes place at the time of closing a transaction and under accounting rules, depends on a securitisation's residual risk. By contrast, significant risk transfer assessments take place at regular intervals. The resulting capital calculations can differ depending on the change in residual risk over time.

Recognition of sales

Securitisation vehicles are assessed for consolidation in accordance with NatWest Group's published accounting policy Presentation of financial statements (refer to page 307 of the 2021 NatWest Group ARA). The transfer of assets to a securitisation vehicle is treated as a sale if the securitised assets are derecognised from the consolidated balance sheet in accordance with NatWest Group's published accounting policy Derecognition (refer to page 310 of the 2021 NatWest Group ARA).

NatWest Group applies its accounting policies Provisions and Impairments (set out on pages 308 to 310 of the 2021 NatWest Group ARA) to contractual commitments, such as liquidity lines, that could require it to provide financial support for securitised assets.

Key assumptions for valuing securitisation positions

Securitisation positions are valued using external information, such as market data for recent transactions, price information from third-party managers and advisors, and asset performance data provided to all bond holders at interest payment dates.

Synthetic securitisations

Synthetic securitisations are assessed using the same approach as non-synthetic securitisations. Any derivatives are treated in accordance with NatWest Group's published accounting policy Derivatives and hedging (refer to page 310 of the 2021 NatWest Group ARA).

Assets awaiting securitisation

Financial assets are valued using NatWest Group's accounting policy for financial instruments (refer to page 309 of the 2021 NatWest Group ARA). At both 31 December 2021 and 31 December 2020, no assets were categorised as awaiting securitisation.

Implicit support

NatWest Group has not provided support to any securitisation transactions beyond its contractual obligations.

Securitisation and re-securitisation exposures

Additional information detailing accounting policies and treatment of securitisations and re-securitisations can be found on pages 307 to 312 of the 2021 NatWest Group ARA.

Types of transactions

In the role of originator, NatWest Group securitises a variety of assets which typically include the following:

Residential mortgages and commercial real estate loans **–** NatWest Group securitises residential mortgages and commercial real estate loans that it originates itself. Mortgages and real estate loans are assigned to SSPEs, which fund themselves principally through the issue of floating rate notes.

Other loan types – NatWest Group selectively securitises other loans that it originates, principally those to corporates and small and medium-sized enterprises.

SSPEs used by NatWest Group

SSPEs used by NatWest Group hold either the securitised assets themselves (traditional securitisations) or a package of other assets economically equivalent to those assets (synthetic securitisations).

At 31 December 2021, NatWest Group sponsored one remaining multi-seller commercial paper conduit programme, Thames Asset Global Securitization (TAGS). NatWest Group provides programme-wide credit enhancement and liquidity facilities to TAGS. During 2021, TAGS issued no commercial paper to external parties.

Following synthetic securitisations in previous years primarily of loans to corporates, SMEs and commercial mortgages, in 2021 NWH Group completed a synthetic securitisation of loans to corporates of £1.1 billion. No gain or loss was recognised on the synthetic transfer of the risk of these assets into the securitisation.

Notes on the following tables

Tables SEC 1 to SEC 4 show total securitisation positions, as discussed under Regulatory treatment of securitisation on page 129. The exposures included those retained from NatWest Group own securitised assets, investments in SSPE notes, credit lines to SSPEs and derivative transactions with SSPEs.

The term 'exposure amount' used in the following tables refers to EAD, which is calculated according to CRR rules.

Securitisation exposures: retained and purchased
SEC 1: Securitisation exposures in the banking book

	Originator			Sponsor			Investor		
	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m
Retail (total)	**—**	**—**	**—**	**20**	**—**	**20**	**4,716**	**—**	**4,716**
Residential mortgages	**—**	**—**	**—**	**—**	**—**	**—**	**3,113**	**—**	**3,113**
Credit Card Receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Consumer Loans	**—**	**—**	**—**	**20**	**—**	**20**	**1,040**	**—**	**1,040**
Loans to SMEs (treated as Retail)	**—**	**—**	**—**	**—**	**—**	**—**	**563**	**—**	**563**
Wholesale (total)	**—**	**4,808**	**4,808**	**—**	**—**	**—**	**2,813**	**—**	**2,813**
Commercial Mortgages	**—**	**1,096**	**1,096**	**—**	**—**	**—**	**506**	**—**	**506**
Leasing	**—**	**—**	**—**	**—**	**—**	**—**	**184**	**—**	**184**
Loans to corporates	**—**	**3,712**	**3,712**	**—**	**—**	**—**	**1,709**	**—**	**1,709**
Trade Receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Auto Receivables	**—**	**—**	**—**	**—**	**—**	**—**	**414**	**—**	**414**
Total at 31 December 2021	**—**	**4,808**	**4,808**	**20**	**—**	**20**	**7,529**	**—**	**7,529**
Retail (total)	—	—	—	24	—	24	4,209	—	4,209
Residential mortgages	—	—	—	—	—	—	3,253	—	3,253
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	24	—	24	939	—	939
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	17	—	17
Wholesale (total)	—	6,342	6,342	—	—	—	2,556	—	2,556
Commercial Mortgages	—	1,706	1,706	—	—	—	458	—	458
Leasing	—	—	—	—	—	—	76	—	76
Loans to corporates	—	4,636	4,636	—	—	—	1,262	—	1,262
Trade Receivables	—	—	—	—	—	—	99	—	99
Auto Receivables	—	—	—	—	—	—	661	—	661
Total at 31 December 2020	—	6,342	6,342	24	—	24	6,765	—	6,765

- The overall decrease in total exposures is driven by a decrease in originator positions in NWH Group, partially offset by an increase in exposures in investor positions in NWM Plc.
- The overall securitisation banking book exposure amount included EAD of £0.4 billion (2020 – £0.8 billion) and RWAs of £0.3 billion (2020 – £0.4 billion) related to counterparty credit risk associated with derivative trades. Within this, residential mortgages accounted for EAD of £0.2 billion (2020 – £0.4 billion) and RWAs of £0.2 billion (2020 – £0.2 billion).

SEC 2: Securitisation exposures in the trading book

	Originator			Sponsor			Investor		
	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m
Retail (total)	—	—	—	—	—	—	**12**	—	**12**
Residential mortgages	—	—	—	—	—	—	**12**	—	**12**
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	—	—	—	—	—	—
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	—	—	—
Wholesale (total)	—	—	—	—	—	—	**19**	—	**19**
Commercial Mortgages	—	—	—	—	—	—	**2**	—	**2**
Leasing	—	—	—	—	—	—	—	—	—
Loans to corporates	—	—	—	—	—	—	**16**	—	**16**
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	—	—	—
Other Wholesale Exposures	—	—	—	—	—	—	**1**	—	**1**
Total at 31 December 2021	—	—	—	—	—	—	**31**	—	**31**
Retail (total)	—	—	—	—	—	—	10	—	10
Residential mortgages	—	—	—	—	—	—	10	—	10
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	—	—	—	—	—	—
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	—	—	—
Wholesale (total)	—	—	—	—	—	—	17	—	17
Commercial Mortgages	—	—	—	—	—	—	—	—	—
Leasing	—	—	—	—	—	—	—	—	—
Loans to corporates	—	—	—	—	—	—	17	—	17
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	—	—	—
Other Wholesale Exposures	—	—	—	—	—	—	—	—	—
Total at 31 December 2020	—	—	—	—	—	—	27	—	27

- Securitisation exposures in the trading book were broadly unchanged since December 2020.

