



NatWest Group plc

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 Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NatWest Group plc in respect of, but not limited to: the impact of the COVID-19 pandemic, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of its Purpose-led strategy 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 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 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 NatWest Group plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

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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
Group Chief Financial Officer
Executive Director, NatWest Group Board

Bruce Fletcher
Group 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 NatWest 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 a value of total assets equal to or greater than €30 billion.

NatWest Group's large subsidiaries at 31 December 2020 were National Westminster Bank Plc (NWB Plc), The Royal Bank of Scotland plc (RBS plc), NatWest Markets Plc (NWM Plc), Ulster Bank Ireland DAC (UBI DAC), Royal Bank of Scotland International Limited (RBSI) and Coutts & Company (Coutts & Co). Within this document, large subsidiary disclosures are presented for NWM Plc, RBSI and, additionally, for the consolidated NatWest Holdings Group for the sake of completeness. Refer to the NWH Group 2020 Pillar 3 Report for large subsidiary disclosures for NWB Plc, RBS plc, UBI DAC and Coutts & Co.

Disclosures for RBSI, which was included as a large subsidiary in the NatWest Group (formerly RBS 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 NatWest Group Annual Report and Accounts (ARA), available at natwestgroup.com. The CRR roadmap included in Appendix 1 of this document details where in these documents the regulatory requirements are disclosed. Refer to the Glossary for definitions of terms available on natwestgroup.com.

Banks are required to disclose their material risks as part of the Pillar 3 framework. Most of this information is disclosed in the 2020 NatWest Group ARA. The 2020 NatWest Group ARA includes a range of risk factors and provides in-depth analysis on the specific risks to which NatWest Group is or may be exposed. These Pillar 3 disclosures provide additional information over and above that contained in the 2020 NatWest Group ARA.

Key metrics for NatWest Group are published as follows:

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

Certain Pillar 3 disclosures are included in the 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:
 - 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.

The following EBA templates are not disclosed as NatWest Group had no relevant reportable exposure as at 31 December 2020: Template 9 - Changes in the stock of non-performing loans and advances.

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

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

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 2019, 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 2020, 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.

Pillar 1 - Minimum capital requirements

The CRR determines minimum capital requirements predominantly by calculating RWAs for credit, counterparty credit, market and operational risks. Various RWA calculation approaches are available to banks, with differing levels of sophistication. NatWest Group uses the following approaches to calculate RWAs:

- Credit risk: The advanced internal ratings based (IRB) approach is used for most exposures. The standardised (STD) approach is used for exposures in certain portfolios.

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- 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.

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

Within Pillar 2A, NatWest Group assesses credit concentration risk, certain aspects of traded market risk that are not fully captured in Pillar 1, interest rate risk in the banking book (IRRBB), pension risk and operational risk to compensate for shortcomings of the Pillar 1 standardised approach. NatWest Group uses economic capital models to estimate Pillar 2A capital charges for operational and credit concentration risk. For more information, refer to 2020 NatWest Group ARA – Risk and capital management – Operational risk. Information regarding specific credit risk concentrations, such as sector or geography, is included within Pillar 3. Refer also to 2020 NatWest Group ARA – Risk and capital management – Non-traded market risk and Pension risk.

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

The ICAAP submission is approved by the NatWest Group Board before it is submitted to the regulator and forms the basis of the supervisory review and the setting of the Total Capital Requirement by the PRA. Refer to 2020 NatWest Group ARA – Risk and capital management – Risk management framework.

Pillar 3 - Market discipline

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

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

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

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

UK and EU implementation of Basel framework

The European Union (EU) has implemented the initial phase of the Basel III capital framework through the CRR and the Capital Requirements Directive (CRD). On 7 June 2019, amendments to the CRR and CRD (known as CRR2 and CRD5 respectively) were published in the Official Journal of the European Union. The majority of these changes 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 is regulated under the onshore CRR and future changes to CRR in the EU are not 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

NatWest Group plc is the parent entity for all authorised firms in NatWest Group and is subject to consolidated supervision by the PRA. From 1 January 2019, NWH Ltd is subject to consolidated supervision by the PRA as the parent of the ring-fenced bank (RFB) sub-group.

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

Where NatWest 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 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 12 Related undertakings in the 2020 NatWest Group ARA – Parent company financial statements and notes.

Impediments to the transfer of capital resources and aggregate capital deficiency

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

Independent review

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

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

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

Capital, liquidity and funding

Capital and leverage

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

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

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

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

Determination of capital sufficiency

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

Going concern vs. gone concern view

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

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

Spot vs. forward-looking view

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

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

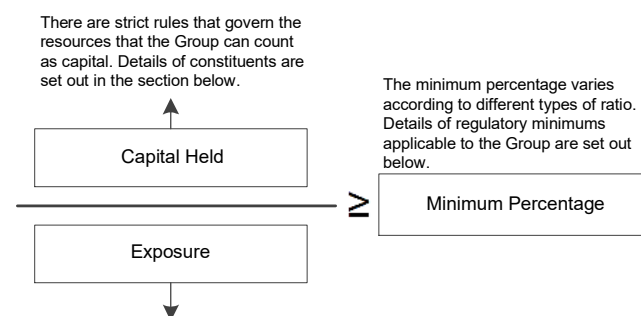
Regulatory vs. risk appetite view

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

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

Capital sufficiency: going concern view

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 NatWest 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

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

Risk-weighted assets

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

RWAs are grouped into four categories:

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

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 NatWest Group can continue to meet minimum requirements (Pillar 1 and Pillar 2A) during a stressed period. The buffer also accommodates add-ons which may be applied by the regulator to cover Group Risk (subsidiary/sub-group capital requirements in excess of their share of NatWest Group) and Risk Management and Governance scalars (which may be levied where Risk Management and Governance deficiencies have been identified by the regulator).

These minimum requirements are shown in more detail in the 2020 NatWest Group ARA – Capital, liquidity and funding risk. These ratios applied, in full, from 1 January 2019.

The assessment of Pillar 2 requirements (including the PRA buffer) is an output from the NatWest Group's ICAAP, which is described in more detail on page 162 of the 2020 NatWest Group ARA. Pillar 2 also utilises the output of NatWest Group's stress testing exercises which are described in more detail on pages 161 to 164 of the 2020 NatWest Group ARA.

Capital adequacy ratios

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

Type	Name	Description
System-wide	Pillar 1	Standard minimum percentages applicable to all banks. Must be held at all times.
	Capital conservation, countercyclical and Systemic buffers	Includes capital to absorb losses in times of stress, capital built up in response to credit conditions in the macro economic environment and for institutions of systemic importance.
Bank-specific	Pillar 2A	Captures risks that apply to individual banks that are either not adequately captured or not captured at all under Pillar 1. For example, pension risk is not captured in Pillar 1; therefore, capital that may need to be held against the risk is assessed under Pillar 2A. Must be held at all times.

Future changes to regulation

UK, EU and international standard and rule-making bodies have issued proposals, draft regulation and final standards on revising the level and measurement of capital adequacy ratios including the measurement of RWAs. This may affect the level of RWAs and the minimum capital that NatWest Group is required to hold in future years. Further details of prudential regulatory changes that may impact NatWest Group's capital adequacy ratio are set out on page 11.

Leverage ratios

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

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

In common with capital adequacy ratios, the leverage ratio requirement for NatWest Group consists of a minimum requirement and a leverage ratio buffer. The leverage ratio requirements that NatWest Group must meet may be subject to change from developing regulation. Further details are set out on page 11.

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

Capital, liquidity and funding

MREL: capital sufficiency under the gone concern view

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

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

Interim MREL

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

End state MREL

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

Internal MREL

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

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

Double leverage

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

Regulatory changes that may impact capital requirements

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

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

Key prudential regulatory developments that have been published and may impact NatWest Group are set out on page 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.
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 (LSREP)	An annual exercise with the PRA that involves a comprehensive review of the NatWest Group ILAAP, liquidity policies and risk management framework. This results in the setting of the Individual Liquidity Guidance, which influences the size of the liquidity portfolio.

Asset encumbrance

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

The reported values represent the median of the quarter end values reported to the regulator via supervisory returns over the period 1 January 2020 to 31 December 2020.

NatWest Group categorises its assets into three broad groups; assets that are:

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

Encumbered and unencumbered assets for the year ended 31 December 2020, based on the requirements in Part Eight of CRR and related technical standards, are set out on page 33.

Capital, liquidity and funding

Summary of changes to prudential regulation that may impact NatWest Group

The table below covers future changes to prudential regulation which impact NatWest Group at a consolidated level, 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.

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

Capital, liquidity and funding

Area of development	Key changes	Source of changes/implementation date
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 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+.

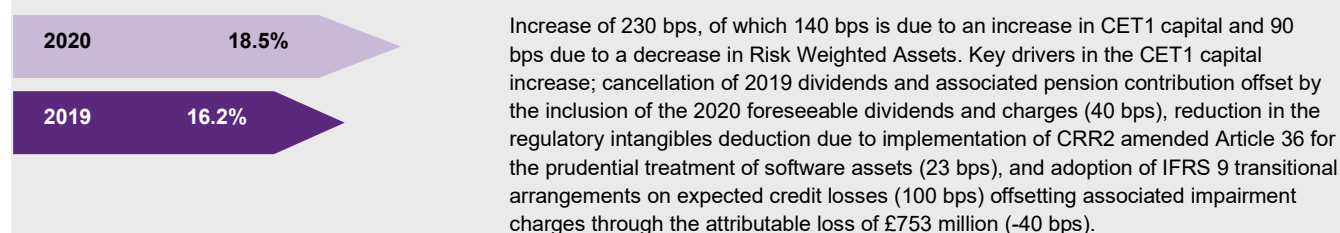
Notes:

- (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.

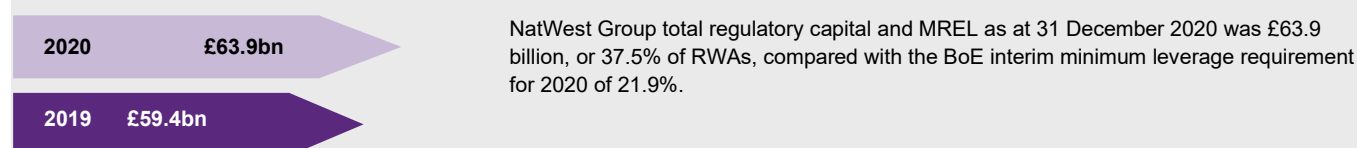
Capital, liquidity and funding

NatWest Group - Key points

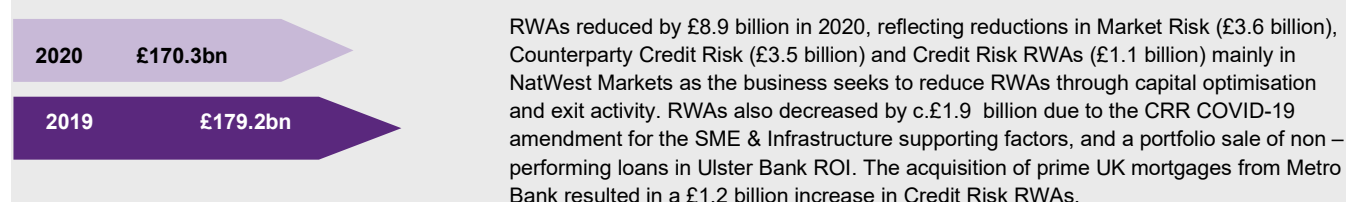
CET1 Ratio



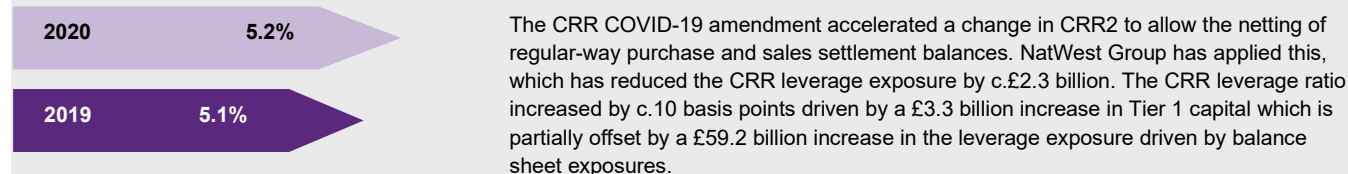
MREL



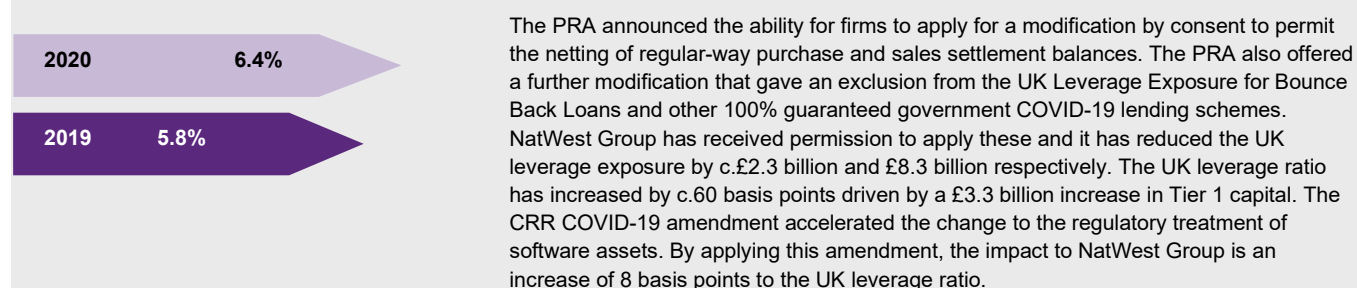
RWA



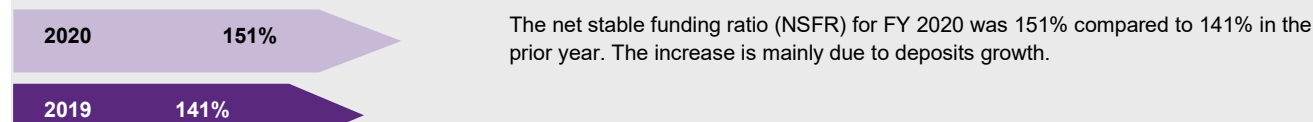
Leverage



UK Leverage



NSFR



Capital, liquidity and funding

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

The table below reflects the key metrics template in the BCBS consolidated Pillar 3 framework and the EBA's IFRS 9 template. Capital and leverage ratios presented are based on end-point CRR rules. NatWest Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. Following the adoption of IFRS 9 from 1 January 2018, the CRR introduced transitional rules to phase in the full CET1 effect over a five-year period. The transition period has been further amended by the CRR COVID-19 Amendment Regulation, the effect of this is to fully mitigate the increases in stage 1 and stage 2 expected credit loss provisions arising in 2020, due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

BCBS2 KM1	EBA IFRS 9-FL	Capital	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
			£m	£m	£m	£m	£m
1	1	Common equity tier 1 (CET1)	31,447	31,592	31,197	30,767	29,054
1a	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	29,700	29,873	29,619	30,471	29,054
2	3	Tier 1	36,430	35,582	35,187	34,818	33,105
2a	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,683	33,863	33,609	34,522	33,105
3	5	Total capital	41,685	41,292	40,783	39,701	38,005
3a	6	Total capital as if IFRS 9 transitional arrangements had not been applied	39,938	39,573	39,205	39,405	38,005
Risk-weighted assets (amounts)							
4	7	Total risk-weighted assets (RWAs)	170,310	173,886	181,458	185,199	179,172
4a	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	170,146	173,747	181,318	185,137	179,172
Risk-based capital ratios as a percentage of RWA			%	%	%	%	%
5	9	Common equity tier 1 ratio	18.5	18.2	17.2	16.6	16.2
5a	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	17.2	16.3	16.5	16.2
6	11	Tier 1 ratio	21.4	20.5	19.4	18.8	18.5
6a	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.4	19.5	18.5	18.6	18.5
7	13	Total capital ratio	24.5	23.7	22.5	21.4	21.2
7a	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	23.5	22.8	21.6	21.3	21.2
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	0.8
10		Bank GSIB and/or DSIB additional requirements (2)	—	—	—	—	1.0
11		Total of CET1 specific buffer requirements (8+9+10)	2.5	2.5	2.5	2.6	4.3
12		CET1 available after meeting the bank's minimum capital requirements (3)	12.1	11.8	10.8	10.2	9.8
CRR Leverage ratio			£m	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	703,093	688,287	686,736	676,171	643,874
14	16	CRR leverage ratio %	5.2	5.2	5.1	5.1	5.1
14a	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied %	4.9	4.9	4.9	5.1	5.1
UK Leverage ratio			£m	£m	£m	£m	£m
		UK leverage ratio exposure measure	572,558	576,889	585,115	603,070	570,330
		UK leverage ratio % (4)	6.4	6.2	6.0	5.8	5.8
		Average exposure	576,906	580,657	590,185	594,390	611,588
		Average leverage ratio (%)	6.3	6.1	5.9	5.6	5.5
Liquidity coverage ratio			£m	£m	£m	£m	£m
15		Total high-quality liquid asset (HQLA)	161,894	152,095	144,601	137,730	136,943
16		Total net cash outflows	101,500	97,090	94,160	91,509	90,559
17		LCR ratio % (5)	159	156	153	151	151
Net stable funding ratio (NSFR)							
18		Total available stable funding	417,786	408,118	414,019	388,787	380,251
19		Total required stable funding	275,816	277,235	288,479	282,722	269,792
20		NSFR % (6)	151	147	144	138	141

Notes:

- (1) See CCyB1 for more information regarding the countercyclical capital buffer requirement.
- (2) G-SIBs as designated by the Financial Stability Board (FSB), are subject to an additional capital buffer of between 1.0% and 3.5%. Since 1 January 2020, NatWest Group has not been designated as a G-SIB by the Financial Stability Board and is therefore not subject to the G-SIB capital buffer.
- (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 12 monthly periods ending on the quarterly reporting date as specified in the table.
- (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 NatWest Group and its large subsidiaries. Capital measures are on a CRR transitional basis. NatWest Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. Following the adoption of IFRS 9 from 1 January 2018 the CRR introduced transitional rules to phase in the full CET1 effect over a five year period. The transition period has been further amended by the CRR COVID-19 Amendment Regulation, the effect of this is to fully mitigate the increases in expected stage 1 and stage 2 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. The transitional basis rules do not apply to RBSI and therefore only end-point basis values are disclosed for this subsidiary.

