



NatWest Holdings Group

Pillar 3 Report 2020

Pillar 3 Report 2020

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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 Holdings Limited (NWH Ltd) and its parent, NatWest Group's, future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWH Ltd or 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 and the refocusing of its NatWest Markets franchise, 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 NWH Ltd (or NatWest Group's) exposure to economic and political risks (including with respect to terms surrounding Brexit and climate change), operational risk, conduct risk, cyber and IT risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the impact of the COVID-19 pandemic, future acquisitions, 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 low-carbon economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NWH Ltd or NatWest Group plc's actual results are discussed in NatWest Group plc's UK 2020 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 NWH Ltd or NatWest Group plc do 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.

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Attestation statement

We confirm that the 2020 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 2020 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 2020 Pillar 3 Report was approved by the Board on 19 February 2021.

Katie Murray
Chief Financial Officer
Executive Director, NatWest Holdings Limited Board

Bruce Fletcher
Chief Risk Officer
Member, Executive Committee

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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 Capital Requirements Regulation (CRR) and associated regulations and guidelines from the European Banking Authority (EBA). 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 NWH Group.

Following the signing of the EU-UK withdrawal agreement, on 24 January 2020, the Brexit transition period ran until 31 December 2020 during which the UK continued to be subject to EU rules. Therefore, as at the date of this report NatWest Group continues to be subject to the Pillar 3 disclosure requirements in the CRR as described above. From 1 January 2021 NatWest Group is regulated under the onshored CRR and associated onshored binding technical standards which were created by the European Union (Withdrawal) Act 2018 and a number of amending statutory instruments.

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 total assets equal to or greater than €30 billion.

NWH Group's large subsidiaries at 31 December 2020 were National Westminster Bank Plc (NWB Plc), The Royal Bank of Scotland plc (RBS plc), Ulster Bank Ireland Designated Activity Company (UBI DAC) and Coutts & Company (Coutts & Co).

Disclosures for Coutts & Co, which was included as a large subsidiary in the NWH Group Pillar 3 report for the first time at 31 March 2020, are not presented with comparatives before this period.

Disclosure roadmap

This document should be read in conjunction with the 2020 NWH 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. For NWH Group, relevant information can be found in the 2020 NWH Group ARA. This is supplemented by further analysis and a range of risk factors, for NatWest Group as a whole, in the 2020 NatWest Group ARA. These Pillar 3 disclosures provide additional information specific to NWH Group over and above that contained in the 2020 NWH Group ARA.

Key metrics for NWH Group are published as follows:

- Financial performance measures and ratios – 2020 NatWest Group ARA – Strategic report – Highlights
- Key metrics – Capital, leverage and liquidity for NWH Group, NWB Plc, RBS plc, UBI DAC and Coutts & Co in their respective ARAs – Risk and capital management – Capital, liquidity and funding risk.

Certain Pillar 3 disclosures are included in the 2020 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 – available in 2020 NWH Group ARA:
 - 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 European Banking Authority (EBA) templates required to be disclosed as at 31 December 2020 are not applicable to NatWest

Group: EU INS1 – Non-deducted participations in insurance undertakings and EU CCR5-B Composition of collateral for counterparty credit risk exposure.

TLAC tables TLAC 1 – TLAC composition for G-SIBs (at resolution group level), TLAC 3 – Resolution entity – creditor ranking at legal entity level and KM 2 – Key metrics – TLAC requirements (at resolution group level) relevant to Global Systemically Important Institutions (G-SIIs) are not applicable to NWH Group Pillar 3 disclosure.

The following EBA templates are not disclosed as NWH Group had no relevant reportable exposure as at 31 December 2020: CR9_c: IRB: IRB models: Back-testing of EL by exposure class – total credit risk, EU CR10_B IRB: IRB equities, NPL template 9 – changes in the stock of the non-performing loans and advances, EU MR2_A: Market risk under the IMA, EU MR3: IMA values for trading portfolios – NatWest Group and large subsidiaries, EU MR4: Comparison of VaR estimates with gains/losses.

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

Regulatory disclosure developments

Phase 1 of the revised Pillar 3 framework of the BCBS was addressed by the EBA in guidelines implemented in December 2017. The guidelines introduced more specific guidance and prescribed tables and templates, regarded by the regulators as a significant step towards enhancing the consistency and comparability of banks' regulatory disclosures. Phase 2 consolidated existing disclosure requirements, introduced a dashboard of key prudential measures and added disclosures around total loss-absorbing capital (TLAC).

During 2018, new disclosure requirements were introduced by the EBA for IFRS 9 transitional arrangements. The Prudential Regulation Authority (PRA) also requested early adoption of a small subsection of qualitative and quantitative tables from Phase 2 of the BCBS revised Pillar 3 framework. Building on this in 2019, new disclosure requirements on non-performing and forbore exposures were introduced by the EBA.

The BCBS 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 submitted to the European Commission for adoption and is expected to be implemented for end June 2021 concurrent with the entry in to force of the majority of the CRR2 amendments.

As the UK is no longer part of the EU from 1 January 2021, these changes will not apply to NatWest Group unless they are separately implemented in the UK. On 16 November 2020 HM Treasury, the PRA and FCA issued a joint statement delaying the implementation of those parts of the Basel reforms contained in CRR2 to 1 January 2022; therefore, there are unlikely to be significant changes to the UK disclosure framework before this date.

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.

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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.

NWH 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 both the mark-to-market (MTM) method and the internal model method (IMM) for derivative transactions. The financial collateral comprehensive method is used for securities financing transactions. The resultant Exposure at Default (EAD) is risk-weighted as for Credit risk.
- Market risk: Both the standardised approach and the internal model approach (IMA) are used.
- 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.

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.

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

Within Pillar 2A, NWH 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. NWH Group uses economic capital models to estimate Pillar 2A capital charges for operational and credit concentration risk. For more information, refer to the 2020 NWH 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 2020 NWH 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 NWH 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 the 2020 NWH 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 the NWH 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 disclosure framework.

NWH Group publishes its Pillar 3 disclosures as required by and in accordance with the EU and UK regulatory frameworks.

NWH Group has not omitted any disclosures on the grounds that the information may be proprietary or confidential. Certain of NWH 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.

Consolidation

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 will be implemented in June 2021. Further changes will be implemented by CRR3, the European Commission is intending to issue an initial proposal by June 2021.

As detailed above, from 1 January 2021 NatWest Group will be regulated under the onshored CRR and future changes to CRR in the EU will not be reflected in the UK CRR unless separately legislated. The intent of HM Treasury is to give these powers to the PRA under the Financial Services Bill which is currently progressing through parliament. The Basel reforms contained in CRR2 are expected to be consulted on by the PRA in the first half of 2021 and will be implemented on 1 January 2022. The remainder of the reforms will be consulted on in due course and are currently planned to be implemented on 1 January 2023 in line with the Basel timeline.

Consolidation

NWH Ltd is the parent entity of the ring-fenced bank (RFB) sub-group established to meet the requirements of ring-fencing legislation and PRA rules. The PRA has exercised the discretion contained in CRR to require the ring-fenced bodies to meet prudential requirements on a sub-consolidated basis, in respect of its RFB sub-group. Therefore, NWH Group is subject to consolidated regulatory requirements in addition to the application of requirements at an individual bank level and on a consolidated basis for NatWest Group. Inclusion of an entity in the statutory consolidation is driven by NWH 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 sub-consolidation.

Where NWH Group does not have control of an entity but has more than 20% of the voting rights or capital of that entity, then it must be included in the regulatory sub-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. Such entities will only be included in the statutory consolidation on a pro-rata basis where NatWest Group has joint control. Entities where NatWest Group has significant influence will be equity accounted in the statutory consolidation. For further information refer to Note 11 Related undertakings in the 2020 NWH Group ARA – Parent company financial statements and notes.

Impediments to the transfer of capital resources and aggregate capital deficiency

All NWH 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 NWH Group risk appetite and supporting its strategic goals.

Capital management is the process by which NWH 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 NWH Group's business and is enacted through an end-to-end framework across NWH Group, its businesses and the legal entities through which it operates.

NWH 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. NWH Group regulatory capital is monitored and reported on a consolidated basis.

Determination of capital sufficiency

In determining whether NWH Group holds sufficient capital and other loss-absorbing debt instruments, NWH 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. NWH 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 NWH Group had been deemed to fail, or is 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 NWH Group's planning horizons and parameters. This analysis examines both base and stress views.

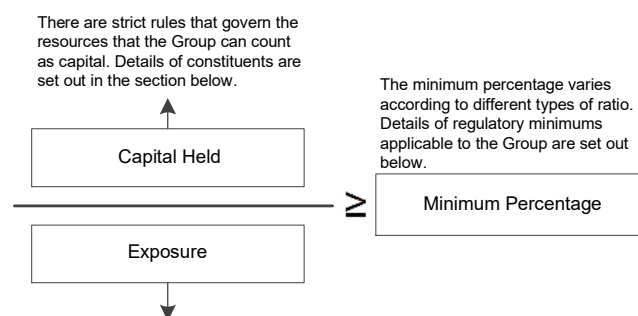
Regulatory vs. risk appetite view

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

Capital sufficiency: going concern view

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:



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).

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.
- **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 NWH Group's 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.

Capital, liquidity and funding

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

NWH 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 NWH Group's assets and off-balance sheet positions 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 NWH 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	Systemic Risk Buffer	Capital buffer to prevent and mitigate long-term non-cyclical macro-prudential or systemic risks
	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.

Type	Name	Description
Bank-specific	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 the NWH 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 NWH Group Risk (subsidiary/sub-group capital requirements in excess of their share of NWH Group) and Risk Management and Governance scalars (which may be levied where Risk Management and Governance deficiencies have been identified by the regulator).

These minimum requirements are shown in more detail in the NWH Group ARA 2020 – Capital, liquidity and funding risk.

The assessment of Pillar 2 requirements (including the PRA buffer) is an output from NWH Group's ICAAP, which is described in more detail on page 14 of the 2020 NWH Group ARA. Pillar 2 also utilises the output of NWH Group's stress-testing exercises, which are described in more detail on pages 14 to 16 of the 2020 NWH 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 NWH Group is required to hold in future years. Further details of prudential regulatory changes that may impact NWH Group's capital adequacy ratio are set out on page 11.

Leverage ratios

NWH 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 NWH Group's positions.

The leverage exposure is broadly aligned to the accounting value of NWH 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 NWH Group consists of a minimum requirement and a leverage ratio buffer. The leverage ratio requirements that NWH Group must meet may be subject to change from developing regulation. Further details are set out on page 11.

For more information regarding the minimum capital and leverage requirements NWH Group must meet, refer to the NWH Group 2020 ARA – Capital, liquidity and funding risk.

Capital, liquidity and funding

MREL: capital sufficiency under the gone concern view

NWH 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.

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, including NWH Group, which in turn allocates to its 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 NWH Group and may also set individual MRELS for entities within NWH Group that are important from a resolution perspective. The framework requires that ring-fence bank sub-groups, such as NWH Group, meet MREL requirements equivalent to 90% of the equivalent NWH Group requirement, whilst other material legal entities are required to meet 75% of the equivalent NWH Group requirement.

Interim MREL

1 January 2019	90% of the higher of: 16% of NWH Group's RWAs; and 6% of NWH Group's leverage exposures.
1 January 2020	90% of the higher of: The sum of two times NWH Group's Pillar 1 requirement and one times NWH Group's Pillar 2A add-ons; and Two times the applicable leverage ratio requirement for NWH Group.

End state MREL

1 January 2022	90% of the higher of: Two times the sum of NWH Group's Pillar 1 requirement and NWH Group's Pillar 2A add-ons; and Two times the applicable leverage ratio requirement for NWH Group.
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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.

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 NWH 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 NWH Group's risk appetite framework.

Regulatory changes that may impact capital requirements

NWH Group faces a number of 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 and the EU are expected to further develop prudential regulation mainly through the CRR2 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 NWH 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.

NWH 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 NWH Group are set out on page 11.

Capital, liquidity and funding

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 - effective from 1 October 2015.
Net stable funding ratio (NSFR)	Structural funding profile	Required and available stable funding sources less than and greater than 1 year timeline. With the postponement of the future EU CRR2 element we understand the PRA are due to consult on a binding NSFR 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 settings of the Individual Liquidity Guidance, which influences the size of the liquidity portfolio.

Asset encumbrance

NWH 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 2020 to 31 December 2020.

NWH 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 2020, based on the requirements in Part Eight of CRR and related technical standards, are set out on page 32.

Capital, liquidity and funding

Summary of changes to prudential regulation that may impact NWH Group

The table below covers future changes to prudential regulation which impact NatWest Group at a consolidated level, therefore given the end of the Brexit transition period on 31 December 2020 future regulatory requirements will be those 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	<ul style="list-style-type: none"> Changes to the design and calibration of the framework with a focus on derivative exposures and margining. Binding leverage ratio at individual bank level. 	<ul style="list-style-type: none"> CRR 2(1) amendment, not in flight as of exit day. Expected UK implementation date – 1 January 2022.
Large exposure framework	<ul style="list-style-type: none"> Changes to the design and calibration of the capital base and large exposure limit. Changes to the exposure measure to incorporate SA-CCR. 	<ul style="list-style-type: none"> CRR 2(1) amendment, not in flight as of exit day. Expected UK implementation date – 1 January 2022.
Counterparty credit risk RWAs	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> CRR 2(1) amendment, not in flight as of exit day. Expected UK implementation date – 1 January 2022.
Net stable funding ratio (NSFR)	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> CRR 2(1) amendment, not in flight as of exit day. Expected UK implementation date – 1 January 2022.
Market risk RWAs	<ul style="list-style-type: none"> Change from Value at Risk (VaR) to expected shortfall models. Implementation of a more risk-sensitive standardised approach. Inclusion of risk of market illiquidity. 	<ul style="list-style-type: none"> CRR 2(1) amendment, not in flight as of exit day – reporting requirement expected from 1 January 2022. Finalisation of Basel 3(2) will implement revised capital requirements.
Mortgage risk weights for IRB	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> PRA PS13/17. In the UK, implementation by 1 January 2022.
Credit risk RWAs – IRB repair	<ul style="list-style-type: none"> Additional requirements applied to CRR via Guidelines and Regulatory Technical Standards covering: PD/LGD estimation, definition of default and definition of an economic downturn. 	<ul style="list-style-type: none"> Final draft RTS under Article 178(6) on the materiality threshold for past due credit obligations. GL under Article 178(7) on the application of the definition of default. Final draft RTS under Articles 181(3)(a) and 182(4)(a) on the nature, severity and duration of economic downturn. Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures (GL on PD and LGD estimation). Implementation by 31 December 2020 (definition of default) and 1 January 2022 (all other rules except those portfolios transitioning to Foundation IRB).
Software Assets	<ul style="list-style-type: none"> Introduces concept of prudential amortisation for software assets. The amendment provides a benefit to the CET1 Ratio exempting the prudential value of the software from the CET1 capital deduction requirements. 	<ul style="list-style-type: none"> Published amendment in EU Official Journal on 22 December 2020. A statement from the PRA on 30 December 2020 described the intention to maintain an earlier position whereby all software assets continue to be fully deducted from CET1 capital – expected 1 January 2022.
Non-performing Loans	<ul style="list-style-type: none"> Introduces prudential backstop for non-performing exposures insufficiently covered by provisions Will apply after loans have been non-performing for three years 	<ul style="list-style-type: none"> Amendment to CRR entered into force on 26 April 2019, therefore onshored as part of Withdrawal Act. Only applies to loans originated on or after 26 April 2019.
Credit risk RWAs – Basel 3	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Finalisation of Basel 3(2). Expected implementation date – 2023+.

Capital, liquidity and funding

Area of development	Key changes	Source of changes/implementation date
Capital floors	<ul style="list-style-type: none"> Aggregate output floor to limit the benefit of internal models compared to standardised approach. Extended transitional arrangements culminating in a floor of 72.5% by 1 January 2027. 	<ul style="list-style-type: none"> Finalisation of Basel 3(2). Expected implementation date – 2023+.
Credit valuation adjustment (CVA) risk RWAs	<ul style="list-style-type: none"> Alignment of CVA risk charge with revised standardised market risk framework. Removal of modelled CVA risk methodology. 	<ul style="list-style-type: none"> Finalisation of Basel 3(2). Expected implementation date – 2023+.
Operational risk RWAs	<ul style="list-style-type: none"> Revision of business indicator as proxy for size of operational risk. Potential incorporation of bank-specific loss data into the calculation. 	<ul style="list-style-type: none"> Finalisation of Basel 3(2). Expected implementation date – 2023+.
Securities Financing Transactions	<ul style="list-style-type: none"> Revision and recalibration of exposure calculation methodology. Introduction of minimum haircut floors. 	<ul style="list-style-type: none"> Finalisation of Basel 3(2). Expected implementation date – 2023+.

Notes:

- (1) CRR 2 refers to Regulation 2019/876 of the European Parliament and Council of 20 May 2019 amending the Capital Requirements Regulation. A joint statement from HM Treasury, PRA and FCA on 16 November stated that the implementation of those Basel 3 reforms which make up the UK equivalent to the outstanding elements of CRR2 will have a target date of 1 January 2022.
- (2) 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.

Capital, liquidity and funding

NatWest Holdings Group - Key points

CET1 Ratio

2020 17.5%

2019 15.7%

Increase of 180 bps reflecting an increase in RWAs £0.6 billion and an increase in CET1 £2.6 billion. CET1 increase primarily driven by a decrease in the regulatory capital deduction for software development costs of £0.5 billion, following the implementation of CRR2 amended Article 36, other reserve movements of £0.3 billion and an increase of £1.7 billion due to the IFRS 9 transitional arrangements on expected credit losses, which offsets the impact of the increased impairment losses charged to the attributable profit of £46 million.

RWA

2020 £135.3bn

2019 £134.7bn

Total RWAs increased by £0.6 billion, reflecting an increase in credit risk RWAs (£1.4 billion) partly offset by the reduction in operational risk RWAs (£0.7 billion). The overall increase in credit risk RWAs was largely due to revisions to Wholesale LGD models and increased exposures in Commercial Banking, including the new lending under the Government lending schemes. The acquisition of prime UK mortgages from Metro Bank resulted in a £1.2 billion increase in credit risk RWAs. There were offsetting reductions in RWAs due to the CRR COVID-19 amendment for the SME & Infrastructure supporting factors (c. £1.8 billion) and a portfolio sale of non-performing loans in Ulster Bank ROI.

Leverage

2020 5.3%

2019 5.6%

The CRR COVID-19 amendment accelerated a change in CRR2 to allow the netting of regular-way purchase and sales settlement balances. NWH Group has applied this, which has reduced the CRR leverage exposure by £0.1 billion. The CRR leverage ratio decreased by c.30 basis points driven by a £73.7 billion increase in the leverage exposure driven by balance sheet exposures which is partially offset by a £2.6 billion increase in Tier 1 capital.

UK Leverage

2020 6.5%

2019 6.2%

The PRA announced the ability for firms to apply for a modification by consent to permit the netting of regular-way purchase and sales settlement balances. The PRA also offered a further modification that gave an exclusion from the UK Leverage Exposure for Bounce Back Loans and other 100% guaranteed government COVID-19 lending schemes. NWH Group has received permission to apply these and it has reduced the UK leverage exposure by £0.1 billion and £8.3 billion respectively. The UK leverage ratio increased by c.30 basis points driven by a decrease in the UK leverage exposure due to a £42.4 billion increase in the central bank exclusion, and a £2.6 billion increase in Tier 1 capital. The CRR COVID-19 amendment accelerated the change to the regulatory treatment of software assets, by applying this amendment the impact to NWH Group is an increase of 10 basis points to the UK leverage ratio.

NSFR

2020 145%

2019 136%

The net stable funding ratio (NSFR) for FY 2020 was at 145% compared to 136% in prior year. The increase is mainly due to deposits growth.

Capital, liquidity and funding

KM1: BCBS 2 & EBA IFRS 9-FL: Key metrics – NWH 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. NWH 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, due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

		EBA BCBS2 IFRS KM1 9-FL		31 December 2020 £m	30 September 2020 £m	30 June 2020 £m	31 March 2020 £m	31 December 2019 £m
Capital								
1	1	Common equity tier 1 (CET1)		23,743	23,265	22,631	22,272	21,097
1a	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied		22,043	21,589	21,076	21,940	21,097
2	3	Tier 1 capital		27,419	26,941	26,307	25,948	24,773
2a	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		25,719	25,265	24,752	25,616	24,773
3	5	Total capital		32,425	32,155	31,345	30,462	29,027
3a	6	Total capital as if IFRS 9 transitional arrangements had not been applied		30,725	30,479	29,790	30,130	29,027
Risk-weighted assets (amounts)								
4	7	Total risk-weighted assets (RWAs)		135,331	136,544	139,328	139,282	134,675
4a	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied		135,192	136,425	139,206	139,214	134,675
Risk-based capital ratios as a percentage of RWA								
5	9	Common equity tier 1 ratio		17.5	17.0	16.2	16.0	15.7
5a	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied		16.3	15.8	15.1	15.8	15.7
6	11	Tier 1 ratio		20.3	19.7	18.9	18.6	18.4
6a	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied		19.0	18.5	17.8	18.4	18.4
7	13	Total capital ratio		24.0	23.5	22.5	21.9	21.6
7a	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied		22.7	22.3	21.4	21.6	21.6
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)		0.0	0.0	0.0	0.1	0.9
10		Bank GSIB and/or DSIB additional requirements (2)		1.5	1.5	1.5	1.5	1.5
11		Total of CET1 specific buffer requirements (8+9+10)		4.0	4.0	4.0	4.1	4.9
12		CET1 available after meeting the bank's minimum capital requirements (3)		11.5	10.8	10.0	9.7	9.4
CRR Leverage ratio								
13	15	CRR leverage ratio exposure measure		521,600	498,778	493,226	466,093	447,851
14	16	CRR leverage ratio %		5.3	5.4	5.3	5.6	5.5
14a	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied %		4.9	5.1	5.0	5.5	5.5
UK Leverage ratio								
		UK leverage ratio exposure measure		420,764	418,008	421,149	417,997	397,649
		UK leverage ratio (4)		6.5	6.4	6.2	6.2	6.2
		Average exposure		415,430	420,941	419,249	403,600	404,105
		Average leverage ratio (%)		6.5	6.3	6.2	6.2	6.2
Liquidity coverage ratio								
15		Total high-quality liquid asset (HQLA)		119,655	111,268	105,212	99,750	99,950
16		Total net cash outflows		81,256	76,993	73,944	71,427	71,188
17		LCR ratio % (5)		147	144	142	140	140
Net stable funding ratio (NSFR)								
18		Total available stable funding		357,595	344,889	345,629	320,612	314,250
19		Total required stable funding		246,338	245,403	252,379	242,811	231,098
20		NSFR % (6)		145	141	137	132	136

Notes:

- (1) See CCyB1 for more information regarding the countercyclical capital buffer requirement.
- (2) Other Systemically Important Institutions Buffer (O-SII) replaced the Systemic Risk Buffer (SRB) used to prevent and mitigate long-term non-cyclical macro-prudential or systemic risks set by the PRA to large building societies and ring fenced bodies (RFBs), effective Dec 2020.
- (3) Represents CET1 ratio less TSCR (Pillar 1 & 2A).
- (4) The PRA minimum leverage ratio requirement is supplemented with a countercyclical leverage ratio buffer of 0.0% (31 December 2019 – 0.3%).
- (5) The Liquidity coverage ratio (LCR) uses the simple average of the preceding monthly periods ending on the quarterly reporting date as specified in the table which will incrementally increase each quarter as history builds.
- (6) NSFR reported in line with CRR2 regulations finalised in June 2019. Following the joint announcement of UK Treasury, PRA and FCA on 16 November 2020 to postpone the future EU CRR2 element of the Basel 3 package, we understand the PRA is due to consult on a binding Net Stable Funding ratio (NSFR) requirement to be introduced from January 2022.

Capital, liquidity and funding

EBA IFRS 9-FL: EBA Key metrics - large subsidiaries

The table below shows key metrics as required by the EBA relating to IFRS 9 for NWH Group and its large subsidiaries. Capital measures are on a CRR transitional basis. NWH 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, due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

31 December 2020					
	NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m
Available capital (amounts) - transitional					
1 Common equity tier 1	23,743	15,424	4,431	3,569	1,227
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	22,043	14,405	4,051	3,333	1,147
3 Tier 1 capital	27,477	17,590	5,400	3,569	1,429
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	25,777	16,571	5,020	3,333	1,349
5 Total capital	32,750	20,765	6,815	3,858	1,695
6 Total capital as if IFRS 9 transitional arrangements had not been applied	31,050	19,746	6,435	3,622	1,615
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	135,331	86,882	25,133	12,697	10,212
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	135,192	86,828	25,096	12,693	10,132
Risk-based capital ratios as a percentage of RWAs					
	%	%	%	%	%
9 Common equity tier 1 ratio	17.5	17.8	17.6	28.1	12.0
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.3	16.6	16.1	26.3	11.3
11 Tier 1 ratio	20.3	20.2	21.5	28.1	14.0
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.1	19.1	20.0	26.3	13.3
13 Total capital ratio	24.2	23.9	27.1	30.4	16.6
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	23.0	22.7	25.6	28.5	15.9
Leverage ratio					
15 CRR leverage ratio exposure measure (£m)	521,600	376,527	85,867	23,961	17,414
16 CRR leverage ratio (%)	5.3	4.7	6.3	14.9	8.2
17 CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.0	4.4	5.9	14.0	7.8

30 September 2020					
	NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m
Available capital (amounts) - transitional					
1 Common equity tier 1	23,265	14,823	4,267	3,411	1,206
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,589	13,813	3,901	3,411	1,135
3 Tier 1 capital	26,999	16,989	5,236	3,411	1,408
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	25,323	15,979	4,870	3,411	1,337
5 Total capital	32,480	20,266	6,726	3,723	1,674
6 Total capital as if IFRS 9 transitional arrangements had not been applied	30,804	19,256	6,360	3,723	1,603
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	136,544	87,003	26,397	12,037	9,877
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	136,425	86,955	26,363	12,037	9,806
Risk-based capital ratios as a percentage of RWAs					
	%	%	%	%	%
9 Common equity tier 1 ratio	17.0	17.0	16.2	28.3	12.2
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.8	15.9	14.8	28.3	11.6
11 Tier 1 ratio	19.8	19.5	19.8	28.3	14.3
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.6	18.4	18.5	28.3	13.6
13 Total capital ratio	23.8	23.3	25.5	30.9	16.9
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.6	22.1	24.1	30.9	16.3
Leverage ratio					
15 CRR leverage ratio exposure measure (£m)	498,778	353,734	88,887	24,067	16,599
16 CRR leverage ratio (%)	5.4	4.8	5.9	14.2	8.5
17 CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.1	4.5	5.5	14.2	8.1

Capital, liquidity and funding

EBA IFRS 9-FL: EBA Key metrics - large subsidiaries continued

		30 June 2020				
		NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m
Available capital (amounts) - transitional						
1	Common equity tier 1	22,631	14,261	4,113	3,409	1,189
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,076	13,367	3,753	3,409	1,138
3	Tier 1 capital	26,365	16,427	5,082	3,409	1,391
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	24,810	15,533	4,722	3,409	1,340
5	Total capital	31,670	19,708	6,577	3,749	1,657
6	Total capital as if IFRS 9 transitional arrangements had not been applied	30,115	18,814	6,217	3,749	1,606
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	139,328	87,536	27,306	12,784	9,673
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	139,206	87,504	27,268	12,784	9,622
Risk-based capital ratios as a percentage of RWAs						
		%	%	%	%	%
9	Common equity tier 1 ratio	16.2	16.3	15.1	26.7	12.3
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.1	15.3	13.8	26.7	11.8
11	Tier 1 ratio	18.9	18.8	18.6	26.7	14.4
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.8	17.8	17.3	26.7	13.9
13	Total capital ratio	22.7	22.5	24.1	29.3	17.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.6	21.5	22.8	29.3	16.6
Leverage ratio						
15	CRR leverage ratio exposure measure (£m)	493,226	349,262	87,826	29,682	16,126
16	CRR leverage ratio (%)	5.3	4.7	5.8	11.5	8.6
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.0	4.4	5.4	11.5	8.3

		31 March 2020				
		NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m
Available capital (amounts) - transitional						
1	Common equity tier 1	22,272	13,790	4,070	3,519	1,160
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,940	13,654	3,954	3,519	1,138
3	Tier 1 capital	26,006	15,956	5,039	3,519	1,362
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	25,674	15,820	4,923	3,519	1,340
5	Total capital	30,787	18,746	6,526	3,814	1,628
6	Total capital as if IFRS 9 transitional arrangements had not been applied	30,455	18,610	6,410	3,814	1,606
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	139,282	86,825	27,804	12,569	9,509
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	139,214	86,814	27,778	12,569	9,487
Risk-based capital ratios as a percentage of RWAs						
		%	%	%	%	%
9	Common equity tier 1 ratio	16.0	15.9	14.6	28.0	12.2
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.8	15.7	14.2	28.0	12.0
11	Tier 1 ratio	18.7	18.4	18.1	28.0	14.3
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.4	18.2	17.7	28.0	14.1
13	Total capital ratio	22.1	21.6	23.5	30.3	17.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.9	21.4	23.1	30.3	16.9
Leverage ratio						
15	CRR leverage ratio exposure measure (£m)	466,093	325,127	83,425	27,871	15,809
16	CRR leverage ratio (%)	5.6	4.9	6.0	12.6	8.6
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.5	4.9	5.9	12.6	8.5

Capital, liquidity and funding

EBA IFRS 9-FL: EBA Key metrics - large subsidiaries continued

		31 December 2019			
		NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m
Available capital (amounts) - transitional					
1	Common equity tier 1	21,097	12,851	3,828	3,389
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,097	12,851	3,828	3,389
3	Tier 1 capital	24,861	15,047	4,797	3,389
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	24,861	15,047	4,797	3,389
5	Total capital	29,515	17,801	6,199	3,694
6	Total capital as if IFRS 9 transitional arrangements had not been applied	29,515	17,801	6,199	3,694
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	134,675	81,069	28,920	12,781
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	134,675	81,069	28,920	12,781
Risk-based capital ratios as a percentage of RWAs					
		%	%	%	%
9	Common equity tier 1 ratio	15.7	15.9	13.2	26.5
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.7	15.9	13.2	26.5
11	Tier 1 ratio	18.5	18.6	16.6	26.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.5	18.6	16.6	26.5
13	Total capital ratio	21.9	22.0	21.4	28.9
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.9	22.0	21.4	28.9
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	447,851	300,438	90,981	26,893
16	CRR leverage ratio (%)	5.6	5.0	5.3	12.6
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.6	5.0	5.3	12.6

Large subsidiaries key points

Capital and leverage

NWB Plc – 31 December 2020 compared with 31 December 2019

- The CET1 ratio increased to 17.8% from 15.9%. The increase of 190 basis points reflects the £5.8 billion increase in RWAs and CET1 increase £2.6 billion. CET1 increase was primarily driven by a reduction in the regulatory capital deductions for significant investments in other financial institutions of £0.4 billion, software development costs of £0.5 billion due to the implementation of CRR2 amended Article 36 and £1.0 billion increase for IFRS 9 transitional arrangements on expected credit losses, which offsets the impact of the increased impairment losses charged to the attributable profit of £0.6 billion.
- NWB Plc issued £500 million internal subordinated Tier 2 Notes in May 2020.
- Total RWAs increased by £5.8 billion mainly due to increases in Credit Risk RWAs of £5.7 billion during the year. The increase in Credit Risk was largely attributed to increased utilisation of existing facilities and new lending under the Government lending schemes in Commercial Banking. The acquisition of prime UK mortgages from Metro Bank resulted in a £1.2 billion increase in Credit Risk RWAs. There were offsetting reductions in Credit Risk RWAs of c.£1.1 billion due to the CRR COVID-19 amendment for SME and Infrastructure factors.
- The leverage ratio has decreased by c.30 basis points to 4.7% as a result of a £76.1 billion increase in the leverage exposure predominantly due to balance sheet exposures, partially offset by a £2.5 billion increase in Tier 1 capital.

RBS plc – 31 December 2020 compared with 31 December 2019

- The CET1 ratio increased to 17.6% from 13.2%. The increase of 440 basis points was driven by profit attributable to ordinary shareholders of £0.3 billion and the impact of IFRS 9 transitional relief of £0.4 billion for the increase in expected credit losses charged to the attributable profit.

- Total RWAs decreased by £3.8 billion, reflecting a £2.9 billion decrease in Credit Risk RWAs as well as a £0.9 billion decrease in Operational Risk RWAs following the annual recalculation. The decrease in Credit Risk RWAs was largely driven by repayments in Commercial Banking as well as reduced balances and improved risk metrics for unsecured lending in Retail Banking.
- The leverage ratio has increased by c.100 basis points to 6.3% driven by a £5.1 billion decrease in the leverage exposure driven predominantly by eligible balance sheet exposures in addition to a £0.6 billion increase in Tier 1 capital.

UBI DAC – 31 December 2020 compared with 31 December 2019

- The CET1 ratio increased to 28.1% from 26.5%. CET1 capital has increased by £0.2 billion, this is mainly due to foreign exchange movements and an increase in the attributable loss in Euro for the period offset by the adoption of IFRS 9 transitional arrangements on expected credit losses in December 2020.
- Total RWAs decreased by £84 million mainly reflecting large underlying reductions in the Credit Risk RWAs, due to a portfolio sale of non-performing loans and revision of PD/LGD metrics. These were partially offset by a voluntary adjustment to the mortgage portfolio capital metrics as agreed with the Regulator and movements in FX rates.
- The leverage ratio has increased by c.230 basis points to 14.9% primarily driven by a £2.9 billion decrease in the leverage exposure measure predominantly due to the exclusion of central bank balances.

Coutts & Co – 31 December 2020 compared with 30 September 2020

- The CET1 ratio decreased to 12.0% from 12.2%, mainly driven by a £0.3 billion increase in RWAs. The implementation of CRR2 amended Article 36 for the prudential treatment of software assets resulted in a £21 million increase in CET1 Capital.
- RWAs increased by £0.9 billion for the year mainly reflecting an increase in Credit Risk due to lending growth in Private Banking.
- The leverage ratio decreased by c.30 basis points to 8.2% driven by a £0.8 billion increase in the leverage exposure predominantly due to eligible balance sheet exposures.

Capital, liquidity and funding

CC1: Composition of regulatory capital – NWH 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 NWH Group only.