SEC 3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

	31 December 2021												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-ERBA	SEC-IRBA	SEC-SA	12.5	SEC-ERBA	SEC-IRBA	SEC-SA	12.5
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Exposures	**4,813**	—	—	—	**15**	—	**4,808**	**20**	—	—	**911**	**3**	—
Traditional securitisation	**20**	—	—	—	—	—	—	**20**	—	—	—	**3**	—
Of which securitisation	**20**	—	—	—	—	—	—	**20**	—	—	—	**3**	—
Of which retail	**20**	—	—	—	—	—	—	**20**	—	—	—	**3**	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	**4,793**	—	—	—	**15**	—	**4,808**	—	—	—	**911**	—	—
Of which securitisation	**4,793**	—	—	—	**15**	—	**4,808**	—	—	—	**911**	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	**4,793**	—	—	—	**15**	—	**4,808**	—	—	—	**911**	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

	31 December 2020												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-ERBA	SEC-IRBA	SEC-SA	12.5	SEC-ERBA	SEC-IRBA	SEC-SA	12.5
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Exposures	6,365	—	—	—	1	—	6,342	24	—	—	1,004	4	—
Traditional securitisation	24	—	—	—	—	—	—	24	—	—	—	4	—
Of which securitisation	24	—	—	—	—	—	—	24	—	—	—	4	—
Of which retail	24	—	—	—	—	—	—	24	—	—	—	4	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	6,341	—	—	—	1	—	6,342	—	—	—	1,004	—	—
Of which securitisation	6,341	—	—	—	1	—	6,342	—	—	—	1,004	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	6,341	—	—	—	1	—	6,342	—	—	—	1,004	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

Securitisation exposures: retained and purchased

SEC 4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

	31 December 2021												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20% RW £m	>20% to 50% RW £m	>50% to 100% RW £m	>100% to <1250% RW £m	1250% RW £m	SEC-ERBA £m	SEC-IRBA £m	SEC-SA £m	12.5 £m	SEC-ERBA £m	SEC-IRBA £m	SEC-SA £m	12.5 £m
Total Exposures	**6,998**	**239**	**146**	**139**	**7**	**361**	**—**	**7,161**	**7**	**327**	**—**	**1,143**	**86**
Traditional securitisation	**6,998**	**239**	**146**	**139**	**7**	**361**	**—**	**7,161**	**7**	**327**	**—**	**1,143**	**86**
Of which securitisation	**6,998**	**239**	**146**	**139**	**7**	**361**	**—**	**7,161**	**7**	**327**	**—**	**1,143**	**86**
Of which retail	**4,501**	**2**	**73**	**133**	**7**	**185**	**—**	**4,524**	**7**	**232**	**—**	**673**	**86**
Of which wholesale	**2,497**	**237**	**73**	**6**	**—**	**176**	**—**	**2,637**	**—**	**95**	**—**	**470**	**—**
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

	31 December 2020												
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)			
	≤20% RW £m	>20% to 50% RW £m	>50% to 100% RW £m	>100% to <1250% RW £m	1250% RW £m	SEC-ERBA £m	SEC-IRBA £m	SEC-SA £m	12.5 £m	SEC-ERBA £m	SEC-IRBA £m	SEC-SA £m	12.5 £m
Total Exposures	6,079	212	303	163	8	1,342	—	5,415	8	664	—	817	97
Traditional securitisation	6,079	212	303	163	8	1,342	—	5,415	8	664	—	817	97
Of which securitisation	6,079	212	303	163	8	1,342	—	5,415	8	664	—	817	97
Of which retail	3,942	6	109	144	8	408	—	3,793	8	353	—	574	97
Of which wholesale	2,137	206	194	19	—	934	—	1,622	—	311	—	243	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

Summary of Remuneration Policy

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 136 of the NatWest Group 2021 ARA.

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.

Operation

The annual bonus pool is based on a balanced scorecard of measures including financial and business delivery, customer, people and culture, climate 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. Objectives 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). Dual solid 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 2021 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. 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.

Long-term incentive (LTI) awards

The purpose and operation of LTI awards is explained in detail in the Directors' Remuneration Report. Instead of an annual bonus, NatWest Group provides executive directors and certain members of NatWest Group's senior executive committees with LTI awards. Any awards made are subject to a performance assessment prior to grant and again 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 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 2021, MRTs were identified for 11 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 £658,000 or more in the previous year; individuals earning less than £658,000 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 RemCo is supported in this by the 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 2021 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, climate, customer and people measures to consider a balanced scorecard of performance assessments at the level of each business area or function. We then undertake risk and conduct 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.

The assessment process for LTI awards to executive directors and other recipients is also founded on a balanced scorecard approach. The scorecard is aligned with the multi-step bonus pool process, reflecting a consistent risk management performance assessment.

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 SBC 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, 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. Since the 2016 performance year onwards, 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 2021 a number of issues and events were considered under the accountability review framework. The outcomes covered a range of actions including reduction (to zero where appropriate) of unvested awards through malus, in-year bonus reduction and the suspension of awards pending further investigation.

NatWest Group plc Remuneration Disclosure

Remuneration of Material Risk Takers (MRTs)

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 416 individuals who have been identified as MRTs for NatWest Group plc (i.e. they can impact the risk profile of the Group at a consolidated level).

NatWest Group has a Performance and Remuneration Committee (the Group RemCo). The Group RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for the NatWest Group.
The key areas of focus for the Group RemCo includes:

- reviewing and recommending, or where appropriate approving, remuneration arrangements for key employees;
- approving the final Group bonus pool, and ensuring such proposals are adjusted for performance and risk and meet capital adequacy requirements; and
- approving the NatWest Group Remuneration Policy Principles.

The Group 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 Group RemCo met 11 times in 2021.

Total remuneration awarded to ‘MRTs for the financial year

	NatWest Group plc NEDs	NatWest Group plc EDs	Other senior mngt.	Other MRTs	Other senior management and other MRTs split by business area: NatWest Holdings	NatWest Markets	RBSI	Corporate functions	Control functions	Total
Fixed remuneration										
Total number of MRTs	9	2	18	387						416
Other senior management - split by business area					3	1	1	7	6	
Other MRTs - split by business area					41	113	5	45	183	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	2.40	3.94	16.48	121.36	17.06	53.07	1.79	23.00	42.92	144.18
Cash-based	2.40	2.09	13.97	120.14	16.26	51.68	1.64	22.52	42.01	138.60
Share-based	—	1.85	2.51	1.22	0.80	1.39	0.15	0.48	0.91	5.58
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Variable remuneration										
Total number of MRTs	—	2	16	323						341
Other senior management - split by business area					3	1	1	7	4	
Other MRTs - split by business area					32	83	3	39	166	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	2.65	9.99	56.00	10.30	25.45	1.32	11.19	17.73	68.64
Cash-based	—	—	1.25	28.75	3.94	12.37	0.33	5.15	8.21	30.00
Of which: deferred cash	—	—	0.55	11.59	1.61	5.46	0.13	2.15	2.79	12.14
Share-based (annual bonus)	—	—	1.24	27.25	3.89	12.33	0.33	5.10	6.84	28.49
Of which: deferred shares	—	—	0.55	11.59	1.61	5.45	0.13	2.15	2.80	12.14
Share-based (LTI awards)	—	2.65	7.50	—	2.47	0.75	0.66	0.94	2.68	10.15
Of which: deferred shares	—	2.65	7.50	—	2.47	0.75	0.66	0.94	2.68	10.15
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Total remuneration of MRTs	2.40	6.59	26.47	177.36	27.36	78.52	3.11	34.19	60.65	212.82

(1) Fixed remuneration consists of salaries, allowances, pension and benefit funding.
(2) Variable remuneration consists of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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.
(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.
(4) Under CRD V 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 2021 performance year.