		31 December 2020			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
Available capital (amounts) - transitional					
1	Common equity tier 1	31,447	23,743	5,547	1,353
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,700	22,043	5,540	1,353
3	Tier 1 capital	37,260	27,477	6,433	1,653
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	35,513	25,777	6,426	1,653
5	Total capital	43,733	32,750	7,753	1,681
6	Total capital as if IFRS 9 transitional arrangements had not been applied	41,986	31,050	7,746	1,681
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	170,310	135,331	25,564	7,292
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	170,146	135,192	25,557	7,292
Risk-based capital ratios as a percentage of RWAs					
		%	%	%	%
9	Common equity tier 1 ratio	18.5	17.5	21.7	18.6
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	16.3	21.7	18.6
11	Tier 1 ratio	21.9	20.3	25.2	22.7
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.9	19.1	25.1	22.7
13	Total capital ratio	25.7	24.2	30.3	23.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.7	23.0	30.3	23.1
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	703,093	521,600	123,927	37,881
16	CRR leverage ratio (%)	5.3	5.3	5.2	4.4
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.1	5.0	5.2	4.4

		30 September 2020			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
Available capital (amounts) - transitional					
1	Common equity tier 1	31,592	23,265	6,293	1,381
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,873	21,589	6,285	1,381
3	Tier 1 capital	36,422	26,999	7,189	1,681
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,703	25,323	7,181	1,681
5	Total capital	43,415	32,480	8,715	1,695
6	Total capital as if IFRS 9 transitional arrangements had not been applied	41,696	30,804	8,707	1,695
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	173,886	136,544	28,171	6,865
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	173,747	136,425	28,163	6,865
Risk-based capital ratios as a percentage of RWAs					
		%	%	%	%
9	Common equity tier 1 ratio	18.2	17.0	22.3	20.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.2	15.8	22.3	20.1
11	Tier 1 ratio	20.9	19.8	25.5	24.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.0	18.6	25.5	24.5
13	Total capital ratio	25.0	23.8	30.9	24.7
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.0	22.6	30.9	24.7
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	688,287	498,778	133,177	36,383
16	CRR leverage ratio (%)	5.3	5.4	5.4	4.6
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.1	5.1	5.4	4.6

Capital, liquidity and funding

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

30 June 2020				
	NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI (1) £m
Available capital (amounts) - transitional				
1 Common equity tier 1	31,197	22,631	6,203	1,368
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,619	21,076	6,199	1,368
3 Tier 1 capital	36,751	26,365	7,110	1,668
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	35,173	24,810	7,106	1,668
5 Total capital	43,687	31,670	8,687	1,670
6 Total capital as if IFRS 9 transitional arrangements had not been applied	42,109	30,115	8,683	1,670
Risk-weighted assets (amounts)				
7 Total risk-weighted assets	181,458	139,328	32,761	6,888
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	181,318	139,206	32,757	6,888
Risk-based capital ratios as a percentage of RWA				
	%	%	%	%
9 Common equity tier 1 ratio	17.2	16.2	18.9	19.9
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.3	15.1	18.9	19.9
11 Tier 1 ratio	20.3	18.9	21.7	24.2
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.4	17.8	21.7	24.2
13 Total capital ratio	24.1	22.7	26.5	24.2
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	23.2	21.6	26.5	24.2
Leverage ratio				
15 CRR leverage ratio exposure measure (£m)	686,736	493,226	133,897	35,341
16 CRR leverage ratio (%)	5.4	5.3	5.3	4.7
17 CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.1	5.0	5.3	4.7

31 March 2020				
	NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI (1) £m
Available capital (amounts) - transitional				
1 Common equity tier 1	30,767	22,272	5,550	1,343
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	30,471	21,940	5,550	1,343
3 Tier 1 capital	36,377	26,006	6,462	1,643
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	36,081	25,674	6,462	1,643
5 Total capital	42,604	30,787	8,050	1,657
6 Total capital as if IFRS 9 transitional arrangements had not been applied	42,308	30,455	8,050	1,657
Risk-weighted assets (amounts)				
7 Total risk-weighted assets	185,199	139,282	35,313	7,331
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	185,137	139,214	35,313	7,331
Risk-based capital ratios as a percentage of RWA				
	%	%	%	%
9 Common equity tier 1 ratio	16.6	16.0	15.7	18.3
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.5	15.8	15.7	18.3
11 Tier 1 ratio	19.6	18.7	18.3	22.4
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.5	18.4	18.3	22.4
13 Total capital ratio	23.0	22.1	22.8	22.6
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.9	21.9	22.8	22.6
Leverage ratio				
15 CRR leverage ratio exposure measure (£m)	676,171	466,093	151,247	39,544
16 CRR leverage ratio (%)	5.4	5.6	4.3	4.2
17 CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.3	5.5	4.3	4.2

Capital, liquidity and funding

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

		31 December 2019		
		NatWest Group £m	NWH Group £m	NWM Plc £m
Available capital (amounts) - transitional				
1	Common equity tier 1	29,054	21,097	6,097
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,054	21,097	6,097
3	Tier 1 capital	34,611	24,861	7,003
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,611	24,861	7,003
5	Total capital	40,823	29,515	8,501
6	Total capital as if IFRS 9 transitional arrangements had not been applied	40,823	29,515	8,501
Risk-weighted assets (amounts)				
7	Total risk-weighted assets	179,172	134,675	35,153
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	179,172	134,675	35,153
Risk-based capital ratios as a percentage of RWA				
		%	%	%
9	Common equity tier 1 ratio	16.2	15.7	17.3
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.2	15.7	17.3
11	Tier 1 ratio	19.3	18.5	19.9
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.3	18.5	19.9
13	Total capital ratio	22.8	21.9	24.2
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.8	21.9	24.2
Leverage ratio				
15	CRR leverage ratio exposure measure (£m)	643,874	447,851	136,505
16	CRR leverage ratio (%)	5.4	5.6	5.1
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.4	5.6	5.1

Note:

(1) Credit risk comparatives for RBSI have been represented due to a change in model calculation. This is not material for NatWest Group purposes.

Large subsidiaries key points

Capital and leverage

NWH Group - 31 December 2020 compared with 31 December 2019

- The CET1 ratio increased from 15.7% to 17.5%. The increase of 180 basis points reflects an increase in RWAs of £0.6 billion and an increase in CET1 of £2.6 billion. CET1 increase was 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.
- NWH Group issued £500 million internal Subordinated Tier 2 Notes in May 2020.
- 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.
- The leverage ratio decreased by c.30 basis points to 5.3% due to an increase in the leverage exposure of £73.7 billion predominantly driven by increased balance sheet exposures.

NWM Plc - 31 December 2020 compared with 31 December 2019

- The CET1 ratio increased from 17.3% to 21.7%, primarily due to a reduction in RWAs. CET1 capital decreased by £0.6 billion primarily due to a £0.5 billion foreseeable ordinary dividend accrual.
- NWM Plc fully redeemed \$0.3 billion internal Subordinated Tier 2 notes in December 2020 and \$0.1 billion external Subordinated Tier 2 Notes in September 2020.
- NWM Plc's RWAs decreased by £9.6 billion to £25.6 billion, reflecting lower levels of credit, counterparty credit and market risk which have trended downwards as the business seeks to reduce RWAs including through the execution of capital optimisation actions and exit activity. Operational risk RWAs reduced following the annual recalculation.
- The leverage ratio increased to 5.2% due to a £12.6 billion decrease in the leverage exposure predominantly due to a decrease in trading assets.

RBSI - 31 December 2020 compared with 30 September 2020

- RBSI CET1 ratio has decreased from 20.1% at September to 18.5%. This is driven by an increase in RWAs (130bps) and an increase in capital deduction for a defined benefit pension scheme surplus (3bps).
- RWAs have increased £0.4bn to £7.3bn driven by increased lending activity and probability of default movements.
- The leverage ratio stands at 4.35% reflecting the increased customer lending in the final quarter of the year.
- RBSI leverage exposure is presented on the CRR basis. The primary driver of the ratio under CRR is short term deposit balances, which RBSI typically holds in high quality liquid assets. Excluding unencumbered central bank balances would result in a ratio of 6.75%.

Capital, liquidity and funding

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

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

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

Capital, liquidity and funding

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

		2020						
		NatWest Group			Source based on reference numbers/ letters of the balance sheet under its regulatory scope of consolidation	NWH Group	NWM Plc	RBSI
		PRA transitional	CRR prescribed residual amounts	CRR end-point				
		£m	£m	£m		£m	£m	£m
AT1 capital: instruments								
30	Capital instruments and the related share premium accounts	4,983	—	4,983	(h)	3,676	904	300
31	Of which: classified as equity under applicable accounting standards	4,983	—	4,983		3,676	904	300
32	Of which: classified as debt under applicable accounting standards	—	—	—		—	—	—
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	690	(690)	—	(j)	—	219	—
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	140	(140)	—	(j)	58	—	—
35	Of which: instruments issued by subsidiaries subject to phase out	140	(140)	—		58	—	—
36	AT1 capital before regulatory adjustments	5,813	(830)	4,983		3,734	1,123	300
AT1 capital: regulatory adjustments								
40	(-) Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—	—		—	(237)	—
41	(-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—
41b	Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities	—	—	—		—	—	—
43	Total regulatory adjustments to AT1 capital	—	—	—		—	(237)	—
44	AT1 capital	5,813	(830)	4,983		3,734	886	300
45	Tier 1 capital (T1 = CET1 + AT1)	37,260	(2,577)	34,683		27,477	6,433	1,653
T2 capital: instruments and provisions								
46	Capital instruments and the related share premium accounts	4,803	—	4,803	(j)	4,613	1,615	—
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	79	(27)	52	(j)	—	89	—
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests phase out from T2 and AT1 instruments not included in CET1 or AT1) issued by subsidiaries	1,191	(1,191)	—	(j)	267	—	—
49	Of which: instruments issued by subsidiaries subject to phase out	1,191	(1,191)	—		267	—	—
50	Credit risk adjustments	400	—	400		393	22	27
51	T2 capital before regulatory adjustments	6,473	(1,218)	5,255		5,273	1,726	27
T2 capital: regulatory adjustments								
54	(-) Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	—	—	—		—	—	—
55	(-) Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	—	—	—		—	(406)	—
56a	(-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—		—	—	—
56b	(-) Other regulatory adjustments to T2 capital	—	—	—		—	—	—
56c	(-) Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	—	—	—		—	—	—
T2 capital before regulatory adjustments								
57	Total regulatory adjustments to T2 capital	—	—	—		—	(406)	—

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

Notes:

(1) Represents CET1 ratio less TSCR (Pillar 1 & 2A). RBSI 8.5% under Jersey Financial Services Commission regulations.

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

Capital, liquidity and funding

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

2019						
	NatWest Group			Source based on reference number/ letters of the balance sheet under its regulatory scope of consolidation	NWH Group	NWM Plc
	PRA transitional	CRR prescribed residual amounts	CRR end-point			
	£m	£m	£m		£m	£m
CET1 capital: instruments and reserves						
1 Capital instruments and the related share premium accounts	13,188	—	13,188	(a) & (k)	3,263	2,158
<i>Of which: ordinary shares</i>	12,094	—	12,094	(a)	3,263	400
2 Retained earnings	12,008	—	12,008	(b)	36,305	7,077
3 Accumulated other comprehensive income (and other reserves)	12,355	—	12,355	(c)	(10,861)	(179)
4 Public sector capital injections grandfathered until 1 January 2018	—	—	—		—	—
5a Independently reviewed interim net profits net of any foreseeable charge or dividend	107	—	107	(b)	—	—
6 CET1 capital before regulatory adjustments	37,658	—	37,658		28,707	9,056
7 Additional value adjustments	(431)	—	(431)		(26)	(373)
8 (-) Intangible assets (net of related tax liability)	(6,622)	—	(6,622)	(d)	(6,313)	—
10 (-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(757)	—	(757)	(e)	(757)	—
11 Fair value reserves related to gains or losses on cash flow hedges	(35)	—	(35)	(i)	(202)	(137)
12 (-) Negative amounts resulting from the calculation of expected loss amounts	(167)	—	(167)		(141)	(10)
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(118)	—	(118)		—	(39)
15 (-) Defined-benefit pension fund assets	(474)	—	(474)	(f) & (g)	(171)	(171)
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)	—	—	—		—	(1,900)
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	—	—	—		—	(329)
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	—	—	—		—	—
28 Total regulatory adjustments to CET1	(8,604)	—	(8,604)		(7,610)	(2,959)
29 CET1 capital	29,054	—	29,054		21,097	6,097

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

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Capital, liquidity and funding

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

2019						
	NatWest Group			Source based on reference number/ letters of the balance sheet under its regulatory scope of consolidation	NWH Group	NWM Plc
	PRA transitional	CRR prescribed residual amounts	CRR end-point			
	£m	£m	£m		£m	£m
T2 capital before regulatory adjustments						
58 T2 capital	6,212	(1,312)	4,900		4,654	1,498
59 Total capital (TC= T1 + T2)	40,823	(2,818)	38,005		29,515	8,501
60 Total risk-weighted assets	179,172	—	179,172		134,675	35,153
Capital ratios and buffers (%)						
61 CET1 (as a percentage of risk exposure amount)	16.2%	—	16.2%		15.7%	17.3%
62 T1 (as a percentage of risk exposure amount)	19.3%	—	18.5%		18.5%	19.9%
63 Total capital (as a percentage of risk exposure amount)	22.8%	—	21.2%		21.9%	24.2%
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)	8.8%	—	8.8%		9.4%	7.5%
65 Of which: capital conservation buffer requirement	2.5%	—	2.5%		2.5%	2.5%
66 Of which: counter cyclical buffer requirement	0.8%	—	0.8%		0.9%	0.5%
67 Of which: systemic risk buffer requirement	—	—	—		1.5%	—
67a Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.0%	—	1.0%		—	—
68 CET1 available to meet buffers	9.8%	—	9.8%		9.4%	10.3%
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)	972	—	972		6	746
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	632	—	632		1	800
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	127	—	127		475	—
Available caps on the inclusion of provisions in T2						
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	—	—		—	—
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	224	—	224		190	46
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	—	—	—		—	—
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	679	—	679		593	37
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	2,880	(2,880)	—		88	1,501
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—	—		52	—
84 Current cap on T2 instruments subject to phase out arrangements	2,018	(2,018)	—		401	835
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—		610	—

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 showing the linkage between this table and CC1.

	a Balance sheet as in published financial statements as at period end £m	b Under regulatory scope of of consolidation as at period end £m	References
Assets			
Cash and balances at central banks	124,489	124,489	
Trading assets	68,990	68,990	
Derivatives	166,523	166,522	
Settlement balances	2,297	2,297	
Loans and advances to banks - amortised cost	6,955	6,955	
Loans and advances to customers - amortised cost	360,544	360,648	
Other financial assets	55,148	54,625	
Intangible assets	6,655	6,655	(d)
Property, plant and equipment	4,418	4,418	
Current and deferred tax assets	1,093	1,093	
<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	2,360	2,424	
<i>of which: Defined benefit pension fund assets</i>	722	722	(f)
Assets of disposal groups	19	19	
Total Assets	799,491	799,135	
Liabilities			
Bank deposits	20,606	20,606	
Customer deposits	431,739	432,246	
Settlement balances	5,545	5,545	
Trading liabilities	72,256	72,256	
Derivatives	160,705	160,705	
Other financial liabilities	45,811	46,738	
Provisions, deferred income and other liabilities	8,569	6,793	
Retirement benefit liabilities	120	120	
Current and deferred tax liabilities	354	340	
<i>of which: Defined benefit pension scheme assets</i>	143	143	(g)
Subordinated liabilities	9,962	9,962	(j)
Total Liabilities	755,667	755,311	
Shareholder's Equity			
Non-controlling interests	(36)	(36)	
Owners' equity			
Called up share capital	12,129	12,129	(a)
Reserves	31,731	31,731	
<i>of which: amount eligible for retained earnings</i>	12,567	12,567	(b)
<i>of which: amount eligible for accumulated OCI & other reserves</i>	13,054	13,054	(c) & (i)
<i>of which: amount of other equity instruments</i>	4,999	4,999	(h)
<i>of which: share premium accounts</i>	1,111	1,111	(k)
Total Shareholder's Equity	43,824	43,824	

Capital, liquidity and funding

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

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

		NatWest Group		NWH Group		NWM Plc		RBSI	
		RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR
		£m	£m	£m	£m	£m	£m	£m	£m
2020									
1	Credit risk (excluding counterparty credit risk)	125,711	10,058	112,872	9,030	4,193	335	6,317	630
2	Standardised (STD) approach	17,682	1,415	15,959	1,277	1,317	105	1,399	139
4	Advanced IRB approach ⁽¹⁾	107,033	8,563	96,913	7,753	2,876	230	4,918	491
5	Equity IRB under the simple risk-weight or the internal model approach (IMA)	996	80	—	—	—	—	—	—
6	Counterparty credit risk	8,682	695	961	77	7,708	617	28	3
6a	of which: securities financing transactions	632	51	172	14	294	24	20	2
7	of which: marked-to-market	1,347	108	268	22	1,235	99	8	1
10	of which: internal model method (IMM)	5,099	408	—	—	4,836	387	—	—
11	of which: risk exposure amount for contributions to the default fund of a central counterparty	86	7	53	4	12	1	—	—
12	of which: credit valuation adjustment (CVA)	1,518	121	468	37	1,331	106	—	—
13	Settlement risk	—	—	—	—	—	—	—	—
14	Securitisation exposures in banking book ⁽²⁾	2,586	206	1,372	110	1,215	97	—	—
15	Internal rating-based approach (SEC-IRBA)	1,004	80	1,004	80	—	—	—	—
17	Standardised approach	821	66	169	14	653	52	—	—
18	External ratings-based approach (SEC_ERBA) ⁽³⁾	664	52	199	16	465	37	—	—
	1250%	97	8	—	—	97	8	—	—
19	Market risk	9,362	749	106	9	8,150	652	42	4
20	STD approach	1,008	81	106	9	253	20	42	4
21	IMA	8,354	668	—	—	7,897	632	—	—
23	Operational risk - STD approach	21,930	1,754	18,866	1,509	2,382	191	902	90
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	2,039	163	1,154	92	1,916	153	3	—
29	Total	170,310	13,625	135,331	10,827	25,564	2,045	7,292	727

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

Capital, liquidity and funding

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

2019		NatWest Group		NWH Group		NWM Plc	
		RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
1	Credit risk (excluding counterparty credit risk)	126,735	10,138	111,281	8,903	6,980	559
2	Standardised (STD) approach	16,002	1,280	14,033	1,123	1,648	132
4	Advanced IRB approach ⁽¹⁾	109,719	8,777	97,248	7,780	5,326	427
5	Equity IRB under the simple risk-weight or the internal model approach (IMA)	1,014	81	—	—	6	—
6	Counterparty credit risk	12,126	971	980	78	10,738	859
6a	of which: securities financing transactions	1,121	90	145	12	742	59
7	of which: marked-to-market	2,146	172	239	19	1,905	152
10	of which: internal model method (IMM)	6,909	553	—	—	6,425	515
11	of which: risk exposure amount for contributions to the default fund of a central counterparty	147	12	116	9	22	2
12	of which: credit valuation adjustment (CVA)	1,803	144	480	38	1,644	131
13	Settlement risk	18	1	—	—	3	—
14	Securitisation exposures in banking book ⁽²⁾	2,866	230	1,509	121	1,165	93
15	IRB approach	2,438	196	1,509	121	737	59
17	Internal assessment approach	6	—	—	—	6	—
18	Standardised approach	422	34	—	—	422	34
19	Market risk	12,930	1,034	125	10	11,229	898
20	STD approach	2,036	163	125	10	1,102	88
21	IMA	10,894	871	—	—	10,127	810
23	Operational risk - STD approach	22,599	1,808	19,590	1,567	3,039	243
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	1,898	152	1,190	95	1,999	160
29	Total	179,172	14,334	134,675	10,774	35,153	2,812

Notes:

(1) Of which £535 million RWAs (2019 – £1,599 million) relate to equity IRB under the PD/LGD approach.