		2020						
		NWH Group			Source based on reference number/ letters of the balance sheet under its regulatory scope of consolidation			
		PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m		NWB Plc £m	RBS plc £m	UBI DAC £m
								Coutts & Co £m
CET1 capital: instruments and reserves								
1	Capital instruments and the related share premium accounts	3,263	—	3,263	(a)	3,904	20	3,805
	<i>Of which: ordinary shares</i>	3,263	—	3,263		1,678	20	3,035
2	Retained earnings	36,709	—	36,709	(b)	10,832	4,012	234
3	Accumulated other comprehensive income (and other reserves)	(10,658)	—	(10,658)	(c)	788	372	90
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	—	—	—		304	297	—
6	CET1 capital before regulatory adjustments	29,314	—	29,314		15,828	4,701	4,129
7	Additional value adjustments	(12)	—	(12)		(9)	(3)	—
8	(-) Intangible assets (net of related tax liability)	(5,868)	—	(5,868)	(d)	(525)	(85)	—
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(760)	—	(760)	(e)	(523)	(186)	(43)
11	Fair value reserves related to gains or losses on cash flow hedges	(387)	—	(387)	(i)	133	(376)	(75)
12	(-) Negative amounts resulting from the calculation of expected loss amounts	—	—	—		—	—	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	—	—		—	—	—
15	(-) Defined-benefit pension fund assets	(244)	—	(244)	(f) & (g)	—	—	(244)
18	(-) Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the 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)	—	—	—		(499)	—	—
22	(-) Amount exceeding the 17.65% threshold	—	—	—		—	—	—
23	(-) <i>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</i>	—	—	—		—	—	—
25	(-) <i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—		—	—	—
25a	(-) Losses for the current financial period	—	—	—		—	—	(387)
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	—	—	—		—	—	—
26a	<i>Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468</i>	—	—	—		—	—	—
26b	<i>Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR</i>	—	—	—		—	—	—
27	(-) Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution	—	—	—		—	—	—
27a	Other regulatory adjustments to CET1 capital	1,700	(1,700)	—		1,019	380	189
28	Total regulatory adjustments to CET1	(5,571)	(1,700)	(7,271)		(404)	(270)	(560)
29	CET1 capital	23,743	(1,700)	22,043		15,424	4,431	3,569
AT1 capital: instruments								
30	Capital instruments and the related share premium accounts	3,676	—	3,676	(h)	2,370	969	—
31	Of which: classified as equity under applicable accounting standards	3,676	—	3,676		2,370	969	—

Capital, liquidity and funding

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

				2020						
				NWH Group	Source based on reference number/ letters of the balance sheet under its regulatory scope of consolidation					
				PRA transitional	CRR prescribed residual amounts	CRR end-point	NWB Plc	RBS plc	UBI DAC	Coutts & Co
				£m	£m	£m	£m	£m	£m	£m
AT1 capital: instruments										
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			—	—	—	58	—	—	—
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			58	(58)	—	(j)	—	—	—
35	Of which: instruments issued by subsidiaries subject to phase out			58	(58)	—	—	—	—	—
36	AT1 capital before regulatory adjustments			3,734	(58)	3,676	2,428	969	—	202
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)			—	—	—	(262)	—	—	—
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			—	—	—	(262)	—	—	—
44	AT1 capital			3,734	(58)	3,676	2,166	969	—	202
45	Tier 1 capital (T1 = CET1 + AT1)			27,477	(1,758)	25,719	17,590	5,400	3,569	1,429
T2 capital: instruments and provisions										
46	Capital instruments and the related share premium accounts			4,613	—	4,613	(j)	3,141	1,355	225
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2			—	—	—	245	—	—	—
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			267	(267)	—	(j)	—	—	—
49	Of which: instruments issued by subsidiaries subject to phase out			267	(267)	—	—	—	—	—
50	Credit risk adjustments			393	—	393	121	60	64	—
51	T2 capital before regulatory adjustments			5,273	(267)	5,006	3,507	1,415	289	266
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)			—	—	—	(332)	—	—	—
56a	(-) Actual or contingent obligations to purchase own AT1 instruments			—	—	—	—	—	—	—

Capital, liquidity and funding

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

	2020			Source based on reference number/ letters of the balance sheet under its regulatory scope of consolidation			
	NWH Group			NWB	RBS	UBI	Coutts & Co
	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	Plc £m	plc £m	DAC £m	& Co £m
T2 capital before regulatory adjustments							
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	—	—	—	—	—	—	—
57 Total regulatory adjustments to T2 capital	—	—	—	(332)	—	—	—
58 T2 capital	5,273	(267)	5,006	3,175	1,415	289	266
59 Total capital (TC = T1 + T2)	32,750	(2,025)	30,725	20,765	6,815	3,858	1,695
60 Total risk-weighted assets	135,331	(139)	135,192	86,882	25,133	12,697	10,212
Capital ratios and buffers							
61 CET1 (as a percentage of risk exposure amount)	17.5%		16.3%	17.8%	17.6%	28.1%	12.0%
62 T1 (as a percentage of risk exposure amount)	20.3%		19.0%	20.2%	21.5%	28.1%	14.0%
63 Total capital (as a percentage of risk exposure amount)	24.2%		22.7%	23.9%	27.1%	30.4%	16.6%
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)	8.5%		8.5%	7.0%	7.0%	7.5%	7.0%
65 Of which: capital conservation buffer requirement	2.5%		2.5%	2.5%	2.5%	2.5%	2.5%
66 Of which: counter cyclical buffer requirement	0.0%		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%		1.5%	—	—	0.5%	—
68 CET1 available to meet buffers ⁽¹⁾	11.5%		10.3%	11.9%	11.4%	21.6%	6.2%
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)	—	—	—	—	—	—	—
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)	—	—	—	1,625	28	—	110
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	461	—	461	676	46	1	10
Available caps on the inclusion of provisions in T2							
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	214	—	214	137	25	13	114
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	590	—	590	375	110	63	—
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	58	(58)	—	58	—	—	—
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	82	(82)	—	82	—	—	—
84 Current cap on T2 instruments subject to phase out arrangements	267	(267)	—	245	—	29	5
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	707	(707)	—	653	—	—	—

Notes:

(1) Represents CET1 ratio less TSCR (Pillar 1 & 2A).

(2) The references (a)–(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.

Capital, liquidity and funding

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

				2019		
				Source based on reference number/ letters of the		
				balance sheet under its regulatory scope of consolidation		
				NWB Plc	RBS plc	UBI DAC
				£m	£m	£m
				£m	£m	£m
CET1 capital: instruments and reserves						
1	Capital instruments and the related share premium accounts			3,263	3,904	3,604
	<i>Of which: ordinary shares</i>			3,263	1,678	2,875
2	Retained earnings			36,305	10,556	163
3	Accumulated other comprehensive income (and other reserves)			(10,861)	829	32
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend			—	—	3
6	CET1 capital before regulatory adjustments			28,707	15,289	3,802
7	Additional value adjustments			(26)	(16)	—
8	(-) Intangible assets (net of related tax liability)			(6,313)	(963)	(1)
10	(-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)			(757)	(474)	(181)
11	Fair value reserves related to gains or losses on cash flow hedges			(202)	(27)	(35)
12	(-) Negative amounts resulting from the calculation of expected loss amounts			(141)	(109)	(28)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing			—	—	—
15	(-) Defined-benefit pension fund assets			(171)	—	(168)
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)			—	(716)	—
22	(-) Amount exceeding the 17.65% threshold			—	(133)	—
23	<i>(-) 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</i>			—	(88)	—
25	<i>(-) Of which: deferred tax assets arising from temporary differences</i>			—	(45)	—
28	Total regulatory adjustments to CET1			(7,610)	(2,438)	(413)
29	CET1 capital			21,097	12,851	3,389

Capital, liquidity and funding

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

		2019			Source based on reference number/ letters of the		
		NWH Group			balance sheet under its regulatory scope of consolidation		
		PRA transitional	CRR prescribed residual amounts	CRR end-point	NWB Plc	RBS plc	UBI DAC
		£m	£m	£m	£m	£m	£m
AT1 capital: instruments							
30	Capital instruments and the related share premium accounts	3,676	—	3,676	2,370	969	—
31	Of which: classified as equity under applicable accounting standards	3,676	—	3,676	2,370	969	—
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	—	—	—	87	—	—
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	88	(88)	—	—	—	—
35	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	88	(88)	—	—	—	—
36	AT1 capital before regulatory adjustments	3,764	(88)	3,676	2,457	969	—
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)	—	—	—	(262)	—	—
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	—	—	—	(262)	—	—
44	AT1 capital	3,764	(88)	3,676	2,195	969	—
45	Tier 1 capital (T1 = CET1 + AT1)	24,861	(88)	24,773	15,046	4,797	3,389
T2 capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	4,254	—	4,254	2,708	1,402	305
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	—	—	—	368	—	—
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	400	(400)	—	—	—	—
49	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	400	(400)	—	—	—	—
50	Credit risk adjustments	—	—	—	—	—	—
51	T2 capital before regulatory adjustments	4,654	(400)	4,254	3,076	1,402	305
T2 capital: regulatory adjustments							
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)	—	—	—	(321)	—	—
T2 capital before regulatory adjustments							
57	Total regulatory adjustments to T2 capital	—	—	—	(321)	—	—

Capital, liquidity and funding

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

	2019			Source based on reference number/ letters of the			
	NWH Group			balance sheet under	NWB Plc	RBS plc	UBI DAC
	PRA transitional	CRR prescribed residual amounts	CRR end-point	its regulatory scope of consolidation			
	£m	£m	£m		£m	£m	£m
T2 capital before regulatory adjustments							
58	T2 capital	4,654	(400)	4,254	2,755	1,402	305
59	Total capital (TC= T1 + T2)	29,515	(488)	29,027	17,801	6,199	3,694
60	Total risk-weighted assets	134,675	—	134,675	81,069	28,920	12,781
Capital ratios and buffers							
61	CET1 (as a percentage of risk exposure amount)	15.7%	—	15.7%	15.9%	13.2%	26.5%
62	T1 (as a percentage of risk exposure amount)	18.5%	—	18.4%	18.6%	16.6%	26.5%
63	Total capital (as a percentage of risk exposure amount)	21.9%	—	21.6%	22.0%	21.4%	28.9%
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)	9.4%	—	9.4%	7.9%	7.9%	8.0%
65	<i>Of which: capital conservation buffer requirement</i>	2.5%	—	2.5%	2.5%	2.5%	2.5%
66	<i>Of which: counter cyclical buffer requirement</i>	0.9%	—	0.9%	0.9%	0.9%	1.0%
67	<i>Of which: systemic risk buffer requirement</i>	1.5%	—	1.5%	—	—	—
67a	<i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	—	—	—	—	—	—
68	CET1 available to meet buffers ⁽¹⁾	9.4%	—	9.4%	9.6%	7.0%	20.1%
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)	6	—	6	—	6	—
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)	1	—	1	1,407	28	1
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	475	—	475	709	24	—
Available caps on the inclusion of provisions in T2							
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	190	—	190	111	24	11
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	593	—	593	353	128	65
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	88	(88)	—	88	—	—
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	52	(52)	—	52	—	—
84	Current cap on T2 instruments subject to phase out arrangements	401	(401)	—	368	—	40
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	610	(610)	—	571	—	—

Notes:

(1) Represents CET1 ratio less TSCR (Pillar 1 & 2A).

(2) The references (a)–(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.

Capital, liquidity and funding

CC2: Reconciliation of regulatory capital to balance sheet

The table below sets out the reconciliation between the accounting and regulatory consolidation with references (a)-(j) showing the linkage between this table and CC1 own funds disclosure.

	a Balance sheet as in published financial statements as at period end £m	b Under regulatory scope of consolidation as at period end £m	References
Assets			
Cash and balances at central banks	95,187	95,187	
Trading assets	858	858	
Derivatives	3,116	3,116	
Settlement balances	1	1	
Loans and advances to banks - amortised cost	4,707	4,707	
Loans and advances to customers - amortised cost	339,291	339,403	
Other financial assets	40,431	40,043	
Intangible assets	6,341	6,341	(d)
Property, plant and equipment	3,938	3,938	
Current and deferred tax assets	1,279	1,279	
<i>of which: DTAs that rely on future profitability and do not arise from temporary differences</i>	760	760	(e)
Prepayments, accrued income and other assets	1,415	1,417	
<i>of which: Defined benefit pension fund assets</i>	279	279	(f)
Assets of disposal groups	19	19	
Total Assets	496,583	496,309	
Liabilities			
Bank deposits	18,800	18,800	
Customer deposits	404,361	404,845	
Settlement balances	3,297	3,297	
Trading liabilities	224	224	
Derivatives	6,032	6,032	
Other financial liabilities	21,246	20,474	
Provisions, deferred income and other liabilities	7,635	7,649	
Retirement benefit liabilities	57	57	
Current and deferred tax liabilities	349	349	
<i>of which: DTL Defined benefit pension scheme assets</i>	35	35	(g)
Subordinated liabilities	1,316	1,316	(j)
Liabilities of disposal groups	—	—	
Total liabilities	463,317	463,043	
Shareholder's Equity			
Non-controlling interests	10	10	
Owners' equity	—	—	
Called up share capital	3,263	3,263	(a)
Reserves	29,993	29,993	
<i>of which: amount eligible for retained earnings</i>	36,975	36,975	(b)
<i>of which: amount eligible for accumulated OCI & other reserves</i>	(10,658)	(10,658)	(c),(i)
<i>of which: amount of other equity instruments</i>	3,676	3,676	(h)
Total Shareholder's Equity	33,266	33,266	

Note:

- (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.

Capital, liquidity and funding

EU OV1: CAP: RWAs and MCR summary – NWH Group and large subsidiaries

The table below shows RWAs and minimum capital requirements (MCR) by risk type for NWH Group and its large subsidiaries. MCR is calculated as 8% of RWAs.

2020		NWH Group		NWB Plc		RBS plc		UBI DAC		Courtts & Co	
		RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
1	Credit risk (excluding counterparty credit risk)	112,872	9,030	66,587	5,329	19,891	1,591	11,581	927	8,808	705
2	Standardised (STD) approach	15,959	1,277	5,176	415	1,775	142	1,025	82	8,808	705
4	Advanced IRB approach	96,913	7,753	61,411	4,914	18,116	1,449	10,556	845	—	—
5	Equity IRB under the simple risk-weight or the internal model approach (IMA)	—	—	—	—	—	—	—	—	—	—
6	Counterparty credit risk	961	77	576	46	—	—	117	9	31	2
6a	of which: securities financing transactions	172	14	172	14	—	—	—	—	—	—
7	of which: marked-to-market	268	22	160	13	—	—	117	9	31	2
11	of which: internal model method (IMM)	—	—	—	—	—	—	—	—	—	—
11	of which: risk exposure amount for contributions to the default fund of a central counterparty	53	4	53	4	—	—	—	—	—	—
12	of which: credit valuation adjustment (CVA)	468	37	191	15	—	—	—	—	—	—
14	Securitisation exposures in banking book (1)	1,372	110	1,106	88	265	21	—	—	—	—
15	Internal rating-based approach (SEC-IRBA)	1,004	80	739	59	265	21	—	—	—	—
	Standardised approach	169	14	169	13	—	—	—	—	—	—
	External rating-based approach (SEC-ERBA) (2)	199	16	198	16	—	—	—	—	—	—
	1,250%	—	—	—	—	—	—	—	—	—	—
19	Market risk	106	9	18	1	14	1	62	5	6	1
20	STD approach	106	9	18	1	14	1	62	5	6	1
23	Operational risk - STD approach	18,866	1,509	12,843	1,027	4,778	382	935	75	1,068	85
	Amounts below the thresholds for deduction (subject to 250% risk-weight)	1,154	92	5,752	460	185	15	2	—	299	24
29	Total	135,331	10,827	86,882	6,951	25,133	2,010	12,697	1,016	10,212	817

2019		NWH Group		NWB Plc		RBS plc		UBI DAC	
		RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
1	Credit risk (excluding counterparty credit risk)	111,281	8,903	61,614	4,930	22,757	1,822	11,678	934
2	Standardised (STD) approach	14,033	1,123	3,923	314	1,792	144	899	72
4	Advanced IRB approach	97,248	7,780	57,691	4,616	20,965	1,678	10,779	862
6	Counterparty credit risk (CCR)	980	78	605	48	—	—	127	10
6a	of which: securities financing transactions	145	12	145	12	—	—	—	—
7	of which: marked-to-market	239	19	151	12	—	—	127	10
11	of which: risk exposure amount for contributions to the default fund of a central counterparty	116	9	116	9	—	—	—	—
12	of which: credit valuation adjustment (CVA)	480	38	193	15	—	—	—	—
14	Securitisation exposures in banking book	1,509	121	1,206	96	304	24	—	—
15	IRB approach	1,509	121	1,206	96	304	24	—	—
19	Market risk	125	10	17	1	15	1	77	6
20	STD approach	125	10	17	1	15	1	77	6
23	Operational risk - STD approach	19,590	1,567	12,669	1,014	5,714	457	897	72
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	1,190	95	4,958	397	130	10	2	—
29	Total	134,675	10,774	81,069	6,486	28,920	2,314	12,781	1,022

Notes:

(1) Since 1 January 2020, the new securitisation framework has been fully implemented and all positions have been moved on to the new framework.

(2) Includes Internal Assessment Approach (IAA).

Capital, liquidity and funding

EU 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 NWH Group and its segments.

	a			b
	RWAs			MCR
	IRB £m	STD £m	Total RWAs £m	£m
1 At 1 January 2020	98,757	15,223	113,980	9,118
2 Asset size (1)	(642)	333	(309)	(24)
3 Asset quality (2)	(558)	—	(558)	(45)
4 Model updates (3)	1,573	(44)	1,529	122
5 Methodology and policy (4)	(1,655)	419	(1,236)	(99)
6 Acquisitions and disposals (5)	133	1,109	1,242	100
7 Foreign exchange movements (6)	677	73	750	60
9 At 31 December 2020	98,285	17,113	115,398	9,232

Notes:

- (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 calculation driven by regulatory policy changes.
- (5) Changes in portfolio sizes due to acquisitions and disposals.
- (6) Changes arising from foreign currency translation movements.

Key points

- The RWA reduction in asset size was mainly a result of the sale of non-performing loans in Ulster Bank Rol and a reduction in balances for unsecured products in Retail Banking.
- RWAs reduced slightly as a result of asset quality changes during the period. The reduction was mainly due to improved risk metrics for unsecured products in Retail Banking, offset by increases due to PD deteriorations in Commercial Banking.
- The uplift in RWAs relating to model updates was largely a result of revisions to Wholesale LGD models.
- Methodology changes mainly reflected a reduction of approximately £1.8 billion in RWAs due to the CRR COVID-19 amendment for SME and infrastructure supporting factors, partly offset by an increase of £0.5 billion due to the CRR2 amended Article 36 for the prudential treatment of software assets.
- The movement in acquisitions and disposals was due to the acquisition of an owner-occupier mortgage portfolio from Metro Bank.
- The RWA increase in foreign exchange movements was a result of sterling weakening against the euro during the year.

Capital, liquidity and funding

EU 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 model updates during the period.

	a		b	
	RWAs		MCR	
	Non-IMM	Non-IMM	Non-IMM	Non-IMM
	£m	£m	£m	£m
1 At 1 January 2020	500		40	
2 Asset size (1)	(26)		(2)	
3 Credit quality of counterparties (2)	18		1	
5 Methodology and policy (3)	(4)		—	
7 Foreign exchange movements (4)	5		—	
9 At 31 December 2020	493		39	

Notes:

- (1) Organic changes in portfolio size and composition (including the origination of new business).
- (2) Changes in the assessed quality of counterparties.
- (3) Changes due to methodological changes in calculations driven by regulatory policy changes. Reflects the introduction of an infrastructure supporting factor as part of the CRR COVID-19 amendment announced on 26 June 2020.
- (4) Changes arising from foreign currency retranslation movements.

Key point

- RWAs were broadly unchanged. A reduction in exposure to central counterparties (CCPs) was largely offset by an increased volume of securities financing transactions (SFTs) and rating downgrades for institutions.

EU 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 methodology or regulatory policy changes 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.

	STD	
	RWAs	MCR
	£m	£m
1 At 1 January 2020	125	10
2 Movement in risk levels (1)	(19)	(1)
8 At 31 December 2020	106	9

Note:

- (1) Movements due to position changes.

Key point

- The reduction in RWAs was primarily due to a decrease in euro positions relating to transfer pricing charges between NWH Group entities.

Capital, liquidity and funding

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

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

		2020					2019			
		NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m	NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m
1	Total assets as per published financial statements	496,583	380,603	99,242	28,033	38,442	428,371	310,954	90,602	26,075
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(274)	—	—	—	—	(391)	—	—	—
4	Adjustment for derivative financial instruments	(2,997)	(2,496)	194	31	6	(2,690)	(2,171)	299	89
5	Adjustments for securities financing transactions (SFTs)	191	191	—	—	—	516	516	—	—
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	33,670	22,857	11,183	1,308	1,247	29,655	17,862	8,766	1,118
EU-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	—	(23,962)	(24,482)	—	(22,342)	—	(24,024)	(8,309)	—
7	Other adjustments	(5,573)	(666)	(270)	(5,411)	61	(7,610)	(2,699)	(377)	(389)
8	Total leverage ratio exposure	521,600	376,527	85,867	23,961	17,414	447,851	300,438	90,981	26,893

LR2: Leverage ratio common disclosure template

On-balance sheet exposures (excluding derivatives and SFTs)										
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	469,927	353,899	98,496	22,592	38,502	414,281	296,750	90,236	25,924
2	Asset amounts deducted in determining Tier 1 capital	(5,573)	(666)	(269)	(173)	(28)	(7,610)	(2,699)	(377)	(412)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	464,354	353,233	98,227	22,419	38,474	406,671	294,051	89,859	25,512
Derivative exposures										
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	347	895	745	150	28	252	852	366	163
5	Add-on amounts for PFE associated with all derivatives transactions (mtm method)	1,112	1,386	194	84	7	1,071	1,494	299	100
7	Deductions of receivable assets for cash variation margin provided in derivatives transactions	(1,340)	(1,339)	—	—	—	(1,114)	(1,114)	—	—
11	Total derivative exposures	119	942	939	234	35	209	1,232	665	263

Capital, liquidity and funding

LR2: Leverage ratio common disclosure template continued

		2020					2019				
		NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m	NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	
Securities financing transaction exposures											
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	33,202	33,202	—	—	—	20,682	20,677	—	—	
13	Netted amounts of cash payables and cash receivable of gross SFT assets	(9,936)	(9,936)	—	—	—	(9,882)	(9,876)	—	—	
14	Counterparty credit risk exposures for SFT assets	191	191	—	—	—	516	516	—	—	
16	Total securities financing transaction exposures	23,457	23,457	—	—	—	11,316	11,317	—	—	
Other off-balance sheet exposures											
17	Off-balance sheet exposures at gross notional amount	109,722	76,230	30,961	3,750	4,528	105,875	65,461	27,821	3,247	
18	Adjustments for conversion to credit equivalent amounts	(76,052)	(53,373)	(19,778)	(2,442)	(3,281)	(76,220)	(47,599)	(19,055)	(2,129)	
19	Other off-balance sheet exposures	33,670	22,857	11,183	1,308	1,247	29,655	17,862	8,766	1,118	
EU-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)	—	(23,962)	(24,482)	—	(22,342)	—	(24,024)	(8,309)	—	
EU-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	—	—	—	(5,274)	—	—	—	—	—	
Capital and total exposures											
20	Tier 1 capital	27,477	17,590	5,400	3,568	1,429	24,861	15,047	4,797	3,389	
21	Total leverage ratio exposure	521,600	376,527	85,867	23,961	17,414	447,851	300,438	90,981	26,893	
22	Leverage ratio	5.3%	4.7%	6.3%	14.9%	8.2%	5.6%	5.0%	5.3%	12.6%	
EU-22a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)	5.3%	4.7%	6.3%	12.2%	8.2%					

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

		Leverage ratio exposures									
		2020					2019				
		NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m	NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	464,354	329,867	77,429	22,419	16,771	406,671	270,134	82,216	25,512	
EU-2	Trading book exposures	—	—	—	—	—	—	—	—	—	
EU-3	Banking book exposures, of which:	464,354	329,867	77,429	22,419	16,771	406,671	270,134	82,216	25,512	
EU-4	Covered bonds	2,764	2,389	—	375	—	1,678	1,340	—	338	
EU-5	Exposures treated as sovereigns	128,841	95,063	26,821	1,466	59	95,026	62,353	26,410	5,015	
EU-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	4,983	3,998	498	439	—	4,840	3,815	520	451	
EU-7	Institutions	4,153	2,400	1,023	1,646	264	4,885	7,808	1,522	990	
EU-8	Secured by mortgages of immovable properties	219,863	159,802	28,903	15,018	12,616	201,064	140,891	32,198	14,560	
EU-9	Retail exposures	26,927	18,761	4,612	533	964	22,040	14,351	4,061	553	
EU-10	Corporate	57,372	32,912	11,968	1,925	2,118	59,321	25,970	14,053	2,172	
EU-11	Exposures in default	3,431	1,453	850	450	213	3,536	1,382	920	824	
EU-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	16,020	13,089	2,754	567	538	14,281	12,224	2,532	609	

Capital, liquidity and funding

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 NWH 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 risk and Counterparty credit risk sections.

2020		UK £m	RoI £m	US £m	France £m	Hong Kong £m	Norway £m	Luxem- bourg £m	Slovakia £m	Czech Republic £m	Bulgaria £m	Other £m	Total £m
General credit exposures	Exposure value for STD	24,027	788	281	142	86	162	29	1	1	—	2,337	27,854
	Exposure value for IRB	303,617	21,120	4,429	2,501	96	1,116	863	1	3	1	10,794	344,541
Securitisation exposures	Exposure value	7,622	—	—	28	—	—	—	—	—	—	—	7,650
	Of which: General credit exposures	6,950	759	190	80	5	47	63	—	—	—	584	8,678
Own funds	Securitisation exposures	110	—	—	—	—	—	—	—	—	—	—	110
	Total	7,060	759	190	80	5	47	63	—	—	—	584	8,788
Own funds requirement weights		80.34%	8.64%	2.16%	0.91%	0.06%	0.53%	0.72%	0.00%	0.00%	0.00%	6.64%	100.00%
Countercyclical capital buffer rate		—	—	—	—	1.00%	1.00%	0.25%	1.00%	0.50%	0.50%	—	0.01%
Total risk exposure (sum of general credit and securitisation)													
NWB Plc		259,637	889	3,088	2,349	76	1,070	573	1	2	1	8,456	276,142
RBS plc		58,553	72	1,270	93	21	24	291	—	1	—	2,326	62,651
UBI DAC		435	21,096	62	191	—	46	—	—	—	—	130	21,960
Coutts & Co		14,553	33	204	36	83	—	4	1	1	—	1,824	16,739
Total own fund requirements													
NWB Plc		4,738	26	139	74	2	44	48	—	—	—	432	5,503
RBS plc		1,445	2	39	3	1	2	14	—	—	—	83	1,589
UBI DAC		22	790	3	2	—	1	—	—	—	—	3	821
Coutts & Co		628	2	6	2	3	—	—	—	—	—	84	725

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

	NWH Group £m	NWB Plc £m	RBS plc £m	UBI DAC £m	Coutts & Co £m
Total risk exposure amount	135,331	86,882	25,133	12,697	10,212
Institution specific countercyclical buffer rate	0.01%	0.01%	0.00%	0.00%	0.00%
Institution specific countercyclical buffer requirement (1)	10	9	1	—	—

Note:

- (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. Many countries have recently announced reductions in their countercyclical capital buffer rates in response to COVID-19. Most notably for NatWest Group, the Financial Policy Committee reduced the UK rate from 1% to 0% effective from 11 March 2020. The CBI also announced a reduction of the Republic of Ireland rate from 1% to 0% effective from 1 April 2020.

Capital, liquidity and funding

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.

NWH Group applies prudential valuation to all positions that are subject to fair value accounting (both regulatory trading and non-trading books) classified for accounting purposes as fair value through profit or loss, including held for trading and available for sale.

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, inflation 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 NWH Group's 2020 ARA Financial instruments – valuation (Note 10).

		a	b	c	f	h
		Equities	Interest	Credit	Total	Of which: in the
		£m	rates	£m	£m	non-trading book
			£m			£m
2020						
1	Closeout uncertainty, of which	—	5	6	11	11
2	Mid-market value	—	3	6	9	9
3	Closeout cost	—	—	—	—	—
4	Concentration	—	2	—	2	2
5	Early termination	—	—	—	—	—
6	Model risk	—	—	—	—	—
7	Operational risk	—	—	1	1	1
8	Investing and funding costs	—	—	—	—	—
9	Unearned credit spreads	—	—	—	—	—
10	Future administrative costs	—	—	—	—	—
11	Other	—	—	—	—	—
12	Total prudential valuation adjustment (PVA)	—	5	7	12	12
PVA excluding diversification benefit		—	7	18	25	25
2019						
1	Closeout uncertainty, of which	5	17	—	22	22
2	Mid-market value	—	17	—	17	17
3	Closeout cost	—	—	—	—	—
4	Concentration	5	—	—	5	5
5	Early termination	—	—	—	—	—
6	Model risk	—	1	—	1	1
7	Operational risk	—	2	—	2	2
8	Investing and funding costs	—	—	—	—	—
9	Unearned credit spreads	—	—	—	—	—
10	Future administrative costs	—	1	—	1	1
11	Other	—	—	—	—	—
12	Total prudential valuation adjustment (PVA)	5	21	—	26	26
PVA excluding diversification benefit		—	35	—	35	35

Notes:

- (1) A diversification benefit is applied, where permitted under the EBA Regulatory Technical Standards on prudential valuation. In June 2020, in response to the COVID-19 pandemic the European Commission amended the Regulatory Technical Standard such that, due to the exceptional levels of market volatility, the aggregation factor was increased from 50% to 66% until 31 December 2020 inclusive.
- (2) Commodities, FX and "of which: in the trading book" have been excluded from the above table as these were nil in the current and prior period.

Key point

- The movement in the year primarily relates to reduced interest rate risk, disposal of equity positions and the benefit of the COVID-19 amendment aggregation factor.

Capital, liquidity and funding

EBA asset encumbrance

The values presented below, including totals, are based on a four-point median average across four quarters.

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	57,558	55,070	—	—	416,935	245,060	—	—
Equity instruments	—	—	—	—	14	—	—	—
Debt securities	8,273	8,087	8,273	8,087	34,977	31,990	34,977	31,990
of which: covered bonds	—	—	—	—	2,493	2,493	2,493	2,493
of which: asset-backed securities	—	—	—	—	1,027	1,027	1,027	1,027
of which: issued by general governments	7,725	7,588	7,725	7,588	27,428	24,503	27,428	24,503
of which: issued by financial corporations	401	401	401	401	7,828	7,771	7,828	7,771
of which: issued by non-financial corporations	—	—	—	—	18	18	18	18
Other assets	49,285	46,983	—	—	381,640	212,657	—	—

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	1,522	1,522	17,368	17,368
Loans on demand	—	—	—	—
Equity instruments	—	—	—	—
Debt securities	1,522	1,522	17,368	17,368
of which: covered bonds	—	—	—	—
of which: asset-backed securities	—	—	—	—
of which: issued by general governments	1,522	1,522	16,088	16,088
of which: issued by financial corporations	—	—	870	870
of which: issued by non-financial corporations	—	—	—	—
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	58,835	56,347	—	—

Sources of encumbrance

	Assets, collateral received and own debt securities issued other than covered bonds and asset-backed securities encumbered	
	Matching liabilities, contingent liabilities or securities lent	
	£m	£m
Carrying amount of selected financial liabilities	26,064	51,201

Capital, liquidity and funding

EU 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 EBA 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). NWH 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 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2020	30 September 2020	30 June 2020	31 March 2020
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)					119,655	111,268	105,212	99,750
Cash outflows								
2 Retail deposits and deposits from small business customers	222,732	215,259	210,293	203,629	17,249	16,790	16,398	16,050
3 of which: stable deposits	144,499	139,223	134,372	130,871	7,225	6,961	6,719	6,544
4 of which: less stable deposits	77,910	75,675	73,857	72,364	9,701	9,467	9,277	9,113
5 Unsecured wholesale funding	138,899	131,549	126,673	121,172	60,598	57,516	55,676	53,335
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	58,644	56,203	53,938	51,254	14,348	13,738	13,172	12,501
7 Non-operational deposits (all counterparties)	79,698	74,815	72,271	69,573	45,693	43,247	42,040	40,489
8 Unsecured debt	557	531	464	345	557	531	464	345
9 Secured wholesale funding					—	36	47	380
10 Additional requirements	52,402	50,966	50,658	52,068	8,440	8,090	7,730	7,537
11 Outflows related to derivative exposures and other collateral requirements	2,855	2,654	2,338	1,853	2,295	2,166	1,988	1,649
12 Outflows related to loss of funding on debt products	256	256	104	—	255	255	104	—
13 Credit and liquidity facilities	49,291	48,056	48,216	50,215	5,890	5,669	5,638	5,888
14 Other contractual funding obligations	353	379	420	460	10	7	10	10
15 Other contingent funding obligations	46,728	45,680	43,949	41,577	3,525	3,590	3,710	3,652
16 Total cash outflows					89,822	86,029	83,571	80,964
17 Secured lending (e.g. reverse repos)	13,575	13,454	11,689	9,797	20	20	20	20
18 Inflows from fully performing exposures	7,703	8,766	9,884	10,296	5,646	6,261	6,868	7,121
19 Other cash inflows	11,297	11,176	11,281	11,012	2,900	2,755	2,738	2,396
EU-19a Difference between total weighted inflows and outflows	—	—	—	—	—	—	—	—
EU-19b Excess inflows from a related specialised credit institution	—	—	—	—	—	—	—	—
20 Total cash inflows	32,575	33,396	32,854	31,105	8,566	9,036	9,626	9,537
EU-20a Fully exempt inflows	—	—	—	—	—	—	—	—
EU-20b Inflows subject to 90% cap	—	—	—	—	—	—	—	—
EU-20c Inflows subject to 75% cap	32,549	33,369	32,827	31,077	8,566	9,036	9,626	9,537
21 Liquidity buffer					119,655	111,268	105,212	99,750
22 Total net cash outflows					81,256	76,993	73,944	71,427
23 Liquidity coverage ratio (%)					147	144	142	140

Capital, liquidity and funding

EU L1: CAP: Accounting and regulatory scopes of consideration

The table below provides a reconciliation between accounting and regulatory consolidation.