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 82 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £11.25 million (of which £9.75 million was fixed pay and £1.50 million was variable pay).

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 2021 was approximately 1 to 0.48. The majority of MRTs were based in the UK.

Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 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
NatWest Group plc NEDs - No deferred or retained remuneration held								
NatWest Group plc EDs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	7.23	0.88	6.35	(0.01)	(0.06)	1.93	0.86	0.36
Other instruments or forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	18.45	3.08	15.37	—	—	4.96	3.08	2.04
Other instruments or forms	—	—	—	—	—	—	—	—
Other MRTs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	75.68	31.44	44.24	0.17	—	20.36	30.80	31.18
Other instruments or forms	—	—	—	—	—	—	—	—
Total amount	101.36	35.40	65.96	0.16	(0.06)	27.25	34.74	33.58

*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.

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

Special payments	NatWest Group plc NEDs	NatWest Group plc EDs	Other senior management	Other MRTs
Guaranteed awards and sign on awards				
Number of MRTs	—	—	1	2
	£m	£m	£m	£m
Total amount	—	—	0.12	0.26
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	—	—	2	8
	£m	£m	£m	£m
Total amount	—	—	0.42	1.57
Severance payments awarded during the financial year				
Number of MRTs	—	—	2	29
	£m	£m	£m	£m
Total amount	—	—	0.26	6.55
Of which: paid during the financial year	—	—	0.26	6.06
Of which: deferred	—	—	—	0.49
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	0.26	6.55
Of which: highest payment that has been awarded to a single person	—	—	0.16	0.57

(1) NatWest Group does not offer sign-on awards. 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.
(2) 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 rewarded.
(3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year, other than payments to three individuals of £303,973. The three non-standard payments of £303,973 were all in relation to litigation.

Total remuneration by band for all colleagues earning >€1million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	41
€1.5 million to below €2.0 million	14
€2.0 million to below €2.5million	6
€2.5 million to below €3.0 million	—
€3.0 million to below €3.5 million	1
€3.5 million to below €4.0 million	—
More than €4.0 million	—
Total	62

(1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
(2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

NatWest Markets Plc Remuneration Disclosure

Remuneration of Material Risk Takers (MRTs)

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 156 individuals who have been identified as MRTs for NatWest Markets Plc.

We have excluded 172 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within NatWest Markets Plc, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

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

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

The NWM RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWM RemCo met seven times in 2021.

Total remuneration awarded to ‘MRTs for the financial year

					Other senior management and other MRTs split by business area					
	NWM Plc NEDs	NWM Plc EDs	Other senior mngt.	Other MRTs	Corporate functions	Control functions	Capital Markets	Sales	Trading	Total
Fixed remuneration										
Total number of MRTs	5	2	19	130						156
Other senior management - split by business area					9	7	1	1	1	
Other MRTs - split by business area					11	41	24	11	43	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.60	2.01	10.85	47.29	7.71	11.68	11.55	6.42	20.78	60.75
Cash-based	0.60	1.68	10.36	46.56	7.52	11.68	11.55	6.15	20.02	59.20
Share-based	—	0.33	0.49	0.73	0.19	—	—	0.27	0.76	1.55
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Variable remuneration										
Total number of MRTs	—	1	16	99						116
Other senior management - split by business area					9	5	1	—	1	
Other MRTs - split by business area					7	34	21	8	29	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	0.75	4.18	21.44	2.39	4.21	7.05	2.25	9.72	26.37
Cash-based	—	—	2.10	10.88	1.25	2.22	3.53	1.12	4.86	12.98
Of which: deferred cash	—	—	0.96	4.67	0.46	0.80	1.65	0.50	2.22	5.63
Share-based (annual bonus)	—	—	2.08	10.56	1.14	1.99	3.52	1.13	4.86	12.64
Of which: deferred shares	—	—	0.96	4.67	0.46	0.80	1.65	0.50	2.22	5.63
Share-based (LTI awards)	—	0.75	—	—	—	—	—	—	—	0.75
Of which: deferred shares	—	0.75	—	—	—	—	—	—	—	0.75
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Total remuneration of MRTs	**0.60**	**2.76**	**15.03**	**68.73**	**10.10**	**15.89**	**18.60**	**8.67**	**30.50**	**87.12**

(1) Fixed remuneration consists of salaries, allowances, pension and benefit funding.
(2) Variable remuneration consists of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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.
(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.
(4) Under CRD V 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 2021 performance year.

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 18 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £3.05 million (of which £2.70 million was fixed pay and £0.35 million was variable pay).

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 2021 was approximately 1 to 0.43. The majority of MRTs were based in the UK.

Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 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
NWM Plc NEDs - No deferred or retained remuneration held								
NWM Plc EDs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	1.01	0.33	0.68	—	—	0.27	0.33	0.22
Other instruments or forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	10.13	2.71	7.42	—	—	2.65	2.71	3.13
Other instruments or forms	—	—	—	—	—	—	—	—
Other MRTs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	28.24	13.40	14.84	—	—	7.54	12.82	14.49
Other instruments or forms	—	—	—	—	—	—	—	—
Total amount	39.38	16.44	22.94	—	—	10.46	15.86	17.84

*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.

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

Special payments	**NWM Plc NEDs**	**NWM Plc EDs**	**Other senior management**	**Other MRTs**
Guaranteed awards and sign on awards				
Number of MRTs	—	—	1	—
	£m	**£m**	**£m**	**£m**
Total amount	—	—	0.12	—
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	—	—	—	4
	£m	**£m**	**£m**	**£m**
Total amount	—	—	—	0.77
Severance payments awarded during the financial year				
Number of MRTs	—	—	2	11
	£m	**£m**	**£m**	**£m**
Total amount	—	—	0.41	2.06
Of which: paid during the financial year	—	—	0.41	1.70
Of which: deferred	—	—	—	0.35
Of which: paid during the financial year that are not taken into account *in the bonus cap*	—	—	0.41	2.06
Of which: highest payment that has been awarded to a single person	—	—	0.30	0.30

(1) NatWest Group does not offer sign-on awards. 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.
(2) 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 rewarded.
(3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

Total remuneration by band for all colleagues earning >€1million

Total remuneration by band for employees earning >€1 million for 2021	**Number of MRTs**
€1.0 million to below €1.5 million	18
€1.5 million to below €2.0 million	9
€2.0 million to below €2.5million	3
€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	**30**

(1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
(2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

NatWest Markets N.V. Remuneration Disclosure

Remuneration of Material Risk Takers (MRTs)

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 46 individuals who have been identified as MRTs for NatWest Markets N.V. plc.