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

(3) 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 NatWest Group and its segments.

	a			b
	RWAs			MCR
	IRB £m	STD £m	Total RWAs £m	£m
1 At 1 January 2020	113,112	17,900	131,012	10,481
2 Asset size (1)	(3,932)	243	(3,689)	(295)
3 Asset quality (2)	(162)	—	(162)	(13)
4 Model updates (3)	1,573	(44)	1,529	122
5 Methodology and policy (4)	(1,415)	419	(996)	(80)
6 Acquisitions and disposals (5)	133	1,109	1,242	100
7 Foreign exchange movements (6)	884	94	978	78
9 At 31 December 2020	110,193	19,721	129,914	10,393

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 decrease in asset size reflected reduced exposures in NatWest Markets and the sale of non-performing loans in Ulster Bank Rol as well as a reduction in balances for unsecured products in Retail Banking.
- RWAs reduced slightly as a result of asset quality changes during the year. The decrease 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. There were offsetting increases of £0.5 billion due to the CRR2 amended Article 36 for the prudential treatment of software assets and £0.3 billion due to the adoption of the new securitisations framework from 1 January 2020.
- 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.

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		
	IMM £m	Non-IMM £m	Total £m	IMM £m	Non-IMM £m	Total £m
1 At 1 January 2020	7,020	3,808	10,828	562	305	866
2 Asset size (1)	(901)	(1,310)	(2,211)	(72)	(105)	(177)
3 Credit quality of counterparties (2)	15	152	167	1	12	13
5 Methodology and policy (3)	(54)	(94)	(148)	(4)	(8)	(12)
7 Foreign exchange movements (4)	46	15	61	4	1	5
8 Other (5)	(826)	(286)	(1,112)	(67)	(22)	(89)
9 At 31 December 2020	5,300	2,285	7,585	424	183	607

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 calculation driven by regulatory policy changes. Reflects the adoption of the new securitisation framework from 1 January 2020 and 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.
- (5) Reflects the hedging of credit exposure with a portfolio credit default swap.

Key points

- The RWA decrease related to the IMM was mainly driven by a decrease in asset size, chiefly reflecting trade novations. It also reflected the hedging of credit exposure with a portfolio credit default swap.
- The decrease in non-IMM RWAs mainly reflected reduced exposure: (i) through the exiting of exchange-traded derivative clearing and trading business; (ii) through maturities, and (iii) in relation to transactions with special purpose vehicles (SPVs) following a review of the eligibility of financial collateral with such counterparties in Q1 2020. It also reflected the hedging of credit exposure with a portfolio credit default swap. The overall decrease was partly offset by the impact of counterparty downgrades.

Capital, liquidity and funding

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, although there was a model update, as explained below. Changes in market risk arising from foreign currency retranslation are included within movement in risk levels as they are managed together with portfolio changes.

	IMA						STD		Total	
	RWAs (1)					MCR	RWAs	MCR	RWAs	MCR
	a	b	c	e	f					
	VaR £m	SVaR £m	IRC £m	Other (RNIV) £m	Total £m					
1 At 1 January 2020	1,445	3,963	2,265	3,221	10,894	871	2,036	163	12,930	1,034
2 Movement in risk levels (2)	63	(719)	(781)	(856)	(2,293)	(183)	(1,028)	(82)	(3,321)	(265)
3 Model updates/changes (3)	91	422	(25)	(735)	(247)	(20)	—	—	(247)	(20)
8 At 31 December 2020	1,599	3,666	1,459	1,630	8,354	668	1,008	81	9,362	749

Notes:

- (1) NatWest Group does not use the comprehensive risk measure to calculate market risk RWAs.
 (2) Movements due to position changes as well as time series updates.
 (3) Updates to the model to reflect recent experience or changes to model scope.

Key points

- Overall, market risk RWAs for NatWest Group decreased. The comments below mainly relate to NWM Plc, NWM N.V. and NWM SI, which accounted for the majority of the exposure.
- The pandemic initially resulted in exceptional levels of market volatility and illiquidity, notably in March 2020.
- However, VaR-based RWAs increased only moderately compared to 2019. The impact of the pandemic and increase in geopolitical risk was largely offset by risk reduction activity, notably in relation to interest rate risk. An update of the VaR model – to refine how risk factors relating to sovereign exposures are captured – contributed to the year-on-year movement.
- SVaR-based RWAs decreased. This was largely due to risk reduction activity, partly offset by the impact of the VaR model update.
- The decrease in RNIV-based RWAs chiefly reflected the risk reduction activity and the impact of the VaR model update.
- The decrease in the incremental risk charge reflected a reduction in Asia-Pacific and eurozone bond positions.
- The RWA decrease under the standardised approach primarily reflected a reduction in securitisation and loan positions in the trading book.
- The pandemic impact in March 2020 resulted in an increase in VaR model back-testing exceptions across the industry, including in NWM Plc.
- However, as at 31 December 2020, there was no impact from these exceptions on NWM Plc's market risk capital multiplier or RWAs compared to one year previously. This was because, under the provisions of the COVID-19 Amendment Regulation, the PRA granted NWM Plc permission to exclude the majority of the March 2020 exceptions for capital requirements purposes. For more information, refer to EU MR4.
- Similarly, the DNB granted NWM N.V. permission to exclude the impact of pandemic-related back-testing exceptions when calculating market risk capital requirements.

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		
		NatWest Group	NWH Group	NWM Plc	RBSI	NatWest Group	NWH Group	NWM Plc
		£m	£m	£m	£m	£m	£m	£m
1	Total assets as per published financial statements	799,491	496,583	256,082	34,401	723,039	428,371	248,053
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(356)	(274)	—	—	(492)	(391)	—
4	Adjustment for derivative financial instruments	(134,487)	(2,997)	(133,498)	63	(114,774)	(2,690)	(115,150)
5	Adjustments for securities financing transactions (SFTs)	1,179	191	999	—	2,224	516	1,559
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	45,853	33,670	5,037	3,580	42,363	29,655	5,986
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	—	—	(1,716)	—	—	—	(1,128)
7	Other adjustments	(8,587)	(5,573)	(2,977)	(164)	(8,486)	(7,610)	(2,815)
8	Total leverage ratio exposure	703,093	521,600	123,927	37,880	643,874	447,851	136,505

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)	585,747	469,927	76,952	34,361	537,608	414,281	86,141
2	Asset amounts deducted in determining Tier 1 capital	(6,290)	(5,573)	(2,481)	(164)	(8,486)	(7,610)	(2,815)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	579,457	464,354	74,471	34,197	529,122	406,671	83,326
Derivative exposures								
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,908	347	10,295	41	10,464	252	9,879
5	Add-on amounts for PFE associated with all derivatives transactions (mtm method)	38,171	1,112	35,654	63	43,337	1,071	40,022
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—	—	—	—	—	—
7	Deductions of receivable assets for cash variation margin provided in derivatives transactions	(17,675)	(1,340)	(15,952)	—	(19,075)	(1,114)	(18,432)
8	Exempted CCP leg of client-cleared trade exposures	—	—	—	—	(335)	—	(25)
9	Adjusted effective notional amount of written credit derivatives	4,464	—	4,697	—	5,411	—	5,411
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	(3,832)	—	(4,088)	—	(4,546)	—	(4,546)
11	Total derivative exposures	32,036	119	30,606	104	35,256	209	32,309

Capital, liquidity and funding

LR2: Leverage ratio common disclosure template continued

		2020				2019		
		NatWest		RBSI		NatWest		NWM Plc
		Group	NWH Group	NWM Plc	RBSI	Group	NWH Group	NWM Plc
		£m	£m	£m	£m	£m	£m	£m
Securities financing transaction exposures								
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	80,388	33,202	28,502	1,017	74,156	20,682	29,613
13	Netted amounts of cash payables and cash receivable of gross SFT assets	(35,820)	(9,936)	(13,972)	(1,017)	(39,247)	(9,882)	(15,160)
14	Counterparty credit risk exposures for SFT assets	1,179	191	999	—	2,224	516	1,559
16	Total securities financing transaction exposures	45,747	23,457	15,529	—	37,133	11,316	16,012
Other off-balance sheet exposures								
17	Off-balance sheet exposures at gross notional amount	132,995	109,722	9,138	9,643	130,524	105,875	11,656
18	Adjustments for conversion to credit equivalent amounts	(87,142)	(76,052)	(4,101)	(6,062)	(88,161)	(76,220)	(5,670)
19	Other off-balance sheet exposures	45,853	33,670	5,037	3,581	42,363	29,655	5,986
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)	—	—	(1,716)	—	—	—	(1,128)
EU-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	—	—	—	—			
Capital and total exposures								
20	Tier 1 capital	37,260	27,477	6,433	1,653	34,611	24,861	7,003
21	Total leverage ratio exposure	703,093	521,600	123,927	37,881	643,874	447,851	136,505
22	Leverage ratio	5.3%	5.3%	5.2%	4.4%	5.4%	5.6%	5.1%
EU-22a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)	5.3%	5.3%	5.2%	4.4%			

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

		Leverage ratio exposures						
		2020				2019		
		NatWest		RBSI		NatWest		NWM Plc
		Group	NWH Group	NWM Plc	RBSI	Group	NWH Group	NWM Plc
		£m	£m	£m	£m	£m	£m	£m
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	579,457	464,354	74,411	34,197	529,122	406,671	83,970
EU-2	Trading book exposures	51,737	—	42,160	—	56,623	—	47,778
EU-3	Banking book exposures, of which:	527,720	464,354	32,251	34,197	472,499	406,671	36,192
EU-4	Covered bonds	2,888	2,764	—	—	1,678	1,678	—
EU-5	Exposures treated as sovereigns	168,870	128,841	17,020	19,056	130,268	95,026	16,491
EU-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	5,878	4,983	137	210	5,168	4,840	138
EU-7	Institutions	5,482	4,153	1,787	1,742	6,759	4,885	3,957
EU-8	Secured by mortgages of immovable properties	224,136	219,863	76	2,502	205,675	201,064	91
EU-9	Retail exposures	27,004	26,927	—	223	22,126	22,040	—
EU-10	Corporate	71,953	57,372	5,235	10,104	76,107	59,321	6,573
EU-11	Exposures in default	3,696	3,431	24	146	3,693	3,536	41
EU-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	17,813	16,020	7,972	214	21,025	14,281	8,901

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

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

		UK	Pol	US	France	Hong Kong	Norway	Luxembourg	Slovakia	Czech Republic	Bulgaria	Other	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2020													
General credit exposures	Exposure value for STD	25,458	797	379	172	239	164	29	1	1	—	5,313	32,553
	Exposure value for IRB	317,592	21,331	9,480	3,793	195	1,193	5,061	1	12	1	22,807	381,466
Trading book	Sum of long and short position of trading book	16	—	7	—	—	—	—	—	—	—	4	27
	Value of trading book exposure for internal models	262	10	90	98	—	42	33	—	5	—	1,736	2,276
Securitisation exposures	Exposure value	11,217	134	1,071	84	—	—	—	—	—	—	625	13,131
Own funds	Of which: General credit exposures	7,649	768	320	119	10	49	132	—	—	—	1,047	10,094
	Trading book exposures	27	2	12	5	—	—	3	—	—	—	68	117
Own funds	Securitisation exposures	173	2	15	1	—	—	—	—	—	—	15	206
	Total	7,849	772	347	125	10	49	135	—	—	—	1,130	10,417
Own funds requirement weights		75.34%	7.40%	3.32%	1.20%	0.10%	0.48%	1.30%	0.00%	0.00%	0.00%	10.86%	100.00%
Countercyclical capital buffer rate		0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	0.25%	1.00%	0.50%	0.50%	0.00%	0.01%

Total risk exposure (sum of general credit, trading and securitisation)

NWH Group	335,266	21,908	4,710	2,671	182	1,278	892	2	4	1	13,131	380,045
NWM Plc	13,714	303	5,975	455	99	121	1,306	—	12	—	38,831	60,816

Total own fund requirements

NWH Group	7,060	759	190	80	5	47	63	—	—	—	584	8,788
NWM Plc	489	10	145	14	1	3	26	—	—	—	218	906

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

	NatWest Group £m	NWH Group £m	NWM Plc £m
Total risk exposure amount	170,310	135,331	25,564
Institution specific countercyclical buffer rate	0.01%	0.01%	0.01%
Institution specific countercyclical buffer requirement (1)	15	10	3

Notes:

- (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 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.
- (2) The Jersey Financial Services Commission (JRFSC) currently do not recognise countercyclical buffers, as such RBSI is not presented.

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.

NatWest 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 the 2020 NatWest Group ARA Financial instruments – valuation (note 12).

	a	b	c	d	f	g	h
	Equities	Interest	FX	Credit	Total	Of which: in the	Of which: in the
	£m	rates	£m	£m	£m	trading book	non-trading book
	£m	£m	£m	£m	£m	£m	£m
2020							
1 Closeout uncertainty, of which	7	173	10	13	203	176	27
2 <i>Mid-market value</i>	7	154	7	11	179	156	23
3 <i>Closeout cost</i>	—	9	3	—	12	12	—
4 <i>Concentration</i>	—	10	—	2	12	8	4
5 Early termination	—	—	—	—	—	—	—
6 Model risk	—	21	2	4	27	27	—
7 Operational risk	1	16	1	2	20	17	3
8 Investing and funding costs	—	7	—	—	7	7	—
9 Unearned credit spreads	—	20	—	—	20	20	—
10 Future administrative costs	—	9	—	—	9	8	1
11 Other	—	—	—	—	—	—	—
12 Total prudential valuation adjustment (PVA)	8	246	13	19	286	255	31
PVA excluding diversification benefit	22	650	35	49	756	686	70
2019							
1 Closeout uncertainty, of which	107	166	14	27	314	177	137
2 <i>Mid-market value</i>	13	148	7	20	188	146	42
3 <i>Closeout cost</i>	—	11	7	—	18	18	—
4 <i>Concentration</i>	94	7	—	7	108	13	95
5 Early termination	—	—	—	—	—	—	—
6 Model risk	—	34	4	7	45	44	1
7 Operational risk	1	16	2	2	21	16	5
8 Investing and funding costs	—	11	—	—	11	10	1
9 Unearned credit spreads	—	30	—	—	30	30	—
10 Future administrative costs	—	8	1	1	10	8	2
11 Other	—	—	—	—	—	—	—
12 Total prudential valuation adjustment (PVA)	108	265	21	37	431	285	146
PVA excluding diversification benefit	115	498	37	63	713	532	181

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 have been excluded from the above table as this was nil in both the current and prior period.

Key point

- The movement in the year is primarily driven by the benefit of the COVID-19 amendment aggregation factor, risk reductions in budgeted losses, and the disposal of the remaining shareholding in Saudi British Bank.

Capital, liquidity and funding

EBA asset encumbrance

The values presented below, including totals, are based on a four-point median average across the four quarters in each of 2020 and 2019.

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 £m	£m	of which notionally eligible EHQLA and HQLA £m	£m	of which notionally eligible EHQLA and HQLA £m	£m	of which notionally eligible EHQLA and HQLA £m	£m
Assets of the reporting institution	114,427	82,280	—	—	691,977	300,905	—	—
Equity instruments	—	—	—	—	903	—	—	—
Debt securities	39,379	35,909	39,387	35,895	47,591	42,392	47,702	42,504
of which: covered bonds	195	155	195	155	2,637	2,321	2,637	2,321
of which: asset-backed securities	4,146	3,180	4,146	3,180	1,195	1,052	1,195	1,052
of which: issued by general governments	32,407	30,773	32,394	30,760	37,281	32,868	37,392	32,979
of which: issued by financial corporations	5,372	4,087	5,372	4,087	9,618	8,284	9,618	8,284
of which: issued by non-financial corporations	1,108	720	1,120	720	154	92	154	92
Other assets	75,757	46,967	—	—	638,932	258,513	—	—

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 £m	£m	of which EHQLA and HQLA £m	£m
Collateral received by the reporting institution	36,458	33,640	23,785	23,076
Loans on demand	—	—	—	—
Equity instruments	—	—	—	—
Debt securities	36,458	33,640	23,785	23,076
of which: covered bonds	444	442	21	21
of which: asset-backed securities	2,205	720	770	—
of which: issued by general governments	31,630	31,533	21,284	21,113
of which: issued by financial corporations	3,906	1,586	2,302	1,964
of which: issued by non-financial corporations	1,455	641	—	—
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	150,667	115,407	—	—

Sources of encumbrance

Carrying amount of selected financial liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and asset-backed securities encumbered
	£m	£m
	82,014	108,602

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). NatWest Group assesses these risks as part of its Individual Liquidity Adequacy Assessment Process (ILAAP) and maintains appropriate levels of liquidity.