	2020				2019*			
	Accounting balance sheet £m	Deconsolidation of non-financial entities (1) £m	Consolidation of banking associates (2) £m	Regulatory consolidation £m	Accounting balance sheet £m	Deconsolidation of non-financial entities (1) £m	Consolidation of banking associates (2) £m	Regulatory consolidation £m
Assets								
Cash and balances at central banks	95,187	—	—	95,187	57,646	—	—	57,646
Trading assets	858	—	—	858	632	—	—	632
Derivatives	3,116	—	—	3,116	2,899	—	—	2,899
Settlement balances	1	—	—	1	47	—	—	47
Loans to banks - amortised cost	4,707	—	—	4,707	5,073	—	—	5,073
Loans to customers - amortised cost	339,291	(30)	142	339,403	304,974	—	—	304,974
Other financial assets	40,431	(388)	—	40,043	43,641	(390)	—	43,251
Intangible assets	6,341	—	—	6,341	6,313	—	—	6,313
Other assets	6,632	2	—	6,634	7,106	—	—	7,106
Assets of disposal groups	19	—	—	19	40	—	—	40
	496,583	(416)	142	496,309	428,371	(390)	—	427,981
Of which: by large subsidiary (includes Intra-group exposures)								
NWB Plc	380,603	—	—	380,603	310,954	—	—	310,954
RBS plc	99,242	—	—	99,242	90,602	—	—	90,602
UBI DAC	28,033	—	—	28,033	26,075	—	—	26,075
Coutts & Co	38,442	—	—	38,442	—	—	—	—
Liabilities								
Bank deposits	18,800	—	—	18,800	18,391	—	—	18,391
Customer deposits	404,361	342	142	404,845	342,075	271	—	342,346
Settlement balances	3,297	—	—	3,297	47	—	—	47
Trading liabilities	224	—	—	224	244	—	—	244
Derivatives	6,032	—	—	6,032	4,653	—	—	4,653
Other financial liabilities	21,246	(772)	—	20,474	20,681	(673)	—	20,008
Subordinated liabilities	1,316	—	—	1,316	1,338	—	—	1,338
Other liabilities	8,041	14	—	8,055	8,185	12	—	8,197
	463,317	(416)	142	463,043	395,614	(390)	—	395,224
Of which: by large subsidiary (includes Intra-group exposures)								
NWB Plc	362,139	—	—	362,139	292,928	—	—	292,928
RBS plc	93,572	—	—	93,572	84,628	—	—	84,628
UBI DAC	24,292	—	—	24,292	22,273	—	—	22,273
Coutts & Co	36,988	—	—	36,988	—	—	—	—
Non-controlling interests	10	—	—	10	6	—	—	6
Owners' equity	33,256	—	—	33,256	32,751	—	—	32,751
Total equity	33,266	—	—	33,266	32,757	—	—	32,757
Of which: by large subsidiary (includes intra-group exposures)								
NWB Plc	18,464	—	—	18,464	18,026	—	—	18,026
RBS plc	5,670	—	—	5,670	5,974	—	—	5,974
UBI DAC	3,741	—	—	3,741	3,802	—	—	3,802
Coutts & Co	1,454	—	—	1,454	—	—	—	—

*2019 data has been restated for the accounting policy change for balances held with central banks. Refer to Accounting policy changes effective 1 January 2020 within the 2020 NatWest Group ARA for further details.

Notes:

- (1) NWH Group can only include particular types of subsidiary undertaking in the regulatory consolidation. Non-financial undertakings are excluded from the regulatory consolidation.
- (2) NWH Group must proportionally consolidate its associates for regulatory purposes where they are classified as credit institutions or financial institutions. These will generally have been equity accounted for financial reporting purposes. A principal contributor is NatWest Group's investment in Alawwal bank.

Capital, liquidity and funding

EU LI2: IRB and STD: Balance sheet to credit risk EAD bridge

The table below provides a bridge between the balance sheet and credit risk EAD by balance sheet caption.

	Other regulatory adjustments											
	Balance sheet £bn	Consolidation differences (1) £bn	Regulatory consolidation £bn	Within the scope of market risk (2) £bn	Credit provisions (3) £bn	Netting and collateral (4) £bn	Capital deduction (5) £bn	Disposal groups (6) £bn	Methodology differences and reclassifications (7) £bn	Total drawn EAD £bn	Undrawn and off-balance sheet EAD £bn	Total EAD £bn
2020												
Cash and balances at central banks	95.2	—	95.2	—	—	—	—	—	0.5	125.0	—	125.0
Trading assets	0.9	—	0.9	(29.2)	—	(19.8)	—	—	(15.6)	4.4	—	4.4
Derivatives	3.1	—	3.1	—	0.2	(156.0)	—	—	7.0	17.6	—	17.6
Settlement balances	—	—	—	—	—	—	—	—	(2.3)	—	—	—
Loans to banks - amortised cost	4.7	—	4.7	—	—	—	—	—	(0.3)	6.7	—	6.7
Loans to customers - amortised cost	339.3	0.1	339.4	—	5.3	(19.0)	—	—	(16.2)	330.8	69.4	400.2
Other financial assets	40.4	(0.4)	40.0	—	—	—	—	—	0.2	54.8	—	54.8
Intangible assets	6.4	—	6.4	—	—	—	(6.1)	—	(0.6)	—	—	—
Other assets	6.6	—	6.6	—	0.2	—	(1.4)	—	0.7	7.6	—	7.6
Assets of disposal groups	—	—	—	—	—	—	—	—	—	—	—	—
Total assets	496.6	(0.3)	496.3	(29.2)	5.7	(194.8)	(7.5)	—	(26.6)	546.9	69.4	616.3
Contingent obligations											3.3	3.3
											72.7	619.6
	Balance sheet £bn	Consolidation differences (1) £bn	Regulatory consolidation £bn	Within the scope of market risk (2) £bn	Credit provisions (3) £bn	Netting and collateral (4) £bn	Capital deduction (5) £bn	Disposal groups (6) £bn	Methodology differences and reclassifications (7) £bn	Total drawn EAD £bn	Undrawn and off-balance sheet EAD £bn	Total EAD £bn
2019*												
Cash and balances at central banks	57.6	—	57.6	—	—	—	—	—	—	54.6	—	54.6
Trading assets	0.6	—	0.6	—	—	—	—	—	(0.4)	0.2	—	0.2
Derivatives	2.9	—	2.9	—	—	(1.2)	—	—	(0.4)	1.3	—	1.3
Settlement balances	—	—	—	—	—	—	—	—	—	—	—	—
Loans to banks - amortised cost	5.1	—	5.1	—	—	—	—	—	0.1	8.3	—	8.3
Loans to customers - amortised cost	305.0	—	305.0	—	3.1	—	—	—	(21.1)	287.1	57.7	344.8
Other financial assets	43.7	(0.4)	43.3	—	—	—	—	—	0.4	43.6	—	43.6
Intangible assets	6.3	—	6.3	—	—	—	(6.3)	—	—	—	—	—
Other assets	7.2	—	7.2	—	0.1	—	(1.0)	—	1.1	7.4	—	7.4
Assets of disposal groups	—	—	—	—	—	—	—	—	—	—	—	—
Total assets	428.4	(0.4)	428.0	—	3.2	(1.2)	(7.3)	—	(20.3)	402.5	57.7	460.1
Contingent obligations											2.7	2.7
											60.4	462.8

*2019 data has been restated for the accounting policy change for balances held with central banks. Refer to Accounting policy changes effective 1 January 2020 within the 2020 NatWest Group ARA for further details.

Notes:

- (1) Represents proportional consolidation of associates and deconsolidation of certain subsidiaries, as required by regulatory rules.
- (2) The exposures in regulatory trading book businesses are subject to market risk and are therefore excluded from EAD.
- (3) Impairment loss provisions on loans and advances and securities, and credit valuation adjustment on derivatives.
- (4) Includes:
 - a. Reverse repos: reflects regulatory approach for securities financing transactions including netting of collateral and cash legs.
 - b. Loans and advances: cash collateral pledged with counterparties in relation to net derivative liability positions.
 - c. Derivatives: impact of master netting arrangements.
- (5) Capital deductions are excluded as EAD only captures exposures for credit RWAs.
- (6) Amounts reclassified to balance sheet lines for EAD.
- (7) Primarily includes:
 - a. Loans and advances: offset related to cash management pooling arrangements not allowed under IFRS and standardised approach credit risk mitigation.
 - b. Settlement balances: the amount represents instruments pending settlement on which no EAD is calculated.
 - c. Derivatives: EAD valuation adjustments offset by difference between netting arrangements and netting within regulatory netting sets.
 - d. Property, plant and equipment: includes residual value of operating leases.

Capital, liquidity and funding

The following disclosure TLAC2 provides relevant information that form the elements of MREL resources.

This disclosure has been prepared using the uniform format published by the EBA providing more relevant and up to date information than the BCBS templates formally used.

EU 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).

2 Description of insolvency ranking		Insolvency ranking							
		Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt	
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
NWB Plc									
3	Total liabilities and own funds	16,094	—	2,370	—	3,141	1,216	3,552	—
4	o/w excluded liabilities	—	—	—	—	—	300	—	—
5	Total liabilities and own funds less excluded liabilities	16,094	—	2,370	—	3,141	916	3,552	—
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	16,094	—	2,370	—	3,141	916	3,552	—
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	1,245	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	2,441	—	2,307	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—
11	o/w perpetual securities	16,094	—	2,370	—	700	916	—	—
	Total								20,080

2 Description of insolvency ranking		Insolvency ranking							
		Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt	
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
RBS plc									
3	Total liabilities and own funds	4,701	—	969	—	1,355	—	366	—
4	o/w excluded liabilities	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	4,701	—	969	—	1,355	—	366	—
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	4,701	—	969	—	1,355	—	366	—
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	366	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	1,355	—	—	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—
11	o/w perpetual securities	4,701	—	969	—	—	—	—	—
	Total								5,670

For the note to the above tables refer to the following page.

Capital, liquidity and funding

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

		Insolvency ranking							
		Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt	
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
2	Description of insolvency ranking								
Coutts & Company									
3	Total liabilities and own funds	1,256	—	200	—	266	—	310	—
4	o/w excluded liabilities	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	1,256	—	200	—	266	—	310	—
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	1,256	—	200	—	266	—	310	—
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	310	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	266	—	—	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—
11	o/w perpetual securities	1,256	—	200	—	—	—	—	—
									Total
									£m

		Insolvency ranking							
		Shareholders equity		Preference shares and contingent capital notes		Subordinated debt		Senior non-preferential debt	
		Resolution entity	Other	Resolution entity	Other	Resolution entity	Other	Resolution entity	Other
		£m	£m	£m	£m	£m	£m	£m	£m
2	Description of insolvency ranking								
UBI DAC									
3	Total liabilities and own funds	3,742	—	—	—	476	41	539	—
4	o/w excluded liabilities	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	3,742	—	—	—	476	41	539	—
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	3,742	—	—	—	476	41	539	—
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	476	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	—	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	—	—	539	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—
11	o/w perpetual securities	3,742	—	—	—	—	41	—	—
									Total
									£m

Note:

(1) Amounts shown includes balances indirectly due to Resolution Entity through NWH Ltd, a wholly owned subsidiary of NatWest Group plc.

Credit risk

Credit risk

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

This section details NWH 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.

Refer to the Glossary for definitions of terms available on natwestgroup.com.

General information about credit risk

Credit risk is the risk of financial loss owing to the failure of a customer or counterparty to meet its obligation to settle outstanding amounts.

The principal sources of credit risk in NWH Group are lending and related undrawn commitments. Derivatives and securities financing and debt securities are also a source of credit risk, primarily related to Treasury activities for NWH Group. NWH Group is also exposed to settlement risk through foreign exchange 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 NWH Group as well as additional credit risk disclosures, refer to the Credit risk section of the 2020 NWH 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 NWH 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 NWH Group in its capacity as a member of a consortium.
- Inter-Group exposures – exposures to NWH Group entities included in regulatory consolidation, including in the core UK group.

Credit risk

CR1: IRB and STD: RWA density by NWH Group sector cluster

The table below summarises NWH Group's total credit risk profile (incorporating counterparty credit risk and securitisations) by customer type. This reflects the basis on which customers are managed internally. Wholesale customers are managed on an individual basis and grouped by sector. Personal customers are managed on a portfolio basis and grouped into portfolios of similar risk. The table shows EAD post CRM, RWAs and RWA density, each split by regulatory approach i.e. IRB and STD.

2020	EAD post CRM			RWAs			RWA density		
	IRB £m	STD £m	Total £m	IRB £m	STD £m	Total £m	IRB %	STD %	Total %
Sector cluster									
Sovereign									
Central banks	18,245	77,633	95,878	661	1,153	1,814	4	1	2
Central governments	12,702	18,722	31,424	1,291	—	1,291	10	—	4
Other sovereign	2,527	275	2,802	561	7	568	22	3	20
Total sovereign	33,474	96,630	130,104	2,513	1,160	3,673	8	1	3
Financial institutions (FIs)									
Banks	8,599	429	9,028	2,006	125	2,131	23	29	24
Non-bank FIs (1)	6,199	1,562	7,761	2,752	610	3,362	44	39	43
SSPEs	18	1	19	29	1	30	161	100	158
Total FIs	14,816	1,992	16,808	4,787	736	5,523	32	37	33
Corporates									
Property									
- UK	33,511	3,040	36,551	15,293	2,731	18,024	46	90	49
- RoI	1,271	181	1,452	853	179	1,032	67	99	71
- Western Europe	1,009	61	1,070	551	57	608	55	93	57
- US	152	2	154	75	2	77	49	100	50
- RoW	335	157	492	244	157	401	73	100	82
Total property	36,278	3,441	39,719	17,016	3,126	20,142	47	91	51
Natural resources	10,659	328	10,987	4,562	280	4,842	43	85	44
Transport	16,017	847	16,864	7,199	610	7,809	45	72	46
Manufacturing	13,571	999	14,570	6,033	653	6,686	44	65	46
Retail and leisure	18,234	1,382	19,616	10,279	1,069	11,348	56	77	58
Services	18,076	1,602	19,678	8,657	1,177	9,834	48	73	50
TMT (2)	6,242	319	6,561	3,586	233	3,819	57	73	58
Total corporates	119,077	8,918	127,995	57,332	7,148	64,480	48	80	50
Personal									
Mortgages (3)									
- UK	173,035	12,777	185,812	12,926	4,660	17,586	7	36	9
- RoI	14,083	19	14,102	4,209	7	4,216	30	37	30
- Western Europe	—	135	135	—	48	48	—	36	36
- US	—	199	199	—	70	70	—	35	35
- RoW	—	923	923	—	372	372	—	40	40
Total mortgages	187,118	14,053	201,171	17,135	5,157	22,292	9	37	11
Other personal	26,880	2,599	29,479	11,861	1,674	13,535	44	64	46
Total personal	213,998	16,652	230,650	28,996	6,831	35,827	14	41	16
Other items	5,117	2,389	7,506	3,595	1,889	5,484	70	79	73
Total (excluding securitisations)	386,482	126,581	513,063	97,223	17,764	114,987	25	14	22
Total securitisations (4)			7,650			1,372			18
Total			520,713			116,359			22

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

Credit risk

CR1: IRB and STD: RWA density by NWH Group sector cluster continued

	EAD post CRM			RWAs			RWA density		
	IRB £m	STD £m	Total £m	IRB £m	STD £m	Total £m	IRB %	STD %	Total %
2019									
Sector cluster									
Sovereign									
Central banks	15,404	42,676	58,080	418	1,187	1,605	3	3	3
Central governments	14,375	21,093	35,468	1,237	—	1,237	9	—	3
Other sovereign	1,399	567	1,966	265	11	276	19	2	14
Total sovereign	31,178	64,336	95,514	1,920	1,198	3,118	6	2	3
Financial institutions (FIs)									
Banks	10,173	239	10,412	2,130	89	2,219	21	37	21
Non-bank FIs (1)	4,928	1,690	6,618	2,493	657	3,150	51	39	48
SSPEs	1,493	49	1,542	172	46	218	12	94	14
Total FIs	16,594	1,978	18,572	4,795	792	5,587	29	40	30
Corporates									
Property									
- UK	34,126	2,830	36,956	15,569	2,621	18,190	46	93	49
- RoI	1,370	172	1,542	863	171	1,034	63	99	67
- Western Europe	1,181	87	1,268	655	80	735	55	92	58
- US	169	3	172	91	3	94	54	100	55
- RoW	374	225	599	243	196	439	65	87	73
Total property	37,220	3,317	40,537	17,421	3,071	20,492	47	93	51
Natural resources	11,215	258	11,473	4,864	240	5,104	43	93	44
Transport	15,184	874	16,058	6,193	777	6,970	41	89	43
Manufacturing	13,966	862	14,828	6,388	632	7,020	46	73	47
Retail and leisure	15,949	1,195	17,144	8,591	1,169	9,760	54	98	57
Services	17,012	1,282	18,294	8,581	1,173	9,754	50	92	53
TMT (2)	5,535	310	5,845	3,461	298	3,759	63	96	64
Total corporates	116,081	8,098	124,179	55,499	7,360	62,859	48	91	51
Personal									
Mortgages (3)									
- UK	160,479	8,842	169,321	13,069	3,194	16,263	8	36	10
- RoI	14,051	18	14,069	5,869	7	5,876	42	35	42
- Western Europe	—	151	151	—	53	53	—	35	35
- US	—	156	156	—	55	55	—	35	35
- RoW	—	781	781	—	279	279	—	36	36
Total mortgages	174,530	9,948	184,478	18,938	3,588	22,526	11	36	12
Other personal	30,542	2,666	33,208	13,931	1,773	15,704	46	67	47
Total personal	205,072	12,614	217,686	32,869	5,361	38,230	16	42	18
Other items	5,037	1,796	6,833	3,891	1,275	5,166	77	71	76
Total	373,962	88,822	462,784	98,974	15,986	114,960	26	18	25

Notes:

- (1) Comprises US agencies, insurance companies, pension funds, hedge and leverage funds, broker-dealers and non-bank subsidiaries of banks.
- (2) Telecommunications, media and technology.
- (3) Standardised mortgage exposures are reported based on the country of residence of the customer.
- (4) Represents total banking book securitisations in 2020. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables EU OV1, SEC 1, SEC 3 and SEC 4. Comparatives have not been restated.

Key points

- **EAD post CRM** – The overall rise in exposures was mainly due to increased cash placements with central banks. There were further increases due to mortgage portfolio growth in Retail Banking, including the acquisition of an owner-occupied mortgage portfolio from Metro Bank. The increased exposure to corporates was primarily due to new lending under the UK government lending schemes. There were offsetting reductions in unsecured balances mainly in Retail Banking.
- **RWAs** – The overall rise in RWAs mainly reflected an increase in STD RWAs due to the acquisition of an owner-occupied mortgage portfolio from Metro Bank as well as the RWA uplift as a result of the implementation of the CRR2 amended Article 36 for the prudential treatment of software assets. The overall decrease in AIRB RWAs was mainly due to improved risk metrics and a reduction in balances for unsecured products in Retail Banking as well as the sale of non-performing loans in Ulster Bank RoI.
- **Sovereign** – The rise in EAD was primarily due to increased cash placements with central banks.
- **Corporates** – The rise in EAD was due to customers borrowing through the UK government lending schemes, as well as increased utilisation of existing facilities in Commercial Banking. The overall increase in RWAs was a result of PD deterioration and model updates in Commercial Banking, partly offset by the RWA benefit resulting from the CRR COVID-19 amendment for SME and infrastructure supporting factors.
- **Mortgages** – The rise in EAD was due to mortgage portfolio growth in UK Retail Banking. The overall increase in STD RWAs for UK mortgages was due to the acquisition of an owner-occupied mortgage portfolio from Metro Bank as well as mortgage portfolio growth in Private Banking. The reduction in AIRB RWAs for RoI mortgages was due to the sale of non-performing loans including RWA decreases due to PD calibration.
- **Other personal** – The decrease in EAD was mainly a result of a reduction in unsecured balances in Retail Banking during Q2 and Q4. The fall in RWAs was due to the reduction in balances and improved risk metrics for unsecured products in Retail Banking.
- **Other items** – The increase in RWAs reflects the implementation of the CRR2 amended Article 36 for the prudential treatment of software assets.

Credit risk

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

The table below shows credit risk (including securitisations) and counterparty credit risk separately for NWH 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.

	NWH Group				NWB Plc				RBS plc				UBI DAC				Courtts & Co			
	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	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m
IRB																				
2020																				
Credit risk																				
Central governments and central banks	36,170	36,101	2,809	225	28,914	28,844	1,903	152	34	34	—	—	7,182	7,182	902	72	—	—	—	—
Institutions	7,261	5,311	1,537	123	4,984	3,418	1,014	81	1,530	1,160	325	26	409	409	107	9	—	—	—	—
Corporates	116,616	106,454	55,554	4,444	65,104	58,538	33,259	2,661	30,443	26,984	13,402	1,072	5,417	5,387	3,788	304	—	—	—	—
<i>Specialised lending</i>	15,774	15,753	10,038	803	9,179	9,175	5,823	466	5,250	5,233	3,324	266	1,069	1,069	719	58	—	—	—	—
<i>SME</i>	18,051	17,717	7,252	580	10,171	9,953	4,111	329	3,548	3,454	1,474	118	811	810	735	59	—	—	—	—
<i>Other corporate</i>	82,791	72,984	38,264	3,061	45,754	39,410	23,325	1,866	21,645	18,297	8,604	688	3,537	3,508	2,334	187	—	—	—	—
Retail	231,326	231,326	33,060	2,645	183,292	183,293	22,585	1,808	29,212	29,212	4,389	351	15,447	15,447	5,642	451	—	—	—	—
<i>Secured by real estate property</i>																				
- SME	1,134	1,134	398	32	860	860	300	24	216	216	71	6	—	—	—	—	—	—	—	—
- non-SME	187,117	187,117	17,135	1,372	150,025	150,026	11,020	882	21,223	21,223	1,416	113	14,411	14,411	5,072	406	—	—	—	—
<i>Qualifying revolving</i>	20,019	20,019	4,731	378	15,441	15,441	3,494	280	3,951	3,951	1,036	83	310	310	129	10	—	—	—	—
<i>Other retail</i>																				
- SME	16,378	16,378	3,768	301	12,069	12,069	2,460	197	2,509	2,509	528	42	542	542	300	24	—	—	—	—
- non-SME	6,678	6,678	7,028	562	4,897	4,897	5,311	425	1,313	1,313	1,338	107	184	184	141	11	—	—	—	—
Non-credit obligation assets	5,943	5,943	3,953	316	3,566	3,566	2,650	212	—	—	—	—	367	367	117	9	—	—	—	—
Total IRB	397,316	385,135	96,913	7,753	285,860	277,659	61,411	4,914	61,219	57,390	18,116	1,449	28,822	28,792	10,556	845	—	—	—	—
STD																				
Central governments and central banks	96,441	96,662	1,158	93	69,402	69,415	1,690	135	26,825	26,825	115	9	1	1	2	—	59	269	25	2
Regional governments and local authorities	32	2	1	—	6	1	—	—	25	—	—	—	1	1	1	—	—	—	—	—
Institutions	782	782	269	22	22,617	22,617	199	16	20,576	20,576	34	3	1,387	1,387	323	26	21,562	21,562	53	4
Corporates	6,620	5,856	4,512	361	17,890	17,607	2,648	212	2,697	2,683	613	49	537	537	517	41	2,677	2,211	1,564	125
Retail	2,248	2,158	1,278	102	408	408	258	21	183	176	116	9	11	11	6	—	993	909	518	41
<i>Secured by mortgages on immovable property</i>																				
- residential	14,712	14,711	5,403	433	3,058	3,057	1,203	96	650	650	239	19	94	94	94	8	10,504	10,504	3,725	298
- commercial	2,806	2,757	2,737	219	228	227	236	19	158	144	145	12	39	39	39	3	2,352	2,318	2,288	183
Exposures in default	392	392	455	36	36	36	49	4	61	61	83	7	29	29	38	3	219	219	226	18
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	1	1	1	—	1,625	1,625	4,062	325	28	28	70	6	—	—	—	—	110	110	274	22
Other exposures	1,854	1,854	1,299	104	584	584	583	47	1,026	1,026	545	43	21	21	7	1	437	437	434	35
Total STD	125,888	125,175	17,113	1,370	115,854	115,577	10,928	875	52,229	52,169	1,960	157	2,120	2,120	1,027	82	38,913	38,539	9,107	728
Total securitisations (1)	7,650	7,650	1,372	110	5,964	5,964	1,106	88	1,688	1,688	265	21	—	—	—	—	—	—	—	—
Total IRB, STD and securitisations	530,854	517,960	115,398	9,233	407,678	399,200	73,445	5,877	115,136	111,247	20,341	1,627	30,942	30,912	11,583	927	38,913	38,539	9,107	728

Note:

(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 EU OV1, SEC 1, SEC 3 and SEC 4. Comparatives have not been restated.

Credit risk

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

Counterparty credit risk	NWH Group			NWB Plc			RBS plc			UBI DAC			Coutts & Co		
	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	EAD post CRM £m	RWAs £m	MCR £m
2020															
IRB															
Central governments and central banks	245	2	—	245	2	—	—	—	—	—	—	—	—	—	—
Institutions	283	133	11	283	133	11	—	—	—	—	—	—	—	—	—
Corporates	819	175	14	793	160	13	—	—	—	26	16	1	—	—	—
<i>Specialised lending</i>	29	18	1	12	8	1	—	—	—	17	10	1	—	—	—
<i>SME</i>	1	1	—	—	—	—	—	—	—	1	1	—	—	—	—
<i>Other corporate</i>	789	156	13	781	152	12	—	—	—	8	5	—	—	—	—
Total IRB	1,347	310	25	1,321	295	24	—	—	—	26	16	1	—	—	—
STD															
Central governments and central banks	186	—	—	186	—	—	—	—	—	—	—	—	—	—	—
Regional governments and local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	1,095	448	36	1,955	257	20	901	—	—	203	101	8	6	1	—
Corporates	125	203	16	443	24	2	—	—	—	—	—	—	32	30	2
Total STD	1,406	651	52	2,584	281	22	901	—	—	203	101	8	38	31	2
Total IRB and STD	2,753	961	77	3,905	576	46	901	—	—	229	117	9	38	31	2

Credit risk

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

IRB	NWH Group				NWB Plc				RBS plc				UBI DAC			
	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
2019																
Credit risk																
Central governments and central banks	34,581	34,522	2,353	188	29,013	28,954	1,748	140	35	35	1	—	5,484	5,484	600	48
Institutions	8,261	6,299	1,582	127	4,961	3,428	785	63	2,102	1,687	423	34	392	392	109	9
Corporates	113,640	103,882	52,011	4,161	56,644	50,701	28,380	2,270	34,339	30,738	15,215	1,217	5,440	5,348	3,448	275
<i>Specialised lending</i>	<i>13,931</i>	<i>13,862</i>	<i>9,426</i>	<i>754</i>	<i>6,507</i>	<i>6,501</i>	<i>4,500</i>	<i>360</i>	<i>6,002</i>	<i>5,939</i>	<i>3,944</i>	<i>315</i>	<i>1,121</i>	<i>1,121</i>	<i>780</i>	<i>62</i>
<i>SME</i>	<i>20,451</i>	<i>20,021</i>	<i>8,570</i>	<i>686</i>	<i>9,842</i>	<i>9,543</i>	<i>4,709</i>	<i>377</i>	<i>4,013</i>	<i>3,909</i>	<i>1,851</i>	<i>148</i>	<i>1,322</i>	<i>1,320</i>	<i>743</i>	<i>59</i>
<i>Other corporate</i>	<i>79,258</i>	<i>69,999</i>	<i>34,015</i>	<i>2,721</i>	<i>40,295</i>	<i>34,657</i>	<i>19,171</i>	<i>1,533</i>	<i>24,324</i>	<i>20,890</i>	<i>9,420</i>	<i>754</i>	<i>2,997</i>	<i>2,907</i>	<i>1,925</i>	<i>154</i>
Retail	215,130	215,130	37,150	2,972	164,886	164,886	23,967	1,917	31,269	31,269	5,326	426	15,107	15,107	6,502	520
<i>Secured by real estate property</i>																
- SME	1,291	1,291	523	42	970	970	385	31	259	259	100	8	—	—	—	—
- non-SME	174,529	174,529	18,939	1,516	134,944	134,944	10,755	861	23,633	23,633	1,766	142	14,050	14,050	5,869	470
Qualifying revolving	23,138	23,138	5,991	479	17,969	17,969	4,406	352	4,476	4,476	1,329	106	328	328	163	13
<i>Other retail</i>																
- SME	8,940	8,940	3,856	308	5,770	5,770	2,503	200	1,439	1,439	605	48	537	537	316	25
- non-SME	7,232	7,232	7,841	627	5,233	5,233	5,918	473	1,462	1,462	1,526	122	192	192	154	12
Securitisation	7,329	7,329	1,509	121	5,837	5,837	1,206	96	1,492	1,492	304	24	—	—	—	—
Non-credit obligation assets	5,847	5,847	4,152	332	3,418	3,418	2,811	225	—	—	—	—	577	577	120	10
Total IRB	384,788	373,009	98,757	7,901	264,759	257,224	58,897	4,711	69,237	65,221	21,269	1,701	27,000	26,908	10,779	862
STD																
Central governments and central banks	63,983	63,983	1,193	95	36,318	36,318	1,661	133	26,421	26,421	60	5	—	—	—	—
Regional governments and local authorities	20	20	5	—	18	18	4	—	—	—	—	—	1	1	1	—
Institutions	653	653	236	19	29,709	29,709	212	17	7,722	7,721	34	3	732	733	150	12
Corporates	7,567	7,230	6,928	554	3,277	3,071	2,960	238	717	714	678	54	615	615	598	47
Retail	2,332	2,276	1,356	109	499	499	311	25	207	202	130	10	13	13	8	1
Secured by mortgages on immovable property																
- residential	10,909	10,909	3,942	315	68	68	68	5	702	702	276	22	81	81	81	7
- commercial	681	663	677	54	316	316	326	26	171	153	158	13	33	33	33	3
Exposures in default	303	302	359	29	28	28	42	3	66	66	88	7	20	19	25	2
Equity exposures	25	25	27	2	1,319	1,319	3,296	264	52	52	94	8	1	1	2	—
Other exposures	1,123	1,123	500	40	4	4	1	—	942	942	404	32	17	17	3	—
Total STD	87,596	87,184	15,223	1,217	71,556	71,350	8,881	711	37,000	36,973	1,922	154	1,513	1,513	901	72
Total IRB and STD	472,384	460,193	113,980	9,118	336,315	328,574	67,778	5,422	106,237	102,194	23,191	1,855	28,513	28,421	11,680	934

Credit risk

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

Counterparty credit risk	NWH Group			NWB Plc			RBS plc			UBI DAC		
	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
2019												
IRB												
Central governments and central banks	209	3	—	209	3	—	—	—	—	—	—	—
Institutions	265	94	8	263	93	7	—	—	—	2	1	—
Corporates	479	120	9	452	101	8	—	—	—	27	19	1
<i>Specialised lending</i>	28	19	2	10	7	1	—	—	—	16	12	1
<i>SME</i>	1	1	—	—	—	—	—	—	—	1	1	—
<i>Other corporate</i>	450	100	7	442	94	7	—	—	—	10	6	—
Total IRB	953	217	17	924	197	15	—	—	—	29	20	1
STD												
Central governments and central banks	332	—	—	332	—	—	—	—	—	—	—	—
Institutions	1,174	528	42	2,069	298	24	366	—	—	219	107	9
Corporates	132	235	19	38	110	9	—	—	—	—	—	—
Total STD	1,638	763	61	2,439	408	33	366	—	—	219	107	9
Total IRB and STD	2,591	980	78	3,363	605	48	366	—	—	248	127	10

Key points

- NWB Plc** – The overall rise in exposures was mainly due to increased cash placements with central banks, growth in the UK mortgage portfolio and increased lending in Commercial Banking through the UK government lending schemes. The overall increase in AIRB RWAs was attributed to PD deterioration and model updates in Commercial Banking. The increase in STD RWAs was mainly due to the acquisition of an owner-occupied mortgage portfolio from Metro Bank.
- RBS plc** – The decrease in RWAs was driven by Commercial Banking repayments as well as reduced balances and improved risk metrics for unsecured products in Retail Banking. There were offsetting increases in RWAs attributed to PD deterioration in Commercial Banking.
- UBI DAC** – Credit risk RWAs decreased mainly due to a portfolio sale of non-performing loans and revision of PD/LGD metrics. These were partially offset by a voluntary adjustment to the mortgage portfolio capital metrics as agreed with the Regulator and movements in foreign exchange rates.

Credit risk

EU 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 53.

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.

Credit risk

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

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.