We have excluded 116 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within NatWest Markets N.V. plc, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

NatWest Markets N.V. plc has a Supervisory Board which oversees remuneration matters (NWM N.V. SB). The NWM N.V. SB is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for NatWest Markets N.V. plc.
The key areas of focus for NWM N.V. SB includes:
- reviewing and recommending, or where appropriate ratifying, remuneration arrangements for key employees;
- providing input on the proposed bonus pool for relevant entities, and ensuring such proposals are adjusted for performance and risk and meet capital adequacy requirements of those entities; and
- inputting to and subsequently adopting the NatWest Group Remuneration Policy Principles.

The NWM N.V. SB must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWM N.V. SB met 13 times in 2021, three of which were to discuss remuneration matters.

Total remuneration awarded to 'MRTs for the financial year

					Other senior management and other MRTs split by business area					
	NWM N.V. NEDs	NWM N.V. EDs	Other senior mngt.	Other MRTs	Corporate functions	Control functions	Capital Markets	Sales	Trading	Total
Fixed remuneration										
Total number of MRTs	3	4	10	29						46
Other senior management - split by business area					2	2	3	1	2	
Other MRTs - split by business area					3	19	7	—	—	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.13	1.59	3.98	4.73	1.09	2.55	3.51	0.62	0.95	10.43
Cash-based	0.13	1.59	3.98	4.73	1.09	2.55	3.51	0.62	0.95	10.43
Share-based	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Variable remuneration										
Total number of MRTs	—	3	8	22						33
Other senior management - split by business area					2	2	2	1	1	
Other MRTs - split by business area					3	14	5	—	—	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	0.18	1.42	0.87	0.19	0.25	1.27	0.47	0.10	2.47
Cash-based	—	0.09	0.71	0.52	0.11	0.18	0.65	0.24	0.05	1.32
Of which: deferred cash	—	0.04	0.28	0.14	0.03	0.03	0.25	0.09	0.02	0.46
Share-based (annual bonus)	—	0.09	0.71	0.35	0.08	0.07	0.62	0.23	0.05	1.15
Of which: deferred shares	—	0.04	0.28	0.14	0.03	0.03	0.25	0.09	0.02	0.46
Share-based (LTI awards)	—	—	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—	—	—
Total remuneration of MRTs	0.13	1.77	5.40	5.60	1.28	2.80	4.78	1.09	1.05	12.90

(1) Fixed remuneration consists of salaries, allowances, pension and benefit funding.
(2) Variable remuneration consists of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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.
(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.
(4) Under CRD V 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 2021 performance year.

Derogations

The regulations allow some flexibility not to apply certain requirements that would normally apply to MRTs where an individual's annual variable remuneration does not exceed €50,000 and does not represent more than 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 14 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £2.26 million (of which £2.09 million was fixed pay and £0.17 million was variable pay).

Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs who perform their primary role for NWM N.V. and work the majority of their time in the Netherlands shall not exceed 20% of the fixed component. The variable component of total remuneration for MRTs who perform their primary role for NWM N.V. and work the majority of their time outside the Netherlands, shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2021 was approximately 1 to 0.24. The majority of MRTs were based in the Netherlands.

Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 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
NWW N.V. NEDs - No deferred or retained remuneration held								
NWM N.V. EDs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.35	0.11	0.24	—	—	0.09	0.11	0.16
Other instruments or forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	2.04	0.98	1.06	—	—	0.54	0.98	1.23
Other instruments or forms	—	—	—	—	—	—	—	—
Other MRTs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.79	0.39	0.40	—	—	0.22	0.39	0.35
Other instruments or forms	—	—	—	—	—	—	—	—
Total amount	3.18	1.48	1.70	—	—	0.85	1.48	1.74

*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.

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

Special payments	NWM N.V. NEDs	NWM N.V. 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	—	—	2	3
	£m	£m	£m	£m
Total amount	—	—	0.60	1.48
Of which: paid during the financial year	—	—	0.60	1.48
Of which: deferred	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	0.60	1.48
Of which: highest payment that has been awarded to a single person	—	—	0.43	0.77

(1) NatWest Group does not offer sign-on awards. 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.
(2) 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 rewarded.
(3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year, other than a payment to one individual of £78,410 in relation to a non compete payment.

Total remuneration by band for all colleagues earning >€1million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	2
€1.5 million to below €2.0 million	—
€2.0 million to below €2.5million	—
€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	2

(1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
(2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

The Royal Bank of Scotland International (Holdings) Limited Remuneration Disclosure

Remuneration of Material Risk Takers (MRTs)

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 57 individuals who have been identified as MRTs for The Royal Bank of Scotland International (Holdings) Limited (RBSIH).

We have excluded 74 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within RBSIH, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

RBSIH has a Remuneration Committee (RBSIH RemCo). The RBSIH RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for the Royal Bank of Scotland International (Holdings) Limited.
The key areas of focus for RBSIH RemCo includes:

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

RBSIH 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. RBSIH RemCo met seven times in 2021.

Total remuneration awarded to ‘MRTs for the financial year

					Other senior management and other MRTs split by business area				
	RBSIH Ltd NEDs	RBSIH Ltd EDs	Other senior mngt.	Other MRTs	Corporate functions	Control functions	Institutional Banking	Other Customer Facing	Total
Fixed remuneration									
Total number of MRTs	4	2	12	39					57
Other senior management - split by business area					4	4	1	3	
Other MRTs - split by business area					4	18	10	7	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.37	1.10	1.86	4.91	0.87	2.85	1.89	1.16	8.24
Cash-based	0.37	0.95	1.86	4.91	0.87	2.85	1.89	1.16	8.09
Share-based	—	0.15	—	—	—	—	—	—	0.15
Other instruments or forms	—	—	—	—	—	—	—	—	—
Variable remuneration									
Total number of MRTs	—	2	7	30					39
Other senior management - split by business area					3	2	1	1	
Other MRTs - split by business area					2	14	8	6	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	0.82	0.75	1.51	0.23	0.57	1.07	0.39	3.08
Cash-based	—	0.08	0.39	1.00	0.15	0.40	0.55	0.28	1.47
Of which: deferred cash	—	0.03	0.14	0.20	0.03	0.07	0.21	0.04	0.37
Share-based (annual bonus)	—	0.08	0.36	0.51	0.08	0.17	0.52	0.09	0.95
Of which: deferred shares	—	0.03	0.14	0.20	0.03	0.07	0.21	0.04	0.37
Share-based (LTI awards)	—	0.66	—	—	—	—	—	—	0.66
Of which: deferred shares	—	0.66	—	—	—	—	—	—	0.66
Other instruments or forms	—	—	—	—	—	—	—	—	—
Total remuneration of MRTs	0.37	1.92	2.61	6.42	1.10	3.42	2.96	1.55	11.32

(1) Fixed remuneration consists of salaries, allowances, pension and benefit funding.
(2) Variable remuneration consists of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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.
(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.
(4) Under CRD V 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 2021 performance year.