	Total unweighted value (average)				Total weighted value (average)			
	31 December 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)					161,894	152,095	144,601	137,730
Cash outflows								
2 Retail deposits and deposits from small business customers	229,034	221,500	216,728	209,812	18,063	17,631	17,233	16,870
3 of which: stable deposits	145,240	139,947	135,082	131,569	7,262	6,997	6,754	6,578
4 of which: less stable deposits	83,414	81,095	79,247	77,765	10,421	10,176	9,980	9,814
5 Unsecured wholesale funding	156,814	149,703	144,727	138,803	70,920	68,045	66,159	63,796
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	64,318	62,061	60,019	57,205	15,760	15,196	14,687	13,985
7 Non-operational deposits (all counterparties)	91,029	86,259	83,375	80,438	53,693	51,466	50,139	48,651
8 Unsecured debt	1,467	1,383	1,333	1,160	1,467	1,383	1,333	1,160
9 Secured wholesale funding					1,542	1,959	2,324	2,854
10 Additional requirements	75,872	73,823	73,758	74,811	19,802	19,256	18,986	18,757
11 Outflows related to derivative exposures and other collateral requirements	7,815	7,421	7,222	6,840	7,006	6,693	6,431	6,000
12 Outflows related to loss of funding on debt products	256	256	104	—	256	256	104	—
13 Credit and liquidity facilities	67,801	66,146	66,432	67,971	12,540	12,307	12,451	12,757
14 Other contractual funding obligations	23,061	21,604	22,194	22,604	2,046	1,981	1,952	1,791
15 Other contingent funding obligations	50,345	49,920	48,505	46,765	3,604	3,675	3,801	3,752
16 Total cash outflows					115,977	112,547	110,455	107,820
17 Secured lending (e.g. reverse repos)	58,748	60,933	63,453	66,018	806	979	1,231	1,441
18 Inflows from fully performing exposures	10,290	11,505	12,601	12,650	8,126	8,914	9,496	9,406
19 Other cash inflows	13,942	13,984	14,112	14,081	5,545	5,564	5,569	5,464
EU-19a Difference between total weighted inflows and outflows	—	—	—	—	—	—	—	—
EU-19b Excess inflows from a related specialised credit institution	—	—	—	—	—	—	—	—
20 Total cash inflows	82,980	86,422	90,166	92,749	14,477	15,457	16,296	16,311
EU-20a Fully exempt inflows	—	—	—	—	—	—	—	—
EU-20b Inflows subject to 90% cap	—	—	—	—	—	—	—	—
EU-20c Inflows subject to 75% cap	78,849	80,947	83,236	84,635	14,477	15,457	16,296	16,311
21 Liquidity buffer					161,894	152,095	144,601	137,730
22 Total net cash outflows					101,500	97,090	94,160	91,509
23 Liquidity coverage ratio (%)					159	156	153	151

Capital, liquidity and funding

EU LI1: CAP: Accounting and regulatory scope 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 £m	Regulatory consolidation £m	Accounting balance sheet £m	Deconsolidation of non-financial entities (1) £m	Consolidation of banking associates £m	Regulatory consolidation £m
Assets								
Cash and balances at central banks	124,489	—	—	124,489	80,993	—	—	80,993
Trading assets	68,990	—	—	68,990	76,745	—	—	76,745
Derivatives	166,523	(1)	—	166,522	150,029	—	—	150,029
Settlement balances	2,297	—	—	2,297	4,387	—	—	4,387
Loans to banks - amortised cost	6,955	—	—	6,955	7,554	—	—	7,554
Loans to customers - amortised cost	360,544	(38)	142	360,648	326,947	(9)	—	326,938
Other financial assets	55,148	(790)	267	54,625	61,452	(838)	218	60,832
Intangible assets	6,655	—	—	6,655	6,622	—	—	6,622
Other assets	7,871	325	(261)	7,935	8,244	348	(213)	8,379
Assets of disposal groups	19	—	—	19	66	—	—	66
	799,491	(504)	148	799,135	723,039	(499)	5	722,545
Of which: By large subsidiary (includes intra-Group exposures)								
NWH Group	496,583	(416)	142	496,309	428,371	(390)	—	427,981
NWM Plc	256,082	—	—	256,082	248,053	—	—	248,053
RBSI	34,401	—	—	34,401	—	—	—	—
Liabilities								
Bank deposits	20,606	—	—	20,606	20,493	—	—	20,493
Customer deposits	431,739	365	142	432,246	369,247	296	—	369,543
Settlement balances	5,545	—	—	5,545	4,069	—	—	4,069
Trading liabilities	72,256	—	—	72,256	73,949	—	—	73,949
Derivatives	160,705	—	—	160,705	146,879	—	—	146,879
Other financial liabilities	45,811	927	—	46,738	45,220	(673)	—	44,547
Subordinated liabilities	9,962	—	—	9,962	9,979	—	—	9,979
Other liabilities	9,043	(1,796)	6	7,253	9,647	(122)	5	9,530
Liabilities of disposal groups	—	—	—	—	—	—	—	—
	755,667	(504)	148	755,311	679,483	(499)	5	678,989
Of which: by large subsidiary (includes intra-Group exposures)								
NWH Group	463,317	(416)	142	463,043	395,614	(390)	—	395,224
NWM Plc	246,930	—	—	246,930	238,422	—	—	238,422
RBSI	32,349	—	—	32,349	—	—	—	—
Non-controlling interests	(36)	—	—	(36)	9	—	—	9
Owners' equity	43,860	—	—	43,860	43,547	—	—	43,547
Total equity	43,824	—	—	43,824	43,556	—	—	43,556
Of which: by large subsidiary: (includes intra-group exposures)								
NWH Group	33,266	—	—	33,266	32,757	—	—	32,757
NWM Plc	9,152	—	—	9,152	9,631	—	—	9,631
RBSI	2,020	—	—	2,020	—	—	—	—

*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.

Note:

(1) NatWest Group can only include particular types of subsidiary undertaking in the regulatory consolidation. Non-financial undertakings are excluded from the regulatory consolidation.

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	Consolidation differences (1)	Regulatory consolidation	Within the	Credit	Netting and collateral (4)	Capital	Disposal groups (6)	Methodology	Total drawn EAD	Undrawn and	Total EAD
				scope of market risk (2)	provisions (3)		deduction (5)		differences and reclassifications (7)		off-balance sheet EAD	
2020	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and balances at central banks	124.5	—	124.5	—	—	—	—	—	0.5	125.0	—	125.0
Trading assets	69.0	—	69.0	(29.2)	—	(19.8)	—	—	(15.6)	4.4	—	4.4
Derivatives	166.5	—	166.5	—	0.2	(156.0)	—	—	6.9	17.6	—	17.6
Settlement balances	2.3	—	2.3	—	—	—	—	—	(2.3)	—	—	—
Loans to banks - amortised cost	7.0	—	7.0	—	—	—	—	—	(0.3)	6.7	—	6.7
Loans to customers - amortised cost	360.5	0.1	360.6	—	5.3	(19.0)	—	—	(16.2)	330.8	69.4	400.2
Other financial assets	55.1	(0.5)	54.6	—	—	—	—	—	0.2	54.8	—	54.8
Intangible assets	6.7	—	6.7	—	—	—	(6.1)	—	(0.6)	—	—	—
Other assets	7.9	—	7.9	—	0.2	—	(1.4)	—	0.8	7.6	—	7.6
Assets of disposal groups	—	—	—	—	—	—	—	—	—	—	—	—
Total assets	799.5	(0.4)	799.1	(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

For notes on this table refer to the following page.

Capital, liquidity and funding

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

	Other regulatory adjustments											
	Balance sheet	Consolidation differences (1)	Regulatory consolidation	Within the scope of market risk (2)	Credit provisions (3)	Netting and collateral (4)	Capital deduction (5)	Disposal groups (6)	Methodology differences and reclassifications (7)	Total drawn EAD	Undrawn and off-balance sheet EAD	Total EAD
2019*	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and balances at central banks	81.0	—	81.0	—	—	—	—	—	0.2	78.1	—	78.1
Trading assets	76.7	—	76.7	(30.2)	—	(20.3)	—	—	(20.2)	6.0	—	6.0
Derivatives	150.0	—	150.0	—	0.2	(133.9)	—	—	5.8	22.1	—	22.1
Settlement balances	4.4	—	4.4	—	—	—	—	—	(4.4)	—	—	—
Loans to banks - amortised cost	7.6	—	7.6	(0.3)	—	—	—	—	0.2	10.6	—	10.6
Loans to customers - amortised cost	326.9	—	326.9	—	3.3	(19.9)	—	—	(2.0)	308.2	68.6	376.8
Other financial assets	61.5	(0.6)	60.9	—	—	—	—	—	0.2	61.1	—	61.1
Intangible assets	6.6	—	6.6	—	—	—	(6.6)	—	—	—	—	—
Other assets	8.2	0.1	8.3	—	0.1	—	(1.3)	0.1	2.0	9.2	—	9.2
Assets of disposal groups	0.1	—	0.1	—	—	—	—	(0.1)	—	—	—	—
Total assets	723.0	(0.5)	722.5	(30.5)	3.6	(174.1)	(7.9)	—	(18.2)	495.3	68.6	563.9
Contingent obligations											3.9	3.9
											72.5	567.8

*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:

- Reverse repos: reflects regulatory approach for securities financing transactions including netting of collateral and cash legs.
- Loans and advances: cash collateral pledged with counterparties in relation to net derivative liability positions.
- 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:

- Loans and advances: offset related to cash management pooling arrangements not allowed under IFRS and standardised approach credit risk mitigation.
- Settlement balances: the amount represents instruments pending settlement on which no EAD is calculated.
- Derivatives: EAD valuation adjustments offset by difference between netting arrangements and netting within regulatory netting sets.
- Property, plant and equipment includes residual value of operating leases.

Capital, liquidity and funding

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

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

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

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

Capital, liquidity and funding

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

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

	a Minimum requirement for own funds and eligible liabilities (MREL) £m
Own funds and eligible liabilities: Non-regulatory capital elements	
1 Common Equity Tier 1 capital (CET1)	31,447
2 Additional Tier 1 capital (AT1)	5,617
6 Tier 2 capital (T2)	5,854
11 Own funds for the purpose of Articles 92a CRR and 45 BRRD arising from regulatory capital instruments	42,918
Own funds and eligible liabilities: Non-regulatory capital elements	
12 Eligible liabilities instruments-issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	19,612
EU 12a Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	—
EU12b Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	—
EU12c Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	1,321
13 Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	—
EU-13a Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	—
14 Amount of non subordinated instruments eligible, where applicable after application of articles 72b (3) and (4) CRR	—
17 Eligible liabilities items before adjustments	20,933
EU-17a Of which subordinated	20,933
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements	
18 Own funds and eligible liabilities items before adjustments	63,851
19 Deduction of exposures between MPE resolution groups	—
20 Deduction of investments in other eligible liabilities instruments	—
22 Own funds and eligible liabilities after adjustments	63,851
EU-22a Of which own funds and subordinated	63,851
Risk-weighted exposure amount and leverage exposure measure of the resolution group	
23 Total risk exposure amount adjusted as permitted by article 45h(2) of Directive 2014/59/EU	170,310
24 Total exposure measure	572,558
Ratio of own funds and eligible liabilities	
25 Own funds and eligible liabilities (as a percentage of total risk exposure amount)	37.5%
EU-25a Of which own funds and subordinated	37.5%
26 Own funds and eligible liabilities (as a percentage of total exposure measure)	11.2%
EU-26a Of which own funds and subordinated	11.2%
27 CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	12.1%
28 Institution-specific combined buffer requirement	2.5%
29 of which: capital conservation buffer requirement	2.5%
30 of which: countercyclical buffer requirement	0.0%
31 of which: systemic risk buffer requirement	0.0%
EU-31a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%

Capital, liquidity and funding

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).

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

		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
		Total							
		£m							
RBSI									
3	Total liabilities and own funds	1,607	—	300	—	—	—	—	1,907
4	o/w excluded liabilities	—	—	—	—	—	—	—	—
5	Total liabilities and own funds less excluded liabilities	1,607	—	300	—	—	—	—	1,907
6	Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL	1,607	—	300	—	—	—	—	1,907
7	o/w residual maturity ≥ 1 year < 2 years	—	—	—	—	—	—	—	—
8	o/w residual maturity ≥ 2 year < 5 years	—	—	—	—	—	—	—	—
9	o/w residual maturity ≥ 5 years < 10 years	—	—	—	—	—	—	—	—
10	o/w residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—
11	o/w perpetual securities	1,607	—	300	—	—	—	—	1,907

Capital, liquidity and funding

EU TLAC3: creditor ranking - resolution entity

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

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

Capital, liquidity and funding

KM2: Key metrics – TLAC requirements

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

	a Minimum requirement for own funds and eligible liabilities (MREL) 31 December 2020 £m	a Minimum requirement for own funds and eligible liabilities (MREL) 30 June 2020 £m
Own funds and eligible liabilities, ratios and components		
1 Own funds and eligible liabilities (4)	63,851	66,347
EU-1a Of which own funds and subordinated liabilities	63,851	66,347
2 Total risk exposure amount of the resolution group (TREA)	170,310	181,458
3 Own funds and eligible liabilities as a percentage of TREA (row1/row2)	37.5%	36.6%
EU-3a Of which own funds and subordinated liabilities	37.5%	36.6%
4 Total exposure measure of the resolution group	572,558	585,114
5 Own funds and eligible liabilities as percentage of the total exposure measure	11.2%	11.3%
EU-5a Of which own funds or subordinated liabilities	11.2%	11.3%
6a Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	n/a	n/a
6b Does the subordination exemption in Article 72(b)(4) of the CRR apply? (5% exemption)	n/a	n/a
6c Pro-memo item: If a capped subordination exemption applies under Article 72(b)(3) or (4), the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 10110, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised under row 1 0110 if no cap was applied (%)	n/a	n/a
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7 MREL requirement expressed as percentage of the total risk exposure amount (3)	21.9%	21.9%
EU-9 MREL requirement expressed as percentage of the total exposure measure	6.5%	6.5%

Notes:

- (1) NatWest Group is no longer recognised as a G-SII from 1 January 2020 and is therefore not subject to the CRR MREL requirement as of this date which references CRR2 leverage exposure. Therefore for the sake of consistency the leverage exposure, and resulting ratio, is disclosed according to the BoE leverage framework for all time periods.
- (2) As NatWest Group is a single point of entry resolution firm, the resolution group is equal to the prudential consolidation group. Therefore, information on differences between the own funds amounts disclosed and the IFRS 9 fully loaded amount at the resolution group level is disclosed in template KM1: BCBS 2 & EBA IFRS 9-FL: Key metrics.
- (3) Row EU-7 – "MREL requirement expressed as percentage of the total risk exposure amount" is based on interim 2020 BoE MREL requirement i.e. (2 x Pillar 1) plus (1 x Pillar 2A) + CRDIV combined buffer requirements.
- (4) Senior unsecured debt securities issued by NatWest Group plc reflects par value for 31 December 2020 vs balance sheet value for 30 June 2020.

Credit risk

Credit risk

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

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

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

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

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.

NatWest Group is exposed to credit risk as a result of a wide range of business activities. NatWest Group's principal sources of credit risk are lending, off-balance sheet products, derivatives and securities financing and debt securities. NatWest Group is also exposed to settlement risk through foreign exchange, trade finance and payments activities.

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

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

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

Credit risk governance and management

For a description of the main characteristics and elements of credit risk governance and management in NatWest Group as well as additional credit risk disclosures, refer to the Credit risk section of the 2020 NatWest Group ARA.

Presentation of data in the Credit risk section

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

Credit risk (excluding counterparty credit risk) EAD pre CRM:

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

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

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

Other items

Non-credit obligation assets that are included in the credit risk tables contain the following categories of exposure:

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

Credit risk

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

The table below summarises NatWest 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.