Exposure class	EAD post CRM							RWAs						
	Total credit and counterparty credit risk £m	STD						Total credit and counterparty credit risk £m	STD					
		AIRB	Permanent portfolios			Portfolios subject to an IRB rollout plan	AIRB		Permanent portfolios			Portfolios subject to an IRB rollout plan		
			% of total	% of total	% of total				% of total	% of total	% of total			
2020														
Central governments and central banks	132,948	27	36,346	73	96,602	—	—	3,964	71	2,811	29	1,153	—	—
Institutions	6,871	81	5,594	19	1,277	—	—	1,829	91	1,670	9	159	—	—
Corporates	117,108	92	107,272	8	9,836	—	—	64,044	87	55,729	13	8,315	—	—
Specialised lending	17,862	88	15,782	12	2,080	—	—	12,059	83	10,056	17	2,003	—	—
SME	19,268	92	17,718	8	1,550	—	—	8,037	90	7,253	10	784	—	—
Other	79,978	92	73,772	8	6,206	—	—	43,948	87	38,420	13	5,528	—	—
Retail	248,468	93	231,326	7	17,142	—	—	40,034	83	33,059	17	6,975	—	—
Secured by real estate property														
- SME	1,175	97	1,134	3	41	—	—	413	96	398	4	15	—	—
- non-SME	202,087	93	187,117	7	14,970	—	—	22,803	75	17,134	25	5,669	—	—
Qualifying revolving	20,155	99	20,019	1	136	—	—	4,843	98	4,731	2	112	—	—
Other retail														
- SME	17,412	94	16,378	6	1,034	—	—	4,385	86	3,768	14	617	—	—
- non-SME	7,639	87	6,678	13	961	—	—	7,590	93	7,028	7	562	—	—
Equities	1	—	—	100	1	—	—	1	—	—	100	1	—	—
Non-credit obligation assets	7,666	78	5,943	22	1,723	—	—	5,115	77	3,953	23	1,162	—	—
Total	513,062	75	386,481	25	126,581	—	—	114,987	85	97,222	15	17,765	—	—

Credit risk

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

Exposure class	EAD post CRM							RWAs						
	STD							STD						
	Total credit and counterparty credit risk £m	% of total	AIRB		Permanent portfolios		Portfolios subject to an IRB rollout plan £m	Total credit and counterparty credit risk £m	% of total	AIRB		Permanent portfolios		Portfolios subject to an IRB rollout plan £m
			£m	% of total	£m	% of total				£m	% of total	£m	% of total	
2019														
Central governments and central banks	99,018	35	34,731	65	64,287	—	—	3,544	66	2,356	34	1,188	—	—
Institutions	7,788	84	6,564	16	1,224	—	—	1,868	90	1,676	10	192	—	—
Corporates	113,106	92	104,361	8	8,745	—	—	60,664	86	52,131	14	8,533	—	—
<i>Specialised lending</i>	15,746	88	13,890	12	1,856	—	—	11,301	84	9,445	16	1,856	—	—
<i>SME</i>	21,475	93	20,022	7	1,453	—	—	9,878	87	8,571	13	1,307	—	—
<i>Other</i>	75,885	93	70,449	7	5,436	—	—	39,485	86	34,115	14	5,370	—	—
Retail	228,540	94	215,130	6	13,410	—	—	42,694	87	37,150	13	5,544	—	—
<i>Secured by real estate property</i>														
- <i>SME</i>	1,356	95	1,291	5	65	—	—	547	96	523	4	24	—	—
- <i>non-SME</i>	185,610	94	174,529	6	11,081	—	—	23,076	82	18,939	18	4,137	—	—
<i>Qualifying revolving</i>	23,311	99	23,138	1	173	—	—	6,130	98	5,991	2	139	—	—
<i>Other retail</i>														
- <i>SME</i>	10,010	89	8,940	11	1,070	—	—	4,501	86	3,856	14	645	—	—
- <i>non-SME</i>	8,253	88	7,232	12	1,021	—	—	8,440	93	7,841	7	599	—	—
Equities	25	—	—	100	25	—	—	27	—	—	100	27	—	—
Non-credit obligation assets	6,978	84	5,847	16	1,131	—	—	4,654	89	4,152	11	502	—	—
Total	455,455	81	366,633	20	88,822	—	—	113,451	86	97,465	14	15,986	—	—

Credit risk

EU 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 judgement overrides, which are subject to Credit Risk approval.

Retail IRB models

Table EU 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.
- To ensure that the Retail PD models remain point-in-time, they are calibrated regularly using observed default data covering the most recent performance period for the underlying portfolio.
- 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.

Credit risk

EU CRE_2a: Overview of Retail IRB models

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Mortgages	17,135	PD	4	Retail – Secured by real estate	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	Retail – Secured by real estate		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	non-SME		EAD estimate is determined by account limit.
Personal unsecured loans and current accounts	8,661	PD	3	Retail – Other non-SME	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	Retail – Qualifying revolving		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 limit.
Small business loans and current accounts	4,017	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	2,879	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	403	PD	1	Retail – Other 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	Retail – Other non-SME		EAD for leasing is the present value of lease payments per regulatory requirements.

Credit risk

Wholesale IRB models

Table EU 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 asset 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.

Credit risk

EU CRE_2b: Overview of Wholesale IRB models

Portfolio	RWAs (£m)	Model type	Number of models	IRB exposure class	IRB model segmentation	Model characteristics
Sovereign and quasi-government entities	6,757	PD	4	Central governments and central banks	Global PD and LGD models are developed for sovereign and quasi-government type entities.	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.
		LGD	2	Institutions Corporate – Other		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.
Financial institutions	3,606	PD	7	Central governments and central banks Institutions Corporate – Other Equity IRB	Global PD and LGD models are developed for bank and non-bank financial institutions (NBFIs).	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.
		LGD	2			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.
Corporations : Turnover above £50 million	26,150	PD	2	Corporates – Other Equity IRB	PD: global large corporate model is used to grade customers that are externally rated or have a turnover in excess of £500 million.	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.
		LGD	1		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.	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.

Credit risk

EU 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	13,543	PD	1	Corporates – SME	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	Corporate – Other Equity IRB		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.

Credit risk

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:
 - Data sourcing and preparation.
 - Model specification.
 - Model approval.
 - Model implementation.
 - Model monitoring and performance assessment.
- Detailed procedures and associated material that define the approaches and activities undertaken at each of these stages.
- Defined structures and individually delegated authorities that approve or oversee each stage.
- 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 is 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 Management 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 the 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 2020 and for 2019, 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 101), 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.

Credit risk

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 cyclicalities that reflects broader credit conditions, but not the full cyclicalities 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 EU 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.

	PD				EAD	
	Estimated at 2019 %	Actual 2020 %	Estimated at 2018 %	Actual 2019 %	Estimated to actual ratio 2020 %	Estimated to actual ratio 2019 %
Retail						
- SME	2.24	1.53	2.15	1.92	111	111
- Secured by real estate non-SME	0.80	0.45	0.82	0.54	102	102
- Qualifying revolving	1.16	0.90	1.28	1.13	117	115
- Other	4.39	4.14	4.02	4.33	109	109
Central governments and central banks	0.03	—	0.08	—	n/a	n/a
Institutions	0.30	—	0.54	—	n/a	n/a
Corporates	1.95	0.90	1.98	1.06	108	110
Equities	n/a	n/a	1.25	—	n/a	n/a

Key points

- The actual default experience in 2020 for all asset classes was below the estimated outcomes.
- For all retail asset classes, changes in estimated PD were driven by calibration to historical default rate experience in the UK and the Republic of Ireland.
- For both retail and corporates asset classes, the reduction in actual default rate was reflective of the payment holidays and other COVID-19 related support activities.
- PD estimates for central governments, central banks and Institutions reduced year-on-year, reflecting the exit from higher-risk exposures.

- 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.

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 EU CR9_a_1 for retail classes and Table EU CR9_a_2 for wholesale classes.

The EU CR9_a tables include the following:

- The PDs estimated for 2020 as at the end of 2019, on both an EAD-weighted and obligor-weighted basis.
- The actual default rates for 2020 and the average annual default rates across the five-year period covering 2016-2020 – both on an obligor-weighted basis.
- The number of obligors at 2020 and 2019 year-ends respectively. These numbers differ slightly from the obligor numbers in EU CR6 and EU CCR4 due to the application of specific modelling filters or due to scope differences.
- The total default count in 2020.
- The number of clients defaulting in 2020 that did not have committed facilities granted at the end of 2019. These newly-funded clients are not included in the actual 2020 default rates.

Credit risk

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 table and the two terms are equivalent in this context.

Exposure class	AQ band	PD range	PD estimate at		Defaulted rates actual		Number of obligors		Number of defaulted obligors	
			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										
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%	0.00%	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

Credit risk

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 %			of which: newly funded obligors during the year 2020	
Exposure class	AQ band	PD range					2019	2020	All 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

Credit risk

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		Defaulted rates actual		Number of obligors		Number of defaulted obligors	
			EAD weighted	Obligor weighted	Obligor weighted	Obligor weighted	2018	2019	All	of which: newly funded obligors during the year
			2018	2018	2019	2015-2019				
			%	%	%	%	2018	2019	2019	2019
2019										
Retail - SME	AQ01	0% to 0.034%	—	—	—	0.09%	—	415	—	—
Retail - SME	AQ02	0.034% to 0.048%	0.05%	0.05%	—	—	389	2,248	—	—
Retail - SME	AQ03	0.048% to 0.095%	0.07%	0.08%	0.05%	0.05%	39,080	27,303	20	—
Retail - SME	AQ04	0.095% to 0.381%	0.16%	0.17%	0.16%	0.19%	438,121	433,705	707	—
Retail - SME	AQ05	0.381% to 1.076%	0.74%	0.68%	0.61%	0.59%	311,848	273,817	1,913	19
Retail - SME	AQ06	1.076% to 2.153%	1.46%	1.58%	1.54%	1.43%	220,391	196,841	3,523	122
Retail - SME	AQ07	2.153% to 6.089%	3.29%	3.43%	2.70%	2.79%	166,566	180,296	5,095	605
Retail - SME	AQ08	6.089% to 17.222%	9.89%	9.70%	10.06%	9.43%	54,133	56,418	5,574	130
Retail - SME	AQ09	17.222% to 100%	31.86%	33.74%	28.52%	29.29%	28,635	28,211	8,233	66
Retail - SME	AQ10	100%	N/A	N/A	N/A	N/A	26,992	25,013	N/A	N/A
Total - Retail - SME			2.73%	2.15%	1.92%	1.97%	1,286,155	1,224,267	25,065	942
Retail - Secured by real estate non-SME	AQ01	0% to 0.034%	0.03%	0.03%	—	—	184	12,848	—	—
Retail - Secured by real estate non-SME	AQ02	0.034% to 0.048%	0.04%	0.04%	0.01%	0.07%	14,612	4,589	1	—
Retail - Secured by real estate non-SME	AQ03	0.048% to 0.095%	0.08%	0.08%	0.10%	0.07%	57,295	34,186	62	2
Retail - Secured by real estate non-SME	AQ04	0.095% to 0.381%	0.22%	0.21%	0.16%	0.15%	769,844	730,997	1,268	18
Retail - Secured by real estate non-SME	AQ05	0.381% to 1.076%	0.56%	0.57%	0.32%	0.37%	341,769	431,598	1,115	20
Retail - Secured by real estate non-SME	AQ06	1.076% to 2.153%	1.52%	1.53%	0.87%	0.69%	18,152	18,732	159	1
Retail - Secured by real estate non-SME	AQ07	2.153% to 6.089%	3.79%	3.75%	2.62%	2.54%	9,776	9,758	257	1
Retail - Secured by real estate non-SME	AQ08	6.089% to 17.222%	10.65%	10.74%	8.66%	10.55%	12,270	11,264	1,065	2
Retail - Secured by real estate non-SME	AQ09	17.222% to 100%	28.35%	28.31%	17.62%	17.74%	15,984	15,073	2,834	17
Retail - Secured by real estate non-SME	AQ10	100%	N/A	N/A	N/A	N/A	25,271	21,898	N/A	N/A
Total - Retail - Secured by real estate non-SME			0.81%	0.82%	0.54%	0.64%	1,265,157	1,290,943	6,761	61

Credit risk

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		Default rates actual		Number of obligors		Number of defaulted obligors	
			EAD weighted	Obligor weighted	Obligor weighted	Obligor weighted	2018	2019	All	of which: newly funded obligors during the year
			2018	2018	2019	2015-2019				
			%	%	%	%	2018	2019	2019	2019
2019										
Retail - Qualifying revolving	AQ01	0% to 0.034%	0.03%	0.03%	0.02%	0.02%	4,794,295	5,395,832	931	8
Retail - Qualifying revolving	AQ02	0.034% to 0.048%	0.04%	0.04%	0.04%	0.05%	1,043,501	1,345,379	513	56
Retail - Qualifying revolving	AQ03	0.048% to 0.095%	0.06%	0.06%	0.07%	0.08%	1,229,033	622,010	806	4
Retail - Qualifying revolving	AQ04	0.095% to 0.381%	0.23%	0.23%	0.18%	0.20%	2,179,987	2,744,704	3,954	56
Retail - Qualifying revolving	AQ05	0.381% to 1.076%	0.62%	0.60%	0.52%	0.50%	4,226,301	3,681,976	22,149	196
Retail - Qualifying revolving	AQ06	1.076% to 2.153%	1.52%	1.50%	1.49%	1.45%	1,809,880	1,778,732	27,237	283
Retail - Qualifying revolving	AQ07	2.153% to 6.089%	3.68%	3.61%	2.80%	2.84%	1,688,421	1,486,732	52,293	5,085
Retail - Qualifying revolving	AQ08	6.089% to 17.222%	9.27%	9.66%	8.61%	7.85%	501,413	463,548	44,670	1,486
Retail - Qualifying revolving	AQ09	17.222% to 100%	34.86%	32.71%	31.88%	28.32%	169,987	149,404	55,915	1,715
Retail - Qualifying revolving	AQ10	100%	N/A	N/A	N/A	N/A	390,132	397,125	N/A	N/A
Total - Retail - Qualifying revolving			1.42%	1.28%	1.13%	1.21%	18,032,950	18,065,442	208,468	8,889
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%	0.28%	0.27%	0.26%	0.58%	8,075	7,383	37	16
Retail - Other	AQ05	0.381% to 1.076%	0.77%	0.77%	0.80%	0.70%	348,056	350,927	3,288	499
Retail - Other	AQ06	1.076% to 2.153%	1.46%	1.52%	1.96%	1.83%	170,719	160,400	3,878	540
Retail - Other	AQ07	2.153% to 6.089%	3.66%	3.80%	4.50%	3.82%	138,134	198,113	7,696	1,478
Retail - Other	AQ08	6.089% to 17.222%	9.52%	9.68%	9.61%	9.72%	65,125	89,227	7,485	1,224
Retail - Other	AQ09	17.222% to 100%	39.28%	41.33%	42.98%	44.37%	33,614	38,784	14,867	419
Retail - Other	AQ10	100%	N/A	N/A	N/A	N/A	57,836	68,570	N/A	N/A
Total - Retail - Other			3.90%	4.02%	4.33%	3.68%	821,559	913,404	37,251	4,176

Credit risk

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

Exposure class	AQ band	PD range	Equivalent S&P Rating	PD estimate at		Default rates actual		Number of obligors		Number of defaulted obligors	
				EAD weighted	Obligor	Obligor	Obligor	2019	2020	All 2020	of which: newly funded obligors during the year 2020
				2019 %	weighted 2019 %	weighted 2020 %	weighted 2016-2020 %				
2020											
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.02%	—	n/a	35	39	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	2	5	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	n/a	5	3	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.23%	0.23%	—	n/a	1	1	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	n/a	n/a	n/a	n/a	—	—	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	n/a	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	n/a	—	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	n/a	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	n/a	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Central governments and central banks				0.01%	0.03%	—	n/a	43	48	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	n/a	51	41	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	62	19	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.07%	—	n/a	69	95	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.15%	0.18%	—	n/a	161	181	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.49%	0.61%	—	n/a	36	36	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.40%	1.58%	—	n/a	16	21	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	2.72%	3.08%	—	n/a	12	9	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	n/a	—	1	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	n/a	—	1	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	n/a	—	—	—	—
Total - Institutions				0.15%	0.30%	—	n/a	407	404	—	—

Credit risk

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		Default rates actual		Number of obligors		Number of defaulted obligors	
				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%	—	n/a	427	229	—	—
Corporates	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	n/a	183	326	—	—
Corporates	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	0.16%	n/a	644	542	1	—
Corporates	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.20%	0.26%	0.05%	n/a	5,663	6,818	5	2
Corporates	AQ05	0.381% to 1.076%	BB+ to BB-	0.67%	0.69%	0.32%	n/a	18,267	18,160	61	2
Corporates	AQ06	1.076% to 2.153%	B+	1.53%	1.53%	0.69%	n/a	15,294	14,281	107	2
Corporates	AQ07	2.153% to 6.089%	B to B-	3.25%	3.12%	1.47%	n/a	11,052	8,928	174	12
Corporates	AQ08	6.089% to 17.222%	CCC+	10.24%	10.26%	6.05%	n/a	1,687	1,709	103	1
Corporates	AQ09	17.222% to 100%	CCC to CC	24.38%	28.33%	9.65%	n/a	549	437	54	1
Corporates	AQ10	100%	D	n/a	n/a	n/a	n/a	2,092	1,821	2	2
Total - Corporates				0.96%	1.95%	0.90%	n/a	55,858	53,251	507	22
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+	n/a	n/a	n/a	n/a	—	—	—	—
Equities	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	n/a	n/a	—	—	—	—
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				n/a	n/a	n/a	n/a	—	—	—	—

Credit risk

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	
				EAD weighted	Obligor weighted	Obligor weighted	Obligor weighted			of which: newly funded obligors during the year	
Exposure class	AQ band	PD range	Equivalent S&P Rating	2018 %	2018 %	2019 %	2015-2019 %	2018	2019	2019	2019
2019											
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.02%	—	N/A	37	34	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	N/A	2	2	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	N/A	7	5	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.23%	0.23%	—	N/A	1	1	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	—	—	—	N/A	—	—	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	—	—	—	N/A	—	—	—	—
Central governments and central banks	AQ07	2.153% to 6.089%	B to B-	2.50%	2.50%	—	N/A	1	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	—	—	—	N/A	—	—	—	—
Central governments and central banks	AQ09	17.222% to 100%	CCC to CC	—	—	—	N/A	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	N/A	—	—	—	—
Total - Central governments and central banks				0.01%	0.08%	—	N/A	48	42	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	N/A	61	52	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	N/A	64	62	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	N/A	72	69	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.14%	0.19%	—	N/A	182	161	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.54%	0.61%	—	N/A	54	36	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.40%	1.57%	—	N/A	18	16	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	2.78%	3.23%	—	N/A	18	12	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	14.48%	14.48%	—	N/A	2	—	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	20.77%	30.72%	—	N/A	2	3	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	N/A	—	—	—	—
Total - Institutions				0.13%	0.54%	—	N/A	473	411	—	—

Credit risk

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		Default rates actual		Number of obligors		Number of defaulted obligors	
				EAD weighted	Obligor weighted	Obligor weighted	Obligor weighted	2018	2019	All	of which: newly
				2018	2018	2019	2015-2019				funded obligors during the year
				%	%	%	%	2018	2019	2019	2019
2019											
Corporates	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	N/A	373	427	—	—
Corporates	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	N/A	218	183	—	—
Corporates	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	N/A	649	644	—	—
Corporates	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.21%	0.26%	0.20%	N/A	6,113	5,663	12	—
Corporates	AQ05	0.381% to 1.076%	BB+ to BB-	0.67%	0.70%	0.35%	N/A	19,093	18,265	68	1
Corporates	AQ06	1.076% to 2.153%	B+	1.53%	1.53%	0.71%	N/A	16,598	15,295	120	3
Corporates	AQ07	2.153% to 6.089%	B to B-	3.25%	3.10%	1.56%	N/A	12,821	11,050	222	22
Corporates	AQ08	6.089% to 17.222%	CCC+	9.88%	10.16%	6.83%	N/A	1,912	1,685	132	2
Corporates	AQ09	17.222% to 100%	CCC to CC	25.96%	28.11%	16.34%	N/A	571	546	95	2
Corporates	AQ10	100%	D	n/a	n/a	n/a	N/A	2,529	2,100	—	—
Total - Corporates				0.97%	1.98%	1.06%	N/A	60,877	55,858	649	30
Equities	AQ01	0% to 0.034%	AAA to AA	—	—	—	N/A	—	—	—	—
Equities	AQ02	0.034% to 0.048%	AA-	—	—	—	N/A	—	—	—	—
Equities	AQ03	0.048% to 0.095%	A+ to A-	—	—	—	N/A	—	—	—	—
Equities	AQ04	0.095% to 0.381%	BBB+ to BBB-	—	—	—	N/A	—	—	—	—
Equities	AQ05	0.381% to 1.076%	BB+ to BB-	—	—	—	N/A	—	—	—	—
Equities	AQ06	1.076% to 2.153%	B+	1.25%	1.25%	—	N/A	1	—	—	—
Equities	AQ07	2.153% to 6.089%	B to B-	—	—	—	N/A	—	—	—	—
Equities	AQ08	6.089% to 17.222%	CCC+	—	—	—	N/A	—	—	—	—
Equities	AQ09	17.222% to 100%	CCC to CC	—	—	—	N/A	—	—	—	—
Equities	AQ10	100%	D	n/a	n/a	n/a	N/A	—	—	—	—
Total - Equities				1.25%	1.25%	—	N/A	1	—	—	—

Credit risk

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, estimated LGDs relate 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.

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

IRB exposure class	2020		2019	
	LGD - estimated %	LGD - actual %	LGD - estimated %	LGD - actual %
Retail				
- SME	70.36	59.47	70.08	62.88
- Secured by real estate non-SME	30.10	20.46	32.90	16.80
- Qualifying revolving	86.18	74.00	80.43	70.89
- Other	84.58	79.32	78.37	72.66
Corporates	35.43	24.19	40.14	23.59

Key points

- The increase in actual LGD in the secured by real estate non-SME asset class was driven by mortgage debt sales by UBI DAC.
- Changes in customer repayment behaviour increased the estimated and actual LGD for both the qualifying revolving and other retail exposure classes.
- For Corporates, the decrease in estimates year-on-year was due to a higher number of secured cases resolved during 2020.

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 (release)/ charge for the year
	2019			
	Non-defaulted (AQ1-AQ9) £m	Defaulted (AQ10) £m	Total £m	2020 £m
Retail				
- SME	127	190	317	220
- Secured by real estate non-SME	198	418	616	286
- Qualifying revolving	229	268	497	276
- Other non-SME	276	360	636	289
Central governments and central banks	2	—	2	—
Institutions	4	—	4	3
Corporates	297	765	1,062	1,852
Equities	—	—	—	—
	1,133	2,001	3,134	2,926

Credit risk

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

EU 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 £m	Average £m	Period end £m	Average £m
2020				
IRB				
Central governments and central banks	36,170	34,657	36,101	34,599
Institutions	7,261	8,003	5,311	6,033
Corporates	116,616	119,590	106,454	109,299
<i>Specialised lending</i>	15,774	15,567	15,753	15,533
<i>SME</i>	18,051	20,379	17,717	19,978
<i>Other corporate</i>	82,791	83,644	72,984	73,788
Retail	231,326	224,342	231,326	224,342
<i>Secured by real estate property</i>				
- <i>SME</i>	1,134	1,230	1,134	1,230
- <i>non-SME</i>	187,117	180,662	187,117	180,662
<i>Qualifying revolving</i>	20,019	21,960	20,019	21,960
<i>Other retail</i>				
- <i>SME</i>	16,378	13,342	16,378	13,342
- <i>non-SME</i>	6,678	7,148	6,678	7,148
Equities	—	—	—	—
Non-credit obligation assets	5,943	5,288	5,943	5,288
Total IRB	397,316	391,880	385,135	379,561
STD				
Central governments and central banks	96,441	79,764	96,662	79,854
Regional governments and local authorities	32	39	2	6
Multilateral development banks	—	—	—	—
Institutions	782	421	782	421
Corporates	6,620	6,106	5,856	5,549
Retail	2,248	2,273	2,158	2,185
Secured by mortgages on immovable property				
- residential	14,712	11,578	14,711	11,577
- commercial	2,806	2,580	2,757	2,546
Exposures in default	392	370	392	369
Items associated with particularly high risk	—	9	—	9
Covered bonds	—	—	—	—
Equity exposures	1	13	1	13
Other exposures	1,854	1,101	1,854	1,101
Total STD	125,888	104,254	125,175	103,630
Total IRB and STD	523,204	496,134	510,310	483,191

Credit risk

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

2019	EAD pre CRM		EAD post CRM	
	Period end £m	Average £m	Period end £m	Average £m
IRB				
Central governments and central banks	34,581	36,234	34,522	36,164
Institutions	8,261	8,149	6,299	6,221
Corporates	113,640	115,527	103,882	105,668
<i>Specialised lending</i>	<i>13,931</i>	<i>14,531</i>	<i>13,862</i>	<i>14,404</i>
<i>SME</i>	<i>20,451</i>	<i>20,924</i>	<i>20,021</i>	<i>20,430</i>
<i>Other corporate</i>	<i>79,258</i>	<i>80,072</i>	<i>69,999</i>	<i>70,834</i>
Retail	215,130	208,749	215,130	208,749
<i>Secured by real estate property</i>				
- <i>SME</i>	<i>1,291</i>	<i>1,328</i>	<i>1,291</i>	<i>1,328</i>
- <i>non-SME</i>	<i>174,529</i>	<i>168,720</i>	<i>174,529</i>	<i>168,720</i>
<i>Qualifying revolving</i>	<i>23,138</i>	<i>22,696</i>	<i>23,138</i>	<i>22,696</i>
<i>Other retail</i>				
- <i>SME</i>	<i>8,940</i>	<i>9,067</i>	<i>8,940</i>	<i>9,067</i>
- <i>non-SME</i>	<i>7,232</i>	<i>6,938</i>	<i>7,232</i>	<i>6,938</i>
Equities	—	5	—	5
Non-credit obligation assets	5,847	6,066	5,847	6,066
Total IRB	377,459	374,730	365,680	362,873
STD				
Central governments and central banks	63,983	71,529	63,983	71,523
Regional governments and local authorities	20	19	20	19
Institutions	653	585	653	585
Corporates	7,567	7,121	7,230	6,804
Retail	2,332	2,362	2,276	2,336
Secured by mortgages on immovable property				
- residential	10,909	10,636	10,909	10,635
- commercial	681	2,638	663	2,611
Exposures in default	303	319	302	318
Equity exposures	25	29	25	29
Other exposures	1,123	1,174	1,123	1,174
Total STD	87,596	96,412	87,184	96,034
Total IRB and STD	465,055	471,142	452,864	458,907

Credit risk

EU 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.

	UK	Other Western		US	Rest of world	Total
	£m	£m	Europe	£m	£m	£m
2020						
IRB						
Central governments and central banks	352	5,025	19,374	7,874	3,476	36,101
Institutions	1,589	21	1,169	2,388	144	5,311
Corporates	84,647	5,727	10,018	4,216	1,846	106,454
<i>Specialised lending</i>	13,164	1,042	1,203	67	277	15,753
<i>SME</i>	16,800	897	9	—	11	17,717
<i>Other corporate</i>	54,683	3,788	8,806	4,149	1,558	72,984
Retail	215,894	15,129	135	43	125	231,326
<i>Secured by real estate property</i>						
- SME	1,130	1	2	—	1	1,134
- non-SME	173,035	14,082	—	—	—	187,117
<i>Qualifying revolving</i>	19,411	328	123	40	117	20,019
<i>Other retail</i>						
- SME	15,834	534	5	2	3	16,378
- non-SME	6,484	184	5	1	4	6,678
Equities	—	—	—	—	—	—
Non-credit obligation assets	5,023	370	482	—	68	5,943
Total IRB	307,505	26,272	31,178	14,521	5,659	385,135
Proportion	80%	7%	8%	4%	1%	100%
STD						
Central governments and central banks	96,309	1	—	4	348	96,662
Regional governments and local authorities	1	1	—	—	—	2
Multilateral development banks	—	—	—	—	—	—
Institutions	504	—	251	15	12	782
Corporates	4,319	587	547	68	335	5,856
Retail	2,013	1	71	6	67	2,158
<i>Secured by mortgages on immovable property</i>						
- residential	13,302	114	144	201	950	14,711
- commercial	2,443	39	112	—	163	2,757
Exposures in default	308	20	5	4	55	392
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Equity exposures	1	—	—	—	—	1
Other exposures	1,784	27	43	—	—	1,854
Total STD	120,984	790	1,173	298	1,930	125,175
Proportion	96%	1%	1%	—	2%	100%
Total IRB and STD	428,489	27,062	32,351	14,819	7,589	510,310
Proportion	85%	5%	6%	3%	1%	100%
Of which: by large subsidiary (excludes inter-Group exposures)						
NWB Plc	310,418	865	26,774	12,155	4,551	354,763
RBS plc	82,563	67	1,487	2,149	870	87,136
UBI DAC	339	26,279	2,273	190	446	29,527
Coutts & Co	14,882	27	479	208	1,226	16,822

Credit risk

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

2019	UK £m	Rol £m	Other Western Europe £m	US £m	Rest of world £m	Total £m
IRB						
Central governments and central banks	189	3,158	19,421	8,740	3,014	34,522
Institutions	1,225	22	1,587	3,313	152	6,299
Corporates	83,239	5,635	9,018	4,132	1,858	103,882
<i>Specialised lending</i>	<i>11,672</i>	<i>1,005</i>	<i>849</i>	<i>35</i>	<i>301</i>	<i>13,862</i>
<i>SME</i>	<i>18,480</i>	<i>1,492</i>	<i>18</i>	<i>10</i>	<i>21</i>	<i>20,021</i>
<i>Other corporate</i>	<i>53,087</i>	<i>3,138</i>	<i>8,151</i>	<i>4,087</i>	<i>1,536</i>	<i>69,999</i>
Retail	199,697	15,120	132	46	135	215,130
<i>Secured by real estate property</i>						
- SME	1,286	1	2	—	2	1,291
- non-SME	160,479	14,050	—	—	—	174,529
<i>Qualifying revolving</i>	<i>22,501</i>	<i>347</i>	<i>122</i>	<i>43</i>	<i>125</i>	<i>23,138</i>
<i>Other retail</i>						
- SME	8,402	530	3	2	3	8,940
- non-SME	7,029	192	5	1	5	7,232
Equities	—	—	—	—	—	—
Non-credit obligation assets	4,688	580	502	—	77	5,847
Total IRB	289,038	24,515	30,660	16,231	5,236	365,680
Proportion	80%	7%	8%	4%	1%	100%
STD						
Central governments and central banks	63,466	—	—	—	517	63,983
Regional governments and local authorities	19	1	—	—	—	20
Institutions	579	—	65	4	5	653
Corporates	5,399	617	513	141	560	7,230
Retail	2,138	1	66	8	63	2,276
Secured by mortgages on immovable property						
- residential	9,537	101	164	156	951	10,909
- commercial	517	33	107	3	3	663
Exposures in default	257	9	—	11	25	302
Equity exposures	—	1	6	—	18	25
Other exposures	1,053	20	50	—	—	1,123
Total STD	82,965	783	971	323	2,142	87,184
Proportion	96%	1%	1%	—	2%	100%
Total IRB and STD	372,003	25,298	31,631	16,554	7,378	452,864
Proportion	81%	6%	7%	4%	2%	100%
Of which: by large subsidiary (excludes inter-Group exposures)						
NWB Plc	248,068	710	25,279	13,087	4,146	291,290
RBS plc	86,993	168	1,798	2,959	1,047	92,965
UBI DAC	455	24,199	2,382	199	454	27,689

Key points

- The overall rise in exposures to the UK was mainly due to increased cash placements with central banks.
- The reduction in US exposures was primarily attributed to decreases in bonds and nostros exposures.

Credit risk

EU 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 NWH Group for risk management purposes.

	Sovereign			Financial institutions			Corporates							Personal		Other	Total
	Central banks	Central governments	Other sovereign	Banks	Non-bank	SSPEs	Property resources	Natural	Transport	Manufacturing	Retail and leisure	Services	TMT	Mortgages	Other personal	Not allocated	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2020																	
IRB																	
Central governments and central banks	18,001	12,683	1,923	3,483	—	—	—	—	—	—	—	11	—	—	—	—	36,101
Institutions	—	—	431	4,832	1	—	12	—	35	—	—	—	—	—	—	—	5,311
Corporates	—	—	61	—	5,269	18	32,208	10,496	14,404	10,895	13,971	13,466	5,573	—	92	1	106,454
<i>Specialised lending</i>	—	—	37	—	71	—	10,782	3,315	119	21	12	685	708	—	3	—	15,753
<i>SME</i>	—	—	—	—	673	—	1,636	451	1,833	3,821	3,707	5,090	502	—	4	—	17,717
<i>Other corporate</i>	—	—	24	—	4,525	18	19,790	6,730	12,452	7,053	10,252	7,691	4,363	—	85	1	72,984
Retail	—	—	25	1	152	—	3,921	120	1,223	2,616	4,193	4,564	604	187,117	26,790	—	231,326
<i>Secured by real estate property</i>																	
- SME	—	—	—	—	4	—	466	5	55	152	233	197	16	—	6	—	1,134
- non-SME	—	—	—	—	—	—	—	—	—	—	—	—	—	187,117	—	—	187,117
<i>Qualifying revolving</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	20,019	—	20,019
<i>Other retail</i>																	
- 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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-credit obligation assets	—	18	87	—	15	—	124	13	353	58	70	24	65	—	—	5,116	5,943
Total IRB	18,001	12,701	2,527	8,316	5,437	18	36,265	10,629	16,015	13,569	18,234	18,065	6,242	187,117	26,882	5,117	385,135
STD																	
Central governments and central banks	77,667	18,722	273	—	—	—	—	—	—	—	—	—	—	—	—	—	96,662
Regional governments and local authorities	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—	—	2
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	280	52	—	—	—	—	—	—	—	—	—	—	450	782
Corporates	—	—	—	—	378	1	808	196	777	628	1,035	1,187	273	2	495	76	5,856
Retail	—	—	—	80	4	—	201	50	32	227	9	186	1	56	1,312	—	2,158
<i>Secured by mortgages on immovable property</i>																	
- residential	—	—	—	7	13	—	220	—	—	21	12	13	11	13,806	608	—	14,711
- commercial	—	—	—	—	92	—	2,088	55	11	88	215	116	3	2	87	—	2,757
Exposures in default	—	—	—	—	—	—	47	5	24	14	16	4	—	186	96	—	392
Equity exposures	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	1
Other exposures	—	—	—	—	139	—	47	22	1	4	1	22	—	—	—	1,618	1,854
Total STD	77,667	18,722	275	367	679	1	3,411	328	845	982	1,288	1,528	288	14,052	2,598	2,144	125,175
Total IRB and STD	95,668	31,423	2,802	8,683	6,116	19	39,676	10,957	16,860	14,551	19,522	19,593	6,530	201,169	29,480	7,261	510,310

Credit risk

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

	Sovereign			Financial institutions			Corporates							Personal		Other	Total
	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	
2019																	
IRB																	
Central governments and central banks	15,196	14,356	789	4,141	—	—	—	—	—	—	—	40	—	—	—	—	34,522
Institutions	—	—	477	5,761	1	—	24	—	36	—	—	—	—	—	—	—	6,299
Corporates	—	—	42	4	4,004	40	31,751	10,510	14,052	11,497	12,950	13,725	5,221	—	85	1	103,882
<i>Specialised lending</i>	—	—	14	—	(278)	—	10,972	1,954	82	289	16	589	221	—	3	—	13,862
<i>SME</i>	—	—	—	—	997	—	2,045	521	2,319	4,168	3,998	5,399	570	—	4	—	20,021
<i>Other corporate</i>	—	—	28	4	3,285	40	18,734	8,035	11,651	7,040	8,936	7,737	4,430	—	78	1	69,999
Retail	—	—	13	1	119	—	2,245	72	612	2,044	2,320	2,503	215	174,529	30,457	—	215,130
<i>Secured by real estate property</i>																	
- <i>SME</i>	—	—	—	—	5	—	540	5	64	166	267	218	19	—	7	—	1,291
- <i>non-SME</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	174,529	—	—	174,529
<i>Qualifying revolving</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23,138	—	23,138
<i>Other retail</i>																	
- <i>SME</i>	—	—	13	1	114	—	1,705	67	548	1,878	2,053	2,284	196	—	81	—	8,940
- <i>non-SME</i>	—	—	—	—	—	—	—	—	—	—	—	1	—	—	7,231	—	7,232
Equities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-credit obligation assets	—	19	78	—	36	—	127	31	306	55	92	14	53	—	—	5,036	5,847
Total IRB	15,196	14,375	1,399	9,907	4,160	40	34,147	10,613	15,006	13,596	15,362	16,282	5,489	174,529	30,542	5,037	365,680
STD																	
Central governments and central banks	42,344	21,092	547	—	—	—	—	—	—	—	—	—	—	—	—	—	63,983
Regional governments and local authorities	—	—	20	—	—	—	—	—	—	—	—	—	—	—	—	—	20
Institutions	—	—	—	74	124	—	—	—	—	—	—	—	—	—	—	455	653
Corporates	—	—	—	7	432	45	2,352	158	810	575	929	975	289	10	583	65	7,230
Retail	—	—	—	86	5	—	198	47	30	222	11	173	5	48	1,451	—	2,276
<i>Secured by mortgages on immovable property</i>																	
- <i>residential</i>	—	—	—	10	117	5	454	—	—	31	18	18	7	9,775	474	—	10,909
- <i>commercial</i>	—	—	—	—	65	—	222	36	—	7	212	57	2	—	62	—	663
Exposures in default	—	—	—	—	2	—	24	12	15	16	13	9	1	115	95	—	302
Equity exposures	—	—	—	—	1	—	—	—	18	—	—	—	6	—	—	—	25
Other exposures	—	—	—	—	—	—	54	4	2	5	1	47	—	—	—	1,010	1,123
Total STD	42,344	21,092	567	177	746	50	3,304	257	875	856	1,184	1,279	310	9,948	2,665	1,530	87,184
Total IRB and STD	57,540	35,467	1,966	10,084	4,906	90	37,451	10,870	15,881	14,452	16,546	17,561	5,799	184,477	33,207	6,567	452,864

Credit risk

EU 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.