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 21 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £3.13 million (of which £2.60 million was fixed pay and £0.53 million was variable pay).

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 2021 was approximately 1 to 0.37. The majority of MRTs were based in the Channel Islands.

Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 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
RBSIH Ltd NEDs - No deferred or retained remuneration held								
RBSIH Ltd EDs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	1.73	0.36	1.37	—	—	0.49	0.36	0.18
Other instruments or forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.96	0.36	0.60	—	—	0.28	0.36	0.22
Other instruments or forms	—	—	—	—	—	—	—	—
Other MRTs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.47	0.22	0.25	—	—	0.13	0.22	0.05
Other instruments or forms	—	—	—	—	—	—	—	—
Total amount	3.16	0.94	2.22	—	—	0.90	0.94	0.45

*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.

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

Special payments	RBSI Ltd NEDs	RBSI Ltd 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 *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	—	—	3	5
	£m	£m	£m	£m
Total amount	—	—	0.90	0.91
Of which: paid during the financial year	—	—	0.90	0.91
Of which: deferred	—	—	—	—
Of which: paid during the financial year that are not taken into account *in the bonus cap*	—	—	0.90	0.91
Of which: highest payment that has been awarded to a single person	—	—	0.30	0.24

(1) NatWest Group does not offer sign-on awards. 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.
(2) 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 rewarded.
(3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

Total remuneration by band for all colleagues earning >€1million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	1
€1.5 million to below €2.0 million	—
€2.0 million to below €2.5million	—
€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

(1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.
(2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

RBSI Depository Services (Lux) Remuneration Disclosure

Remuneration of Material Risk Takers (MRTs)

The quantitative disclosures below are made in accordance with regulatory requirements in relation to six individuals who have been identified as MRTs for RBSI Depository Services (Lux).

We have excluded 43 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within RBSI Depository Services (Lux), they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2021 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

RBSI Depository Services (Lux) has a Supervisory Board which oversees remuneration matters (RBSI DS SB). The RBSI DS SB is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for RBSI Depository Services (Lux).
The key areas of focus for the RBSI DS SB includes:

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

The RBSI DS SB must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The RBSI DS SB met 14 times in 2021, five of which were to discuss remuneration matters.

Total remuneration awarded to 'MRTs for the financial year

					Other senior management and other MRTs split by business area			
	RBSI DS NEDs	RBSI DS EDs	Other senior mngt.	Other MRTs	Corporate functions	Control functions	Depository Services	Total
Fixed remuneration								
Total number of MRTs	1	3	2	—				6
Other senior management - split by business area					—	2	—	
Other MRTs - split by business area					—	—	—	
	£m	£m	£m	£m	£m	£m	£m	£m
Total fixed remuneration of MRTs	0.02	0.34	0.22	—	—	0.22	—	0.58
Cash-based	0.02	0.34	0.22	—	—	0.22	—	0.58
Share-based	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
Variable remuneration								
Total number of MRTs	—	3	1	—				4
Other senior management - split by business area					—	1	—	
Other MRTs - split by business area					—	—	—	
	£m	£m	£m	£m	£m	£m	£m	£m
Total variable remuneration of MRTs	—	0.14	0.01	—	—	0.01	—	0.15
Cash-based	—	0.10	0.01	—	—	0.01	—	0.11
Of which: deferred cash	—	0.02	—	—	—	—	—	0.02
Share-based (annual bonus)	—	0.04	—	—	—	—	—	0.04
Of which: deferred shares	—	0.02	—	—	—	—	—	0.02
Share-based (LTI awards)	—	—	—	—	—	—	—	—
Of which: deferred shares	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
Total remuneration of MRTs	0.02	0.48	0.23	—	—	0.23	—	0.73

(1) Fixed remuneration consists of salaries, allowances, pension and benefit funding.
(2) Variable remuneration consists of a combination of annual bonus and long-term incentive awards, deferred over a four to seven year period in accordance with regulatory requirements. 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.
(3) Long-term incentive awards vest subject to the extent to which performance conditions were met and can result in zero payment.
(4) Under CRD V 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 2021 performance year.

Derogations

The regulations allow some flexibility not to apply certain requirements that would normally apply to MRTs where an individual's annual variable remuneration does not exceed €50,000 and does not represent more than 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 3 MRTs in respect of performance year 2021. Total remuneration for these individuals in 2021 was £0.33 million (of which £0.27 million was fixed pay and £0.06 million was variable pay).

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 2021 was approximately 1 to 0.26. The majority of MRTs were based in Luxembourg.

Outstanding deferred remuneration

The table below includes deferred remuneration awarded or paid out in 2021 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
RBSI DS NEDs - No deferred or retained remuneration held								
RBSI DS EDs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	0.03	0.01	0.02	—	—	0.01	0.01	—
Other instruments or forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
Other MRTs								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent interests	—	—	—	—	—	—	—	—
Other instruments or forms	—	—	—	—	—	—	—	—
Total amount	0.03	0.01	0.02	-	-	0.01	0.01	—

*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.

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

Special payments	RBSI DS NEDs	RBSI DS 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	—	—	—	—
	£m	£m	£m	£m
Total amount	—	—	—	—
Of which: paid during the financial year	—	—	—	—
Of which: deferred	—	—	—	—
Of which: paid during the financial year that are not taken into account in the bonus cap	—	—	—	—
Of which: highest payment that has been awarded to a single person	—	—	—	—

(1) NatWest Group does not offer sign-on awards. 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.
(2) 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 rewarded.
(3) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

Total remuneration by band for all colleagues earning >€1million

Total remuneration by band for employees earning >€1 million for 2021	Number of MRTs
€1.0 million to below €1.5 million	—
€1.5 million to below €2.0 million	—
€2.0 million to below €2.5million	—
€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.
(2) Where applicable, the table is based on an average exchange rate of €1.163 to £1 for 2021.

Appendix 1 – CRR Roadmap

The following table provides a reference signposting for part 8 of the Capital Requirements Regulation (CRR) covering Pillar 3 disclosures.