	EAD post CRM			RWAs			RWA density		
	IRB	STD	Total	IRB	STD	Total	IRB	STD	Total
2020	£m	£m	£m	£m	£m	£m	%	%	%
Sector cluster									
Sovereign									
Central banks	34,277	91,511	125,788	761	457	1,218	2	—	1
Central governments	18,448	23,940	42,388	1,718	—	1,718	9	—	4
Other sovereign	3,296	590	3,886	766	14	780	23	2	20
Total sovereign	56,021	116,041	172,062	3,245	471	3,716	6	—	2
Financial institutions (FIs)									
Banks	16,183	775	16,958	5,643	173	5,816	35	22	34
Non-bank FIs (1)	30,473	5,036	35,509	10,447	2,526	12,973	34	50	37
SSPEs	103	344	447	67	326	393	65	95	88
Total FIs	46,759	6,155	52,914	16,157	3,025	19,182	35	49	36
Corporates									
Property									
- UK	37,339	3,128	40,467	17,763	2,814	20,577	48	90	51
- RoI	1,349	181	1,530	894	178	1,072	66	98	70
- Western Europe	1,577	137	1,714	870	128	998	55	93	58
- US	155	2	157	76	2	78	49	100	50
- RoW	393	157	550	273	157	430	69	100	78
Total property	40,813	3,605	44,418	19,876	3,279	23,155	49	91	52
Natural resources	13,445	332	13,777	5,492	284	5,776	41	86	42
Transport	17,608	848	18,456	8,122	611	8,733	46	72	47
Manufacturing	14,579	1,009	15,588	6,601	661	7,262	45	66	47
Retail and leisure	19,074	1,419	20,493	10,763	1,104	11,867	56	78	58
Services	18,732	1,762	20,494	9,035	1,226	10,261	48	70	50
TMT (2)	7,206	329	7,535	4,170	242	4,412	58	74	59
Total corporates	131,457	9,304	140,761	64,059	7,407	71,466	49	80	51
Personal									
Mortgages (3)									
- UK	173,035	14,605	187,640	12,926	5,336	18,262	7	37	10
- RoI	14,082	27	14,109	4,210	10	4,220	30	37	30
- Western Europe	—	229	229	—	86	86	—	38	38
- US	—	295	295	—	109	109	—	37	37
- RoW	—	1,508	1,508	—	589	589	—	39	39
Total mortgages	187,117	16,664	203,781	17,136	6,130	23,266	9	37	11
Other personal	26,901	2,744	29,645	11,902	1,808	13,710	44	66	46
Total personal	214,018	19,408	233,426	29,038	7,938	36,976	14	41	16
Other items	5,382	1,918	7,300	3,769	1,323	5,092	70	69	70
Total (excluding securitisations)	453,637	152,826	606,463	116,268	20,164	136,432	26	13	22
Total securitisations (4)			13,131			2,586			20
Total			619,594			139,018			22

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

Credit risk

CR1: IRB and STD: RWA density by NatWest 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	26,889	55,021	81,910	495	317	812	2	1	1
Central governments	21,158	26,475	47,633	2,098	—	2,098	10	—	4
Other sovereign	1,983	606	2,589	392	15	407	20	2	16
Total sovereign	50,030	82,102	132,132	2,985	332	3,317	6	—	3
Financial institutions (FIs)									
Banks	20,675	365	21,040	7,560	184	7,744	37	50	37
Non-bank FIs (1)	34,132	5,454	39,586	13,197	2,711	15,908	39	50	40
SSPEs	8,990	646	9,636	1,658	604	2,262	18	93	23
Total FIs	63,797	6,465	70,262	22,415	3,499	25,914	35	54	37
Corporates									
Property									
- UK	37,756	2,907	40,663	17,609	2,675	20,284	47	92	50
- RoI	1,437	172	1,609	897	171	1,068	62	99	66
- Western Europe	1,775	163	1,938	1,069	153	1,222	60	94	63
- US	242	3	245	108	3	111	45	100	45
- RoW	415	225	640	262	195	457	63	87	71
Total property	41,625	3,470	45,095	19,945	3,197	23,142	48	92	51
Natural resources	14,310	261	14,571	5,956	244	6,200	42	94	43
Transport	16,926	875	17,801	6,943	778	7,721	41	89	43
Manufacturing	15,259	883	16,142	7,055	649	7,704	46	74	48
Retail and leisure	16,898	1,214	18,112	9,146	1,188	10,334	54	98	57
Services	17,988	1,433	19,421	9,345	1,221	10,566	52	85	54
TMT (2)	6,761	315	7,076	4,223	304	4,527	62	96	64
Total corporates	129,767	8,451	138,218	62,613	7,581	70,194	48	90	51
Personal									
Mortgages (3)									
- UK	160,479	10,742	171,221	13,070	3,895	16,965	8	36	10
- RoI	14,050	30	14,080	5,869	13	5,882	42	45	42
- Western Europe	—	250	250	—	93	93	—	37	37
- US	—	255	255	—	94	94	—	37	37
- RoW	—	1,362	1,362	—	491	491	—	36	36
Total mortgages	174,529	12,639	187,168	18,939	4,586	23,525	11	36	13
Other personal	30,573	2,838	33,411	13,997	1,932	15,929	46	68	48
Total personal	205,102	15,477	220,579	32,936	6,518	39,454	16	42	18
Other items	5,331	1,233	6,564	4,100	664	4,764	77	54	73
Total	454,027	113,728	567,755	125,049	18,594	143,643	28	16	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 NatWest Markets exposures and unsecured balances in Retail Banking.
- **RWAs** – The overall reduction in RWAs mainly reflected a decrease in counterparty risk in NatWest Markets. There were further decreases in AIRB RWAs 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.
- **Financial institutions** – The decrease in EAD and RWAs mainly reflected a reduction in counterparty risk exposures. There were further reductions in RWAs due to trade novations and the hedging of credit exposure with a portfolio credit default swap.
- **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: NatWest Group and large subsidiaries

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

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

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

Credit risk

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

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

Notes:

- (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
- (2) Counterparty credit risk securitisations are presented as a subtotal of total counterparty credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables 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: NatWest Group and large subsidiaries continued

	NatWest Group				NWH Group				NWM Plc			
	EAD pre	EAD post	RWAs	MCR	EAD pre	EAD post	RWAs	MCR	EAD pre	EAD post	RWAs	MCR
	CRM	CRM			CRM	CRM			CRM	CRM		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
IRB												
2019												
Credit risk												
Central governments and central banks	52,839	52,712	2,987	239	34,581	34,522	2,353	188	10,791	10,790	535	43
Institutions	11,716	9,753	2,410	193	8,261	6,299	1,582	127	332	332	171	14
Corporates	140,230	130,448	61,208	4,897	113,640	103,882	52,011	4,161	9,322	9,319	3,541	283
<i>Specialised lending</i>	16,772	16,702	11,178	894	13,931	13,862	9,426	754	330	330	189	15
<i>SME</i>	20,800	20,368	8,762	701	20,451	20,021	8,570	686	3	3	—	—
<i>Other corporate</i>	102,658	93,378	41,268	3,302	79,258	69,999	34,015	2,721	8,989	8,986	3,352	268
Retail	215,130	215,130	37,150	2,972	215,130	215,130	37,150	2,972	—	—	—	—
<i>Secured by real estate property - SME</i>	1,291	1,291	523	42	1,291	1,291	523	42	—	—	—	—
<i>- non-SME</i>	174,529	174,529	18,939	1,516	174,529	174,529	18,939	1,516	—	—	—	—
<i>Qualifying revolving</i>	23,138	23,138	5,991	479	23,138	23,138	5,991	479	—	—	—	—
<i>Other retail - SME</i>	8,940	8,940	3,856	308	8,940	8,940	3,856	308	—	—	—	—
<i>- non-SME</i>	7,232	7,232	7,841	627	7,232	7,232	7,841	627	—	—	—	—
Equities	1,366	1,366	2,613	209	—	—	—	—	612	612	946	75
Securitisations	13,833	13,833	2,379	190	7,329	7,329	1,509	121	6,500	6,500	846	68
Non-credit obligation assets	6,204	6,204	4,365	349	5,847	5,847	4,152	332	139	139	139	11
Total IRB	441,318	429,446	113,112	9,049	384,788	373,009	98,757	7,901	27,696	27,692	6,178	494
STD												
Central governments and central banks	81,335	81,339	323	26	63,983	63,983	1,193	95	5,891	5,894	—	—
Regional governments and local authorities	20	20	6	—	20	20	5	—	—	—	—	—
Institutions	307	353	85	7	653	653	236	19	5,688	5,688	948	76
Corporates	8,747	8,212	7,691	615	7,567	7,230	6,928	554	1,238	1,184	685	55
Retail	2,445	2,380	1,433	115	2,332	2,276	1,356	109	—	—	—	—
Secured by mortgages on immovable property - residential	13,507	13,507	4,849	388	10,909	10,909	3,942	315	—	—	—	—
<i>- commercial</i>	697	678	692	55	681	663	677	54	—	—	—	—
Exposures in default	468	406	489	39	303	302	359	29	1	1	2	—
Equity exposures	671	671	1,619	130	25	25	27	2	810	810	2,010	161
Other exposures	1,345	1,345	713	57	1,123	1,123	500	40	11	11	2	—
Total STD	109,542	108,911	17,900	1,432	87,596	87,184	15,223	1,217	13,639	13,588	3,647	292
Total IRB and STD	550,860	538,357	131,012	10,481	472,384	460,193	113,980	9,118	41,335	41,280	9,825	786

Credit risk

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

	NatWest Group			NWH Group			NWM Plc		
	EAD post			EAD post			EAD post		
	CRM	RWAs	MCR	CRM	RWAs	MCR	CRM	RWAs	MCR
	£m	£m	£m	£m	£m	£m	£m	£m	£m
IRB									
2019									
Counterparty credit risk									
Central governments and central banks	1,322	475	38	209	3	—	1,039	198	16
Institutions	6,915	4,649	372	265	94	8	6,203	4,205	336
Corporates	15,599	6,326	506	479	120	9	12,986	5,632	451
<i>Specialised lending</i>	868	638	51	28	19	2	793	586	47
<i>SME</i>	81	42	3	1	1	—	79	41	3
<i>Other corporate</i>	14,650	5,646	452	450	100	7	12,114	5,005	401
Securitisation positions	745	487	39	—	—	—	613	319	26
Total IRB	24,581	11,937	955	953	217	17	20,841	10,354	829
STD									
Central governments and central banks	724	—	—	332	—	—	392	—	—
Regional governments and local authorities	20	2	—	—	—	—	8	2	—
Institutions	3,585	300	24	1,174	528	42	5,417	329	26
Corporates	488	392	32	132	235	19	653	375	30
Total STD	4,817	694	56	1,638	763	61	6,470	706	56
Total IRB and STD	29,398	12,631	1,011	2,591	980	78	27,311	11,060	885

Key points

Credit risk and counterparty credit risk

NWM Plc

- The overall decrease in EAD post CRM was mainly due to a reduction in counterparty risk.
- The reduction in RWAs was primarily a result of trade novations and the hedging of credit exposure with a portfolio credit default swap.

Credit risk

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

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

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

For the notes to this table refer to page 53.

Credit risk

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

	Retail Banking		Ulster Bank Rol		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total	
	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m	EAD post CRM £m	RWAs £m
STD																
2020																
Credit risk																
Central governments and central banks	54,839	82	205	16	33,819	175	6,439	87	13,472	16	6,037	16	742	77	115,553	469
Regional governments and local authorities	—	—	1	1	1	—	—	—	—	—	—	—	—	—	2	1
Multilateral development banks	—	—	—	—	—	—	—	—	422	—	—	—	—	—	422	—
Institutions	29	2	—	—	19	4	285	59	69	14	53	2	—	2	455	83
Corporates	2	2	536	517	3,406	2,363	1,836	1,591	144	139	600	470	—	—	6,524	5,082
Retail	44	31	11	6	1,172	706	931	535	86	64	—	—	—	—	2,244	1,342
Secured by mortgages on immovable property																
- residential	2,990	1,111	94	94	109	109	11,518	4,089	2,519	882	—	—	—	—	17,230	6,285
- commercial	—	—	39	40	370	380	2,348	2,318	32	30	8	8	—	—	2,797	2,776
Exposures in default	17	26	29	38	90	126	256	265	70	76	—	1	—	—	462	532
Covered bonds	—	—	—	—	—	—	—	—	—	—	127	25	—	—	127	25
Equity exposures	355	287	1	54	227	585	42	301	2	34	17	70	5	266	649	1,597
Other exposures	1,190	432	30	39	532	486	299	386	2	15	120	49	6	122	2,179	1,529
Total STD	59,466	1,973	946	805	39,745	4,934	23,954	9,631	16,818	1,270	6,962	641	753	467	148,644	19,721
Total Securitisations (2)	787	86	3	16	6,843	1,180	—	—	4	10	4,677	810	11	62	12,325	2,164
Total IRB, STD and Securitisations	282,994	29,060	29,581	10,777	180,692	66,304	23,954	9,631	39,135	6,481	38,910	6,283	1,042	1,378	596,308	129,914

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

For the notes to this table refer to page 53.

Credit risk

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

	Retail Banking		Ulster Bank Rol		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total	
	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
IRB																
2019																
Credit risk																
Central governments and central banks	17,167	387	5,591	677	11,271	799	—	—	4,325	47	14,033	731	325	346	52,712	2,987
Institutions	2,920	262	410	161	2,883	829	—	—	1,508	362	1,977	564	55	232	9,753	2,410
Corporates	647	135	5,352	3,429	98,125	48,476	—	—	13,965	3,840	12,347	5,227	12	101	130,448	61,208
<i>Specialised lending</i>	1	—	1,121	780	12,746	8,646	—	—	2,361	1,459	473	293	—	—	16,702	11,178
<i>SME</i>	78	40	1,320	751	18,621	7,730	—	—	344	196	3	11	2	34	20,368	8,762
<i>Other corporate</i>	568	95	2,911	1,898	66,758	32,100	—	—	11,260	2,185	11,871	4,923	10	67	93,378	41,268
Retail	189,980	26,345	15,107	6,502	10,043	4,303	—	—	—	—	—	—	—	—	215,130	37,150
<i>Secured by real estate property - SME</i>	—	—	—	—	1,291	523	—	—	—	—	—	—	—	—	1,291	523
<i>- non-SME</i>	160,479	13,070	14,050	5,869	—	—	—	—	—	—	—	—	—	—	174,529	18,939
<i>Qualifying revolving</i>	22,809	5,828	328	163	1	—	—	—	—	—	—	—	—	—	23,138	5,991
<i>Other retail - SME</i>	30	11	537	316	8,373	3,529	—	—	—	—	—	—	—	—	8,940	3,856
<i>- non-SME</i>	6,662	7,436	192	154	378	251	—	—	—	—	—	—	—	—	7,232	7,841
Equities (1)	443	369	3	74	279	708	—	—	5	40	628	1,092	8	330	1,366	2,613
Securitisations	873	29	5	5	6,426	1,438	—	—	7	3	6,505	878	17	26	13,833	2,379
Non-credit obligation assets	2,680	1,906	711	258	2,338	1,770	—	—	164	113	309	298	2	20	6,204	4,365
Total IRB	214,710	29,433	27,179	11,106	131,365	58,323	—	—	19,974	4,405	35,799	8,790	419	1,055	429,446	113,112

	Retail Banking		Ulster Bank Rol		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total	
	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
STD																
2019																
Credit risk																
Central governments and central banks	35,958	53	207	11	21,910	109	4,552	65	12,014	5	6,014	15	684	65	81,339	323
Regional governments and local authorities	—	—	1	1	18	4	—	—	1	1	—	—	—	—	20	6
Institutions	68	4	—	1	44	8	84	20	27	6	129	41	1	5	353	85
Corporates	4	5	615	598	2,857	2,715	3,688	3,564	140	140	908	669	—	—	8,212	7,691
Retail	59	42	13	8	1,262	754	943	552	103	77	—	—	—	—	2,380	1,433
Secured by mortgages on immovable property																
- residential	52	18	81	81	115	115	10,661	3,728	2,597	907	1	—	—	—	13,507	4,849
- commercial	—	—	33	33	478	493	152	150	7	8	8	8	—	—	678	692
Exposures in default	17	25	19	24	74	111	193	200	103	128	—	1	—	—	406	489
Equity exposures	355	268	2	53	241	531	48	329	3	27	15	88	7	323	671	1,619
Other exposures	777	227	36	22	248	182	273	274	—	—	11	3	—	5	1,345	713
Total STD	37,290	642	1,007	832	27,247	5,022	20,594	8,882	14,995	1,299	7,086	825	692	398	108,911	17,900
Total IRB and STD	252,000	30,075	28,186	11,938	158,612	63,345	20,594	8,882	34,969	5,704	42,885	9,615	1,111	1,453	538,357	131,012

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

Credit risk

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

	Retail Banking		Ulster Bank Rol		Commercial Banking		Private Banking		RBS International		NatWest Markets		Central items & other		Total	
	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs	EAD post CRM	RWAs
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
IRB																
2019																
Counterparty credit risk																
Central governments and central banks	129	1	—	—	81	2	—	—	—	—	1,112	472	—	—	1,322	475
Institutions	161	32	2	1	102	61	—	—	—	—	6,650	4,555	—	—	6,915	4,649
Corporates	277	35	27	19	174	67	—	—	—	—	15,121	6,205	—	—	15,599	6,326
<i>Specialised lending</i>	6	3	16	12	4	5	—	—	—	—	842	618	—	—	868	638
<i>SME</i>	—	—	1	1	—	—	—	—	—	—	80	41	—	—	81	42
<i>Other corporate</i>	271	32	10	6	170	62	—	—	—	—	14,199	5,546	—	—	14,650	5,646
Securitisation positions	—	—	—	—	—	—	—	—	—	—	745	487	—	—	745	487
Total IRB	567	68	29	20	357	130	—	—	—	—	23,628	11,719	—	—	24,581	11,937
STD																
Government and multilateral institutions (3)	187	—	—	—	118	—	27	—	—	—	392	—	—	—	724	—
Exposures to international organisations	—	—	—	—	—	—	—	—	—	—	20	2	—	—	20	2
Institutions	568	41	—	—	357	78	81	29	21	4	2,558	148	—	—	3,585	300
Corporates	—	—	—	—	—	—	34	35	14	15	440	342	—	—	488	392
Total STD	755	41	—	—	475	78	142	64	35	19	3,410	492	—	—	4,817	694
Total IRB and STD	1,322	109	29	20	832	208	142	64	35	19	27,038	12,211	—	—	29,398	12,631

Notes:

- (1) Represents equity warrants held by NatWest Group, granting it the option to purchase shares in corporate entities. For accounting purposes, the warrants are treated as over-the-counter derivatives and are reported under counterparty credit risk in regulatory disclosures.
- (2) Credit risk securitisations are presented as a subtotal of total credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables EU OV1, SEC 1, SEC 3 and SEC 4. Comparatives have not been restated
- (3) Comprises central governments or central banks, regional governments or local authorities, administrative bodies and non-commercial undertakings, and multilateral development banks.
- (4) Counterparty credit risk securitisations are presented as a subtotal of total counterparty credit risk EAD and RWAs. All positions moved to the new framework as at 1 January 2020. For further information, refer to tables EU OV1, SEC 1, SEC 3 and SEC 4. Comparatives have not been restated.
- (5) Comparatives have not been restated for the accounting policy change for balances held with central banks.