2020	On demand £m	<=1 year £m	>1 year <=5 years £m	>5 years £m	Total £m
IRB					
Central governments and central banks	724	20,086	8,809	6,482	36,101
Institutions	2,802	252	1,514	743	5,311
Corporates	6,171	21,221	55,609	23,453	106,454
<i>Specialised lending</i>	79	2,943	8,934	3,797	15,753
<i>SME</i>	1,883	3,169	6,956	5,709	17,717
<i>Other corporate</i>	4,209	15,109	39,719	13,947	72,984
Retail	22,629	2,258	12,584	193,855	231,326
<i>Secured by real estate property</i>					
- SME	139	98	255	642	1,134
- non-SME	—	1,458	6,264	179,395	187,117
<i>Qualifying revolving</i>	20,019	—	—	—	20,019
<i>Other retail</i>					
- SME	2,468	349	1,464	12,097	16,378
- non-SME	3	353	4,601	1,721	6,678
<i>Equities</i>	—	—	—	—	—
Non-credit obligation assets	—	153	5,466	324	5,943
Total IRB	32,326	43,970	83,982	224,857	385,135
Proportion	8%	11%	22%	59%	100%
STD					
Central governments and central banks	3,150	2,306	79,889	11,317	96,662
Regional governments and local authorities	1	—	1	—	2
Multilateral development banks	—	—	—	—	—
Institutions	280	450	52	—	782
Corporates	339	982	3,216	1,319	5,856
Retail	581	154	846	577	2,158
<i>Secured by mortgages on immovable property</i>					
- residential	9	922	6,209	7,571	14,711
- commercial	8	607	1,794	348	2,757
Exposures in default	42	163	91	96	392
Items associated with particularly high risk	—	—	—	—	—
Covered bonds	—	—	—	—	—
Equity exposures	—	—	—	1	1
Other exposures	—	17	1,282	555	1,854
Total STD	4,410	5,601	93,380	21,784	125,175
Proportion	4%	4%	75%	17%	100%
Total IRB and STD	36,736	49,571	177,362	246,641	510,310
Proportion	7%	10%	35%	48%	100%
Of which: by large subsidiary (excludes inter-Group exposures)					
NWB Plc	24,731	25,840	112,770	191,422	354,763
RBS plc	8,798	7,188	42,690	28,460	87,136
UBI DAC	1,595	6,206	6,459	15,267	29,527
Coutts & Co	722	1,726	5,976	8,398	16,822

Credit risk

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

2019	On demand £m	<=1 year £m	>1 year £m	<=5 years £m	>5 years £m	Total £m
IRB						
Central governments and central banks	1,412	16,394	9,090	7,626		34,522
Institutions	3,900	506	1,522	371		6,299
Corporates	7,261	20,095	55,907	20,619		103,882
<i>Specialised lending</i>	79	2,091	9,031	2,661		13,862
<i>SME</i>	2,567	4,456	8,700	4,298		20,021
<i>Other corporate</i>	4,615	13,548	38,176	13,660		69,999
Retail	25,992	2,274	13,262	173,602		215,130
<i>Secured by real estate property</i>						
- SME	160	95	327	709		1,291
- non-SME	—	1,498	6,078	166,953		174,529
<i>Qualifying revolving</i>	23,138	—	—	—		23,138
<i>Other retail</i>						
- SME	2,691	352	1,805	4,092		8,940
- non-SME	3	329	5,052	1,848		7,232
Non-credit obligation assets	—	127	5,328	392		5,847
Total IRB	38,565	39,396	85,109	202,610		365,680
Proportion	11%	11%	23%	55%		100%
STD						
Central governments and central banks	461	3,299	46,834	13,389		63,983
Regional governments and local authorities	19	—	1	—		20
Institutions	75	455	123	—		653
Corporates	426	1,312	4,576	916		7,230
Retail	743	149	824	560		2,276
<i>Secured by mortgages on immovable property</i>						
- residential	13	947	3,173	6,776		10,909
- commercial	23	84	493	63		663
Exposures in default	43	167	59	33		302
Equity exposures	—	—	—	25		25
Other exposures	—	22	1,060	41		1,123
Total STD	1,803	6,435	57,143	21,803		87,184
Proportion	2%	7%	66%	25%		100%
Total IRB and STD	40,368	45,831	142,252	224,413		452,864
Proportion	9%	10%	31%	50%		100%
<i>Of which: by large subsidiary (excludes inter-Group exposures)</i>						
NWB Plc	27,829	22,654	72,081	168,726		291,290
RBS plc	8,225	6,384	48,515	29,841		92,965
UBI DAC	2,375	4,232	5,927	15,155		27,689

Credit risk

Risk profile by credit quality

EU 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.

Exposure class	a		b		c		e		g	
					2020					
	Gross carrying values						Year-to-date accumulated write-offs		Net value	
	Defaulted exposures (1)	Non-defaulted exposures			SCRA (2)					
	£m	£m			£m		£m		£m	
IRB										
1 Central governments and central banks	—	36,704			3		—		36,701	
2 Institutions	—	7,290			23		—		7,267	
3 Corporates	2,412	147,279			2,793		250		146,898	
4 <i>Specialised lending</i>	521	17,026			527		20		17,020	
5 <i>SME</i>	574	19,922			902		85		19,594	
<i>Other corporate</i>	1,317	110,331			1,364		145		110,284	
6 Retail	3,307	234,131			2,707		652		234,731	
<i>Secured by real estate property</i>										
8 - <i>SME</i>	27	1,157			25		3		1,159	
9 - <i>non-SME</i>	2,001	185,796			968		218		186,829	
10 <i>Qualifying revolving</i>	566	25,478			662		204		25,382	
<i>Other retail</i>										
12 - <i>SME</i>	288	15,561			308		46		15,541	
13 - <i>non-SME</i>	425	6,139			744		181		5,820	
14 <i>Equities</i>	—	—			—		—		—	
Non-credit obligation assets	—	5,115			—		—		5,115	
15 Total IRB	5,719	430,519			5,526		902		430,712	
<i>Of which: Loans</i>	5,043	287,451			5,252		902		287,242	
<i>Debt securities</i>	—	20,300			4		—		20,296	
<i>Other assets</i>	18	23,978			8		—		23,988	
<i>Off-balance sheet exposures</i>	658	98,790			262		—		99,186	
STD										
16 Central governments and central banks	—	96,900			10		—		96,890	
17 Regional governments and local authorities	—	299			—		—		299	
21 Institutions	—	806			—		—		806	
22 Corporates	142	8,457			164		8		8,435	
24 Retail	85	6,315			48		3		6,352	
Secured by mortgages on immovable property:										
26 - residential	224	15,680			18		8		15,886	
27 - commercial	42	3,030			77		2		2,995	
28 Exposures in default (3)	493	—			94		20		399	
30 Covered bonds	—	—			—		—		—	
33 Equity exposures	—	1			—		—		1	
34 Other exposures	—	1,757			—		—		1,757	
35 Total STD	493	133,245			317		21		133,421	
<i>Of which: Loans</i>	454	28,055			290		21		28,219	
<i>Debt securities</i>	—	18,583			2		—		18,581	
<i>Other assets</i>	2	77,909			10		—		77,901	
<i>Off-balance sheet exposures</i>	37	8,698			15		—		8,720	
37 Total: Loans	5,497	315,506			5,542		923		315,461	
38 Debt securities	—	38,883			6		—		38,877	
Other assets	20	101,887			18		—		101,889	
39 Off-balance sheet exposures	695	107,488			277		—		107,906	
36 Total IRB and STD	6,212	563,764			5,843		923		564,133	

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

Credit risk

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

Exposure class	a		b		c		e		g	
					2019					
	Gross carrying values						Year-to-date			
	Defaulted exposures (1)	Non-defaulted exposures			SCRA (2)		accumulated write-offs		Net value	
	£m	£m			£m		£m		£m	
IRB										
1 Central governments and central banks	—	34,733			2		—		34,731	
2 Institutions	—	8,353			21		—		8,332	
3 Corporates	2,096	140,734			1,168		378		141,662	
4 <i>Specialised lending</i>	457	15,373			234		177		15,596	
5 <i>SME</i>	670	22,344			360		74		22,654	
<i>Other corporate</i>	969	103,017			574		127		103,412	
6 Retail	3,870	219,807			2,309		383		221,368	
<i>Secured by real estate property</i>										
8 - <i>SME</i>	26	1,302			13		1		1,315	
9 - <i>non-SME</i>	2,531	172,413			926		76		174,016	
10 <i>Qualifying revolving</i>	606	31,315			552		187		31,369	
<i>Other retail</i>										
12 - <i>SME</i>	269	8,145			236		79		8,178	
13 - <i>non-SME</i>	438	6,632			582		40		6,488	
Non-credit obligation assets	—	5,035			—		—		5,035	
15 Total IRB	5,966	408,662			3,500		761		411,128	
<i>Of which: Loans</i>	5,445	272,174			3,368		732		274,251	
<i>Debt securities</i>	—	20,822			2		—		20,820	
<i>Other assets</i>	8	18,037			11		—		18,034	
<i>Off-balance sheet exposures</i>	513	97,629			119		29		98,023	
STD										
16 Central governments and central banks	—	64,640			4		—		64,636	
17 Regional governments and local authorities	—	215			—		—		215	
21 Institutions	—	711			—		—		711	
22 Corporates	103	8,954			75		9		8,982	
24 Retail	80	6,053			19		—		6,114	
<i>Secured by mortgages on immovable property:</i>										
26 - residential	175	11,831			6		1		12,000	
27 - commercial	11	875			2		—		884	
28 Exposures in default (3)	369	—			44		10		325	
33 Equity exposures	—	25			—		—		25	
34 <i>Other exposures</i>	—	1,010			—		—		1,010	
35 Total STD	369	94,314			106		10		94,577	
<i>Of which: Loans</i>	339	22,533			98		4		22,774	
<i>Debt securities</i>	—	21,062			2		—		21,060	
<i>Other assets</i>	1	42,610			2		—		42,609	
<i>Off-balance sheet exposures</i>	29	8,109			4		6		8,134	
37 Total: Loans	5,784	294,707			3,466		736		297,025	
38 Debt securities	—	41,884			4		—		41,880	
Other assets	9	60,647			13		—		60,643	
39 Off-balance sheet exposures	542	105,738			123		35		106,157	
36 Total IRB and STD	6,335	502,976			3,606		771		505,705	

Notes:

- (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.
- (4) Comparatives have not been restated for the accounting policy change for balances held with central banks.

Credit risk

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

In line with EBA guidelines, 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 EBA and PRA have 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 provides a breakdown of 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		Collateral received and financial guarantees received on forborne exposures	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
	Performing forborne £m	Non-performing forborne £m	Of which: Defaulted £m	Of which: Impaired £m	On performing forborne exposures £m	On non-performing forborne exposures £m		
2020								
1 Loans and advances	5,235	3,385	2,661	2,641	(359)	(1,011)	5,732	2,192
2 Central banks	—	—	—	—	—	—	—	—
3 General governments	—	—	—	—	—	—	—	—
4 Credit institutions	—	—	—	—	—	—	—	—
5 Other financial corporations	69	—	—	—	(5)	—	21	—
6 Non-financial corporations	3,803	1,490	1,184	1,187	(291)	(507)	3,130	826
7 Households	1,363	1,895	1,477	1,454	(63)	(504)	2,581	1,366
8 Debt securities	—	—	—	—	—	—	—	—
9 Loan commitments given	644	94	56	56	(3)	—	247	30
10 Total	5,879	3,479	2,717	2,697	(362)	(1,011)	5,979	2,222
2019								
1 Loans and advances	3,195	3,388	2,904	2,886	(74)	(958)	4,575	2,265
2 Central banks	—	—	—	—	—	—	—	—
3 General governments	—	—	—	—	—	—	—	—
4 Credit institutions	—	—	—	—	—	—	—	—
5 Other financial corporations	4	2	2	2	—	—	3	1
6 Non-financial corporations	2,034	833	706	706	(52)	(294)	1,617	399
7 Households	1,157	2,553	2,196	2,178	(22)	(664)	2,955	1,865
8 Debt securities	—	—	—	—	—	—	—	—
9 Loan commitments given	285	34	26	26	—	—	121	14
10 Total	3,480	3,422	2,930	2,912	(74)	(958)	4,696	2,279

Credit risk

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

The table below provides a breakdown of 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											
	Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non performing exposures	Of which: Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
2020	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Loans and advances	340,265	339,508	757	6,729	3,468	712	671	698	735	163	282	5,938
2 Central banks	1,426	1,426	—	—	—	—	—	—	—	—	—	—
3 General governments	3,042	3,042	—	—	—	—	—	—	—	—	—	—
4 Credit institutions	920	920	—	—	—	—	—	—	—	—	—	—
5 Other financial corporations	27,502	27,501	1	13	7	—	2	—	4	—	—	13
6 Non-financial corporations	102,174	101,905	269	2,667	1,739	189	147	150	258	52	132	2,342
7 Of which: SMEs	27,862	27,783	79	862	482	30	68	89	114	29	50	774
8 Households	205,201	204,714	487	4,049	1,722	523	522	548	473	111	150	3,583
9 Debt securities	39,788	39,788	—	—	—	—	—	—	—	—	—	—
10 Central banks	—	—	—	—	—	—	—	—	—	—	—	—
11 General governments	31,890	31,890	—	—	—	—	—	—	—	—	—	—
12 Credit institutions	5,090	5,090	—	—	—	—	—	—	—	—	—	—
13 Other financial corporations	2,782	2,782	—	—	—	—	—	—	—	—	—	—
14 Non-financial corporations	26	26	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	108,959	—	—	762	—	—	—	—	—	—	—	712
16 Central banks	—	—	—	—	—	—	—	—	—	—	—	—
17 General governments	1,857	—	—	—	—	—	—	—	—	—	—	—
18 Credit institutions	242	—	—	—	—	—	—	—	—	—	—	—
19 Other financial corporations	3,448	—	—	—	—	—	—	—	—	—	—	—
20 Non-financial corporations	63,517	—	—	407	—	—	—	—	—	—	—	375
21 Households	39,895	—	—	355	—	—	—	—	—	—	—	337
22 Total	489,012	379,296	757	7,491	3,468	712	671	698	735	163	282	6,650

Note:

(1) The gross NPL ratio for NWH Group is 1.94% (2019 – 2.19%) (loans and advances classified as held-for-sale, cash balances at central banks and other demand deposits were excluded).

Credit risk

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											
	Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non performing exposures	Of which: Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
2019*	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Loans and advances	303,448	302,699	749	6,876	3,232	698	748	825	806	239	328	6,258
2 Central banks	950	950	—	—	—	—	—	—	—	—	—	—
3 General governments	3,049	3,049	—	—	—	—	—	—	—	—	—	—
4 Credit institutions	1,080	1,080	—	—	—	—	—	—	—	—	—	—
5 Other financial corporations	15,247	15,240	7	11	3	—	3	4	1	—	—	11
6 Non-financial corporations	95,121	94,869	252	2,104	1,234	120	128	229	187	69	137	1,928
7 Of which: SMEs	24,563	24,511	52	887	423	49	74	108	136	41	56	827
8 Households	188,001	187,511	490	4,761	1,995	578	617	592	618	170	191	4,319
9 Debt securities	42,942	42,942	—	—	—	—	—	—	—	—	—	—
10 Central banks	—	—	—	—	—	—	—	—	—	—	—	—
11 General governments	35,406	35,406	—	—	—	—	—	—	—	—	—	—
12 Credit institutions	5,398	5,398	—	—	—	—	—	—	—	—	—	—
13 Other financial corporations	2,128	2,128	—	—	—	—	—	—	—	—	—	—
14 Non-financial corporations	10	10	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	105,313	—	—	562	—	—	—	—	—	—	—	538
16 Central banks	—	—	—	—	—	—	—	—	—	—	—	—
17 General governments	1,607	—	—	—	—	—	—	—	—	—	—	—
18 Credit institutions	598	—	—	—	—	—	—	—	—	—	—	—
19 Other financial corporations	2,164	—	—	—	—	—	—	—	—	—	—	—
20 Non-financial corporations	57,248	—	—	241	—	—	—	—	—	—	—	234
21 Households	43,696	—	—	321	—	—	—	—	—	—	—	304
22 Total	451,703	345,641	749	7,438	3,232	698	748	825	806	239	328	6,796

*2019 data has been restated for the accounting policy change for balances held with central banks. Refer to Accounting policy changes effective 1 January 2020 within the 2020 NatWest Group ARA for further details.

Credit risk

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

The table below provides a breakdown of 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	n	o
		Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantees received	
		Total	Of which:	Of which:	Total	Of which:	Of which:	Total	Of which:	Of which:	Total	Of which:	Of which:	On performing exposures	On non-performing exposures
		£m	Stage 1	Stage 2	£m	Stage 2	Stage 3	£m	Stage 1	Stage 2	£m	Stage 2	Stage 3	£m	£m
2020			£m	£m		£m	£m		£m	£m		£m	£m		
1	Loans and advances	340,265	265,671	74,222	6,729	847	5,872	(3,212)	(455)	(2,757)	(2,469)	(85)	(2,384)	284,126	3,795
2	Central banks	1,426	1,426	—	—	—	—	—	—	—	—	—	—	—	—
3	General governments	3,042	2,820	150	—	—	—	(1)	—	(1)	—	—	—	2,240	—
4	Credit institutions	920	817	103	—	—	—	(4)	(3)	(1)	—	—	—	147	—
5	Other financial corporations	27,502	26,064	1,438	13	—	13	(44)	(7)	(37)	(4)	—	(4)	24,917	7
6	Non-financial corporations	102,174	66,054	35,903	2,667	308	2,358	(1,884)	(269)	(1,615)	(1,069)	(40)	(1,029)	67,483	1,399
7	Of which: SMEs	27,862	16,577	11,265	862	82	780	(717)	(80)	(637)	(342)	(13)	(329)	20,252	390
8	Households	205,201	168,490	36,628	4,049	539	3,501	(1,279)	(176)	(1,103)	(1,396)	(45)	(1,351)	189,339	2,389
9	Debt securities	39,788	38,789	999	—	—	—	(6)	(4)	(2)	—	—	—	—	—
10	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	General governments	31,890	31,890	—	—	—	—	(2)	(2)	—	—	—	—	—	—
12	Credit institutions	5,090	4,154	936	—	—	—	(3)	(1)	(2)	—	—	—	—	—
13	Other financial corporations	2,782	2,719	63	—	—	—	(1)	(1)	—	—	—	—	—	—
14	Non-financial corporations	26	26	—	—	—	—	—	—	—	—	—	—	—	—
15	Off-balance sheet exposures	108,959	87,320	21,639	762	48	703	(141)	(27)	(114)	(21)	—	(21)	16,866	83
16	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	General governments	1,857	1,826	31	—	—	—	—	—	—	—	—	—	389	—
18	Credit institutions	242	56	186	—	—	—	—	—	—	—	—	—	7	—
19	Other financial corporations	3,448	2,359	1,089	—	—	—	(2)	(1)	(1)	—	—	—	224	—
20	Non-financial corporations	63,517	47,617	15,900	407	31	375	(86)	(16)	(70)	(21)	—	(21)	11,915	68
21	Households	39,895	35,462	4,433	355	17	328	(53)	(10)	(43)	—	—	—	4,331	15
22	Total	489,012	391,780	96,860	7,491	895	6,575	(3,359)	(486)	(2,873)	(2,490)	(85)	(2,405)	300,992	3,878

Credit risk

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

	a	b	c	d	e	f	g	h	i	j	k	l	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantees received	
	Total £m	Of which: Stage 1 £m	Of which: Stage 2 £m	Total £m	Of which: Stage 2 £m	Of which: Stage 3 £m	Total £m	Of which: Stage 1 £m	Of which: Stage 2 £m	Total £m	Of which: Stage 2 £m	Of which: Stage 3 £m	On performing exposures £m	On non- performing exposures £m
2019*														
1 Loans and advances	303,448	276,679	26,480	6,876	654	6,212	(968)	(290)	(678)	(2,551)	(33)	(2,517)	242,680	3,765
2 Central banks	950	950	—	—	—	—	(1)	(1)	—	—	—	—	—	—
3 General governments	3,049	2,970	1	—	—	—	—	—	—	—	—	—	2,166	—
4 Credit institutions	1,080	1,016	64	—	—	—	(1)	(1)	—	—	—	—	250	—
5 Other financial corporations	15,247	15,020	162	11	—	11	(7)	(5)	(2)	(5)	—	(5)	12,696	5
6 Non-financial corporations	95,121	84,107	10,976	2,104	128	1,976	(342)	(144)	(198)	(972)	(2)	(970)	58,014	896
7 Of which: SMEs	24,563	20,914	3,541	887	59	827	(131)	(48)	(83)	(373)	(1)	(372)	14,069	344
8 Households	188,001	172,616	15,277	4,761	526	4,225	(617)	(139)	(478)	(1,574)	(31)	(1,542)	169,554	2,864
9 Debt securities	42,942	42,933	9	—	—	—	(4)	(4)	—	—	—	—	—	—
10 Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11 General governments	35,406	35,406	—	—	—	—	(2)	(2)	—	—	—	—	—	—
12 Credit institutions	5,398	5,398	—	—	—	—	(1)	(1)	—	—	—	—	—	—
13 Other financial corporations	2,128	2,119	9	—	—	—	(1)	(1)	—	—	—	—	—	—
14 Non-financial corporations	10	10	—	—	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	105,313	99,872	5,441	562	21	529	(44)	(13)	(31)	(46)	—	(46)	15,040	47
16 Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17 General governments	1,607	1,607	—	—	—	—	—	—	—	—	—	—	359	—
18 Credit institutions	598	592	6	—	—	—	—	—	—	—	—	—	2	—
19 Other financial corporations	2,164	2,072	92	—	—	—	(1)	(1)	—	—	—	—	126	—
20 Non-financial corporations	57,248	54,544	2,704	241	7	234	(15)	(8)	(7)	(20)	—	(20)	10,035	31
21 Households	43,696	41,057	2,639	321	14	295	(28)	(4)	(24)	(26)	—	(26)	4,518	16
22 Total	451,703	419,484	31,930	7,438	675	6,741	(1,016)	(307)	(709)	(2,597)	(33)	(2,563)	257,720	3,812

*2019 data has been restated for the accounting policy change for balances held with central banks. Refer to Accounting policy changes effective 1 January 2020 within the 2020 NatWest Group ARA for further details.

Credit risk

Template 5: Quality of non-performing exposures by geography

The table below provides a breakdown of 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 £m	Of which: Non-performing £m	Of which: Defaulted £m	Of which: Subject to impairment £m	Accumulated impairment £m	Provisions on off-balance sheet commitments and financial guarantees given £m	Accumulated negative changes in fair value due to credit risk on non-performing exposures £m
2020								
1	On-balance sheet exposures	386,782	6,729	5,938	386,409	(5,687)		—
2	UK	336,853	5,213	4,544	336,616	(4,643)		—
3	Rol	19,587	1,325	1,222	19,563	(796)		—
4	Other Western Europe	13,579	130	112	13,579	(123)		—
5	US	11,069	—	—	11,069	(20)		—
6	Rest of the world	5,694	61	60	5,582	(105)		—
7	Off-balance sheet exposures	109,721	762	712			(162)	
8	UK	87,189	649	600			(142)	
9	Rol	3,479	33	32			(8)	
10	Other Western Europe	11,310	69	69			(8)	
11	US	5,987	10	10			(3)	
12	Rest of the world	1,756	1	1			(1)	
13	Total	496,503	7,491	6,650	386,409	(5,687)	(162)	—
2019*								
1	On-balance sheet exposures	353,266	6,876	6,258	352,976	(3,523)		—
2	UK	316,127	4,531	3,999	315,837	(2,559)		—
3	Rol	25,890	2,107	2,021	19,620	(760)		—
4	Other Western Europe	884	165	165	884	(126)		—
5	US	11,273	11	11	11,273	(8)		—
6	Rest of the world	5,363	62	62	5,363	(70)		—
7	Off-balance sheet exposures	105,875	562	538			(90)	
8	UK	85,018	424	401			(83)	
9	Rol	2,875	32	31			(4)	
10	Other Western Europe	11,061	104	104			(2)	
11	US	5,439	—	—			(1)	
12	Rest of the world	1,482	2	2			—	
13	Total	459,141	7,438	6,796	352,976	(3,523)	(90)	—

*2019 data has been restated for the accounting policy change for balances held with central banks. Refer to Accounting policy changes effective 1 January 2020 within the 2020 NatWest Group ARA for further details.

Credit risk

Template 6: Credit quality of loans and advances by industry

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

	a	b	c	d	e	f
	Gross carrying amount £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
2020						
1 Agriculture, forestry and fishing	4,010	68	56	4,009	(114)	—
2 Mining and quarrying	999	32	32	999	(40)	—
3 Manufacturing	8,220	150	126	8,214	(184)	—
4 Electricity, gas, steam and air conditioning supply	3,280	—	—	3,280	(12)	—
5 Water supply	3,035	5	4	3,035	(18)	—
6 Construction	7,230	406	345	7,229	(281)	—
7 Wholesale and retail trade	14,468	147	122	14,438	(332)	—
8 Transport and storage	6,895	129	114	6,892	(218)	—
9 Accommodation and food service activities	6,427	349	248	6,427	(431)	—
10 Information and communication	4,006	14	9	3,993	(44)	—
11 Financial and insurance activities	3	—	—	3	—	—
12 Real estate activities	26,528	770	730	26,528	(661)	—
13 Professional, scientific and technical activities	5,270	72	68	5,269	(94)	—
14 Administrative and support service activities	5,923	321	320	5,872	(214)	—
15 Public administration and defence, compulsory social security	104	3	3	104	(1)	—
16 Education	753	14	13	753	(30)	—
17 Human health services and social work activities	5,022	155	127	5,022	(187)	—
18 Arts, entertainment and recreation	1,686	14	10	1,686	(56)	—
19 Other services	982	18	15	982	(33)	—
20 Total	104,841	2,667	2,342	104,735	(2,950)	—
2019						
1 Agriculture, forestry and fishing	3,683	69	49	3,683	(42)	—
2 Mining and quarrying	1,204	33	33	1,204	(25)	—
3 Manufacturing	8,205	110	102	8,205	(94)	—
4 Electricity, gas, steam and air conditioning supply	3,013	17	17	3,013	(17)	—
5 Water supply	2,456	5	5	2,456	(7)	—
6 Construction	5,729	349	344	5,729	(187)	—
7 Wholesale and retail trade	14,036	272	208	14,036	(252)	—
8 Transport and storage	5,915	136	136	5,915	(110)	—
9 Accommodation and food service activities	5,115	176	146	5,115	(83)	—
10 Information and communication	3,118	14	14	3,118	(24)	—
11 Financial and insurance activities	2	—	—	2	—	—
12 Real estate activities	26,723	385	371	26,685	(215)	—
13 Professional, scientific and technical activities	5,094	79	79	5,094	(51)	—
14 Administrative and support service activities	5,467	219	218	5,467	(106)	—
15 Public administration and defence, compulsory social security	25	4	4	25	—	—
16 Education	615	9	7	615	(5)	—
17 Human health services and social work activities	4,836	201	169	4,836	(70)	—
18 Arts, entertainment and recreation	1,343	16	15	1,343	(12)	—
19 Other services	646	10	11	646	(14)	—
20 Total	97,225	2,104	1,928	97,187	(1,314)	—

Credit risk

In June 2020, the EBA announced new Pillar 3 disclosure requirements relating to the impact of COVID-19. The templates for NatWest Holdings Group are disclosed below.

COVID-19 - Template 1: Information on loans and advances subject to legislative and non-legislative 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			Of which: instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)	Non-performing		Of which: Unlikely to pay that are not past due or past due <= 90 days	Performing			Of which: instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)	Non-performing		Of which: Unlikely to pay that are not past due or past due <= 90 days	Gross Inflows to non- performing exposures
		£m	£m	£m		£m	£m		£m	£m	£m		£m	£m	£m	
31 December 2020																
1	Loans and advances subject to moratorium	7,611	7,469	460	3,935	142	102	106	(322)	(297)	(52)	(231)	(25)	(15)	(18)	94
2	Of which:															
	Households	3,423	3,366	46	1,344	57	26	33	(88)	(76)	(5)	(67)	(12)	(5)	(7)	25
3	Of which:															
	Collateralised by residential immovable property	2,756	2,723	21	946	33	15	21	(16)	(12)	(1)	(11)	(4)	(2)	(3)	7
4	Of which:															
	Non-financial corporations	4,158	4,074	412	2,576	84	76	73	(233)	(220)	(46)	(162)	(13)	(10)	(11)	68
5	Of which:															
	Small and medium-sized enterprises	2,465	2,420	279	1,527	45	40	36	(141)	(134)	(32)	(96)	(7)	(5)	(5)	35
6	Of which:															
	Collateralised by commercial immovable property	3,098	3,031	333	2,050	67	65	59	(184)	(176)	(38)	(127)	(8)	(8)	(6)	56
30 June 2020																
1	Loans and advances subject to moratorium	39,843	39,257	1,273	16,096	586	416	417	(746)	(620)	(77)	(530)	(126)	(83)	(70)	177
2	Of which:															
	Households	26,230	25,820	220	6,785	410	295	285	(291)	(206)	(12)	(187)	(85)	(66)	(51)	56
3	Of which:															
	Collateralised by residential immovable property	24,306	23,911	185	5,747	395	289	276	(149)	(69)	(7)	(64)	(80)	(65)	(49)	46
4	Of which:															
	Non-financial corporations	13,534	13,359	1,033	9,269	175	120	132	(450)	(409)	(63)	(342)	(41)	(17)	(19)	120
5	Of which:															
	Small and medium-sized enterprises	8,045	7,944	583	5,533	101	60	63	(285)	(252)	(40)	(208)	(33)	(16)	(13)	64
6	Of which:															
	Collateralised by commercial immovable property	5,230	5,193	489	3,104	37	27	28	(186)	(179)	(34)	(131)	(7)	(6)	(3)	23

Credit risk

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

		a	b	c	d	e	f	g	h	i
		Gross carrying amount								
		Residual maturity of moratoria								
		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
31 December 2020										
1	Loans and advances for which moratorium was offered	488,633	53,586							
2	Loans and advances subject to moratorium (granted)	486,536	53,369	—	45,758	4,438	2,503	335	151	184
3	Of which: Households		41,244	—	37,821	3,088	265	32	23	15
4	Of which: Collateralised by residential immovable property		39,188	—	36,432	2,717	37	1	—	1
5	Of which: Non-financial corporations		12,050	—	7,892	1,341	2,226	300	125	166
6	Of which: Small and medium-sized enterprises		6,642	—	4,177	657	1,476	175	83	74
7	Of which: Collateralised by commercial immovable property		6,542	—	3,444	950	1,632	262	112	142
30 June 2020										
1	Loans and advances for which moratorium was offered	461,629	54,829							
2	Loans and advances subject to moratorium (granted)	459,810	54,571	—	14,728	33,419	6,047	256	52	69
3	Of which: Households		40,416	—	14,186	22,667	3,549	2	9	3
4	Of which: Collateralised by residential immovable property		38,452	—	14,146	20,812	3,493	—	—	1
5	Of which: Non-financial corporations		14,076	—	542	10,693	2,479	253	43	66
6	Of which: Small and medium-sized enterprises		8,236	—	191	6,473	1,292	201	31	48
7	Of which: Collateralised by commercial immovable property		5,501	—	271	4,970	140	66	13	41

Credit risk

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

	a	b	c	d
	Gross carrying amount	Of which: Forborne	Maximum amount of the guarantee that can be considered	Gross carrying amount
	£m	£m	Public guarantees received £m	non-performing exposures £m
31 December 2020				
1 Newly originated loans and advances subject to public guarantee schemes	12,898	436	11,961	33
2 <i>Of which: Households</i>	2,146			4
3 <i>Of which: Collateralised by residential immovable property</i>	4			—
4 <i>Of which: Non-financial corporations</i>	10,651	418	9,764	29
5 <i>Of which: Small and medium-sized enterprises</i>	8,980			27
6 <i>Of which: Collateralised by commercial immovable property</i>	1,144			4
30 June 2020				
1 Newly originated loans and advances subject to public guarantee schemes	8,373	195	7,857	6
2 <i>Of which: Households</i>	2,539			—
3 <i>Of which: Collateralised by residential immovable property</i>	1			—
4 <i>Of which: Non-financial corporations</i>	5,776	188	5,300	6
5 <i>Of which: Small and medium-sized enterprises</i>	5,380			5
6 <i>Of which: Collateralised by commercial immovable property</i>	433			—

Credit risk

EU 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 NWH 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 2020	2,563
2 Increases due to amounts set aside for estimated loan losses during the period	1,265
3 Decreases due to amounts reversed for estimated loan losses during the period	(413)
4 Decreases due to amounts taken against accumulated credit risk adjustments	(921)
5 Transfers between credit risk adjustments	(3)
6 Impact of exchange rate differences	—
7 Business combinations, including acquisitions and disposals of subsidiaries	—
8 Other adjustments	(85)
9 At 31 December 2020	2,406
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	n/a
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	n/a

EU 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 2020	6,308
Loans and debt securities that have defaulted or impaired since the last reporting period	3,656
Returned to non-defaulted status	(1,924)
Amounts written-off	(921)
Other changes	(1,143)
At 31 December 2020	5,976

Credit risk

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

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

Credit risk mitigation

NWH 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 NWH 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 NWH 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. NWH 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

NWH 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 NWH Group can identify, locate, and segregate them from other assets on which it does not have a claim. NWH 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 NWH 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 101.