CRR ref	High-level summary	Compliance reference
Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar 3 disclosures.	NatWest Group publishes Pillar 3 disclosures as required.
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	NatWest Group ARA (ARA): Risk and capital management - Operational risk section.
431 (3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and appropriateness.	NatWest Group has a Pillar 3 policy.
431 (4)	Explanation of ratings decision upon request.	If requested, NatWest Group provides an explanation in writing on rating decisions to SMEs and other corporate applicants.
CRR 432: Non-material, proprietary or confidential information		
432 (1)	Institutions may omit information that is not material if certain conditions are respected.	NatWest Group complies with all relevant disclosure requirements.
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	NatWest Group does not omit any information on the grounds that it may be proprietary or confidential.
432 (3)	Where 432 (2) applies this must be stated in the disclosures, and more general information must be disclosed.	N/A
432 (4)	Use of 432 (1), (2) and (3) is without prejudice to scope of liability for failure to disclose material information.	N/A
CRR 433: Frequency of disclosure		
433	Disclosures must be published once a year at a minimum, and more frequently if necessary.	Required disclosures are published annually at a minimum, with quarterly disclosures for key elements and metrics including Own Funds, RWA, Capital Requirements and Leverage.
CRR 434: Means of disclosures		
434 (1)	To include all disclosures in one appropriate medium, or provide clear cross-references.	Majority of the disclosure requirements are covered by the Pillar 3 Report. Other disclosures including certain qualitative requirements are covered within the ARA. Signposting is used to direct users to relevant sections.
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate.	This reference guide sets out the cross-references.
CRR 434a: Uniform disclosure formats		
434a	The FCA and PRA may each make technical standards specifying uniform disclosure formats, and associated instructions.	NatWest Group uses uniform disclosures where these have been provided.
CRR 435: Risk management objectives and policies		
435 (1)	Disclose information on:	
435 (1) (a)	The strategies and processes to manage those risks.	ARA: Corporate governance – Report of the Board Risk Committee. Additional information on risk strategies and management processes found throughout this document and specifically ARA: Risk and capital management section.
435 (1) (b)	Structure and organisation of risk management function.	ARA: Risk and capital management – Risk management framework. Additional information on risk management structure processes found throughout this document, and specifically ARA: Risk and capital management section.
435 (1) (c)	Risk reporting and measurement systems.	ARA: Risk and capital management - Risk management framework. Additional information on the scope and nature of risk reporting and measurement systems found throughout this document, and specifically ARA: Risk and capital management section.
435 (1) (d)	Hedging and mitigating risk - policies and processes.	ARA: Risk and capital management - Risk management framework; Credit risk; Non-traded market risk; Pension risk; Operational risk; and, Accounting policies - Derivatives and Hedging.
435 (1) (e)	Adequacy of risk management arrangements.	ARA: Corporate Governance – Report of the Group Audit Committee and Board Risk Committee.
435 (1) (f)	Concise risk statement approved by the Board	ARA: Strategic Report - Risk management framework.

CRR ref	High-level summary	Compliance reference
CRR 435: Risk management objectives and policies		
435 (2)	Information on governance arrangements, including information on Board composition and recruitment, and risk committees.	Refer to sub-articles below.
435 (2) (a)	Number of directorships held by directors.	ARA: Corporate governance – Our Board.
435 (2) (b)	Recruitment policy of the Board, their experience and expertise.	ARA: Corporate governance – Report of the Group Nominations and Governance Committee https://www.natwestgroup.com/who-we-are/board-and-governance/board-and-committees.html
435 (2) (c)	Policy on diversity of Board membership and results against targets.	ARA: Corporate governance – Report of the Group Nominations and Governance Committee.
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meeting in the year.	ARA: Corporate governance – Report of the Board Risk Committee.
435 (2) (e)	Description of information flow risk to Board.	ARA: Report on the Board Risk Committee & Risk and capital management.
CRR 436: Scope of application		
436	See sub paragraphs below.	
436 (a)	Name of institution.	NatWest Group plc and its consolidated subsidiaries.
436 (b)	Difference in basis of consolidation for accounting and prudential purposes, naming entities that are:	LI1, CC1 & Consolidation.
436 (b) (i)	Fully consolidated;	ARA (Parent company financial statements and notes): Note 9 Investments in Group undertakings and Note 12 Related undertakings.
436 (b) (ii)	Proportionally consolidated;	
436 (b) (iii)	Deducted from own funds;	
436 (b) (iv)	Neither consolidated nor deducted.	
436 (c)	Impediments to transfer of funds between parent and subsidiaries.	There are no such impediments. Refer to Pillar 3 – Disclosure framework.
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation.	Entities outside the scope of consolidation are appropriately capitalised.
436 (e)	Making use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries/entities.	N/A
CRR 437: Own funds		
437 (1)	Requirement to disclosure following information regarding own funds:	
437 (1) (a)	Reconciliation of regulatory values for Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions to statutory balance sheet;	LI1 & CC1.
437 (1) (b)	Description of the main features of Capital Instruments issued by institution;	Pillar 3 Capital Instruments Common Disclosure template available on NatWest Group Investor Relations website www.investors.natwestgroup.com
437 (1) (c)	Full terms and conditions of Capital Instruments issued by institution;	Pillar 3 Capital Instruments Common Disclosure template available on NatWest Group Investor Relations website www.investors.natwestgroup.com
437 (1) (d)	Disclosure of the nature and amounts of the following:	CC1.
437 (1) (d) (i)	each prudential filter applied;	
437 (1) (d) (ii)	each capital deduction applied;	
437 (1) (d) (iii)	items not deducted from capital;	
437 (1) (e)	a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	CC1.
437 (1) (f)	where institutions disclose capital ratios calculated using elements of own funds determined on a different basis.	N/A
437 (2)	EBA shall develop draft implementing technical standards to specify uniform templates for disclosure.	EBA published technical standards introducing Common Disclosure Templates for Own Funds; available on CC1.

CRR ref	High-level summary	Compliance reference
CRR 438: Capital requirements		
438	See sub paragraphs below.	
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Pillar 3 - Disclosure framework & ARA: Risk and capital management - Risk management framework.
438 (b)	Result of ICAAP on demand from authorities.	N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised approach exposure class.	CR2.
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class.	CR2, OV1 & CR10 & CR8.
438 (e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.	OV1 & MR1.
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	NatWest Group uses Standardised approach; OV1 includes operational risk capital requirements.
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	CR10.
CRR 439: Exposure to counterparty credit risk		
439	See sub paragraphs below.	
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	CCR - EAD calculation methods for counterparty credit risk & counterparty credit limit setting.
439 (b)	Discussion of process to secure collateral and establishing reserves.	CCR – Counterparty credit risk management & Credit Valuation Adjustments & ARA: Notes to Consolidated Accounts 11 Financial Instruments – valuation.
439 (c)	Discussion of management of wrong-way exposures	CCR – Wrong-way risks.
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	EAD calculation methods for counterparty credit risk & Counterparty credit limit setting.
439 (e)	Derivation of net derivative credit exposure.	CCR5_A
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	CCR1, CCR2 & CCR8.
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	CCR6.
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	CCR6.
439 (i)	Estimate of alpha, if applicable.	EAD calculation methods for counterparty credit risk.
CRR 440: Capital buffers		
440 (1)	See sub paragraphs below.	N/A
440 (1) (a)	Geographical distribution of relevant credit exposures.	CCyB1.
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	CCyB1.
440 (2)	EBA will issue technical implementation standards related to 440 (1).	NatWest Group follows the current standards.
CRR 441: Indicators of global systemic importance		
441 (1)	Disclosure of the indicators of global systemic importance.	GSIB indicators as of and for the year ended 31 December 2021 will be published in April 2022 on www.investors.natwestgroup.com.
441 (2)	EBA will issue technical implementation standards related to 441 (1).	NatWest Group follows the current standards.