Key points

Credit risk

- **Retail Banking** – The rise in EAD was mainly due to increased cash placements with central banks. There were further increases due to growth of the mortgage portfolio including the acquisition of an owner-occupied mortgage portfolio from Metro Bank. The decrease in RWAs was mainly due to improved risk metrics and reduced balances for unsecured lending products.
- **Ulster Bank Rol** – The decrease in RWAs was mainly a result of the sale of non-performing loans and reductions due to PD calibration for mortgages.
- **Commercial Banking** – 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. The overall increase in RWAs was attributed to 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.
- **Private Banking** – The increases in EAD and RWAs reflected mortgage portfolio growth during the year.
- **RBS International** – The rise in EAD was a result of increased money markets loans with central banks. The increase in RWAs reflected revisions to risk metrics and higher lending balances in the wholesale sector.
- **NatWest Markets** – The decreases in EAD and RWAs were due to reduced exposures in line with current business strategy.

Counterparty credit risk

- **NatWest Markets** – The overall decrease in EAD post CRM was mainly due to a reduction in counterparty risk. The reduction in RWAs was primarily a result of trade novations and the hedging of credit exposure with a portfolio credit default swap.

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 62.

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

Credit risk

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

Exposure class	EAD post CRM							RWAs						
	Total credit and counterparty credit risk	% of total	STD					Total credit and counterparty credit risk	% of total	STD				
			AIRB	Permanent portfolios		Portfolios subject to an IRB rollout plan				AIRB	Permanent portfolios		Portfolios subject to an IRB rollout plan	
				£m	% of total	£m	% of total				£m	% of total	£m	% of total
2019														
Central governments and central banks	136,049	40	54,034	60	82,015	—	—	3,779	92	3,462	8	317	—	—
Institutions	20,605	81	16,668	19	3,937	—	—	7,410	95	7,059	5	351	—	—
Corporates	155,616	94	146,047	6	9,569	—	—	76,514	88	67,534	12	8,980	—	—
Specialised lending	19,426	90	17,570	10	1,856	—	—	13,672	86	11,816	14	1,856	—	—
SME	21,979	93	20,449	7	1,530	—	—	10,164	87	8,804	13	1,360	—	—
Other	114,211	95	108,028	5	6,183	—	—	52,678	89	46,914	11	5,764	—	—
Retail	231,304	93	215,130	7	16,174	—	—	43,744	85	37,150	15	6,594	—	—
Secured by real estate property - SME	1,385	93	1,291	7	94	—	—	555	94	523	6	32	—	—
- non-SME	188,270	93	174,529	7	13,741	—	—	24,061	79	18,939	21	5,122	—	—
Qualifying revolving	23,311	99	23,138	1	173	—	—	6,130	98	5,991	2	139	—	—
Other retail - SME	10,014	89	8,940	11	1,074	—	—	4,504	86	3,856	14	648	—	—
- Non-SME	8,324	87	7,232	13	1,092	—	—	8,494	92	7,841	8	653	—	—
Equities	2,037	67	1,366	33	671	—	—	4,232	62	2,613	38	1,619	—	—
Non-credit obligation assets	7,557	82	6,204	18	1,353	—	—	5,080	86	4,365	14	715	—	—
Total	553,168	79	439,449	21	113,719	—	—	140,759	87	122,183	13	18,576	—	—

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 SME Retail – Secured by real estate non-SME	Separate models are in place for the United Kingdom and Republic of Ireland. Within the United Kingdom, there are separate models for standard and non-standard products.	Key United Kingdom model drivers include the internal behaviour score of the related current account and loan-to-value (LTV).
		LGD	2			For United Kingdom portfolios, LGD is estimated by modelling the probability of possession given default and shortfall given repossession, using key drivers such as LTV. Regulatory floors are applied at the appropriate level.
		EAD	3			EAD estimate is determined by account limit.
Personal unsecured loans and current accounts	8,661	PD	3	Retail – Other non-SME Retail – Qualifying revolving	Product level PD and EAD models are in place, with loans common across all regions and current account models split across the United Kingdom and Republic of Ireland. LGD models are combined across products and split across the United Kingdom and Republic of Ireland.	Model estimates are mainly based on internal behavioural data, with some also using external credit bureau data.
		LGD	2			Models estimate the probability of loss on a defaulted account, which is converted into an LGD estimate.
		EAD	2			Current accounts: A combination of linear regression and average models have been developed using internal data, such as account limit and balance. Loans: EAD estimate is determined by account 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 Retail – Other non-SME	PD, EAD and LGD models developed for use within the UK Lombard brand.	Statistical model segmented by time on book, customer type and entity type.
		LGD	1			For LGD, a statistical model is used based on long-run internal loss outcomes with key model drivers being security, together with customer and facility attributes.
		EAD	1			EAD for leasing is the present value of lease payments per regulatory requirements.

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	7,708	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	11,281	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	30,699	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	14,092	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 110), 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	0.06	—	0.14	—	n/a	n/a
Institutions	0.36	—	0.57	—	n/a	n/a
Corporates	1.81	0.83	1.86	0.97	108	110
Equities	1.96	—	2.04	—	n/a	n/a

- 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.

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.

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

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	Obligor	Obligor	2019	2020	2020	of which: newly funded obligors during the year
			2019	weighted 2019	weighted 2020	weighted 2016-2020				
			%	%	%	%			All	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 2018 %	Obligor weighted 2018 %	Obligor weighted 2019 %	Obligor weighted 2015-2019 %	2018	2019	All 2019	of which: newly funded obligors during the year 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 2018 %	Obligor weighted 2018 %	Obligor weighted 2019 %	Obligor weighted 2015-2019 %	2018	2019	All 2019	of which: newly funded obligors during the year 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 %	2019 %	2020 %	2016-2020 %				
2020											
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.01%	—	—	56	57	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	2	5	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	—	12	10	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.23%	0.23%	—	—	5	4	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	0.45%	0.45%	—	—	1	—	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	1.81%	1.81%	—	—	1	—	—	—
Central governments and central banks	AQ07	2.153% to 6.089%	B to B-	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	n/a	n/a	n/a	—	—	—	—	—
Central governments and central banks	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	20.00%	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	n/a	1	1	—	—
Total - Central governments and central banks				0.02%	0.06%	—	0.25%	78	77	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	—	91	75	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	68	22	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	—	94	119	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.15%	0.19%	—	0.05%	359	348	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.57%	0.61%	—	—	97	97	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.71%	1.49%	—	1.70%	35	39	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	2.66%	3.17%	—	0.95%	23	15	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	10.24%	10.24%	—	—	1	3	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	n/a	n/a	n/a	—	—	1	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	n/a	1	1	—	—
Total - Institutions				0.18%	0.36%	—	0.13%	769	720	—	—

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

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	Obligor	Obligor				
				2018	weighted	weighted	weighted	2018	2019	All	of which: newly
				%	2018	2019	2015-2019			2019	funded obligors
					%	%	%	%			during the year
2019											2019
Central governments and central banks	AQ01	0% to 0.034%	AAA to AA	0.01%	0.01%	—	—	56	55	—	—
Central governments and central banks	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	2	2	—	—
Central governments and central banks	AQ03	0.048% to 0.095%	A+ to A-	0.06%	0.06%	—	—	15	12	—	—
Central governments and central banks	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.22%	0.22%	—	—	7	5	—	—
Central governments and central banks	AQ05	0.381% to 1.076%	BB+ to BB-	0.45%	0.45%	—	—	1	1	—	—
Central governments and central banks	AQ06	1.076% to 2.153%	B+	—	—	—	—	—	1	—	—
Central governments and central banks	AQ07	2.153% to 6.089%	B to B-	5.12%	3.81%	—	—	2	—	—	—
Central governments and central banks	AQ08	6.089% to 17.222%	CCC+	—	—	—	—	—	—	—	—
Central governments and central banks	AQ09	17.222% to 100%	CCC to CC	—	—	—	20.00%	—	—	—	—
Central governments and central banks	AQ10	100%	D	n/a	n/a	n/a	n/a	1	1	—	—
Total - Central governments and central banks				0.01%	0.14%	—	0.25%	84	77	—	—
Institutions	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	—	91	92	—	—
Institutions	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	70	68	—	—
Institutions	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	—	97	94	—	—
Institutions	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.15%	0.20%	—	0.05%	414	359	—	—
Institutions	AQ05	0.381% to 1.076%	BB+ to BB-	0.55%	0.62%	—	—	129	97	—	—
Institutions	AQ06	1.076% to 2.153%	B+	1.66%	1.55%	—	0.90%	37	35	—	—
Institutions	AQ07	2.153% to 6.089%	B to B-	4.98%	3.45%	—	1.25%	33	23	—	—
Institutions	AQ08	6.089% to 17.222%	CCC+	7.37%	10.86%	—	2.00%	6	1	—	—
Institutions	AQ09	17.222% to 100%	CCC to CC	21.88%	30.13%	—	6.67%	3	3	—	—
Institutions	AQ10	100%	D	n/a	n/a	n/a	n/a	1	—	—	—
Total - Institutions				0.21%	0.57%	—	0.15%	881	772	—	—

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 2018 %	Obligor weighted 2018 %	Obligor weighted 2019 %	Obligor weighted 2015-2019 %	2018	2019	All 2019	of which: newly funded obligors during the year 2019
2019											
Corporates	AQ01	0% to 0.034%	AAA to AA	0.03%	0.03%	—	0.01%	2,918	3,347	—	—
Corporates	AQ02	0.034% to 0.048%	AA-	0.04%	0.04%	—	—	424	420	—	—
Corporates	AQ03	0.048% to 0.095%	A+ to A-	0.07%	0.07%	—	—	1,046	1,008	—	—
Corporates	AQ04	0.095% to 0.381%	BBB+ to BBB-	0.20%	0.25%	0.17%	0.11%	6,944	6,576	12	—
Corporates	AQ05	0.381% to 1.076%	BB+ to BB-	0.67%	0.69%	0.34%	0.39%	19,647	18,808	68	1
Corporates	AQ06	1.076% to 2.153%	B+	1.53%	1.53%	0.69%	0.71%	17,037	15,808	120	3
Corporates	AQ07	2.153% to 6.089%	B to B-	3.24%	3.10%	1.52%	1.66%	13,248	11,462	223	22
Corporates	AQ08	6.089% to 17.222%	CCC+	9.90%	10.17%	6.71%	7.94%	1,938	1,714	132	2
Corporates	AQ09	17.222% to 100%	CCC to CC	25.95%	28.02%	16.01%	13.66%	581	558	95	2
Corporates	AQ10	100%	D	n/a	n/a	n/a	n/a	2,568	2,143	—	—
Total - Corporates				0.76%	1.86%	0.97%	1.18%	66,351	61,844	650	30
Equities	AQ01	0% to 0.034%	AAA to AA	—	—	—	—	—	—	—	—
Equities	AQ02	0.034% to 0.048%	AA-	—	—	—	—	—	—	—	—
Equities	AQ03	0.048% to 0.095%	A+ to A-	—	—	—	—	—	—	—	—
Equities	AQ04	0.095% to 0.381%	BBB+ to BBB-	—	—	—	—	—	1	—	—
Equities	AQ05	0.381% to 1.076%	BB+ to BB-	—	—	—	—	—	—	—	—
Equities	AQ06	1.076% to 2.153%	B+	1.27%	1.31%	—	—	10	9	—	—
Equities	AQ07	2.153% to 6.089%	B to B-	2.50%	2.51%	—	0.71%	16	14	—	—
Equities	AQ08	6.089% to 17.222%	CCC+	—	—	—	4.00%	—	—	—	—
Equities	AQ09	17.222% to 100%	CCC to CC	—	—	—	5.00%	—	—	—	—
Equities	AQ10	100%	D	n/a	n/a	n/a	n/a	1	—	—	—
Total - Equities				1.60%	2.04%	—	0.86%	27	24	—	—

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	35.42	24.17	40.20	23.57

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.
- For Corporates, the decrease in estimates year-on-year was due to a higher number of secured cases resolved during 2020.
- Changes in customer repayment behaviour increased the estimated and actual LGD for both the qualifying revolving and other retail exposure classes.

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

	Expected loss estimated for following year at the end of						Impairment charge/(release) for the year	
	2019			2018			2020	2019
	Non-defaulted (AQ1-AQ9) £m	Defaulted (AQ10) £m	Total £m	Non-defaulted (AQ1-AQ9) £m	Defaulted (AQ10) £m	Total £m	£m	£m
Retail								
- SME	127	190	317	119	191	310	221	80
- Secured by real estate non-SME	198	418	616	212	587	799	286	24
- Qualifying revolving	229	268	497	227	261	488	276	145
- Other non-SME	276	360	636	232	325	557	289	195
Central governments and central banks	5	—	5	4	—	4	1	—
Institutions	13	—	13	19	16	35	5	(1)
Corporates	344	908	1,252	369	1,377	1,746	1,953	292
Equities	9	—	9	7	—	7	—	—
	1,201	2,144	3,345	1,189	2,757	3,946	3,031	735

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

Credit risk

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

2019	EAD pre CRM		EAD post CRM	
	Period end	Average	Period end	Average
	£m	£m	£m	£m
IRB				
Central governments and central banks	52,839	56,247	52,712	56,133
Institutions	11,716	12,363	9,753	10,435
Corporates	140,230	141,476	130,448	131,571
<i>Specialised lending</i>	16,772	17,846	16,702	17,706
<i>SME</i>	20,800	21,278	20,368	20,773
<i>Other corporate</i>	102,658	102,352	93,378	93,092
Retail	215,130	208,749	215,130	208,749
<i>Secured by real estate property - SME</i>	1,291	1,328	1,291	1,328
<i>- non-SME</i>	174,529	168,720	174,529	168,720
<i>Qualifying revolving</i>	23,138	22,696	23,138	22,696
<i>Other retail - SME</i>	8,940	9,067	8,940	9,067
<i>- non-SME</i>	7,232	6,938	7,232	6,938
Equities	1,366	1,105	1,366	1,105
Non-credit obligation assets	6,204	6,453	6,204	6,453
Total IRB	427,485	426,393	415,613	414,446
STD				
Central governments and central banks	81,335	89,146	81,339	89,121
Regional governments and local authorities	20	65	20	65
Multilateral development banks	—	13	—	13
Institutions	307	519	353	570
Corporates	8,747	8,218	8,212	7,767
Retail	2,445	2,714	2,380	2,680
Secured by mortgages on immovable property - residential	13,507	13,257	13,507	13,258
<i>- commercial</i>	697	2,660	678	2,633
Exposures in default	468	508	406	444
Items associated with particularly high risk	—	17	—	17
Covered bonds	—	95	—	95
Equity exposures	671	633	671	633
Other exposures	1,345	1,495	1,345	1,495
Total STD	109,542	119,340	108,911	118,791
Total IRB and STD	537,027	545,733	524,524	533,237

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

Credit risk

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

2019	UK £m	Other £m	Western Europe £m	US £m	Rest of world £m	Total £m
IRB						
Central governments and central banks	420	3,158	31,968	12,385	4,781	52,712
Institutions	1,512	22	2,631	4,789	799	9,753
Corporates	97,603	5,792	17,551	6,791	2,711	130,448
<i>Specialised lending</i>	<i>14,019</i>	<i>1,074</i>	<i>1,217</i>	<i>55</i>	<i>337</i>	<i>16,702</i>
<i>SME</i>	<i>18,823</i>	<i>1,493</i>	<i>18</i>	<i>10</i>	<i>24</i>	<i>20,368</i>
<i>Other corporate</i>	<i>64,761</i>	<i>3,225</i>	<i>16,316</i>	<i>6,726</i>	<i>2,350</i>	<i>93,378</i>
Retail	199,697	15,120	132	46	135	215,130
<i>Secured by real estate property - SME</i>	<i>1,286</i>	<i>1</i>	<i>2</i>	<i>—</i>	<i>2</i>	<i>1,291</i>
<i>- non-SME</i>	<i>160,479</i>	<i>14,050</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>174,529</i>
<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 - SME</i>	<i>8,402</i>	<i>530</i>	<i>3</i>	<i>2</i>	<i>3</i>	<i>8,940</i>
<i>- non-SME</i>	<i>7,029</i>	<i>192</i>	<i>5</i>	<i>1</i>	<i>5</i>	<i>7,232</i>
Equities	741	—	7	17	601	1,366
Non-credit obligation assets	4,807	598	609	89	101	6,204
Total IRB	304,780	24,690	52,898	24,117	9,128	415,613
Proportion	73%	6%	13%	6%	2%	100%
STD						
Central governments and central banks	78,643	—	178	2,001	517	81,339
Regional governments and local authorities	19	1	—	—	—	20
Institutions	140	—	146	14	53	353
Corporates	5,592	721	1,094	142	663	8,212
Retail	2,237	1	67	8	67	2,380
Secured by mortgages on immovable property						
- residential	11,376	108	257	247	1,519	13,507
- commercial	524	33	108	10	3	678
Exposures in default	338	13	6	12	37	406
Equity exposures	635	1	16	1	18	671
Other exposures	1,275	20	50	—	—	1,345
Total STD	100,779	898	1,922	2,435	2,877	108,911
Proportion	92%	1%	2%	2%	3%	100%
Total IRB and STD	405,559	25,588	54,820	26,552	12,005	524,524
Proportion	78%	5%	10%	5%	2%	100%
Of which: by large subsidiary (excludes inter-Group exposures)						
NatWest Holdings Group	371,483	25,298	31,631	16,553	7,378	452,343
NWM Plc	10,195	128	9,031	5,958	3,115	28,427