All collateral is assessed, case by case, independently of the provider to ensure that it is suitable security for the proposed loan. NWH 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 NWH Group provides asset-backed lending is commercial real estate and residential mortgages. The valuation approach is detailed below.

Commercial real estate valuations – NWH Group has a panel of chartered surveying firms that cover the spectrum of geography and property sectors in which NWH Group takes collateral. Suitable values for particular assets are contracted through a single service agreement to ensure consistency of quality and advice. Valuations are 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 one year old and every three years a formal independent valuation 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 assets but demands annual Red Book valuations for distressed higher value assets.

Personal

NWH Group takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. NWH Group values residential property during the loan underwriting process by either appraising properties individually or valuing them collectively using statistically valid models. NWH 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 EU CR3_a.

Counterparty credit risk

For information on how counterparty credit risk is managed and mitigated, refer to page 101.

Credit risk

EU 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 EBA 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
		£m	£m	£m	£m	£m	£m
2020							
IRB							
Central governments and central banks		35,862	119	720	—	839	36,701
Institutions		5,318	1,930	19	—	1,949	7,267
Corporates		72,022	70,815	4,061	—	74,876	146,898
Specialised lending		2,873	13,688	459	—	14,147	17,020
SME		3,606	14,101	1,887	—	15,988	19,594
Other corporate		65,543	43,026	1,715	—	44,741	110,284
Retail		38,565	187,971	8,195	—	196,166	234,731
Secured by real estate property							
- SME		—	1,141	18	—	1,159	1,159
- non-SME		—	186,829	—	—	186,829	186,829
Qualifying revolving		25,382	—	—	—	—	25,382
Other retail							
- SME		7,363	1	8,177	—	8,178	15,541
- non-SME		5,820	—	—	—	—	5,820
Equities		—	—	—	—	—	—
Non-credit obligation assets		5,115	—	—	—	—	5,115
Total IRB		156,882	260,835	12,995	—	273,830	430,712
Of which: Loans		46,939	228,609	11,694	—	240,303	287,242
Debt securities		20,296	—	—	—	—	20,296
Other assets		23,356	629	3	—	632	23,988
Off-balance sheet exposures		66,291	31,597	1,298	—	32,895	99,186
Defaulted		1,090	2,313	77	—	2,390	3,480
STD							
Central governments and central banks		96,890	—	—	—	—	96,890
Regional governments and local authorities		299	—	—	—	—	299
Multilateral development banks		—	—	—	—	—	—
Institutions		806	—	—	—	—	806
Corporates		7,498	616	241	—	857	8,355
Retail		6,008	273	—	—	273	6,281
Secured by mortgages on immovable property							
- residential		—	15,663	—	—	15,663	15,663
- commercial		—	2,930	40	—	2,970	2,970
Exposures in default		399	—	—	—	—	399
Covered bonds		—	—	—	—	—	—
Equity exposures		1	—	—	—	—	1
Other exposures		1,757	—	—	—	—	1,757
Total STD		113,658	19,482	281	—	19,763	133,421
Of which: Loans		10,198	17,752	269	—	18,021	28,219
Debt securities		18,581	—	—	—	—	18,581
Other assets		77,830	71	—	—	71	77,901
Off-balance sheet exposures		7,049	1,659	12	—	1,671	8,720
Defaulted		400	—	—	—	—	400
Total IRB and STD		270,540	280,317	13,276	—	293,593	564,133
Total: Loans		57,137	246,361	11,963	—	258,324	315,461
Debt securities		38,877	—	—	—	—	38,877
Other assets		101,186	700	3	—	703	101,889
Off-balance sheet exposures		73,340	33,256	1,310	—	34,566	107,906
Defaulted		1,490	2,313	77	—	2,390	3,880

Credit risk

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

	a	c	d	e		
	Unsecured net carrying value	Net carrying values secured by			Total secured	Total
	£m	Collateral £m	Guarantees £m	Credit derivatives £m	£m	£m
2019						
IRB						
Central governments and central banks	34,614	117	—	—	117	34,731
Institutions	6,382	1,942	8	—	1,950	8,332
Corporates	69,024	71,309	1,329	—	72,638	141,662
<i>Specialised lending</i>	299	14,917	380	—	15,297	15,596
<i>SME</i>	4,918	17,593	143	—	17,736	22,654
<i>Other corporate</i>	63,807	38,799	806	—	39,605	103,412
Retail	46,035	175,333	—	—	175,333	221,368
<i>Secured by real estate property</i>						
- <i>SME</i>	—	1,315	—	—	1,315	1,315
- <i>non-SME</i>	—	174,018	—	—	174,018	174,018
<i>Qualifying revolving</i>	31,369	—	—	—	—	31,369
<i>Other retail</i>						
- <i>SME</i>	8,178	—	—	—	—	8,178
- <i>non-SME</i>	6,488	—	—	—	—	6,488
Non-credit obligation assets	5,035	—	—	—	—	5,035
Total IRB	161,090	248,701	1,337	—	250,038	411,128
<i>Of which: Loans</i>	54,488	218,915	848	—	219,763	274,251
<i>Debt securities</i>	20,820	—	—	—	—	20,820
<i>Other assets</i>	17,338	692	4	—	696	18,034
<i>Off-balance sheet exposures</i>	68,444	29,094	485	—	29,579	98,023
<i>Defaulted</i>	932	2,527	19	—	2,546	3,478
STD						
Central governments and central banks	64,636	—	—	—	—	64,636
Regional governments and local authorities	215	—	—	—	—	215
Institutions	711	—	—	—	—	711
Corporates	8,378	529	1	—	530	8,908
Retail	5,836	207	—	—	207	6,043
<i>Secured by mortgages on immovable property</i>						
- <i>residential</i>	—	11,830	—	—	11,830	11,830
- <i>commercial</i>	—	871	3	—	874	874
<i>Exposures in default</i>	323	2	—	—	2	325
<i>Equity exposures</i>	25	—	—	—	—	25
<i>Other exposures</i>	1,010	—	—	—	—	1,010
Total STD	81,134	13,439	4	—	13,443	94,577
<i>Of which: Loans</i>	10,967	11,807	—	—	11,807	22,774
<i>Debt securities</i>	21,060	—	—	—	—	21,060
<i>Other assets</i>	42,524	82	3	—	85	42,609
<i>Off-balance sheet exposures</i>	6,583	1,550	1	—	1,551	8,134
<i>Defaulted</i>	323	2	—	—	2	325
Total IRB and STD	242,224	262,140	1,341	—	263,481	505,705
Total: Loans	65,455	230,722	848	—	231,570	297,025
<i>Debt securities</i>	41,880	—	—	—	—	41,880
<i>Other assets</i>	59,862	774	7	—	781	60,643
<i>Off-balance sheet exposures</i>	75,027	30,644	486	—	31,130	106,157
<i>Defaulted</i>	1,255	2,529	19	—	2,548	3,803

Credit risk

EU 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	✓		

EU 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.

	2020	
	a	b
	Pre-credit derivatives RWAs	Actual RWAs
	£m	£m
Exposures under IRB		
Central governments and central banks	2,809	2,809
Institutions	1,537	1,537
Corporates - SMEs	7,252	7,252
Corporates - Specialised lending	10,038	10,038
Corporates - Other	38,264	38,264
Retail - Secured by real estate SMEs	398	398
Retail - Secured by real estate non-SMEs	17,135	17,135
Retail - Qualifying revolving	4,731	4,731
Retail - Other SMEs	3,768	3,768
Retail - Other non-SMEs	7,028	7,028
Other non-credit obligation assets	3,953	3,953
Total	96,913	96,913

	2019	
	a	b
	Pre-credit derivatives RWAs	Actual RWAs
	£m	£m
Exposures under IRB		
Central governments and central banks	2,353	2,353
Institutions	1,582	1,582
Corporates - SMEs	8,570	8,570
Corporates - Specialised lending	9,426	9,426
Corporates - Other	34,015	34,015
Retail - Secured by real estate SMEs	523	523
Retail - Secured by real estate non-SMEs	18,939	18,939
Retail - Qualifying revolving	5,991	5,991
Retail - Other SMEs	3,856	3,856
Retail - Other non-SMEs	7,841	7,841
Other non-credit obligation assets	4,152	4,152
Total	97,248	97,248

Credit risk

NWH Group profile by RWA calculation approach

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

IRB approach: PD/LGD

EU 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
	PD Range	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	RWAs	RWA density	Expected loss	IFRS 9 ECL Provisions
2020	%	£m	£m	£m	%		%	£m	%	£m	£m
Retail - Secured by real estate SME	0.00 to <0.15	—	76	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	11	9
Total - Retail - Secured by real estate SME		1,039	144	1,134	5.06	21,483	39	398	35	19	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	10,206	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	602
Total - Retail - Secured by real estate non-SME		173,661	14,137	187,117	1.78	1,368,302	12	17,135	9	481	968
Retail - Qualifying revolving	0.00 to <0.15	38	5,742	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	5,824	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	21,163	20,019	2.65	18,017,431	60	4,731	24	391	662

Credit risk

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

		a	b	d	e	f	g	i	j	k	l
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	RWAs	RWA density	Expected loss	IFRS 9 ECL Provisions
	PD Range %	£m	£m	£m	%		%	£m	%	£m	£m
2020											
Retail - Other SME	0.00 to <0.15	—	865	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	325,840	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	157	153
Total - Retail - Other SME		14,245	1,603	16,378	8.94	1,423,067	25	3,768	23	276	308
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	1,300	—	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	333	365
Total - Retail - Other non-SME		6,564	—	6,678	10.87	887,394	74	7,028	105	582	744
Total - Retail all portfolios		200,389	37,047	231,326	2.64	21,717,677	19	33,060	14	1,749	2,707

Credit risk

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

	a	b	d	e	f	g	i	l	j	k	l
	PD Range	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	RWAs	RWA density	Expected loss	IFRS 9 ECL Provisions
2019	%	£m	£m	£m	%		%	£m	%	£m	£m
Retail - Secured by real estate SME	0.00 to <0.15	—	55	38	0.12	4,700	60	5	14	—	—
Retail - Secured by real estate SME	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—
Retail - Secured by real estate SME	0.25 to <0.50	8	11	17	0.41	1,548	51	4	25	—	—
Retail - Secured by real estate SME	0.50 to <0.75	50	2	51	0.62	1,055	41	14	27	—	—
Retail - Secured by real estate SME	0.75 to <2.50	835	41	861	1.17	12,360	42	312	36	4	1
Retail - Secured by real estate SME	2.50 to <10.0	238	11	245	4.43	3,461	43	125	51	5	2
Retail - Secured by real estate SME	10.0 to <100.00	50	1	51	25.21	802	44	41	80	6	2
Retail - Secured by real estate SME	100.00 (default)	26	—	28	100.00	538	56	22	79	14	8
Total - Retail - Secured by real estate SME		1,207	121	1,291	4.79	24,464	43	523	41	29	13
Retail - Secured by real estate non-SME	0.00 to <0.15	37,762	3,622	41,488	0.13	334,287	10	1,271	3	6	2
Retail - Secured by real estate non-SME	0.15 to <0.25	7,103	138	7,217	0.16	71,084	18	457	6	2	4
Retail - Secured by real estate non-SME	0.25 to <0.50	66,239	10,045	75,486	0.32	569,376	11	4,937	7	28	18
Retail - Secured by real estate non-SME	0.50 to <0.75	35,455	102	35,687	0.59	251,623	14	4,934	14	34	22
Retail - Secured by real estate non-SME	0.75 to <2.50	7,770	106	7,936	1.15	58,866	14	1,615	20	13	14
Retail - Secured by real estate non-SME	2.50 to <10.0	1,599	18	1,622	6.03	13,579	12	752	46	13	17
Retail - Secured by real estate non-SME	10.0 to <100.00	2,449	5	2,472	26.86	20,641	15	2,201	89	102	69
Retail - Secured by real estate non-SME	100.00 (default)	2,522	9	2,621	100.00	21,898	24	2,772	106	418	780
Total - Retail - Secured by real estate non-SME		160,899	14,045	174,529	2.29	1,341,354	12	18,939	11	616	926
Retail - Qualifying revolving	0.00 to <0.15	48	7,348	10,839	0.04	8,298,308	53	179	2	3	3
Retail - Qualifying revolving	0.15 to <0.25	269	461	751	0.23	441,969	66	63	8	1	2
Retail - Qualifying revolving	0.25 to <0.50	901	7,088	2,851	0.37	2,613,442	65	347	12	7	12
Retail - Qualifying revolving	0.50 to <0.75	429	4,998	1,609	0.65	1,676,653	67	310	19	7	12
Retail - Qualifying revolving	0.75 to <2.50	1,698	4,884	3,418	1.41	2,735,188	70	1,245	36	34	48
Retail - Qualifying revolving	2.50 to <10.0	2,030	763	2,857	4.74	1,606,319	74	2,597	91	101	132
Retail - Qualifying revolving	10.0 to <100.00	346	51	469	22.36	296,434	74	915	195	76	81
Retail - Qualifying revolving	100.00 (default)	341	265	344	100.00	397,125	86	335	97	268	262
Total - Retail - Qualifying revolving		6,062	25,858	23,138	2.85	18,065,438	62	5,991	26	497	552

Credit risk

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

		a	b	d	e	f	g	i	j	k	l
	PD Range	Original on-balance	Off-balance	EAD post CRM	Average		Average			Expected	IFRS 9 ECL
2019	%	sheet gross exposure	sheet exposures	and post CCF	PD	Number of	LGD	RWAs	RWA	loss	Provisions
		£m	pre CCF	£m	%	obligors	%	£m	density	£m	£m
Retail - Other SME	0.00 to <0.15	—	639	740	0.12	293,486	62	105	14	1	1
Retail - Other SME	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—
Retail - Other SME	0.25 to <0.50	166	186	498	0.35	234,539	55	125	25	1	1
Retail - Other SME	0.50 to <0.75	576	35	675	0.63	88,638	44	196	29	2	1
Retail - Other SME	0.75 to <2.50	4,223	401	4,716	1.29	336,524	46	1,972	42	30	14
Retail - Other SME	2.50 to <10.0	1,505	98	1,695	4.22	166,960	47	939	55	35	16
Retail - Other SME	10.0 to <100.00	298	17	337	23.47	50,839	56	334	99	44	26
Retail - Other SME	100.00 (default)	269	—	279	100.00	23,851	68	185	66	175	177
Total - Retail - Other SME		7,037	1,376	8,940	5.57	1,194,837	49	3,856	43	288	236
Retail - Other non-SME	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—
Retail - Other non-SME	0.15 to <0.25	2	—	2	0.17	235	75	1	29	—	—
Retail - Other non-SME	0.25 to <0.50	68	—	68	0.35	10,009	70	29	43	—	—
Retail - Other non-SME	0.50 to <0.75	281	—	285	0.64	37,491	68	174	61	1	1
Retail - Other non-SME	0.75 to <2.50	3,970	—	4,049	1.40	538,438	74	3,823	94	50	58
Retail - Other non-SME	2.50 to <10.0	1,751	—	1,799	4.98	191,060	79	2,341	130	83	79
Retail - Other non-SME	10.0 to <100.00	560	—	577	26.04	74,412	81	1,140	197	142	59
Retail - Other non-SME	100.00 (default)	438	—	452	100.00	69,982	85	333	74	360	385
Total - Retail - Other non-SME		7,070	—	7,232	10.39	921,627	76	7,841	108	636	582
Total - Retail all portfolios		182,275	41,400	215,130	2.77	21,547,720	21	37,150	17	2,066	2,309

Credit risk

EU 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 EU CR10. Original on-balance sheet gross exposure includes SCRA.

		a	b	c	d	e	f	g	h	i	j	k	l
	PD Range	Original on-balance sheet exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	IFRS 9 ECL provisions
2020	%	£m	£m	%	£m	%		%	years	£m	%	£m	£m
Central governments and central banks	0.00 to <0.15	35,910	733	35	36,101	0.02	45	45	1.87	2,809	8	3	3
Central governments and central banks	0.15 to <0.25	—	—	—	—	0.23	1	60	1.00	—	—	—	—
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 <10.0	—	—	—	—	2.50	—	50	1.00	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Central governments and central banks		35,910	733	35	36,101	0.02	46	45	1.87	2,809	8	3	3
Institutions	0.00 to <0.15	2,599	205	53	2,644	0.10	214	42	1.28	598	23	1	1
Institutions	0.15 to <0.25	1,818	141	36	1,874	0.20	97	33	1.72	629	34	1	18
Institutions	0.25 to <0.50	734	14	37	739	0.39	41	16	3.53	263	36	—	3
Institutions	0.50 to <0.75	1	3	62	3	0.64	14	60	1.22	3	99	—	—
Institutions	0.75 to <2.50	29	15	31	34	1.52	25	27	2.79	23	68	—	1
Institutions	2.50 to <10.0	15	—	67	16	3.01	33	46	1.02	19	126	—	—
Institutions	10.0 to <100.00	—	1	20	1	29.30	65	60	1.99	2	299	—	—
Institutions	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Institutions		5,196	379	45	5,311	0.19	489	35	1.76	1,537	29	2	23
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

Credit risk

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

		a	b	c	d	e	f	g	h	i	j	k	l
	PD Range	Original on-balance sheet 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
2020	%												
Corporates - SME	0.00 to <0.15	22	2	80	24	0.11	45	32	3.69	5	20	—	—
Corporates - SME	0.15 to <0.25	483	200	69	621	0.21	1,502	30	3.39	154	25	—	6
Corporates - SME	0.25 to <0.50	2,681	800	53	3,109	0.41	5,935	22	3.25	707	23	3	50
Corporates - SME	0.50 to <0.75	2,208	716	52	2,580	0.64	4,077	23	3.13	772	30	4	58
Corporates - SME	0.75 to <2.50	6,293	2,162	45	7,275	1.31	10,925	23	2.99	3,046	42	22	280
Corporates - SME	2.50 to <10.0	2,724	877	44	3,127	3.66	4,488	21	2.78	1,386	44	25	220
Corporates - SME	10.0 to <100.00	405	73	50	447	13.88	724	22	2.64	318	71	14	64
Corporates - SME	100.00 (default)	520	50	20	534	100.00	1,231	40	2.46	864	162	218	224
Total - Corporates - SME		15,336	4,880	48	17,717	4.72	28,927	23	3.01	7,252	41	286	902
Corporates - Other	0.00 to <0.15	17,005	26,948	43	28,477	0.06	1,558	42	3.42	7,630	27	8	15
Corporates - Other	0.15 to <0.25	5,341	7,400	42	8,432	0.19	1,421	41	2.54	3,438	41	6	21
Corporates - Other	0.25 to <0.50	4,938	6,679	43	7,667	0.39	2,549	40	2.41	4,208	55	10	59
Corporates - Other	0.50 to <0.75	3,747	2,545	44	4,818	0.64	2,132	34	2.50	3,018	63	10	53
Corporates - Other	0.75 to <2.50	11,069	6,787	47	14,189	1.34	10,697	33	2.61	11,497	81	61	377
Corporates - Other	2.50 to <10.0	6,464	3,054	43	7,632	3.57	5,277	30	2.09	7,123	93	83	310
Corporates - Other	10.0 to <100.00	646	246	49	764	14.41	804	28	2.33	1,045	137	32	103
Corporates - Other	100.00 (default)	893	300	42	1,005	100.00	644	42	1.89	305	30	422	426
Total - Corporates - Other		50,103	53,959	43	72,984	2.29	25,082	38	2.82	38,264	52	632	1,364
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	—	—	—	—	—	1	—	—	—	—	—	—
Equities	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Equities	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Equities		—	—	—	—	—	1	—	—	—	—	—	—
Total - Wholesale all portfolios		106,549	59,952	44	132,117	1.91	54,550	38	2.55	49,862	38	925	2,293

Credit risk

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

		a	b	c	d	e	f	g	h	i	j	k	l
	PD Range	Original on-balance sheet 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
2019	%												
Central governments and central banks	0.00 to <0.15	34,484	190	28	34,522	0.01	41	45	2.00	2,353	7	2	2
Central governments and central banks	0.15 to <0.25	—	—	—	—	0.23	1	55	1.42	—	—	—	—
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 <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Central governments and central banks		34,484	190	28	34,522	0.01	42	45	2.00	2,353	7	2	2
Institutions	0.00 to <0.15	3,493	205	50	3,542	0.10	225	43	1.09	778	22	1	20
Institutions	0.15 to <0.25	2,187	465	64	2,530	0.17	99	36	1.17	706	28	3	1
Institutions	0.25 to <0.50	172	14	42	161	0.39	31	20	3.09	39	24	—	—
Institutions	0.50 to <0.75	2	15	37	8	0.64	17	68	0.78	8	107	—	—
Institutions	0.75 to <2.50	26	25	29	33	1.21	20	28	1.66	21	62	—	—
Institutions	2.50 to <10.0	24	3	41	25	2.65	36	45	1.09	30	117	—	—
Institutions	10.0 to <100.00	—	—	100	—	40.96	77	52	4.99	—	—	—	—
Institutions	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Institutions		5,904	727	58	6,299	0.15	505	40	1.18	1,582	25	4	21
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	1	—	100	—	1.81	14	1	5.00	—	—	—	—
Corporates - Specialised lending	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	10.0 to <100.00	8	—	—	9	14.48	3	36	1.00	16	185	—	1
Corporates - Specialised lending	100.00 (default)	2	1	102	3	100.00	1	30	4.99	—	—	1	—
Total - Corporates - Specialised lending		11	1	102	12	34.95	18	34	2.00	16	138	1	1

Credit risk

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

		a	b	c	d	e	f	g	h	i	j	k	l
	PD Range	Original on-balance sheet exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity years	RWAs	RWA density	Expected loss	IFRS 9 ECL provisions
2019	%	£m	£m	%	£m	%		%		£m	%	£m	£m
Corporates - SME	0.00 to <0.15	16	5	58	19	0.11	41	36	3.40	6	30	—	—
Corporates - SME	0.15 to <0.25	376	109	65	448	0.22	1,160	29	3.56	136	30	—	2
Corporates - SME	0.25 to <0.50	2,123	726	56	2,535	0.41	6,304	25	3.11	720	28	3	5
Corporates - SME	0.50 to <0.75	2,542	824	49	2,948	0.64	5,130	23	2.81	975	33	4	6
Corporates - SME	0.75 to <2.50	7,973	2,596	47	9,219	1.31	14,617	24	2.68	4,017	44	28	34
Corporates - SME	2.50 to <10.0	3,247	877	43	3,667	3.52	6,547	22	2.33	1,820	50	30	31
Corporates - SME	10.0 to <100.00	511	67	49	550	15.72	1,021	25	2.37	722	131	21	17
Corporates - SME	100.00 (default)	618	43	28	635	100.00	1,471	40	2.68	174	27	256	265
Total - Corporates - SME		17,406	5,247	48	20,021	5.00	36,291	24	2.70	8,570	43	342	360
Corporates - Other	0.00 to <0.15	18,399	26,955	45	30,361	0.06	1,546	42	3.48	7,835	26	7	7
Corporates - Other	0.15 to <0.25	6,449	7,744	41	9,573	0.19	1,097	42	2.66	4,216	44	8	7
Corporates - Other	0.25 to <0.50	6,142	5,230	44	8,318	0.39	1,477	39	2.52	4,878	59	13	19
Corporates - Other	0.50 to <0.75	3,502	1,863	47	4,391	0.64	1,319	36	2.73	2,994	68	10	18
Corporates - Other	0.75 to <2.50	9,012	4,502	50	11,140	1.32	8,060	34	2.56	9,035	81	49	53
Corporates - Other	2.50 to <10.0	4,500	1,917	45	5,302	3.39	6,041	27	2.09	4,425	83	49	44
Corporates - Other	10.0 to <100.00	242	105	46	285	14.92	561	28	2.25	612	214	14	8
Corporates - Other	100.00 (default)	577	182	35	629	100.00	692	45	1.92	20	3	282	418
Total - Corporates - Other		48,823	48,498	45	69,999	1.56	20,793	39	2.93	34,015	49	432	574
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	—	—	—	—	—	1	—	—	—	—	—	—
Equities	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Equities	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Equities		—	—	—	—	—	1	—	—	—	—	—	—
Total - Wholesale all portfolios		106,628	54,663	45	130,853	1.62	57,650	38	2.57	46,536	36	781	958

Credit risk

EU 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 %
2020												
Central governments and central banks	0.02	45	0.03	42	0.06	45	0.01	44	0.01	45	0.03	45
Institutions	0.19	35	0.25	25	0.15	45	0.12	34	0.18	42	0.39	53
Corporates	2.77	35	3.04	33	3.56	36	1.41	40	0.64	46	1.14	44
<i>Specialised lending</i>	97.48	39	—	—	—	—	—	—	—	—	97.48	39
<i>SME</i>	4.72	23	4.41	23	9.53	33	92.76	37	6.92	17	12.29	23
<i>Other corporate</i>	2.29	38	2.63	37	2.15	37	1.32	40	0.64	46	0.80	44
Retail	2.64	19	2.37	18	6.45	30	3.58	57	2.25	56	3.17	57
<i>Secured by real estate property</i>												
- 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	—	—	—	—	—	—
<i>Qualifying revolving</i>	2.65	60	2.65	60	3.29	72	1.95	58	1.52	57	2.18	57
<i>Other retail</i>												
- 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	—	—	—	—	—	—	—	—	—	—	—	—
Total	2.37	26	2.52	22	4.61	34	0.45	43	0.22	45	0.44	45
	Total		UK		RoI		Other Western Europe		US		Rest of World	
	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %
2019												
Central governments and central banks	0.01	45	0.01	50	0.06	45	0.01	45	0.01	45	0.03	45
Institutions	0.15	40	0.20	24	0.15	45	0.13	39	0.13	45	0.36	52
Corporates	2.33	36	2.41	34	3.19	36	2.48	44	0.26	48	1.12	45
<i>Specialised lending</i>	34.95	34	—	—	—	—	1.28	50	—	—	34.95	34
<i>SME</i>	5.00	24	4.92	24	5.60	26	45.43	19	2.35	8	1.60	29
<i>Other corporate</i>	1.56	39	1.53	37	2.05	40	2.39	44	0.26	48	0.85	45
Retail	2.77	21	2.19	21	10.50	31	3.53	60	2.65	58	3.22	59
<i>Secured by real estate property</i>												
- SME	4.79	43	4.77	43	11.79	43	11.91	39	28.52	42	9.53	40
- non SME	2.29	12	1.54	11	10.88	28	—	—	—	—	—	—
<i>Qualifying revolving</i>	2.85	62	2.84	62	3.95	72	2.22	60	1.69	58	2.32	59
<i>Other retail</i>												
- SME	5.57	49	5.56	48	5.68	72	3.63	53	8.63	48	5.66	48
- non-SME	10.39	76	10.42	76	8.21	72	32.54	75	32.44	80	21.33	77
Equities	—	—	—	—	—	—	—	—	—	—	—	—
Total	2.33	28	2.33	24	7.58	34	0.72	44	0.10	46	0.48	46

Credit risk

EU 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 EU CR6_b.

2020		On-balance sheet amount £m	Off-balance sheet amount £m	Risk-weight %	Exposure amount £m	RWAs £m	Expected loss £m
Regulatory categories	Remaining maturity						
1 - Strong	Less than 2.5 years	2,785	495	50	3,053	1,487	—
	Equal to or more than 2.5 years	5,624	1,276	70	6,605	4,094	26
2 - Good	Less than 2.5 years	3,167	393	70	3,463	2,424	14
	Equal to or more than 2.5 years	1,587	261	90	1,786	1,566	14
3 - Satisfactory	Less than 2.5 years	102	1	115	103	119	3
	Equal to or more than 2.5 years	168	4	115	172	198	5
4 - Weak	Less than 2.5 years	38	3	250	41	103	3
	Equal to or more than 2.5 years	18	1	250	19	47	2
5 - Default	Less than 2.5 years	241	9	—	249	—	126
	Equal to or more than 2.5 years	257	4	—	258	—	130
Total	Less than 2.5 years	6,333	901		6,909	4,133	146
	Equal to or more than 2.5 years	7,654	1,546		8,840	5,905	177
2019							
1 - Strong	Less than 2.5 years	2,577	421	50	2,837	1,419	—
	Equal to or more than 2.5 years	4,660	1,179	70	5,621	3,935	22
2 - Good	Less than 2.5 years	2,442	320	70	2,717	1,902	11
	Equal to or more than 2.5 years	1,767	131	90	1,870	1,683	15
3 - Satisfactory	Less than 2.5 years	160	6	115	166	191	5
	Equal to or more than 2.5 years	135	10	115	145	166	4
4 - Weak	Less than 2.5 years	26	—	250	26	65	2
	Equal to or more than 2.5 years	19	—	250	20	49	2
5 - Default	Less than 2.5 years	243	9	—	252	—	128
	Equal to or more than 2.5 years	194	4	—	196	—	98
Total	Less than 2.5 years	5,448	756		5,998	3,577	146
	Equal to or more than 2.5 years	6,775	1,324		7,852	5,833	141

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, NWH 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 NWH 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 EU CR3_a indicates how different risk mitigants are incorporated into IRB risk parameters.

Credit risk

EU 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.

securitisations.

	a	b	c	d	e	f
	Exposures pre		Exposures post			
	CCF and CRM		CCF and CRM			
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
	£m	£m	£m	£m	£m	%
2020						
1 Central governments and central banks	96,287	602	96,543	119	1,158	1
2 Regional governments and local authorities	2	267	2	—	1	61
4 Multilateral development banks	—	—	—	—	—	—
6 Institutions	782	25	757	25	269	34
7 Corporates	5,725	2,364	5,205	651	4,512	77
8 Retail	2,225	4,056	2,134	24	1,278	59
9 Secured by mortgages on immovable property						
- residential	14,506	1,157	14,508	203	5,403	37
- commercial	2,727	228	2,654	103	2,737	99
10 Exposures in default	363	38	388	4	455	116
11 Items associated with particularly high risk	—	—	—	—	—	—
12 Covered bonds	—	—	—	—	—	—
15 Equity exposures	1	—	1	—	1	247
16 Other exposures	1,757	—	1,854	—	1,299	70
17 Total	124,375	8,737	124,046	1,129	17,113	14
2019						
1 Central governments and central banks	63,721	914	63,751	232	1,193	2
2 Regional governments and local authorities	20	196	20	—	5	25
4 Multilateral development banks	—	—	—	—	—	—
6 Institutions	534	177	653	—	236	36
7 Corporates	6,968	1,749	6,695	535	6,928	96
8 Retail	2,333	3,710	2,251	25	1,356	60
9 Secured by mortgages on immovable property						
- residential	10,722	1,108	10,725	184	3,942	36
- commercial	600	255	532	131	677	102
10 Exposures in default	297	28	301	1	359	119
11 Items associated with particularly high risk	—	—	—	—	—	—
12 Covered bonds	—	—	—	—	—	—
15 Equity exposures	25	—	25	—	27	107
16 Other exposures	1,010	—	1,123	—	500	45
17 Total	86,230	8,137	86,076	1,108	15,223	17

EU CR5a: STD: CQS mapping to external credit ratings

Under the STD approach, NWH 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, NWH 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

Credit risk

EU 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:	
EAD post CRM		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150% (1)	250%	370%	1250%	Others	Deducted	Total	Unrated
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2020																			
1	Central governments and central banks	96,175	—	—	—	26	—	—	—	—	—	—	461	—	—	—	—	96,662	598
2	Regional governments and local authorities	—	—	—	—	1	—	—	—	—	1	—	—	—	—	—	—	2	2
3	Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Institutions	—	—	—	—	408	—	374	—	—	—	—	—	—	—	—	—	782	4
5	Corporates	986	—	—	—	171	—	148	—	—	4,543	2	—	—	—	6	—	5,856	2,781
6	Retail	—	—	—	—	297	—	—	—	1,861	—	—	—	—	—	—	—	2,158	—
7	Secured by mortgages on immovable property																		
	- residential	1	—	—	—	—	14,284	—	—	62	364	—	—	—	—	—	—	14,711	14,711
	- commercial	3	—	—	—	—	—	—	—	—	2,724	27	—	—	—	3	—	2,757	2,757
10	Exposures in default	4	—	—	—	—	—	—	—	—	253	135	—	—	—	—	—	392	389
11	Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Equity exposures	—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—	1	—
15	Other exposures	477	—	—	—	44	—	31	—	—	1,268	—	—	—	—	34	—	1,854	1,854
16	Total EAD post CRM	97,646	—	—	—	947	14,284	553	—	1,923	9,154	164	461	—	—	43	—	125,175	23,096
17	EAD pre CRM	97,424	—	—	—	977	14,283	553	—	2,013	9,930	165	461	—	—	82	—	125,888	23,475

		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
2019																			
1	Central governments and central banks	63,479	—	—	—	29	—	—	—	—	—	—	475	—	—	—	—	63,983	628
2	Regional governments and local authorities	—	—	—	—	19	—	—	—	—	1	—	—	—	—	—	—	20	20
4	Institutions	—	—	—	—	301	—	352	—	—	—	—	—	—	—	—	—	653	4
5	Corporates	95	—	—	—	179	—	93	—	—	6,811	52	—	—	—	—	—	7,230	2,510
6	Retail	—	—	—	—	279	—	—	—	1,911	—	—	—	—	—	86	—	2,276	—
7	Secured by mortgages on immovable property																		
	- residential	—	—	—	—	—	10,712	—	—	—	196	1	—	—	—	—	—	10,909	10,908
	- commercial	—	—	—	—	—	—	—	—	—	632	31	—	—	—	—	—	663	663
10	Exposures in default	—	—	—	—	—	—	—	—	—	188	114	—	—	—	—	—	302	299
14	Equity exposures	—	—	—	—	—	—	—	—	—	24	—	1	—	—	—	—	25	1
15	Other exposures	527	—	—	—	45	—	26	—	—	466	—	—	—	—	59	—	1,123	1,123
16	Total EAD post CRM	64,101	—	—	—	852	10,712	471	—	1,911	8,318	198	476	—	—	145	—	87,184	16,156
17	EAD pre CRM	64,102	—	—	—	851	10,712	471	—	1,966	8,673	198	476	—	—	147	—	87,596	16,298

Note:

(1) Relates to legacy assets.