CRR ref	High- level summary	Compliance reference
CRR 442: Credit risk adjustments		
442	See sub paragraphs below.	
442 (a)	Disclosure of bank's definitions of past due and impaired.	ARA: Risk and capital Management and Notes on the consolidated accounts - 15 Loan impairment provisions
442 (b)	Approaches for calculating credit risk adjustments.	ARA: Accounting policies: 11. Impairment: expected credit losses.
442 (c)	Disclosure of EAD by exposure class.	CRB_B.
442 (d)	Disclosures of EAD by geography and exposure class.	CRB_C.
442 (e)	Disclosures of EAD by industry and exposure class.	CRB_D.
442 (f)	Disclosures of EAD by residual maturity and exposure class.	CRB_E.
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	CR1_A, NPL templates: Template1, Template 3, Template 4. ARA: Risk and capital management - Segmental loans and impairment metrics.
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	NPL template: Template 5 ARA: Risk and capital management - Segmental loans and impairment metrics.
442 (i) 442 (i) (i- v)	Reconciliation of changes in specific and general credit risk adjustments.	CR2-A.
442 Endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	CR2-A
CRR 443: Unencumbered assets		
443	Disclosures on unencumbered assets.	Asset Encumbrance.
CRR 444: Use of ECAIs		
444	See sub paragraphs below.	
444 (a)	Names of the ECAIs used in the calculation of Standardised approach RWAs, and reasons for any changes.	Credit risk: Standardised approach.
444 (b)	Exposure classes associated with each ECAI.	Credit risk: Standardised approach.
444 (c)	Process for translating external ratings into credit quality steps.	Credit risk: Standardised approach.
444 (d)	Mapping of external rating to credit quality steps.	CCyB1.
444 (e)	Exposure value pre and post-credit risk mitigation, by CQS.	Majority of exposure where ECAI ratings are used to calculate the risk-weight are within central governments and banks exposure class. Refer to CR5 and CCR3 for risk-weights.
CRR 445: Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	MR1 for Specific Interest Rate Risk of Securitisation Positions; and, Market Risk components including position risk, foreign exchange risk and IMM. Settlement Risk is included within OV1.
CRR 446: Operational risk		
446	Scope of approaches used to calculate operational risk.	NatWest Group uses the standardised approach, refer to OV1 and ARA: Risk and capital management - Operational risk
CRR 447: Exposures in equities not included in the trading book		
447		
447 (a)	Differentiation between exposures based on their objectives, and an overview of the accounting techniques and valuation methodologies used.	ARA: Risk and capital management - Credit risk and Non-traded market risk. For further detail on accounting refer to ARA: Accounting policies: 10 Financial Instruments.
447 (b)	Comparison between the balance sheet value, fair value and market price where materially different.	ARA: Risk and capital management - Credit risk - Non-traded market risk - Equity Risk table.
447 (c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures.	ARA: Risk and capital management - Credit risk - Non-traded market risk - Equity Risk table.
447 (d)	The cumulative realised gains or losses arising from sales and liquidations in the period.	
447 (e)	The total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds.	

CRR ref	High-level summary	Compliance reference
CRR 448: Exposure to interest rate risk on positions not included in the trading book		
448		
448 (a)	For Non-Traded Interest Rate Risk, the nature and frequency of measurement.	ARA: Risk and capital management - Non-Traded Market Risk - Interest rate risk.
448 (b)	The variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	ARA: Risk and capital management - Non-Traded Market Risk - Interest rate risk.
CRR 449: Exposure to securitisation positions		
449	Exposure to securitisations positions.	NatWest Group has no correlation trading portfolio.
449 (a)	Objectives in relation to securitisation activity.	Securitisation – Objectives and roles.
449 (b)	Nature of other risks in securitised assets, including liquidity.	Securitisation – Risk management.
449 (c)	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets.	Securitisation – Risk management.
449 (d)	The roles played by institutions in the securitisation process.	Securitisation – Objectives and roles.
449 (e)	Indication of the extent of involvement in these roles.	Securitisation – Objectives and roles.
449 (f)	Processes in place to monitor changes in credit and market risks of securitisation exposures, and how the processes differ for re-securitisation exposures.	Securitisation – Risk management.
449 (g)	Description of the institution's policies with respect to hedging and unfunded protection, and identification of material hedge counterparties.	Securitisation – Risk management.
449 (h)	Approaches to calculation of RWA for securitisations mapped to types of exposures.	Securitisation – Calculation of risk-weighted exposures.
449 (i)	Types of SSPEs used to securitise third-party exposures, and list of SSPEs.	Securitisation – SSPEs used by NatWest Group SECA & SEC 4.
449 (j)	Summary of accounting policies for securitisations.	Securitisation – Summary of accounting policies.
449 (j) (i)	Treatment of sales or financings;	Securitisation – Recognition of sales
449 (j) (ii)	Recognition of gains on sales;	Securitisation – Recognition of sales
449 (j) (iii)	Approach to valuing securitisation positions;	Securitisation - Key assumptions for valuing securitisation positions
449 (j) (iv)	Treatment of synthetic securitisations;	Securitisation - Synthetic securitisations.
449 (j) (v)	Valuation of assets awaiting securitisations;	Securitisation - Assets awaiting securitisation.
449 (j) (vi)	Recognition of arrangements that could require the bank to provide support to securitised assets.	Securitisation - Implicit support
449 (k)	Names of ECAIs used for securitisations.	Securitisation – Calculation of risk-weighted exposures.
449 (l)	Full description of Internal Assessment Approach.	Securitisation – Summary of Internal Assessment Approach.
449 (m)	Explanation of changes in quantitative disclosures.	SEC 1.
449 (n)	Banking and trading book securitisation exposures:	
449 (n) (i)	Amount of outstanding exposures securitised;	SEC 3.
449 (n) (ii)	On balance sheet securitisation retained or purchased, and off-balance sheet exposures;	SEC 3 & SEC 4.
449 (n) (iii)	Amount of assets awaiting securitisation;	Securitisation - Assets awaiting securitisation.
449 (n) (iv)	Early amortisation treatment; aggregate drawn exposures, capital requirements;	NatWest Group has no securitisation positions treated subject to early amortisation treatment.
449 (n) (v)	Deducted or 1,250%-weighted securitisation positions;	SEC 1, SEC 2 & SEC 3.
449 (n) (vi)	Amount of exposures securitised and recognised gains or losses on sales.	SECA & SEC 3.