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 NatWest 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	
2020	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
IRB																	
Central governments and central banks	33,918	18,421	2,164	3,606	32	—	—	—	—	—	—	11	—	—	—	—	58,152
Institutions	—	—	681	7,205	1	—	12	—	35	—	—	—	—	—	—	—	7,934
Corporates	—	—	61	16	22,026	89	35,951	11,746	15,303	11,383	14,486	13,627	6,167	—	112	1	130,968
Specialised lending	—	—	37	—	71	—	13,322	3,342	122	113	14	729	851	—	3	—	18,604
SME	—	—	1	—	713	—	1,656	453	1,840	3,827	3,763	5,148	514	—	4	—	17,919
Other corporate	—	—	23	16	21,242	89	20,973	7,951	13,341	7,443	10,709	7,750	4,802	—	105	1	94,445
Retail	—	—	25	1	152	—	3,921	120	1,223	2,616	4,193	4,564	604	187,117	26,790	—	231,326
Secured by real estate property - SME	—	—	—	—	4	—	466	5	55	152	233	197	16	—	6	—	1,134
- non-SME	—	—	—	—	—	—	—	—	—	—	—	—	—	187,117	—	—	187,117
Qualifying revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—	20,019	—	20,019
Other retail - SME	—	—	25	1	148	—	3,455	115	1,168	2,464	3,960	4,366	588	—	88	—	16,378
- non-SME	—	—	—	—	—	—	—	—	—	—	—	1	—	—	6,677	—	6,678
Equities	—	—	—	4	663	—	—	—	3	1	—	5	4	—	—	—	680
Non-credit obligation assets	—	18	87	70	15	—	124	13	354	58	70	24	65	—	—	5,381	6,279
Total IRB	33,918	18,439	3,018	10,902	22,889	89	40,008	11,879	16,918	14,058	18,749	18,231	6,840	187,117	26,902	5,382	435,339
STD																	
Central governments and central banks	91,311	23,937	273	32	—	—	—	—	—	—	—	—	—	—	—	—	115,553
Regional governments and local authorities	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—	—	2
Multilateral development banks	—	—	249	173	—	—	—	—	—	—	—	—	—	—	—	—	422
Institutions	—	—	—	403	52	—	—	—	—	—	—	—	—	—	—	—	455
Corporates	—	—	2	17	517	268	918	196	777	631	1,045	1,296	273	2	582	—	6,524
Retail	—	—	—	80	4	—	202	50	32	227	9	187	1	84	1,368	—	2,244
Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- residential	—	—	—	7	13	—	226	—	—	22	12	14	11	16,317	608	—	17,230
- commercial	—	—	—	—	92	—	2,112	55	12	88	219	117	4	11	87	—	2,797
Exposures in default	—	—	—	—	—	—	48	5	24	17	16	4	—	249	99	—	462
Covered bonds	—	—	—	—	127	—	—	—	—	—	—	—	—	—	—	—	127
Equity exposures	—	—	—	—	642	—	—	—	—	—	—	—	7	—	—	—	649
Other exposures	—	—	—	—	164	—	47	22	1	4	1	22	—	—	—	1,918	2,179
Total STD	91,311	23,937	526	712	1,611	268	3,553	328	846	989	1,302	1,640	296	16,663	2,744	1,918	148,644
Total IRB and STD	125,229	42,376	3,544	11,614	24,500	357	43,561	12,207	17,764	15,047	20,051	19,871	7,136	203,780	29,646	7,300	583,983

Credit risk

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

	Sovereign			Financial institutions			Corporates							Personal		Other	Total
	Central banks	Central governments	Other sovereign	Banks	Non-bank	SSPEs	Property	Natural resources	Transport	Manufacturing	Retail and leisure	Services	TMT	Mortgages	Other personal	Not allocated	
2019	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
IRB																	
Central governments and central banks	26,564	20,979	789	4,308	32	—	—	—	—	—	—	40	—	—	—	—	52,712
Institutions	—	—	760	8,932	1	—	24	—	36	—	—	—	—	—	—	—	9,753
Corporates	—	—	42	20	21,608	240	35,442	12,048	14,911	12,246	13,538	14,133	6,101	—	116	3	130,448
<i>Specialised lending</i>	—	—	14	—	(277)	29	13,534	2,000	87	317	18	637	340	—	3	—	16,702
<i>SME</i>	—	—	—	—	1,067	—	2,161	523	2,326	4,186	4,061	5,452	587	—	5	—	20,368
<i>Other corporate</i>	—	—	28	20	20,818	211	19,747	9,525	12,498	7,743	9,459	8,044	5,174	—	108	3	93,378
Retail	—	—	13	1	119	—	2,246	72	612	2,043	2,319	2,503	216	174,529	30,457	—	215,130
<i>Secured by real estate property - 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 - SME</i>	—	—	13	1	114	—	1,706	67	548	1,877	2,052	2,284	197	—	81	—	8,940
<i>- non-SME</i>	—	—	—	—	—	—	—	—	—	—	—	1	—	—	7,231	—	7,232
Equities	—	—	—	5	1,331	—	—	—	2	6	—	5	17	—	—	—	1,366
Non-credit obligation assets	—	19	78	64	36	—	128	31	305	55	92	14	53	—	—	5,329	6,204
Total IRB	26,564	20,998	1,682	13,330	23,127	240	37,840	12,151	15,866	14,350	15,949	16,695	6,387	174,529	30,573	5,332	415,613
STD																	
Central governments and central banks	54,317	26,475	547	—	—	—	—	—	—	—	—	—	—	—	—	—	81,339
Regional governments and local authorities	—	—	20	—	—	—	—	—	—	—	—	—	—	—	—	—	20
Institutions	—	—	—	110	243	—	—	—	—	—	—	—	—	—	—	—	353
Corporates	—	—	2	13	802	369	2,471	158	810	592	930	1,080	294	10	681	—	8,212
Retail	—	—	—	86	6	—	199	48	30	222	11	174	5	78	1,521	—	2,380
<i>Secured by mortgages on immovable property</i>	—	—	—	9	117	5	459	—	—	32	19	18	7	12,367	474	—	13,507
<i>- residential</i>	—	—	—	—	65	—	228	36	—	7	214	56	2	8	62	—	678
<i>- commercial</i>	—	—	—	38	2	—	24	12	15	16	13	9	1	176	100	—	406
Exposures in default	—	—	—	—	647	—	—	—	18	—	—	—	6	—	—	—	671
Equity exposures	—	—	—	—	—	—	54	4	2	5	1	48	—	—	—	1,231	1,345
Total STD	54,317	26,475	569	256	1,882	374	3,435	258	875	874	1,188	1,385	315	12,639	2,838	1,231	108,911
Total IRB and STD	80,881	47,473	2,251	13,586	25,009	614	41,275	12,409	16,741	15,224	17,137	18,080	6,702	187,168	33,411	6,563	524,524

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

Credit risk

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

2019	On demand £m	<=1 year £m	>1 year <=5 years £m	>5 years £m	Total £m
IRB					
Central governments and central banks	1,485	30,860	12,268	8,099	52,712
Institutions	5,336	1,585	1,605	1,227	9,753
Corporates	7,737	34,233	67,237	21,241	130,448
<i>Specialised lending</i>	92	3,827	9,899	2,884	16,702
<i>SME</i>	2,632	4,644	8,781	4,311	20,368
<i>Other corporate</i>	5,013	25,762	48,557	14,046	93,378
Retail	25,992	2,274	13,262	173,602	215,130
<i>Secured by real estate property - SME</i>	160	95	327	709	1,291
<i>- non-SME</i>	—	1,498	6,078	166,953	174,529
<i>Qualifying revolving</i>	23,138	—	—	—	23,138
<i>Other retail - SME</i>	2,691	352	1,805	4,092	8,940
<i>- non-SME</i>	3	329	5,052	1,848	7,232
Equities	—	—	—	1,366	1,366
Non-credit obligation assets	—	127	5,621	456	6,204
Total IRB	40,550	69,079	99,993	205,991	415,613
Proportion	9%	17%	24%	50%	100%
STD					
Central governments and central banks	461	11,598	54,761	14,519	81,339
Regional governments and local authorities	18	—	1	1	20
Institutions	155	29	169	—	353
Corporates	445	1,306	5,313	1,148	8,212
Retail	755	167	856	602	2,380
Secured by mortgages on immovable property - residential	13	971	3,290	9,233	13,507
<i>- commercial</i>	23	90	502	63	678
Exposures in default	44	198	103	61	406
Equity exposures	—	—	—	671	671
Other exposures	—	22	1,283	40	1,345
Total STD	1,914	14,381	66,278	26,338	108,911
Proportion	2%	13%	61%	24%	100%
Total IRB and STD	42,464	83,460	166,271	232,329	524,524
Proportion	8%	16%	32%	44%	100%
Of which: by large subsidiary (excludes inter-Group exposures)					
NatWest Holdings Group	40,367	45,311	142,252	224,413	452,343
NWM Plc	63	11,058	15,021	2,285	28,427

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	2020					2019				
	Gross carrying values		SCRA (2)	Year-to-date accumulated write-offs	Net value	Gross carrying values		SCRA (2)	Year-to-date accumulated write-offs	Net value
	Defaulted	Non-defaulted				Defaulted	Non-defaulted			
	exposures (1)	exposures				exposures (1)	exposures			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Central governments and central banks	2	58,727	5	—	58,724	3	52,943	3	—	52,943
2 Institutions	—	10,165	25	—	10,140	—	12,443	22	—	12,421
3 Corporates	2,756	181,952	3,068	261	181,640	2,337	178,337	1,348	394	179,326
4 Specialised lending	727	19,870	666	26	19,931	600	18,375	296	183	18,679
5 SME	587	20,130	917	84	19,800	681	22,744	367	74	23,058
Other corporate	1,442	141,952	1,485	151	141,909	1,056	137,218	685	137	137,589
6 Retail	3,307	234,132	2,709	653	234,730	3,870	219,807	2,310	383	221,367
8 Secured by real estate property - SME	27	1,157	25	3	1,159	26	1,302	13	1	1,315
9 - non-SME	2,001	185,796	969	218	186,828	2,531	172,413	927	76	174,017
10 Qualifying revolving	566	25,479	662	204	25,383	606	31,315	552	187	31,369
12 Other retail - SME	288	15,560	309	47	15,539	269	8,145	236	79	8,178
13 - non-SME	425	6,140	744	181	5,821	438	6,632	582	40	6,488
14 Equities	—	680	—	—	680	—	1,366	—	—	1,366
Non-credit obligation assets	—	5,380	—	—	5,380	—	5,329	—	—	5,329
15 Total IRB	6,065	491,036	5,807	914	491,294	6,210	470,225	3,683	777	472,752
Of which: Loans	5,325	304,264	5,495	912	304,094	5,664	291,401	3,539	745	293,526
Debt securities	—	26,196	5	—	26,191	—	27,765	3	—	27,762
Other assets	35	40,448	22	—	40,461	8	30,890	11	—	30,887
Off-balance sheet exposures	705	120,128	285	2	120,548	538	120,169	130	32	120,577

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

	2020					2019				
	Gross carrying values		SCRA (2)	Year-to-date accumulated write-offs	Net value	Gross carrying values		SCRA (2)	Year-to-date accumulated write-offs	Net value
	Defaulted exposures (1)	Non-defaulted exposures				Defaulted exposures (1)	Non-defaulted exposures			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
STD										
16 Central governments and central banks	—	115,726	12	—	115,714	—	81,965	5	—	81,960
17 Regional governments and local authorities	—	304	—	—	304	—	222	—	—	222
19 Multilateral development banks	—	420	—	—	420	—	—	—	—	—
21 Institutions	—	462	—	—	462	—	385	—	—	385
22 Corporates	146	9,557	208	7	9,495	249	10,276	86	12	10,439
24 Retail	95	6,601	53	4	6,643	91	6,367	21	1	6,437
Secured by mortgages on immovable property:										
26 - residential	288	18,292	25	9	18,555	233	14,498	14	2	14,717
27 - commercial	45	3,085	80	2	3,050	10	892	2	—	900
28 Exposures in default (3)	574	—	107	21	467	583	—	59	15	524
30 Covered bonds	—	124	—	—	124	—	—	—	—	—
33 Equity exposures	—	649	—	—	649	—	671	—	—	671
34 Other exposures	—	2,083	—	—	2,083	—	1,232	—	—	1,232
35 Total STD	574	157,303	378	22	157,499	583	116,508	128	15	116,963
Of which: Loans	535	31,037	349	22	31,223	479	25,853	118	6	26,214
Debt securities	—	24,562	3	—	24,559	—	26,726	2	—	26,724
Other assets	2	92,323	10	—	92,315	1	55,314	4	—	55,311
Off-balance sheet exposures	37	9,381	16	—	9,402	103	8,615	4	9	8,714
37 Total: Loans	5,860	335,301	5,844	934	335,317	6,143	317,254	3,657	751	319,740
38 Debt securities	—	50,758	8	—	50,750	—	54,491	5	—	54,486
Other assets	37	132,771	32	—	132,776	9	86,204	15	—	86,198
39 Off-balance sheet exposures	742	129,509	301	2	129,950	641	128,784	134	41	129,291
36 Total IRB and STD	6,639	648,339	6,185	936	648,793	6,793	586,733	3,811	792	589,715

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	5,374	3,571	2,842	2,822	(368)	(1,070)	5,932	2,294
2 Central banks	—	—	—	—	—	—	—	—
3 General governments	—	—	—	—	—	—	—	—
4 Credit institutions	—	—	—	—	—	—	—	—
5 Other financial corporations	93	6	—	—	(5)	(1)	26	5
6 Non-financial corporations	3,918	1,670	1,365	1,368	(300)	(564)	3,325	924
7 Households	1,363	1,895	1,477	1,454	(63)	(505)	2,581	1,365
8 Debt securities	—	—	—	—	—	—	—	—
9 Loan commitments given	676	99	61	61	(3)	—	254	34
10 Total	6,050	3,670	2,903	2,883	(371)	(1,070)	6,186	2,328
2019								
1 Loans and advances	3,305	3,438	2,954	2,936	(76)	(982)	4,674	2,290
2 Central banks	—	—	—	—	—	—	—	—
3 General governments	—	—	—	—	—	—	—	—
4 Credit institutions	—	—	—	—	—	—	—	—
5 Other financial corporations	33	2	2	2	—	—	3	1
6 Non-financial corporations	2,116	884	757	757	(54)	(318)	1,716	424
7 Households	1,156	2,552	2,195	2,177	(22)	(664)	2,955	1,865
8 Debt securities	—	—	—	—	—	—	—	—
9 Loan commitments given	332	36	28	28	—	—	124	14
10 Total	3,637	3,474	2,982	2,964	(76)	(982)	4,798	2,304

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	364,329	363,449	880	7,120	3,762	764	683	707	751	164	289	6,318
2 Central banks	1,689	1,689	—	—	—	—	—	—	—	—	—	—
3 General governments	3,386	3,386	—	3	3	—	—	—	—	—	—	3
4 Credit institutions	1,204	1,204	—	—	—	—	—	—	—	—	—	—
5 Other financial corporations	43,975	43,865	110	22	17	—	1	—	4	—	—	16
6 Non-financial corporations	106,123	105,853	270	2,973	2,012	211	147	154	262	52	135	2,646
7 Of which: SMEs	28,001	27,922	79	869	484	30	68	89	119	29	50	781
8 Households	207,952	207,452	500	4,122	1,730	553	535	553	485	112	154	3,653
9 Debt securities	53,764	53,764	—	—	—	—	—	—	—	—	—	—
10 Central banks	176	176	—	—	—	—	—	—	—	—	—	—
11 General governments	42,506	42,506	—	—	—	—	—	—	—	—	—	—
12 Credit institutions	5,416	5,416	—	—	—	—	—	—	—	—	—	—
13 Other financial corporations	5,432	5,432	—	—	—	—	—	—	—	—	—	—
14 Non-financial corporations	234	234	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	132,076	—	—	810	—	—	—	—	—	—	—	760
16 Central banks	—	—	—	—	—	—	—	—	—	—	—	—
17 General governments	2,329	—	—	—	—	—	—	—	—	—	—	—
18 Credit institutions	1,088	—	—	—	—	—	—	—	—	—	—	—
19 Other financial corporations	15,996	—	—	6	—	—	—	—	—	—	—	6
20 Non-financial corporations	72,131	—	—	447	—	—	—	—	—	—	—	416
21 Households	40,532	—	—	357	—	—	—	—	—	—	—	338
22 Total	550,169	417,213	880	7,930	3,762	764	683	707	751	164	289	7,078

Note:

(1) The gross NPL ratio for NatWest Group is 1.92% (2019 – 2.11%) (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	330,105	329,352	753	7,176	3,408	772	762	842	816	242	334	6,491
2 Central banks	1,182	1,182	—	—	—	—	—	—	—	—	—	—
3 General governments	3,428	3,428	—	3	3	—	—	—	—	—	—	3
4 Credit institutions	2,302	2,302	—	—	—	—	—	—	—	—	—	—
5 Other financial corporations	31,890	31,883	7	12	3	—	3	4	1	—	1	12
6 Non-financial corporations	100,168	99,916	252	2,326	1,394	164	135	237	188	71	137	2,093
7 Of which: SMEs	24,811	24,759	52	896	426	49	75	113	136	41	56	837
8 Households	191,135	190,641	494	4,835	2,008	608	624	601	627	171	196	4,383
9 Debt securities	59,305	59,305	—	3	3	—	—	—	—	—	—	—
10 Central banks	133	133	—	—	—	—	—	—	—	—	—	—
11 General governments	46,992	46,992	—	—	—	—	—	—	—	—	—	—
12 Credit institutions	5,565	5,565	—	—	—	—	—	—	—	—	—	—
13 Other financial corporations	6,505	6,505	—	3	3	—	—	—	—	—	—	—
14 Non-financial corporations	110	110	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	129,937	—	—	587	—	—	—	—	—	—	—	562
16 Central banks	—	—	—	—	—	—	—	—	—	—	—	—
17 General governments	1,702	—	—	—	—	—	—	—	—	—	—	—
18 Credit institutions	2,237	—	—	—	—	—	—	—	—	—	—	—
19 Other financial corporations	14,813	—	—	1	—	—	—	—	—	—	—	—
20 Non-financial corporations	66,842	—	—	265	—	—	—	—	—	—	—	258
21 Households	44,343	—	—	321	—	—	—	—	—	—	—	304
22 Total	519,347	388,657	753	7,766	3,411	772	762	842	816	242	334	7,053