Counterparty credit risk

Counterparty credit risk

EU CCRA: CCR: General qualitative information

Definition and framework

Counterparty credit risk relates to derivative contracts (including over-the-counter (OTC) derivatives and exchange-traded derivatives), 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 NWH Group's credit risk framework. Refer to the Credit risk section in the 2020 ARA for more information.

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 nature of the relevant documentation and the anticipated close-out periods in the event of default.

For CCPs, utilisations are calculated in the same way as for other collateralised counterparties, and a credit limit is set. Additional limits are 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 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.

Collateral required in the event of a credit rating downgrade

NWH 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 2020, a simultaneous one-notch long-term and associated short-term downgrade in the credit ratings of all rated entities within NWH Group by all major ratings agencies would have required NWH Group to post estimated additional collateral of £7 million, without taking mitigating management actions into account. A two-notch downgrade would have required £702 million.

Credit valuation adjustments

The credit valuation adjustment (CVA) is the difference between the risk-free value of a portfolio of trades and its market value, taking into the counterparty's risk of default. CVA sensitivities may be hedged using a combination of derivatives or other instruments.

NWH 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 NWH Group has transacted non-cleared derivative trades. The charge is calculated using the standardised approach, which is based on the external credit rating of the counterparty.

Wrong-way risk

Wrong-way risk represents the risk of loss that arises when the risk factors driving the exposure to a counterparty are materially positively correlated 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.

This risk is immaterial for counterparty credit risk exposures in NWH Group.

EU 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	e	f	g
	Notional	Replacement	Potential		EAD	RWA
	£m	cost/current	future		post-CRM	£m
	£m	market value	exposure	Multiplier	£m	£m
2020						
1 Mark-to-market method	n/a	343	376	n/a	507	254
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	1,365	169
11 Total	—	343	376	—	1,872	423
2019						
1 Mark-to-market method	n/a	228	432	n/a	468	225
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	1,179	142
11 Total	—	228	432	—	1,647	367

Key point

- The increase in RWAs reflected movements in intragroup mark-to-market positions and collateral as well as rating downgrades for institutions.

Counterparty credit risk

IRB Approach PD & LGD approach

EU 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
	PD scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
2020								
Central governments and central banks	0.00 to <0.15	245	0.01	3	50	0.35	2	1
Central governments and central banks	0.15 to <0.25	—	—	—	—	—	—	—
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		245	0.01	3	50	0.35	2	1
Institutions	0.00 to <0.15	7	0.11	4	49	0.18	2	21
Institutions	0.15 to <0.25	184	0.21	8	49	0.06	64	35
Institutions	0.25 to <0.50	92	0.44	2	49	0.37	46	50
Institutions	0.50 to <0.75	—	—	—	—	—	—	—
Institutions	0.75 to <2.50	—	—	—	—	—	—	—
Institutions	2.50 to <10.00	—	—	—	—	—	—	—
Institutions	10.00 to <100.00	—	—	—	—	—	—	—
Institutions	100.00 (Default)	—	—	—	—	—	—	—
Total - Institutions		283	0.29	14	49	0.16	112	39
Corporates - SME	0.00 to <0.15	—	—	—	—	—	—	—
Corporates - SME	0.15 to <0.25	—	—	—	—	—	—	—
Corporates - SME	0.25 to <0.50	1	0.45	1	78	2.83	1	110
Corporates - SME	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - SME	0.75 to <2.50	—	—	—	—	—	—	—
Corporates - SME	2.50 to <10.00	—	—	—	—	—	—	—
Corporates - SME	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - SME	100.00 (Default)	—	—	—	—	—	—	—
Total - Corporates - SME		1	0.45	1	78	2.83	1	110

Counterparty credit risk

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

		a	b	c	d	e	f	g
	PD scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
2020								
Corporates - Specialised lending	Strong	29	—	12	—	4.91	18	64
Corporates - Specialised lending	Good	—	—	—	—	—	—	—
Corporates - Specialised lending	Satisfactory	—	—	—	—	—	—	—
Corporates - Specialised lending	Weak	—	—	—	—	—	—	—
Corporates - Specialised lending	Default	—	—	—	—	—	—	—
Total - Corporates - Specialised lending (1)		29	—	12	—	4.91	18	64
Corporates - Other	0.00 to <0.15	681	0.04	152	49	0.96	86	13
Corporates - Other	0.15 to <0.25	106	0.18	6	48	0.55	39	36
Corporates - Other	0.25 to <0.50	2	0.43	2	46	3.47	2	82
Corporates - Other	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - Other	0.75 to <2.50	—	—	—	—	—	—	—
Corporates - Other	2.50 to <10.00	—	2.56	1	35	2.49	—	101
Corporates - Other	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - Other	100.00 (Default)	—	—	—	—	—	—	—
Total - Corporates - Other		789	0.06	161	49	0.91	127	16
Total - Wholesale all portfolios		1,347	0.10	191	49	0.74	260	19

Counterparty credit risk

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

		a	b	c	d	e	f	g
	PD scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
2019								
Central governments and central banks	0.00 to <0.15	209	0.01	1	50	0.88	3	2
Central governments and central banks	0.15 to <0.25	—	—	—	—	—	—	—
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		209	0.01	1	50	0.88	3	2
Institutions	0.00 to <0.15	9	0.11	5	50	0.06	2	21
Institutions	0.15 to <0.25	256	0.22	8	50	0.07	87	34
Institutions	0.25 to <0.50	—	—	—	—	—	—	—
Institutions	0.50 to <0.75	—	—	—	—	—	—	—
Institutions	0.75 to <2.50	—	—	—	—	—	—	—
Institutions	2.50 to <10.00	—	—	—	—	—	—	—
Institutions	10.00 to <100.00	—	—	—	—	—	—	—
Institutions	100.00 (Default)	—	—	—	—	—	—	—
Total - Institutions		265	0.22	13	50	0.07	89	34
Corporates - SME	0.00 to <0.15	—	—	—	—	—	—	—
Corporates - SME	0.15 to <0.25	—	—	—	—	—	—	—
Corporates - SME	0.25 to <0.50	1	0.45	1	83	3.83	1	159
Corporates - SME	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - SME	0.75 to <2.50	—	—	—	—	—	—	—
Corporates - SME	2.50 to <10.00	—	—	—	—	—	—	—
Corporates - SME	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - SME	100.00 (Default)	—	100.00	1	25	5.00	—	—
Total - Corporates - SME		1	33.53	2	59	4.22	1	106

Counterparty credit risk

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

		a	b	c	d	e	f	g
	PD scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
2019								
Corporates - Specialised lending	Strong	26	—	12	—	4.98	18	70
Corporates - Specialised lending	Good	1	—	1	—	5.00	1	90
Corporates - Specialised lending	Satisfactory	—	—	—	—	—	—	—
Corporates - Specialised lending	Weak	—	—	—	—	—	—	—
Corporates - Specialised lending	Default	—	—	—	—	—	—	—
Total - Corporates - Specialised lending (1)		27	—	13	—	4.98	19	71
Corporates - Other	0.00 to <0.15	334	0.04	101	48	1.75	46	14
Corporates - Other	0.15 to <0.25	114	0.18	5	50	2.00	37	32
Corporates - Other	0.25 to <0.50	2	0.41	2	49	3.82	2	91
Corporates - Other	0.50 to <0.75	—	—	—	—	—	—	—
Corporates - Other	0.75 to <2.50	—	—	1	—	—	—	—
Corporates - Other	2.50 to <10.00	—	3.00	2	35	3.50	—	112
Corporates - Other	10.00 to <100.00	—	—	—	—	—	—	—
Corporates - Other	100.00 (Default)	—	—	—	—	—	—	—
Total - Corporates - Other		450	0.08	111	49	1.37	85	19
Total - Wholesale all portfolios		952	0.14	140	50	1.01	197	21

Note:

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

Key points

- The increase in RWAs in the Institutions class reflects a higher PD for some bank exposures.
- The increase in exposure and RWAs in the Corporates – Other class reflects an increase in SFTs with highly-rated asset management funds.

Counterparty credit risk

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

Exposure class	Risk-weight						Total £m	Of which: Unrated £m
	0% £m	2% £m	20% £m	50% £m	75% £m	100% £m		
2020								
1 Central governments and central banks	186	—	—	—	—	—	186	—
6 Institutions	—	838	63	151	—	—	1,052	—
7 Corporates	—	—	—	93	—	33	126	—
11 Total	186	838	63	244	—	33	1,364	—
2019								
1 Central governments and central banks	332	—	—	—	—	—	332	—
6 Institutions	—	846	61	169	—	—	1,076	—
7 Corporates	—	—	—	99	—	34	132	—
11 Total	332	846	61	268	—	34	1,540	—

Key point

- The decrease in total exposures was largely due to an early repayment of central bank funding.

EU CCR2: CCR: Credit valuation adjustment capital charge

The table below shows the CVA charge split by approach.

	a	b
	Exposure amount £m	RWAs £m
2020		
4 All portfolios subject to the standardised CVA capital charge	340	468
2019		
4 All portfolios subject to the standardised CVA capital charge	291	480

Key point

- The increase in exposure reflected intragroup hedging transactions. The small decrease in RWAs reflected the rating upgrade of an internal counterparty.

EU 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
	Gross positive fair value £m	Netting benefits £m	Netted current credit exposure £m	Collateral held (1) £m	Net credit exposure £m
2020					
1 Derivatives	13,177	13,177	—	—	—
2 SFTs	64,029	—	64,029	63,830	199
4 Total	77,206	13,177	64,029	63,830	199
2019					
1 Derivatives	9,088	9,039	48	48	—
2 SFTs	37,000	—	37,000	36,485	516
4 Total	46,088	9,039	37,048	36,533	516

Note:

- (1) Any excess collateral held is not included.

Key points

- For derivatives, the increase in gross positive fair value reflected the impact of the fall in interest rates over the period and an increase in trades with central counterparties.
- For SFTs, gross positive fair value increased, reflecting a higher volume of trades. Net credit exposure decreased because a greater proportion of positions were highly collateralised at 31 December 2020 than at 31 December 2019.

Counterparty credit risk

EU CCR6: CCR: Credit derivatives

The table below presents credit derivatives bought and sold by notional and fair values. The notional value shown in the table represents a legacy position.

	2020		2019	
	a	b	a	b
	Protection bought £m	Protection sold £m	Protection bought £m	Protection sold £m
Notionals				
Single-name credit default swaps	12	—	24	—
Total notionals	12	—	24	—
Of which: Own credit portfolio - notionals (1)	12	—	24	—
Fair values				
Positive fair value (asset)	12	—	15	—
Negative fair value (liability)	—	—	—	—

Note:

- (1) Comprises 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.

Key point

- The reduction in protection bought reflected the amortisation of the notional of single-name credit default swaps.

EU 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) is a CCP that has been either authorised or recognised in accordance with the relevant regulation.

	2020		2019	
	a	b	a	b
	EAD post-CRM £m	RWA £m	EAD post-CRM £m	RWA £m
1 Exposures to QCCPs (total)	881	70	944	133
2 Exposures for trades at QCCPs (excluding OTC initial margin and default fund contributions)	839	17	846	17
Of which:				
3 (i) OTC derivatives	713	14	686	14
5 (iii) Securities financing transactions	126	3	160	3
9 Pre-funded default fund contributions	42	53	98	116

Key point

- The decrease in RWAs was driven by a lower pre-funded default fund contribution.

Market risk

Market risk

EU MRA: MR: Qualitative information related to market risk Definition and framework

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. There is no material traded market risk in NWH Group.

At 31 December 2020, NWH Group solely uses the standardised or non-modelled approach to calculate its market risk capital requirements. Market risk RWAs for NWH Group relate solely to the foreign exchange banking book charge.

Market risk governance and management

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

For more information on the governance and management, mitigation, monitoring and reporting of market risk, refer to the Market risk section of the NWH Group 2020 ARA.

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 Group Board.

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

The table below shows market risk RWAs and MCR by calculation method and type of risk for NWH Group and large subsidiaries. MCR is calculated as 8% of RWAs.

	NWH Group		NWB Plc		RBS plc		UBI DAC		Courtts & Co	
	a	b	a	b	a	b	a	b	a	b
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
2020										
3 Foreign exchange position risk (outright products)	106	9	18	1	14	1	62	5	6	1

	NWH Group		NWB Plc		RBS plc		UBI DAC	
	a	b	a	b	a	b	a	b
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
2019								
3 Foreign exchange position risk (outright products)	125	10	17	1	15	1	77	6

Key points

NWH Group

- NWH Group's RWA exposure includes the position in NatWest Holdings Limited and its subsidiaries.
- The reduction in RWAs was primarily due to a decrease in euro positions relating to transfer pricing charges between NWH Group entities.

UBI DAC

- UBI DAC exposure mainly arises from costs in foreign currency and associated hedges, as well as from accruals. This exposure decreased over the period.

Securitisation

Securitisation

SECA: SEC qualitative disclosures Framework, roles and definitions

This section presents descriptive information on NWH 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 tranching, 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 112). 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.

Securitized 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, NWH 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, NWH 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 112.

NWH 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, NWH Group securitises assets it has purchased or originated. As an originator NWH 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, NWH Group may:

- Purchase securities issued by 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.

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

Sponsor – NWH 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.

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

Other administrative roles – As a 'contractual party', NWH 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 NWH 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. NWH 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.

Securitisation

Types of risk	Definition and how the risk may arise	How NWH Group monitors and manages the risk
Credit risk	<p>The risk of loss arising from the failure of a customer or counterparty (or, in the case of a securitisation, an SSPE) to meet its obligations to settle outstanding amounts.</p> <p>Securitisation may expose NWH Group to credit risk for any of several reasons.</p> <p>If NWH 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, NWH Group is exposed to the risk that the SSPE will fail to meet its obligations to settle outstanding amounts to NWH 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.</p> <p>When NWH 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.</p> <p>Credit risk is heightened if the assets in the SSPE are not diversified by sector, geography or borrower.</p>	<p>NWH 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, NWH 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.</p> <p>As an originator, if the securitisation structure does not transfer substantial credit risk to a third party, NWH Group manages it as if the securitisation had never taken place. NWH 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 NWH Group.</p> <p>NWH 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.</p>
Non-traded market risk	<p>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.</p>	<p>NWH 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 2020 ARA.</p>
Liquidity and funding risk	<p>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. NWH Group may sponsor securitisations and, as sponsor, may provide liquidity facilities to the SSPE. If the SSPE utilises these facilities, NWH Group will need to fund them, giving rise to the risk that it will not be able to do so.</p>	<p>NWH 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 2020 ARA.</p>

Securitisation

Types of risk	Definition and how the risk may arise	How NWH Group monitors and manages the risk
Legal risk	<p>The risk that NWH 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 NWH 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.</p> <p>This risk is heightened in the case of re-securitisations, as NWH Group needs to gather information surrounding each of the original transactions, together with an understanding of their interaction within the re-securitisation.</p>	NWH 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, NWH 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	<p>Compliance risk is the risk that the behaviour of NWH Group towards customers fails to comply with laws, regulations, rules standards and codes of conduct. Conduct risk is the risk that the conduct of NWH 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 NWH 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.</p>	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 NWH 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 2020 ARA.
Reputational risk	<p>The risk to NWH Group's public image from a failure to meet stakeholders' expectations in relation to performance, conduct or business profile. Stakeholders include customers, investors, employees, suppliers, government, regulators, special interest and consumer groups, media and the general public.</p> <p>Reputational risk can arise from the conduct of employees; activities of customers and the sectors and countries in which they operate; provision of products and transactions; as well as operations and infrastructure.</p>	NWH Group manages reputational risk in accordance with its reputational risk management framework. For further information, refer to the Reputational risk section of the 2020 ARA.
Operational risk	<p>The risk of loss resulting from inadequate or failed internal processes, people and systems, or external events.</p> <p>This risk arises from day-to-day operations and is relevant to every aspect of the business.</p>	NWH Group manages operational risk in accordance with its operational risk management framework. For further information, refer to Operational risk section of the 2020 ARA.

Securitisation

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. 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 page 236 of the 2020 NatWest Group ARA). 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

A new securitisation framework has been in place since January 2019 through amendments to the CRR and the introduction of a new Securitisation Regulation. In accordance with the transitional provisions, the new framework was used in 2019 for the calculation of risk-weighted exposures for positions which were originated during that year. All positions moved onto the new framework on 1 January 2020 when the transitional provisions ended.

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.

Securitisation

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 NWH Group's published accounting policy Basis of Consolidation (refer to page 97 of the 2020 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 NWH Group's published accounting policy Derecognition (refer to page 98 of the 2020 ARA).

NWH Group applies its accounting policies Provisions; Loan commitments; and Financial guarantee contracts (set out on pages 100 to 101 of the 2020 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 NWH Group's published accounting policy Derivatives and hedging (refer to page 101 of the 2020 ARA).

Assets awaiting securitisation

Financial assets are valued using NWH Group's accounting policy for Financial instruments (refer to page 100 of the 2020 ARA). At both 31 December 2020 and 31 December 2019, no assets were categorised as awaiting securitisation.

Implicit support

NWH 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 page 100 of the 2020 ARA.

Types of transactions

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

Residential mortgages and commercial real estate loans – NWH 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 – NWH Group selectively securitises other loans that it originates, principally those to corporates and small and medium-sized enterprises.

SSPEs used by NWH Group

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

The transactions in which NWH Group has originated all the assets and continues to administer the associated SSPEs comprise the following:

- Ardmore & Dunmore (Irish residential mortgages SSPEs);

Following synthetic securitisations in previous years primarily of loans to corporates, SMEs and commercial mortgages, in 2020, NWH Group completed a synthetic securitisation of corporate loans of £1.4 billion. No gain or loss was recognised on the transfer of these assets.

Notes on the following tables

Tables SEC 1, SEC 3 & SEC 4 show total securitisation positions, as discussed under Regulatory treatment of securitisation on page 112. The exposures included those retained from NWH Group's 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

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)	—	—	—	—	—	—	1,308	—	1,308
Residential mortgages	—	—	—	—	—	—	1,308	—	1,308
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	—	—	—	—	—	—
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	—	—	—
Wholesale (total)	—	6,342	6,342	—	—	—	—	—	—
Commercial Mortgages	—	1,706	1,706	—	—	—	—	—	—
Leasing	—	—	—	—	—	—	—	—	—
Loans to corporates	—	4,636	4,636	—	—	—	—	—	—
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	—	—	—
Total at 31 December 2020	—	6,342	6,342	—	—	—	1,308	—	1,308
Retail (total)	—	—	—	—	—	—	1,418	—	1,418
Residential mortgages	—	—	—	—	—	—	1,418	—	1,418
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	—	—	—	—	—	—
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	—	—	—
Wholesale (total)	—	5,877	5,877	—	—	—	34	—	34
Commercial Mortgages	—	1,533	1,533	—	—	—	—	—	—
Leasing	—	—	—	—	—	—	—	—	—
Loans to corporates	—	4,344	4,344	—	—	—	—	—	—
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	34	—	34
Total at 31 December 2019	—	5,877	5,877	—	—	—	1,452	—	1,452

Key point

- The increase in exposure was primarily driven by a rise in own-asset originated synthetic securitisations, partially offset by a reduction in investor positions in residential mortgage transactions.

Securitisation

Securitisation exposures: retained and purchased

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

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

31 December 2019													
	Exposure values (by RW bands)					Exposure values (by regulatory approach) (1)				RWA (by regulatory approach) (1)			
	≤20%	>20% to	>50% to	>100% to	1250%	SEC-	SEC-	SEC-		SEC-	SEC-	SEC-	
	RW	50% RW	100% RW	<1250% RW	RW	AIRB	ERBA	SA		AIRB	ERBA	SA	
	£m	£m	£m	£m	£m	£m	£m	£m		£m	£m	£m	
Total Exposures	5,173	473	79	141	11	5,877	—	—		1,382	—	—	
Traditional securitisation	—	—	—	—	—	—	—	—		—	—	—	
Of which securitisation	—	—	—	—	—	—	—	—		—	—	—	
Of which retail	—	—	—	—	—	—	—	—		—	—	—	
Of which wholesale	—	—	—	—	—	—	—	—		—	—	—	
Of which re-securitisation	—	—	—	—	—	—	—	—		—	—	—	
Of which senior	—	—	—	—	—	—	—	—		—	—	—	
Of which non-senior	—	—	—	—	—	—	—	—		—	—	—	
Synthetic securitisation	5,173	473	79	141	11	5,877	—	—		1,382	—	—	
Of which securitisation	5,173	473	79	141	11	5,877	—	—		1,382	—	—	
Of which retail	—	—	—	—	—	—	—	—		—	—	—	
Of which wholesale	5,173	473	79	141	11	5,877	—	—		1,382	—	—	
Of which re-securitisation	—	—	—	—	—	—	—	—		—	—	—	
Of which senior	—	—	—	—	—	—	—	—		—	—	—	
Of which non-senior	—	—	—	—	—	—	—	—		—	—	—	

Note:

(1) December 2019 is not directly comparable, by regulatory approach, to December 2020. This is due to the change in the securitisation framework, which was fully implemented in January 2020, following the end of the transitional provisions.

Securitisation

Securitisation exposures: retained and purchased

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

31 December 2020

	Exposure values (by RW bands)					Exposure values (by regulatory approach) (1)				RWA (by regulatory approach) (1)			
	≤20%	>20% to	>50% to	>100% to	1250%	SEC-	SEC-	SEC-	12.5	SEC-	SEC-	SEC-	12.5
	RW	50% RW	100% RW	<1250% RW	RW	ERBA	IRBA	SA		ERBA	IRBA	SA	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Exposures	1,156	—	49	103	—	152	—	1,156	—	199	—	169	—
Traditional securitisation	1,156	—	49	103	—	152	—	1,156	—	199	—	169	—
Of which securitisation	1,156	—	49	103	—	152	—	1,156	—	199	—	169	—
Of which retail	1,156	—	49	103	—	152	—	1,156	—	199	—	169	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
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 2019

	Exposure values (by RW bands)					Exposure values (by regulatory approach) (1)			RWA (by regulatory approach) (1)		
	≤20%	>20% to	>50% to	>100% to	1250%	SEC-	SEC-		SEC-	SEC-	
	RW	50% RW	100% RW	<1250% RW	RW	AIRB	ERBA	SA	AIRB	ERBA	SA
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Exposures	1,420	32	—	—	—	1,452	—	—	127	—	—
Traditional securitisation	1,420	32	—	—	—	1,452	—	—	127	—	—
Of which securitisation	1,420	32	—	—	—	1,452	—	—	127	—	—
Of which retail	1,386	32	—	—	—	1,418	—	—	124	—	—
Of which wholesale	34	—	—	—	—	34	—	—	3	—	—
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	—	—	—	—	—	—	—	—	—	—	—

Note:

(1) December 2019 is not directly comparable, by regulatory approach, to December 2020. This is due to the change in the securitisation framework, which was fully implemented in January 2020, following the end of the transitional provisions.

NatWest Holdings Group Remuneration Disclosure

Remuneration of Material Risk Takers ('MRTs')

Summary of approach taken

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

The following pages contain the quantitative disclosures for NatWest Holdings Limited ('NWH'), National Westminster Bank Plc ('NWB'), The Royal Bank of Scotland plc ('RBS'), Ulster Bank Limited ('UBL'), and Coutts and Company ('Coutts'). Separate disclosures are made for other CRR firms within NatWest Group. Details of remuneration policy and remuneration paid to all MRTs of NatWest Group can be found in the Directors' Remuneration Report, NatWest Group and Ulster Bank Ireland DAC ('UBIDAC') Pillar 3 disclosures.

Solo Regulated Entity reporting

Our approach to MRT identification means that many colleagues hold MRT criteria for more than one legal entity. In the following disclosures, all MRTs identified for each entity are included in the 'Number of MRTs by Business Area' table. In order to make the disclosures as meaningful as possible, we only report each MRT's compensation in the disclosures for the solo regulated entity for which they perform their primary role. This means that for example where a colleague holds MRT criteria for NWB, RBS and UBL, their pay will only be reported once for the entity in which they perform their primary role. Their pay is excluded from the remuneration tables for the other entities. In practice, this means that most of these colleagues have their pay reported in the NWB disclosures, with a small number in UBL. The RBS disclosures do not include pay for any of the individuals who hold MRT criteria for the entity because everyone holding MRT criteria for RBS has a primary role in another entity in the NatWest Group.

NatWest Holdings Reporting

The MRTs reported for NWH are those colleagues who can impact the risk profile of NWH, the holding company of NatWest Holdings Group (NWH Group), which includes NWH, NWB, RBS, UBL, Coutts and Ulster Bank Ireland DAC ('UBIDAC'). As some of these NWH MRTs also impact the risk profile of solo regulated entities within the NWH Group, they are also reported at the solo regulated entity level, so there is an element of duplication. However, not every MRT who holds criteria for one of the solo regulated entities within the NWH Group also holds criteria for NWH (on the basis that they do not impact the risk profile of the NWH Group as a whole). This means the NWH disclosures are not equal to the sum of the disclosures for the subsidiary entities within the NWH Group, but instead represent a sub-consolidated view of all MRTs who can impact the risk profile of NWH as the holding company of the NWH Group.

NatWest Holdings Limited Remuneration Disclosure

Remuneration of Material Risk Takers ('MRTs')

Information on the remuneration policy and remuneration paid to MRTs of NatWest Group can be found in the Directors' Remuneration Report and Other Remuneration Disclosures section of the NatWest Group's 2020 Annual Report & Accounts.

The quantitative disclosures below are made in accordance with Article 450 of the EU Capital Requirements Regulation, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies in relation to 586 employees who have been identified as MRTs for NatWest Holdings Limited ('NWH'). NWH is the holding company of The Royal Bank of Scotland plc, National Westminster Bank Plc, and Ulster Bank Limited (together the NWH Sub Group) and other subsidiary and associated undertakings including Ulster Bank Ireland DAC and Coutts & Co (together the 'NWH Group'). These disclosures relate to colleagues identified as MRTs for NWH at a sub-consolidated level. Separate disclosures are made for other relevant subsidiary entities within the NWH Group.

Information on:

- the decision making process used to determine remuneration policy;
 - external remuneration consultants;
 - the link between pay and performance; and
 - the most important design characteristics of the remuneration system (including information on the performance measurement and risk adjustment criteria, deferral policy and vesting criteria);
- is aligned to that disclosed for NatWest Group.

NWH Group has a number of Performance and Remuneration Committees (the NWH RemCos). The NWH RemCos are expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for the relevant entities within the NWH Group.

The key areas of focus for the NWH RemCos include: 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 NWH RemCos must be able to act independently and the non-executive directors serving on such committees are supported by the necessary entity-specific management information in order to carry out their duties.

Definitions for tables

Executive Directors	Executive directors of NatWest Holdings Limited
Non-Executive Directors	Non-executive directors of NatWest Holdings Limited

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	13	13
Corporate Functions	9	88	97
Control Functions	4	330	334
Commercial Banking	1	82	83
Retail Banking	2	29	31
Wealth	1	25	26
Total	19	567	586

3 individuals above hold MRT criteria for NWH but have their primary role in another NatWest Group entity.

Note that remuneration for such individuals has been excluded from the remaining tables in this disclosure because any remuneration these individuals receive (both fixed and variable) is paid in relation to their primary role which they perform for another NatWest Group entity and is not linked to their MRT status for NWH. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

2. Aggregate remuneration expenditure

Aggregate remuneration expenditure in respect of 2020 performance for the MRTs whose primary role was performed for NWH was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	19	564	583
	£m	£m	£m
Executive Directors	4.19	-	4.19
Non-Executive Directors	-	2.86	2.86
Corporate Functions	9.97	28.69	38.66
Control Functions	5.67	51.49	57.16
Commercial Banking	1.37	25.88	27.25
Retail Banking	2.00	8.71	10.71
Wealth	1.40	9.90	11.30
Total	24.60	127.53	152.13

3. Amounts and form of fixed and variable remuneration

Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

Fixed remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	19	564	583
	£m	£m	£m
Executive Directors	3.51	-	3.51
Non-Executive Directors	-	2.86	2.86
Corporate Functions	7.27	23.57	30.84
Control Functions	4.32	45.12	49.44
Commercial Banking	0.97	19.42	20.39
Retail Banking	1.84	6.98	8.82
Wealth	0.97	7.23	8.20
Total	18.88	105.18	124.06

Variable remuneration awarded for 2020 performance

Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a three 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 employee.

Long-term incentive awards vest subject to the extent to which performance conditions are met and can result in zero payment.

Annual bonus	Senior mgmt	Other MRTs	Total
Number of beneficiaries	8	429	437
	£m	£m	£m
Executive Directors			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions			
Cash remuneration	0.01	0.12	0.13
Deferred bonds	0.27	2.55	2.82
Deferred shares	1.60	2.46	4.06
Control Functions			
Cash remuneration	0.00	0.49	0.49
Deferred bonds	0.06	4.03	4.09
Deferred shares	0.22	1.84	2.06
Commercial Banking			
Cash remuneration	-	0.15	0.15
Deferred bonds	-	2.57	2.57
Deferred shares	-	3.74	3.74
Retail Banking			
Cash remuneration	0.00	0.04	0.04
Deferred bonds	0.03	0.73	0.76
Deferred shares	0.12	0.97	1.09
Wealth			
Cash remuneration	-	0.05	0.05
Deferred bonds	-	1.16	1.16
Deferred shares	-	1.46	1.46
Total	2.31	22.36	24.67

Long-term incentives	Senior mgmt	Other MRTs	Total
Number of beneficiaries	6	-	6
	£m	£m	£m
Executive Directors	0.68	-	0.68
Non-Executive Directors	-	-	-
Corporate Functions	0.83	-	0.83
Control Functions	1.07	-	1.07
Commercial Banking	0.40	-	0.40
Retail Banking	-	-	-
Wealth	0.43	-	0.43
Total	3.40	-	3.40

NatWest Holdings Limited Remuneration Disclosure

4. Outstanding deferred remuneration through 2020

The table below includes deferred remuneration awarded or paid out in 2020 in respect of prior performance years. Deferred remuneration reduced during the year relates to long-term incentives 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.

Category of deferred remuneration	Senior mgmt £m	Other MRTs £m	Total £m
Unvested from prior year	31.96	52.67	84.63
Awarded during year	11.5	44.19	55.69
Paid out (retained)	6.34	15.63	21.97
Paid out (released)	0.64	26.76	27.39
Reduced from prior years	3.64	4.76	8.4
Unvested at year end	32.84	49.72	82.55

5. Guaranteed Awards (including 'Sign-on' awards) and Severance Payments

NWH Group does not offer 'Sign-on awards'. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards foregone in their previous company and are limited to the first year of service. No new hire guarantees were awarded to MRTs in respect of the 2020 performance year.

Severance payments and / or arrangements can be made to employees who leave NWH 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 awarded.

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 two individuals of £460,000 and €55,836. Neither individual was senior management and both payments were a litigation settlement payment made to reflect genuine litigation risks related to termination of employment. Severance payments do not reward failure or misconduct in line with regulatory requirements. Where required, remuneration is constrained within the limit of variable to fixed remuneration in accordance with EBA guidelines.

6. Ratio between fixed and variable remuneration

The variable component of total remuneration for the MRTs whose primary role was performed for NWH shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2020 is approximately 1 to 0.28. The majority of MRTs were based in the UK.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	14	429	443
	ratio	ratio	ratio
Executive			
Directors	1 to 0.43	-	1 to 0.43
Non-Executive			
Directors	-	-	-
Corporate			
Functions	1 to 0.53	1 to 0.26	1 to 0.31
Control Functions	1 to 0.43	1 to 0.16	1 to 0.18
Commercial			
Banking	1 to 0.41	1 to 0.38	1 to 0.38
Retail Banking	1 to 0.38	1 to 0.31	1 to 0.32
Wealth	1 to 0.44	1 to 0.39	1 to 0.39
Consolidated	1 to 0.47	1 to 0.25	1 to 0.28

7. Discount Rate

Under CRD IV 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 at least 25% of 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 2020 performance year.

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

€ million	Number of employees 2020
€1.0 - €1.5	16
€1.5 - €2.0	5
€2.0 - €2.5	-
€2.5 - €3.0	3
€3.0 - €3.5	1
Total	25

Notes:

- (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 €1.12518 to £1 for 2020.
- (3) As noted earlier in this report, 3 individuals have been excluded from the remuneration tables in this disclosure because any remuneration they receive is paid in relation to their primary role performed for another entity within NatWest Group and is not linked to their MRT status for NWH. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

National Westminster Bank Plc Remuneration Disclosure

Remuneration of Material Risk Takers ('MRTs')

Information on the remuneration policy and remuneration paid to MRTs of NatWest Group plc ('NatWest Group') can be found in the Directors' Remuneration Report and Other Remuneration Disclosures section of the NatWest Group's 2020 Annual Report & Accounts.

The quantitative disclosures below are made in accordance with Article 450 of the EU Capital Requirements Regulation, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies in relation to 1,044 employees who have been identified as MRTs for National Westminster Bank Plc ('NWB').

Information on:

- the decision making process used to determine remuneration policy;
 - external remuneration consultants;
 - the link between pay and performance; and
 - the most important design characteristics of the remuneration system (including information on the performance measurement and risk adjustment criteria, deferral policy and vesting criteria);
- is aligned to that disclosed for NatWest Group.