CRR ref	High-level summary	Compliance reference
CRR 449: Exposure to securitisation positions		
449 (o)	Banking and trading book securitisations by risk band:	
449 (o) (i)	Retained and purchased exposure and associated capital requirements, broken down by risk-weight bands;	SEC 1 & SEC 2.
449 (o) (ii)	Retained and purchased re-securitisation exposures before and after hedging and insurance; exposure to financial guarantors broken down by guarantor credit worthiness.	SEC 1 & SEC 2.
449 (p)	Impaired assets and recognised losses related to banking book securitisations, by exposure type.	
449 (q)	Exposure and capital requirements for trading book securitisations, separately into traditional.	SEC 2.
449 (r)	Whether the institution has provided non-contractual financial support to securitisation vehicles.	Securitisation – Implicit support.
CRR 450: Remuneration policy		
450	Remuneration policy	Summary of remuneration policy.
450 (1) (a)	Decision-making process for determining remuneration policy	Summary of remuneration policy.
450 (1) (b)	Link between pay and performance;	Summary of remuneration policy.
450 (1) (c)	Design characteristics of the remuneration system, criteria for performance measurement, risk adjustment, deferral policy and vesting criteria;	Summary of remuneration policy.
450 (1) (d)	Ratios between fixed and variable remuneration;	Summary of remuneration policy.
450 (1) (e)	Performance criteria on which entitlement to shares, options or variable components of remuneration is based;	Summary of remuneration policy.
450 (1) (f)	Parameters and rationale for variable components schemes and other non-cash benefits;	Summary of remuneration policy.
450 (1) (g)	Aggregate quantitative information on remuneration;	Total remuneration awarded to 'MRTs for the financial year
450 (1) (h)	Aggregate quantitative information on remuneration, broken down by senior management and members staff with significant impact on risk profile of the institution:	Total remuneration awarded to 'MRTs for the financial year
450 (1) (h) (i)	The amounts of remuneration for the financial year, split into fixed and flexible and number of beneficiaries;	Total remuneration awarded to 'MRTs for the financial year
450 (1) (h) (ii)	The amounts and forms of variable remuneration;	Total remuneration awarded to 'MRTs for the financial year
450 (1) (h) (iii)	The amounts of outstanding deferred remuneration, split into vested and unvested;	Outstanding deferred remuneration
450 (1) (h) (iv)	The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;	Outstanding deferred remuneration
450 (1) (h) (v)	New sign-on and severance payments made during the financial year, number of beneficiaries;	Guaranteed awards (including 'sign-on' awards) and severance payments
450 (1) (h) (vi)	The amount of severance payments awarded during the financial year, number of beneficiaries and highest award;	
450 (1) (i)	The number of individuals been remunerated EUR 1 million or more, between EUR 1 and 5 million and of EUR 5 million or above;	Total remuneration by band for all colleagues earning >€1million
450 (1) (j)	Upon demand from the PRA or FCA, total remuneration for each member of management body or senior management;	If requested, NatWest Group provides the information
450 (1) (k)	Exceptions for disclosure based on proportionality of entity or materiality of employee pension.	n/a
450 (2)	For large institutions, internal organisation and the nature, scope and the complexity of their activities and other quantitative information as per the article;	Refer to NatWest Markets Plc remuneration disclosures & RBSI (Holdings) Group remuneration disclosure sections within this document.
CRR 451: Leverage		
451 (1)	See sub paragraphs below.	
451 (1) (a)	Leverage ratio, and breakdown of total exposure measure,	LRSum.
451 (1) (b)	including reconciliation to financial statements, and	LRSum.
451 (1) (c)	derecognised fiduciary items.	N/A
451 (1) (d)	Description of the risk management approach to mitigate excessive leverage.	ARA: Risk and capital management – Capital Management.

CRR ref	High-level summary	Compliance reference
CRR 451: Leverage		
451 (1) (e)	Factors that impacted the leverage ratio during the year.	Capital, liquidity and funding – Key points.
451 (2)	EBA to publish implementation standards for points above.	NatWest Group follows the current standards.
CRR 452: Use of the IRB Approach to credit risk		
452	See sub paragraphs below.	
452 (a)	Permission for use of the IRB approach from authority.	CRE_1: IRB Models.
452 (b)	Explanation of:	
452 (b) (i)	Internal rating scales, mapped to external ratings;	CR9_a_2 & ARA: Risk and capital management - Credit Risk. Asset quality.
452 (b) (ii)	Use of internal ratings for purposes other than capital requirement calculations;	CRE: Qualitative disclosures relating to IRB models.
452 (b) (iii)	Management and recognition of credit risk mitigation;	Credit risk – Risk profile by credit risk mitigation technique.
452 (b) (iv)	Controls around ratings systems.	Credit risk – IRB modelling governance & Independent model validation.
452 (c) 452 (c) (i) 452 (c) (ii) 452 (c) (iii) 452 (c) (iv) 452 (c) (v)	Ratings processes for each IRB asset class.	CRE: Qualitative disclosures relating to IRB models (credit and counterparty risk), including CRE_2a & CRE_2b.
452 (d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	CR2 and numerous other tables throughout the report.
452 (e)	Disclosure by exposure classes, separately by obligor grade:	CR6_b & CCR4.
452 (e) (i)	Total exposure, separating drawn and undrawn exposure	CR6_b & CCR4.
452 (e) (ii)	Exposure-weighted average risk weight	CR6_b.
452 (e) (iii)	Undrawn commitments and the exposure-weighted average Credit Conversion Factor (CCF)	CR6_b.
452 (f)	The requirements laid out in 452(e) for the Retail exposure class.	CR6_a.
452 (g)	Actual specific credit risk adjustments by exposure class.	CR6_a & CR6_b.
452 (h)	Commentary on drivers of losses in preceding period.	CR9, CR9_A, CR9_B & CR9_C.
452 (i)	Predicted against actual losses for sufficient period, and historical analysis to help assess the performance of the rating system over a sufficient period.	CR9_a; CR9_a_1; CR9_a_2; CR9_b; CR9_c.
452 (j)	For all IRB exposure classes, where applicable, PD and LGD by each country where the bank operates.	CR6_C.
452 (j) (i)	Exposures in the United Kingdom; or	
452 (j) (ii)	Exposures in a third country in which the institution carries out activities through a branch or a subsidiary.	
CRR 453: Use of credit risk mitigation techniques		
453	See sub paragraphs below.	
453 (a)	Use of on and off-balance sheet netting.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation. Wholesale IRB models - Exposure at default models. LI2.
453 (b)	How collateral valuation is managed.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (c)	Description of types of collateral used by NatWest Group.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (d)	Guarantor and credit derivative counterparty, creditworthiness.	Recognition of credit risk mitigation in the calculation of RWAs.
453 (e)	Market or credit risk concentrations within risk mitigation exposures.	CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (f)	Standardised or Foundation IRB approach, exposure value covered by eligible collateral.	CR4.
453 (g)	Exposures covered by guarantees, credit derivatives or collateral.	CR3.

CRR ref	High-level summary	Compliance reference
CRR 454: Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A
CRR 455: Use of Internal Market Risk Models		
455		
455(a)	See sub paragraphs below.	
455(a)(i)	Characteristics of the market risk models.	MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (a) (ii)	Methodology for all-price risk measure and incremental risk charge.	MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (a) (iii)	Descriptions of stress tests applied to the portfolios.	ARA: Risk and capital management - Stress testing in Market Risk.
455 (a) (iv)	Methodology for back-testing and validating the models.	ARA: Risk and capital management: Traded market risk.
455 (b)	Scope of permission for use of the models.	MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (c)	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	MRB_A: MR: Qualitative information. PV1.
455 (d) 455 (d) (i) 455 (d) (ii) 455 (d) (iii)	High/Low/Mean values over the year of VaR, SVaR, all-price risk measure and incremental risk charge.	MR3.
455 (e)	The elements of the own fund calculation.	MR2_A.
455 (f)	Weighted average liquidity horizons of portfolios covered by models.	MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value.	MR4.