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

The key areas of focus for the NWH RemCo include: 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, on behalf of NWB and the other entities within the NWH Sub Group.

The NWH RemCo must be able to act independently and the non-executive directors serving on this committee are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo met 15 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of National Westminster Bank Plc
Non-Executive Directors	Non-executive directors of National Westminster Bank Plc

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	12	12
Corporate Functions	9	53	62
Control Functions	4	302	306
Commercial Banking	1	628	629
Retail Banking	2	13	15
Wealth	1	17	18
Total	19	1,025	1,044

23 individuals above hold MRT criteria for NWB but perform their primary role for another NatWest Group entity.

Note that remuneration for such individuals has been excluded from the remaining tables in this disclosure because any remuneration they receive (both fixed and variable) is paid in relation to their primary role which they perform for another NatWest Group entity and is not linked to their MRT status for NWB. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

2. Aggregate remuneration expenditure

Aggregate remuneration expenditure in respect of 2020 performance for the MRTs whose primary role was performed for NWB was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	18	1,003	1,021
	£m	£m	£m
Executive Directors	4.19	-	4.19
Non-Executive Directors	-	2.81	2.81
Corporate Functions	9.97	22.15	32.12
Control Functions	5.67	44.21	49.88
Commercial Banking	1.37	83.80	85.17
Retail Banking	2.00	4.88	6.88
Wealth	-	2.81	2.81
Total	23.20	160.66	183.86

3. Amounts and form of fixed and variable remuneration

Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

Fixed remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	18	1003	1021
	£m	£m	£m
Executive Directors	3.51	-	3.51
Non-Executive Directors	-	2.81	2.81
Corporate Functions	7.27	17.62	24.89
Control Functions	4.32	38.73	43.05
Commercial Banking	0.97	71.92	72.89
Retail Banking	1.84	3.71	5.55
Wealth	-	2.05	2.05
Total	17.91	136.84	154.75

Variable remuneration awarded for 2020 performance

Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a three 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 employee.

Long-term incentive awards vest subject to the extent to which performance conditions are met and can result in zero payment.

	Senior mgmt	Other MRTs	Total
Annual bonus			
Number of beneficiaries	8	862	870
	£m	£m	£m
Executive Directors			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions			
Cash remuneration	0.01	0.09	0.10
Deferred bonds	0.27	2.04	2.31
Deferred shares	1.60	2.39	3.99
Control Functions			
Cash remuneration	0.00	0.43	0.43
Deferred bonds	0.05	3.50	3.55
Deferred shares	0.23	1.54	1.77
Commercial Banking			
Cash remuneration	-	1.15	1.15
Deferred bonds	-	6.93	6.93
Deferred shares	-	3.80	3.80
Retail Banking			
Cash remuneration	0.00	0.02	0.02
Deferred bonds	0.03	0.46	0.49
Deferred shares	0.12	0.69	0.81
Wealth			
Cash remuneration	-	0.02	0.02
Deferred bonds	-	0.34	0.34
Deferred shares	-	0.41	0.41
Total	2.31	23.81	26.12

National Westminster Bank Plc Remuneration Disclosure

Long-term incentives	Senior mgmt	Other MRTs	Total
Number of beneficiaries	5	-	5
	£m	£m	£m
Executive Directors	0.68	-	0.68
Non-Executive Directors	-	-	-
Corporate Functions	0.83	-	0.83
Control Functions	1.07	-	1.07
Commercial Banking	0.40	-	0.40
Retail Banking	-	-	-
Wealth	-	-	-
Total	2.98	-	2.98

4. Outstanding deferred remuneration through 2020

The table below includes deferred remuneration awarded or paid out in 2020 in respect of prior performance years. Deferred remuneration reduced during the year relates to long-term incentives 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.

Category of deferred remuneration	Senior mgmt	Other MRTs	Total
	£m	£m	£m
Unvested from prior year	30.90	46.94	77.84
Awarded during year	10.95	47.86	58.80
Paid out (retained)	6.12	13.81	19.93
Paid out (released)	0.55	32.88	33.44
Reduced from prior years	3.54	4.16	7.70
Unvested at year end	31.64	43.94	75.58

5. Guaranteed Awards (including 'Sign-on' awards) and Severance Payments

NWB does not offer 'Sign-on awards'. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards foregone in their previous company and are limited to the first year of service. No new hire guarantees were awarded to MRTs in respect of the 2020 performance year.

Severance payments and / or arrangements can be made to employees who leave NWB 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 awarded.

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 one individual, who was not senior management, of £460,000. This was a litigation settlement payment made to reflect genuine litigation risks related to the termination of employment. Severance payments do not reward failure or misconduct in line with regulatory requirements. Where required, remuneration is constrained within the limit of variable to fixed remuneration in accordance with EBA guidelines.

6. Ratio between fixed and variable remuneration

The variable component of total remuneration for the MRTs whose primary role was performed for NWB shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2020 is approximately 1 to 0.22. The majority of MRTs were based in the UK.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	13	862	875
	ratio	ratio	ratio
Executive Directors	1 to 0.43	-	1 to 0.43
Non-Executive Directors	-	-	-
Corporate Functions	1 to 0.53	1 to 0.28	1 to 0.34
Control Functions	1 to 0.43	1 to 0.17	1 to 0.19
Commercial Banking	1 to 0.41	1 to 0.18	1 to 0.18
Retail Banking	1 to 0.38	1 to 0.40	1 to 0.40
Wealth	-	1 to 0.38	1 to 0.38
Consolidated	1 to 0.47	1 to 0.20	1 to 0.22

7. Discount Rate

Under CRD IV 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 at least 25% of 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 2020 performance year.

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

€ million	Number of employees 2020
€1.0 - €1.5	14
€1.5 - €2.0	5
€2.0 - €2.5	0
€2.5 - €3.0	3
€3.0 - €3.5	1
Total	23

Notes:

- (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 €1.12518 to £1 for 2020.
- (3) As noted earlier in this report, 23 individuals have been excluded from the remuneration tables in this disclosure because any remuneration they receive is paid in relation to their primary role performed for another entity within the NatWest Group and is not linked to their MRT status for NWB. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

Ulster Bank Limited Remuneration Disclosure

Remuneration of Material Risk Takers ('MRTs')

Information on the remuneration policy and remuneration paid to MRTs of NatWest Group plc ('NatWest Group') can be found in the Directors' Remuneration Report and Other Remuneration Disclosures section of the NatWest Group's 2020 Annual Report & Accounts.

The quantitative disclosures below are made in accordance with Article 450 of the EU Capital Requirements Regulation, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies in relation to 423 employees who have been identified as MRTs for Ulster Bank Limited ('UBL').

Information on:

- the decision making process used to determine remuneration policy;
 - external remuneration consultants;
 - the link between pay and performance; and
 - the most important design characteristics of the remuneration system (including information on the performance measurement and risk adjustment criteria, deferral policy and vesting criteria);
- is aligned to that disclosed for NatWest Group.

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

The key areas of focus for the NWH RemCo include: 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, on behalf of UBL and the other entities within the NWH Sub Group.

The NWH RemCo must be able to act independently and the non-executive directors serving on this committee are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo met 15 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of Ulster Bank Limited
Non-Executive Directors	Non-executive directors of Ulster Bank Limited

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	12	12
Corporate Functions	9	39	48
Control Functions	4	283	287
Commercial Banking	1	49	50
Retail Banking	2	13	15
Wealth	1	8	9
Total	19	404	423

383 individuals above hold MRT criteria for UBL but have their primary role in another NatWest Group entity.

Note that remuneration for such individuals has been excluded from the remaining tables in this disclosure because any remuneration they receive (both fixed and variable) is paid in relation to their primary role which they perform for another NatWest Group entity and is not linked to their MRT status for UBL. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Account and related Pillar 3 disclosures on natwestgroup.com.

2. Aggregate remuneration expenditure

Aggregate remuneration expenditure in respect of 2020 performance for MRTs whose primary role was performed for UBL was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	-	40	40
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	0.07	0.07
Control Functions	-	0.36	0.36
Commercial Banking	-	2.66	2.66
Retail Banking	-	-	-
Wealth	-	-	-
Total	-	3.09	3.09

3. Amounts and form of fixed and variable remuneration

Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

Fixed remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	-	40	40
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	0.07	0.07
Control Functions	-	0.34	0.34
Commercial Banking	-	2.44	2.44
Retail Banking	-	-	-
Wealth	-	-	-
Total	-	2.85	2.85

Variable remuneration awarded for 2020 performance

Variable remuneration consisted of annual bonus deferred over a three 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 employee.

No MRTs were awarded long term incentive awards for performance year 2020.

Annual bonus	Senior mgmt	Other MRTs	Total
Number of beneficiaries	-	34	34
	£m	£m	£m
Executive Directors			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Control Functions			
Cash remuneration	-	0.00	0.00
Deferred bonds	-	0.01	0.01
Deferred shares	-	-	-
Commercial Banking			
Cash remuneration	-	0.06	0.06
Deferred bonds	-	0.17	0.17
Deferred shares	-	-	-
Retail Banking			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Wealth			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Total	-	0.24	0.24

Ulster Bank Limited Remuneration Disclosure

Long-term incentives	Senior mgmt	Other MRTs	Total
Number of beneficiaries	-	-	-
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Commercial Banking	-	-	-
Retail Banking	-	-	-
Wealth	-	-	-
Total	-	-	-

4. Outstanding deferred remuneration through 2020

The table below includes deferred remuneration awarded or paid out in 2020 in respect of prior performance years. Deferred remuneration reduced during the year relates to long-term incentives 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.

Category of deferred remuneration	Senior mgmt	Other MRTs	Total
	£m	£m	£m
Unvested from prior year	0.00	0.02	0.02
Awarded during year	0.00	0.48	0.48
Paid out (retained)	0.00	0.02	0.02
Paid out (released)	0.00	0.44	0.44
Reduced from prior years	0.00	0.00	0.00
Unvested at year end	0.00	0.04	0.04

5. Guaranteed Awards (including 'Sign-on' awards) and Severance Payments

UBL does not offer 'Sign-on awards'. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards foregone in their previous company and are limited to the first year of service. No new hire guarantees were awarded to MRTs in respect of the 2020 performance year.

Severance payments and / or arrangements can be made to employees who leave UBL 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 awarded.

No severance payments were made to MRTs during the year in excess of contractual payments, local policies, standards or statutory amounts. Severance payments do not reward failure or misconduct in line with regulatory requirements. Where required, remuneration is constrained within the limit of variable to fixed remuneration in accordance with EBA guidelines.

6. Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs whose primary role was performed for UBL shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2020 is approximately 1 to 0.10. The majority of MRTs were based in the UK.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	-	34	34
	ratio	ratio	ratio
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	1 to 0.06	1 to 0.06
Commercial Banking	-	1 to 0.10	1 to 0.10
Retail Banking	-	-	-
Wealth	-	-	-
Consolidated	-	1 to 0.10	1 to 0.10

7. Discount Rate

Under CRD IV 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 at least 25% of 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 2020 performance year.

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

€ million	Number of employees
	2020
€1.0 and above	-
Total	-

Notes:

- (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 €1.12518 to £1 for 2020.
- (3) As noted earlier in this report, 383 individuals have been excluded from the remuneration tables in this disclosure because any remuneration they receive is paid in relation to their primary role performed for another entity within the NatWest Group and is not linked to their MRT status for UBL. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

The Royal Bank of Scotland plc Remuneration Disclosure

Remuneration of Material Risk Takers ('MRTs')

Information on the remuneration policy and remuneration paid to MRTs of NatWest Group plc (NatWest Group) can be found in the Directors' Remuneration Report and Other Remuneration Disclosures section of the NatWest Group's 2020 Annual Report & Accounts.

The quantitative disclosures below are made in accordance with Article 450 of the EU Capital Requirements Regulation, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies in relation to 1,017 employees who have been identified as MRTs for The Royal Bank of Scotland plc ('RBS').

Information on:

- the decision making process used to determine remuneration policy;
 - external remuneration consultants;
 - the link between pay and performance; and
 - the most important design characteristics of the remuneration system (including information on the performance measurement and risk adjustment criteria, deferral policy and vesting criteria);
- is aligned to that disclosed for NatWest Group.

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

The key areas of focus for the NWH RemCo include: 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, on behalf of RBS and the other entities within the NWH Sub Group.

The NWH RemCo must be able to act independently and the non-executive directors serving on this committee are supported by the necessary entity-specific management information in order to carry out their duties. The NWH RemCo met 15 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of The Royal Bank of Scotland plc
Non-Executive Directors	Non-executive directors of The Royal Bank of Scotland plc

1. Number of MRTs by business area

Number of beneficiaries	Senior		Total
	mgmt	MRTs	
Executive Directors	2	-	2
Non-Executive Directors	-	12	12
Corporate Functions	9	39	48
Control Functions	4	300	304
Commercial Banking	1	623	624
Retail Banking	2	12	14
Wealth	1	12	13
Total	19	998	1,017

All 1,017 individuals above hold MRT criteria for RBS but perform their primary role for another NatWest Group entity.

Note that the following tables do not include pay for any of the individuals who hold MRT criteria for RBS Plc as reported in the table above. Everyone holding MRT criteria for RBS Plc has a primary role in another entity in the NatWest Group – the majority in National Westminster Bank Plc. Information on the remuneration for such individuals is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

2. Aggregate remuneration expenditure

Aggregate remuneration expenditure in respect of 2020 performance was as follows:

Aggregate remuneration	Senior		Total
	mgmt	MRTs	
Number of beneficiaries	-	-	-
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Commercial Banking	-	-	-
Retail Banking	-	-	-
Wealth	-	-	-
Total	-	-	-

3. Amounts and form of fixed and variable remuneration

Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

Fixed remuneration	Senior		Total
	mgmt	MRTs	
Number of beneficiaries	-	-	-
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Commercial Banking	-	-	-
Retail Banking	-	-	-
Wealth	-	-	-
Total	-	-	-

Variable remuneration awarded for 2020 performance

Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a three 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 employee.

Long-term incentive awards vest subject to the extent to which performance conditions are met and can result in zero payment.

Annual bonus	Senior		Total
	mgmt	MRTs	
Number of beneficiaries	-	-	-
	£m	£m	£m
Executive Directors			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Control Functions			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Commercial Banking			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Retail Banking			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Wealth			
Cash remuneration	-	-	-
Deferred bonds	-	-	-
Deferred shares	-	-	-
Total	-	-	-

Long-term incentives	Senior		Total
	mgmt	MRTs	
Number of beneficiaries	-	-	-
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Commercial Banking	-	-	-
Retail Banking	-	-	-
Wealth	-	-	-
Total	-	-	-

The Royal Bank of Scotland plc Remuneration Disclosure

4. Outstanding deferred remuneration through 2020

The table below includes deferred remuneration awarded or paid out in 2020 in respect of prior performance years. Deferred remuneration reduced during the year relates to long-term incentives 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.

Category of deferred remuneration	Senior mgmt £m	Other MRTs £m	Total £m
Unvested from prior year	-	-	-
Awarded during year	-	-	-
Paid out (retained)	-	-	-
Paid out (released)	-	-	-
Reduced from prior years	-	-	-
Unvested at year end	-	-	-

5. Guaranteed Awards (including 'Sign-on awards') and Severance Payments

RBS does not offer 'Sign-on awards'. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards foregone in their previous company and are limited to the first year of service. No new hire guarantees were awarded to MRTs in respect of the 2020 performance year.

Severance payments and / or arrangements can be made to employees who leave RBS 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 awarded.

No severance payments were made to MRTs during the year in excess of contractual payments, local policies, standards or statutory amounts. Severance payments do not reward failure or misconduct in line with regulatory requirements. Where required, remuneration is constrained within the limit of variable to fixed remuneration in accordance with EBA guidelines.

6. Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs of RBS shall not exceed 100% of the fixed component.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	-	-	-
	ratio	ratio	ratio
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Commercial Banking	-	-	-
Retail Banking	-	-	-
Wealth	-	-	-
Consolidated	-	-	-

7. Discount Rate

Under CRD IV 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 at least 25% of 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 2020 performance year.

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

€ million	Number of employees	2020
€1.0 and above	-	-
Total	-	-

Notes:

- (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 €1.12518 to £1 for 2020.
- (3) As noted earlier in this report, 1,017 individuals have been excluded from the remuneration tables in this disclosure because any remuneration they receive is paid in relation to their primary role performed for another entity within the NatWest Group and is not linked to their MRT status for RBS. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on [natwestgroup.com](https://www.natwestgroup.com).

Coutts & Co Remuneration Disclosure

Remuneration of MRTs

The quantitative disclosures below are made in accordance with Article 450 of the EU Capital Requirements Regulation, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies in relation to the 332 employees who have been identified as MRTs for Coutts & Co ('Coutts'). Coutts is a wholly-owned subsidiary of NatWest Holdings Limited ('NWH').

Qualitative disclosures in relation to:

- the decision making process used to determine remuneration policy;
- external remuneration consultants;
- the link between pay and performance; and
- the most important design characteristics of the remuneration system (including information on the performance measurement and risk adjustment criteria, deferral policy and vesting criteria);

is aligned to that disclosed for NatWest Group plc ('NatWest Group'). Information on these aspects, including the remuneration policy applied, can be found in the Directors' Remuneration Report and Other Remuneration Disclosures section of the NatWest Group's 2020 Annual Report & Accounts.

Coutts has a Performance and Remuneration Committee (the 'Coutts RemCo'). The Coutts RemCo is expected to ensure that the Group-wide framework of remuneration policies, procedures and practices being applied are appropriate at the Coutts level, recognising the desire for a general alignment of approach.

The key areas of focus for the Coutts RemCo include: reviewing and recommending, or where appropriate ratifying, remuneration arrangements for Coutts employees; providing input on the proposed bonus pool for Coutts and ensuring such proposals are adjusted for performance and risk and meet capital adequacy requirements of Coutts; and inputting to and subsequently adopting the NatWest Group Remuneration Policy Principles.

The Coutts RemCo must be able to act independently and the non-executive directors serving on these committees are supported by the necessary entity-specific management information, where required, in order to carry out their duties. The Coutts RemCo met 8 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of Coutts & Co
Non-Executive Directors	Non-Executive directors of Coutts & Co

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	5	5
Corporate Functions	4	46	50
Control Functions	3	244	247
Wealth	7	21	28
Total	16	316	332

274 individuals above hold MRT criteria for Coutts but have their primary role in another NatWest Group entity.

Note that remuneration for such individuals has been excluded from the remaining tables in this disclosure because any remuneration they receive (both fixed and variable) is paid in relation to their primary role, which they perform for another NatWest Group entity and is not linked to their MRT status for Coutts. Information on the remuneration of such individuals is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

2. Aggregate remuneration expenditure

Aggregate remuneration expenditure in respect of 2020 performance for the MRTs whose primary role was performed for Coutts was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	13	45	58
	£m	£m	£m
Executive Directors	1.70	-	1.70
Non-Executive Directors	-	0.29	0.29
Corporate Functions	0.47	0.21	0.68
Control Functions	0.41	2.74	3.15
Wealth	3.56	2.93	6.49
Total	6.14	6.17	12.31

3. Amounts and form of fixed and variable remuneration

Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

Fixed remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	13	45	58
	£m	£m	£m
Executive Directors	1.22	-	1.22
Non-Executive Directors	-	0.29	0.29
Corporate Functions	0.42	0.21	0.63
Control Functions	0.37	2.28	2.65
Wealth	2.40	2.30	4.70
Total	4.41	5.08	9.49

Variable remuneration awarded for 2020 performance

Variable remuneration consisted of a combination of annual bonus and long-term incentive awards, deferred over a three 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 employee.

Long-term incentive awards vest subject to the extent to which performance conditions are met and can result in zero payment.

Annual bonus	Senior mgmt	Other MRTs	Total
Number of beneficiaries	12	35	47
	£m	£m	£m
Executive Directors			
Cash remuneration	0.00	-	0.00
Deferred bonds	0.05	-	0.05
Deferred shares	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions			
Cash remuneration	0.00	-	0.00
Deferred bonds	0.05	-	0.05
Deferred shares	-	-	-
Control Functions			
Cash remuneration	0.00	0.04	0.04
Deferred bonds	0.04	0.24	0.28
Deferred shares	-	0.18	0.18
Wealth			
Cash remuneration	0.01	0.03	0.04
Deferred bonds	0.34	0.38	0.72
Deferred shares	0.81	0.23	1.04
Total	1.30	1.10	2.40

Coutts & Co Remuneration Disclosure

Long-term incentives	Senior mgmt	Other MRTs	Total
Number of beneficiaries	1	-	1
	£m	£m	£m
Executive Directors	0.43	-	0.43
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Wealth	-	-	-
Total	0.43	-	0.43

4. Outstanding deferred remuneration through 2020

The table below includes deferred remuneration awarded or paid out in 2020 in respect of prior performance years. Deferred remuneration reduced during the year relates to long-term incentives 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.

Category of deferred remuneration	Senior mgmt	Other MRTs	Total
	£m	£m	£m
Unvested from prior year	3.63	0.90	4.53
Awarded during year	2.57	1.51	4.08
Paid out (retained)	1.07	0.08	1.15
Paid out (released)	0.91	1.53	2.45
Reduced from prior years	0.18	0	0.18
Unvested at year end	4.04	0.79	4.83

5. Guaranteed Awards (including 'Sign-on' awards) and Severance Payments

Coutts does not offer 'Sign-on awards'. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards foregone in their previous company and are limited to the first year of service. No new hire guarantees were awarded to MRTs in respect of the 2020 performance year.

Severance payments and / or arrangements can be made to employees who leave Coutts 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 awarded.

No severance payments were made to MRTs during the year in excess of contractual payments, local policies, standards or statutory amounts. Severance payments do not reward failure or misconduct in line with regulatory requirements. Where required, remuneration is constrained within the limit of variable to fixed remuneration in accordance with EBA guidelines.

6. Ratio between fixed and variable remuneration

The variable component of total remuneration for the MRTs whose primary role was performed for Coutts shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2020 was approximately 1 to 0.32. The majority of MRTs were based in the UK.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	13	35	48
	ratio	ratio	ratio
Executive Directors	1 to 0.39	-	1 to 0.39
Non-Executive Directors	-	-	-
Corporate Functions	1 to 0.12	-	1 to 0.12
Control Functions	1 to 0.10	1 to 0.21	1 to 0.20
Wealth	1 to 0.48	1 to 0.27	1 to 0.38
Consolidated	1 to 0.39	1 to 0.24	1 to 0.32

7. Discount Rate

Under CRD IV 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 at least 25% of 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 2020 performance year.

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

€ million	Number of employees
	2020
€1.0 - €1.5	1
Total	1

Notes:

- (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 €1.12518 to £1 for 2020.
- (3) As noted earlier in this report, 274 individuals have been excluded from the remuneration tables in this disclosure because any remuneration they receive is paid in relation to their primary role which they perform for another NatWest Group entity and is not linked to their MRT status for Coutts. Information on their remuneration is included in the other MRT disclosures provided as part of the NatWest Group 2020 Annual Report & Accounts and related Pillar 3 disclosures on natwestgroup.com.

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.	NWH Group publishes Pillar 3 disclosures as required.
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	NWH Group ARA: Risk and capital management - Operational risk section.
431 (3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and appropriateness.	NWH Group has a Pillar 3 policy.
431 (4)	Explanation of ratings decision upon request.	If requested, NWH 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.	NWH Group complies with all relevant disclosure requirements.
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	NWH 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) or (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 NWH Group ARA and NatWest Group 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 435: Risk management objectives and policies		
435 (1)	Disclose information on:	
435 (1) (a)	The strategies and processes to manage those risks.	NatWest Group ARA: Corporate governance – Report of the Group 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.	NWH Group ARA: Risk and capital management – Risk management framework. Additional information on risk management structure processes found throughout this document, and specifically NWH Group ARA: Risk and capital management section.
435 (1) (c)	Risk reporting and measurement systems.	NWH Group 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 NWH Group ARA: Risk and capital management section.

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 435: Risk management objectives and policies		
435 (1) (d)	Hedging and mitigating risk - policies and processes.	NWH Group ARA: Risk and capital management - Risk management framework; Credit risk; Non-traded market risk; Pension risk, pages; Operational risk; and, Accounting policies - Derivatives and Hedging.
435 (1) (e)	Adequacy of risk management arrangements.	NatWest Group ARA: Corporate Governance – Report of the Group Audit Committee and Board Risk Committee.
435 (1) (f)	Concise risk statement approved by the Board	NWH Group ARA: Risk and capital management - Risk management framework.
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.	NatWest Group ARA: Corporate governance – Our Board.
435 (2) (b)	Recruitment policy of the Board, their experience and expertise.	NatWest Group 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.	NatWest Group 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.	NatWest Group ARA: Corporate governance – Report of the Group Board Risk Committee.
435 (2) (e)	Description of information flow risk to Board.	NatWest Group ARA: Report on the Group Board Risk Committee & NWH Group ARA: Risk and capital management - Risk management framework.
CRR 436: Scope of application		
436	See sub paragraphs below.	
436 (a)	Name of institution.	NatWest Holding Group and its consolidated subsidiaries.
436 (b)	Difference in basis of consolidation for accounting and prudential purposes, naming entities that are:	EU LI1, CC1 & Consolidation.
436 (b) (i)	Fully consolidated;	NWH Group ARA: Parent company financial statements and notes - Note 8 Investments in Group undertakings and Note 11 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 – Presentation of information.
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation.	Entities outside the scope of consolidation are appropriately capitalised.
CRR 437: Own funds		
436 (e)	Making use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries/entities.	N/A
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;	EU 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

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 437: Own funds		
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 CC1.
437 (1) (d)	Disclosure of the nature and amounts of the following:	
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;	CC1.
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;	
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 438: Capital requirements		
438	See sub paragraphs below.	Pillar 3 - Presentation of Information & NWH Group ARA: Risk and capital management - Risk management framework.
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	
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)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class.	CR2, EU OV1 & CR10-B & EU CR8.
438 (d) (i)		
438 (d) (ii)		
438 (d) (iii)		
438 (d) (iv)		EU OV1 & EU MR1.
438 (e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.	
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	NWH Group uses Standardised approach; EU 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.	EU CR10.
CRR 439: Exposure to counterparty credit risk		
439	See sub paragraphs below.	CCR - EAD calculation methods for counterparty credit risk & counterparty credit limit setting.
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	
439 (b)	Discussion of process to secure collateral and establishing reserves.	CCR – Counterparty credit risk management & Credit Valuation Adjustments & NWH Group ARA: Notes on the Consolidated Accounts - 10 Financial Instruments – valuation.

Appendix 1 – CRR roadmap

CRR ref	High- level summary	Compliance reference
CRR 439: Exposure to counterparty credit risk		
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.	EU CCR5_A
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	EU CCR1, EU CCR2 & EU CCR8.
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	EU CCR_6
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	EU CCR_6
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).	NWH Group follows the current standards.
CRR 441: Indicators of global systemic importance		
441 (1)	Disclosure of the indicators of global systemic importance.	
441 (2)	EBA will issue technical implementation standards related to 441 (1).	NWH Group follows the current standards.
CRR 442: Credit risk adjustments		
442	See sub paragraphs below.	
442 (a)	Disclosure of bank's definitions of past due and impaired.	NWH Group ARA: Risk and capital management and Notes on the consolidated accounts - 12 Loan impairment provisions
442 (b)	Approaches for calculating credit risk adjustments.	NWH Group ARA: Accounting policies: 15 Impairment: expected credit losses
442 (c)	Disclosure of EAD by exposure class.	EU CRB_B.
442 (d)	Disclosures of EAD by geography and exposure class.	EU CRB_C.
442 (e)	Disclosures of EAD by industry and exposure class.	EU CRB_D.
442 (f)	Disclosures of EAD by residual maturity and exposure class.	EU CRB_E.
442 (g)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	EU CR1_A, NPL templates: Template1, Template 3, Template 4
442 (g) (i)		
442 (g) (ii)		
442 (g) (iii)		
442 (g) (ii)		NWH Group ARA: Risk and capital management - Segmental loans and impairment metrics.
442 (g) (iii)		
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	NPL template: Template 5 NWH Group ARA: Risk and capital management - Segmental loans and impairment metrics.
442 (i)	Reconciliation of changes in specific and general credit risk adjustments.	EU CR2-A.
442 (i) (i- v)		
442 Endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	EU CR2-A

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 443: Unencumbered assets		
443	Disclosures on unencumbered assets.	EBA 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 EU CR5 and EU_CCR3 for risk-weights.
CRR 445: Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	EU_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 EU_OV1.
CRR 446: Operational risk		
446	Scope of approaches used to calculate operational risk.	NWH Group uses the standardised approach, refer to EU OV1 and NWH Group 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.	NWH Group ARA: Risk and capital management - Credit risk and Non-traded market risk. For further detail on accounting refer to NWH Group ARA: Accounting policies - 14 Financial Instruments.
447 (b)	Comparison between the balance sheet value, fair value and market price where materially different.	N/A
447 (c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures.	N/A
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 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.	NWH Group 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.	NWH Group ARA: Risk and capital management - Non-Traded Market Risk - Interest rate risk.
CRR 449: Exposure to securitisation positions		
449	Exposure to securitisations positions.	NWH Group has no correlation trading portfolio.
449 (a)	Objectives in relation to securitisation activity.	Securitisation – Objectives and roles.

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 449: Exposure to securitisation positions		
449	Exposure to securitisations positions.	NWH 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. SEC 4.
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 NWH 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 ECAs 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;	NWH 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..
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.

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 450: Remuneration policy		
450	Remuneration	NatWest Group ARA: Governance - Directors' remuneration report and Other remuneration disclosures and as set out in this document. Further detail on compliance with CRD IV and remuneration from natwestgroup.com/natwestgroup/about/board-and-governance.html
450 (1) (a)	Decision-making process for determining remuneration policy	
450 (1) (b)	Link between pay and performance;	
450 (1) (c)	Design characteristics of the remuneration system, criteria for performance measurement, risk adjustment, deferral policy and vesting criteria;	
450 (1) (d)	Ratios between fixed and variable remuneration;	
450 (1) (e)	Performance criteria on which entitlement to shares, options or variable components of remuneration is based;	
450 (1) (f)	Parameters and rationale for variable components schemes and other non-cash benefits;	
450 (1) (g)	Aggregate quantitative information on remuneration;	
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:	
450 (1) (h) (i)	The amounts of remuneration for the financial year, split into fixed and flexible and number of beneficiaries;	
450 (1) (h) (ii)	The amounts and forms of variable remuneration;	
450 (1) (h) (iii)	The amounts of outstanding deferred remuneration, split into vested and unvested;	
450 (1) (h) (iv)	The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;	
450 (1) (h) (v)	New sign-on and severance payments made during the financial year, number of beneficiaries;	
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;	
450 (1) (j)	Upon demand from the Member State or competent authority, total remuneration for each member of management body or senior management;	
450 (2)	For significant institutions, internal organisation and the nature, scope and the complexity of their activities and other quantitative information as per the article;	
CRR 451: Leverage		
451 (1)	See sub paragraphs below.	
451 (1) (a)	Leverage ratio, and breakdown of total exposure measure,	LR 1.
451 (1) (b)	including reconciliation to financial statements, and	LR 1.
451 (1) (c)	derecognised fiduciary items.	N/A
451 (1) (d)	Description of the risk management approach to mitigate excessive leverage.	NWH Group ARA: Risk and capital management – Capital Management.
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.	NWH 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.	EU CRE_1: IRB Models.
452 (b)	Explanation of:	
452 (b) (i)	Internal rating scales, mapped to external ratings;	EU 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;	EU 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)	Ratings processes for each IRB asset class.	EU CRE: Qualitative disclosures relating to IRB models (credit and counterparty risk), including EU CRE_2a & EU CRE_2b.
452 (c) (i)		
452 (c) (ii)		
452 (c) (iii)		
452 (c) (iv)		
452 (c) (v)		

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 452: Use of the IRB Approach to credit risk		
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:	EU CR6_b & EU_CCR4.
452 (e) (i)	Total exposure, separating drawn and undrawn exposure	EU CR6_b & EU_CCR4.
452 (e) (ii)	Exposure-weighted average risk weight	EU CR6_b & EU_CCR4.
452 (e) (iii)	Undrawn commitments and the exposure-weighted average Credit Conversion Factor (CCF)	EU CR6_b.
452 (f)	The requirements laid out in 452(e) for the Retail exposure class.	EU CR6_a.
452 (g)	Actual specific credit risk adjustments by exposure class.	EU_CR6_a & EU_CR6_b.
452 (h)	Commentary on drivers of losses in preceding period.	EU CR9, EU CR9_A, EU CR9_B.
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.	EU_CR9_a; EU_CR9_a_1; EU_CR9_a_2; EU_CR9_b;
452 (j)	For all IRB exposure classes, where applicable, PD and LGD by each country where the bank operates.	EU_CR6_C.
452 (j) (i)		
452 (j) (ii)		
CRR 453: Use of credit risk mitigation techniques		
453	See sub paragraphs below.	
453 (a)	Use of on and off-balance sheet netting.	EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation. Wholesale IRB models - Exposure at default models. EU LI2.
453 (b)	How collateral valuation is managed.	EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (c)	Description of types of collateral used by NWH Group.	EU 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.	EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation.
453 (f)	Standardised or Foundation IRB approach, exposure value covered by eligible collateral.	EU_CR4.
453 (g)	Exposures covered by guarantees, credit derivatives or collateral.	EU_CR3.
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	See sub paragraphs below.	
455(a)	Characteristics of the market risk models.	NWH Group no longer has positions under the internal model approach (IMA) and intends to request permission to cancel its waiver to use the IMA.
455(a)(i)		
455 (a) (ii)	Methodology for all-price risk measure and incremental risk charge.	N/A
455 (a) (iii)	Descriptions of stress tests applied to the portfolios.	N/A
455 (a) (iv)	Methodology for back-testing and validating the models.	N/A
455 (b)	Scope of permission for use of the models.	N/A
455 (c)	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	Market Risk qualitative information PV1.
455 (d)	High/Low/Mean values over the year of VaR, SVaR, all-price risk measure and incremental risk charge.	N/A
455 (d) (i)		
455 (d) (ii)		
455 (d) (iii)		
455 (e)	The elements of the own fund calculation.	N/A
455 (f)	Weighted average liquidity horizons of portfolios covered by models.	N/A
455 (g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value.	N/A