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

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	330,105	302,546	27,195	7,176	663	6,503	(983)	(298)	(685)	(2,702)	(33)	(2,669)	248,338	3,859
2 Central banks	1,182	1,182	—	—	—	—	(1)	(1)	—	—	—	—	—	—
3 General governments	3,428	3,332	1	3	—	3	—	—	—	—	—	—	2,244	2
4 Credit institutions	2,302	2,237	65	—	—	—	(2)	(2)	—	—	—	—	252	—
5 Other financial corporations	31,890	31,346	479	12	—	12	(12)	(9)	(3)	(7)	—	(7)	13,604	5
6 Non-financial corporations	100,168	88,741	11,331	2,326	127	2,198	(351)	(147)	(204)	(1,105)	(2)	(1,103)	60,104	927
7 Of which: SMEs	24,810	21,193	3,617	896	59	837	(133)	(48)	(85)	(379)	(1)	(378)	14,249	343
8 Households	191,135	175,708	15,319	4,835	536	4,290	(617)	(139)	(478)	(1,590)	(31)	(1,559)	172,134	2,925
9 Debt securities	59,305	58,989	10	3	—	—	(8)	(7)	(1)	(3)	—	(3)	—	—
10 Central banks	133	133	—	—	—	—	—	—	—	—	—	—	—	—
11 General governments	46,992	46,992	—	—	—	—	(3)	(3)	—	—	—	—	—	—
12 Credit institutions	5,565	5,565	—	—	—	—	(1)	(1)	—	—	—	—	—	—
13 Other financial corporations	6,505	6,189	10	3	—	—	(4)	(3)	(1)	(3)	—	(3)	—	—
14 Non-financial corporations	110	110	—	—	—	—	—	—	—	—	—	—	—	—
15 Off-balance sheet exposures	129,937	124,346	5,591	587	21	554	(46)	(15)	(31)	(49)	—	(48)	17,522	62
16 Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17 General governments	1,702	1,702	—	—	—	—	—	—	—	—	—	—	369	—
18 Credit institutions	2,237	2,231	6	—	—	—	—	—	—	—	—	—	848	—
19 Other financial corporations	14,813	14,654	159	1	—	1	(1)	(1)	—	—	—	—	278	—
20 Non-financial corporations	66,842	64,059	2,783	266	7	259	(16)	(8)	(8)	(26)	—	(25)	11,503	46
21 Households	44,343	41,700	2,643	320	14	294	(29)	(6)	(23)	(23)	—	(23)	4,524	16
22 Total	519,347	485,881	32,796	7,766	684	7,057	(1,037)	(320)	(717)	(2,754)	(33)	(2,720)	265,860	3,921

*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	425,213	7,120	6,318	422,380	(5,999)		—
2	UK	358,011	5,423	4,745	357,411	(4,774)		—
3	Rol	19,776	1,358	1,255	19,746	(828)		—
4	Other Western Europe	20,648	213	193	19,621	(209)		—
5	US	18,958	—	—	18,031	(25)		—
6	Rest of the world	7,820	126	125	7,571	(163)		—
7	Off-balance sheet exposures	132,886	810	760			(179)	
8	UK	97,429	657	608			(151)	
9	Rol	3,595	33	32			(8)	
10	Other Western Europe	20,699	99	99			(14)	
11	US	8,566	10	10			(4)	
12	Rest of the world	2,597	11	11			(2)	
13	Total	558,099	7,930	7,078	422,380	(5,999)	(179)	—
2019*								
1	On-balance sheet exposures	396,589	7,179	6,491	396,224	(3,696)		—
2	UK	351,907	4,724	4,123	351,542	(2,606)		—
3	Rol	20,182	2,125	2,039	20,182	(791)		—
4	Other Western Europe	591	202	202	591	(161)		—
5	US	17,096	16	16	17,096	(10)		—
6	Rest of the world	6,813	112	111	6,813	(128)		—
7	Off-balance sheet exposures	130,524	587	562			(95)	
8	UK	94,399	429	405			(83)	
9	Rol	3,059	32	31			(4)	
10	Other Western Europe	21,033	114	114			(7)	
11	US	9,300	—	—			(1)	
12	Rest of the world	2,733	12	12			—	
13	Total	527,113	7,766	7,053	396,224	(3,696)	(95)	—

*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	Of which: Non-performing	Of which: Defaulted	Of which: Loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	£m	£m	£m	£m	£m	£m
2020						
1 Agriculture, forestry and fishing	4,020	73	60	4,020	(116)	—
2 Mining and quarrying	1,058	82	82	1,058	(75)	—
3 Manufacturing	8,473	153	129	8,467	(189)	—
4 Electricity, gas, steam and air conditioning supply	3,473	—	—	3,473	(12)	—
5 Water supply	3,105	5	4	3,105	(18)	—
6 Construction	7,321	408	346	7,320	(287)	—
7 Wholesale and retail trade	14,846	200	175	14,814	(385)	—
8 Transport and storage	7,017	140	125	7,014	(226)	—
9 Accommodation and food service activities	6,481	349	248	6,481	(435)	—
10 Information and communication	4,223	21	16	4,210	(50)	—
11 Financial and insurance activities	3	—	—	3	—	—
12 Real estate activities	29,062	916	876	29,003	(761)	—
13 Professional, scientific and technical activities	5,318	81	77	5,317	(100)	—
14 Administrative and support service activities	6,014	339	337	5,962	(222)	—
15 Public administration and defence, compulsory social security	120	3	3	120	(1)	—
16 Education	755	14	13	755	(30)	—
17 Human health services and social work activities	5,076	157	129	5,076	(189)	—
18 Arts, entertainment and recreation	1,738	14	10	1,738	(57)	—
19 Other services	993	18	16	993	(33)	—
20 Total	109,096	2,973	2,646	108,929	(3,186)	—
2019						
1 Agriculture, forestry and fishing	3,691	73	54	3,691	(43)	—
2 Mining and quarrying	1,282	69	69	1,282	(59)	—
3 Manufacturing	8,480	112	104	8,480	(98)	—
4 Electricity, gas, steam and air conditioning supply	3,258	17	17	3,258	(18)	—
5 Water supply	2,491	5	5	2,491	(7)	—
6 Construction	5,852	350	345	5,851	(191)	—
7 Wholesale and retail trade	14,786	342	221	14,786	(304)	—
8 Transport and storage	6,011	142	141	6,011	(119)	—
9 Accommodation and food service activities	5,157	176	146	5,157	(83)	—
10 Information and communication	3,417	26	26	3,417	(28)	—
11 Financial and insurance activities	2	—	—	2	—	—
12 Real estate activities	29,537	451	438	29,441	(231)	—
13 Professional, scientific and technical activities	5,145	85	85	5,145	(59)	—
14 Administrative and support service activities	5,755	237	236	5,755	(115)	—
15 Public administration and defence, compulsory social security	25	4	4	25	—	—
16 Education	618	9	7	618	(5)	—
17 Human health services and social work activities	4,890	201	169	4,890	(70)	—
18 Arts, entertainment and recreation	1,393	16	15	1,393	(12)	—
19 Other services	704	11	11	704	(14)	—
20 Total	102,494	2,326	2,093	102,397	(1,456)	—

Credit risk

In June 2020, the EBA announced new Pillar 3 disclosure requirements relating to the impact of COVID-19. The templates for NatWest 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							Performing							
				Of which: Instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)	Non-performing						Of which: Instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)	Non-performing			Gross
	Of which: Exposures with forbearance measures				Of which: Exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days		Of which: Exposures with forbearance measures				Of which: Exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days		Inflows to non- performing exposures
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2020															
1 Loans and advances subject to moratorium	8,115	7,910	522	4,196	205	166	170	(365)	(313)	(57)	(242)	(52)	(41)	(44)	94
2 Of which:															
Households	3,446	3,389	46	1,345	57	26	33	(87)	(75)	(5)	(67)	(12)	(5)	(7)	25
3 Of which:															
Collateralised by residential immovable property	2,776	2,743	21	947	33	15	21	(16)	(12)	(1)	(11)	(4)	(2)	(3)	7
4 Of which:															
Non-financial corporations	4,628	4,480	473	2,836	148	140	137	(276)	(237)	(51)	(173)	(39)	(36)	(37)	68
5 Of which:															
Small and medium-sized enterprises	2,489	2,444	281	1,545	45	40	36	(143)	(136)	(32)	(98)	(7)	(5)	(5)	35
6 Of which:															
Collateralised by commercial immovable property	3,502	3,371	393	2,260	131	128	123	(222)	(188)	(43)	(135)	(34)	(33)	(32)	56
30 June 2020															
1 Loans and advances subject to moratorium	40,346	39,760	1,283	16,264	586	416	417	(752)	(626)	(77)	(536)	(126)	(83)	(70)	177
2 Of which:															
Households	26,485	26,074	220	6,799	411	295	285	(292)	(207)	(12)	(187)	(85)	(66)	(51)	56
3 Of which:															
Collateralised by residential immovable property	24,537	24,141	185	5,752	396	289	276	(149)	(69)	(7)	(65)	(80)	(65)	(49)	46
4 Of which:															
Non-financial corporations	13,783	13,608	1,043	9,424	175	120	132	(456)	(415)	(63)	(346)	(41)	(17)	(19)	120
5 Of which:															
Small and medium-sized enterprises	8,077	7,976	585	5,563	101	60	63	(287)	(254)	(40)	(208)	(33)	(16)	(13)	64
6 Of which:															
Collateralised by commercial immovable property	5,418	5,381	497	3,210	37	27	28	(189)	(182)	(34)	(134)	(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	489,110	54,137	—	45,804	4,528	2,530	381	166	510
2 Loans and advances subject to moratorium (granted)	487,013	53,919	—	45,804	4,528	2,530	381	166	510
3 Of which: Households		41,277	—	37,831	3,088	265	33	23	37
4 Of which: Collateralised by residential immovable property		39,208	—	36,432	2,717	37	1	—	21
5 Of which: Non-financial corporations		12,555	—	7,927	1,432	2,252	345	143	456
6 Of which: Small and medium-sized enterprises		6,679	—	4,190	662	1,485	175	84	83
7 Of which: Collateralised by commercial immovable property		6,960	—	3,458	1,029	1,655	305	126	387
30 June 2020									
1 Loans and advances for which moratorium was offered	463,330	55,360	—	14,755	33,831	6,065	256	54	140
2 Loans and advances subject to moratorium (granted)	461,511	55,101	—	14,755	33,831	6,065	256	54	140
3 Of which: Households		40,694	—	14,209	22,904	3,559	2	9	11
4 Of which: Collateralised by residential immovable property		38,706	—	14,169	21,034	3,502	—	—	1
5 Of which: Non-financial corporations		14,328	—	545	10,868	2,487	254	45	129
6 Of which: Small and medium-sized enterprises		8,269	—	191	6,494	1,293	201	31	59
7 Of which: Collateralised by commercial immovable property		5,692	—	274	5,091	148	67	15	97

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:	Maximum amount of the guarantee that can be considered	Gross carrying amount
		£m	Forborne £m	Public guarantees received £m	non-performing exposures Inflows to £m
31 December 2020					
1	Newly originated loans and advances subject to public guarantee schemes	12,898	436	11,962	33
2	Of which: Households	2,146			4
3	Of which: Collateralised by residential immovable property	4			-
4	Of which: Non-financial corporations	10,637	418	9,765	29
5	Of which: Small and medium-sized enterprises	8,980			27
6	Of which: Collateralised by commercial immovable property	1,144			4
30 June 2020					
1	Newly originated loans and advances subject to public guarantee schemes	8,376	195	7,860	6
2	Of which: Households	2,539			—
3	Of which: Collateralised by residential immovable property	1			—
4	Of which: Non-financial corporations	5,779	188	5,303	6
5	Of which: Small and medium-sized enterprises	5,380			5
6	Of which: Collateralised by commercial immovable property	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 NatWest Group's IFRS 9 framework. The table has been prepared on an accounting basis adjusted for regulatory consolidation.

	Accumulated SCRA £m
1 At 1 January 2020	2,718
2 Increases due to amounts set aside for estimated loan losses during the period	1,297
3 Decreases due to amounts reversed for estimated loan losses during the period	(420)
4 Decreases due to amounts taken against accumulated credit risk adjustments	(935)
5 Transfers between credit risk adjustments	—
6 Impact of exchange rate differences	15
7 Business combinations, including acquisitions and disposals of subsidiaries	—
8 Other adjustments	(89)
9 At 31 December 2020	2,586
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	6,598
Loans and debt securities that have defaulted or impaired since the last reporting period	3,900
Returned to non-defaulted status	(2,053)
Amounts written-off	(935)
Other changes	(1,152)
At 31 December 2020	6,358

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 NatWest Group. The application of CRM depends on which approach (standardised or IRB) is used to calculate RWAs related to a credit exposure.

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

Table 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

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

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

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

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

Wholesale

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

- Commercial real estate.
- Other physical assets – Including stock, plant, equipment, machinery, vehicles, ships and aircraft. Such assets are suitable collateral only if NatWest Group can identify, locate, and segregate them from other assets on which it does not have a claim. NatWest Group values physical assets in a variety of ways, depending on the type of asset and may rely on balance sheet valuations in certain cases.
- Receivables – These are amounts owed to NatWest Group's counterparties by their own customers. Valuation takes into account the quality of the counterparty's receivable management processes and excludes any that are past due.
- Financial collateral – Refer to the Counterparty credit risk section on page 110.

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

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

Commercial real estate valuations – NatWest Group has a panel of chartered surveying firms that cover the spectrum of geography and property sectors in which NatWest 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

NatWest Group takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. NatWest Group values residential property during the loan underwriting process by either appraising properties individually or valuing them collectively using statistically valid models. NatWest Group updates residential property values quarterly using the relevant residential property index, namely:

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

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

Counterparty credit risk

For information on how counterparty credit risk is managed and mitigated, refer to page 110.

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

Credit risk

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

	a	c	d	e		
	Unsecured net carrying value £m	Net carrying values secured by			Total secured £m	Total £m
		Collateral £m	Guarantees £m	Credit derivatives £m		
2019						
IRB						
Central governments and central banks	52,756	184	3	—	187	52,943
Institutions	9,455	2,009	889	68	2,966	12,421
Corporates	101,517	74,946	1,806	1,057	77,809	179,326
<i>Specialised lending</i>	<i>1,066</i>	<i>17,164</i>	<i>449</i>	<i>—</i>	<i>17,613</i>	<i>18,679</i>
<i>SME</i>	<i>5,184</i>	<i>17,730</i>	<i>144</i>	<i>—</i>	<i>17,874</i>	<i>23,058</i>
<i>Other corporate</i>	<i>95,267</i>	<i>40,052</i>	<i>1,213</i>	<i>1,057</i>	<i>42,322</i>	<i>137,589</i>
Retail	46,035	175,332	—	—	175,332	221,367
<i>Secured by real estate property - SME</i>	<i>—</i>	<i>1,315</i>	<i>—</i>	<i>—</i>	<i>1,315</i>	<i>1,315</i>
<i>- non-SME</i>	<i>—</i>	<i>174,017</i>	<i>—</i>	<i>—</i>	<i>174,017</i>	<i>174,017</i>
<i>Qualifying revolving</i>	<i>31,369</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>31,369</i>
<i>Other retail - SME</i>	<i>8,178</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>8,178</i>
<i>- non-SME</i>	<i>6,488</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>6,488</i>
Equities	1,366	—	—	—	—	1,366
Non-credit obligation assets	5,329	—	—	—	—	5,329
Total IRB	216,458	252,471	2,698	1,125	256,294	472,752
<i>Of which: Loans</i>	<i>70,805</i>	<i>221,631</i>	<i>990</i>	<i>100</i>	<i>222,721</i>	<i>293,526</i>
<i>Debt securities</i>	<i>27,762</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>27,762</i>
<i>Other assets</i>	<i>30,126</i>	<i>758</i>	<i>3</i>	<i>—</i>	<i>761</i>	<i>30,887</i>
<i>Off-balance sheet exposures</i>	<i>87,765</i>	<i>30,082</i>	<i>1,705</i>	<i>1,025</i>	<i>32,812</i>	<i>120,577</i>
<i>Defaulted</i>	<i>922</i>	<i>2,593</i>	<i>37</i>	<i>—</i>	<i>2,630</i>	<i>3,552</i>
STD						
Central governments and central banks	81,960	—	—	—	—	81,960
Regional governments and local authorities	222	—	—	—	—	222
Institutions	385	—	—	—	—	385
Corporates	9,434	731	62	—	793	10,227
Retail	6,070	286	—	—	286	6,356
Secured by mortgages on immovable property - residential	—	14,496	—	—	14,496	14,496
<i>- commercial</i>	<i>—</i>	<i>887</i>	<i>3</i>	<i>—</i>	<i>890</i>	<i>890</i>
Exposures in default	385	139	—	—	139	524
Equity exposures	671	—	—	—	—	671
Other exposures	1,232	—	—	—	—	1,232
Total STD	100,359	16,539	65	—	16,604	116,963
<i>Of which: Loans</i>	<i>11,611</i>	<i>14,558</i>	<i>45</i>	<i>—</i>	<i>14,603</i>	<i>26,214</i>
<i>Debt securities</i>	<i>26,724</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>26,724</i>
<i>Other assets</i>	<i>55,226</i>	<i>82</i>	<i>3</i>	<i>—</i>	<i>85</i>	<i>55,311</i>
<i>Off-balance sheet exposures</i>	<i>6,798</i>	<i>1,899</i>	<i>17</i>	<i>—</i>	<i>1,916</i>	<i>8,714</i>
<i>Defaulted</i>	<i>386</i>	<i>138</i>	<i>—</i>	<i>—</i>	<i>138</i>	<i>524</i>
Total IRB and STD	316,817	269,010	2,763	1,125	272,898	589,715
Total: Loans	82,416	236,189	1,035	100	237,324	319,740
Debt securities	54,486	—	—	—	—	54,486
Other assets	85,352	840	6	—	846	86,198
Off-balance sheet exposures	94,563	31,981	1,722	1,025	34,728	129,291
Defaulted	1,308	2,731	37	—	2,768	4,076

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		2019	
	a	b	a	b
	Pre-credit derivatives RWAs £m	Actual RWAs £m	Pre-credit derivatives RWAs £m	Actual RWAs £m
Exposures under IRB				
Central governments and central banks	3,382	3,381	2,987	2,987
Institutions	2,247	2,247	2,410	2,410
Corporates - SMEs	7,355	7,355	8,762	8,762
Corporates - Specialised lending	12,053	12,053	11,178	11,178
Corporates - Other	44,402	44,266	41,300	41,268
Retail - Secured by real estate SMEs	398	398	523	523
Retail - Secured by real estate non-SMEs	17,134	17,135	18,939	18,939
Retail - Qualifying revolving	4,731	4,731	5,991	5,991
Retail - Other SMEs	3,768	3,768	3,856	3,856
Retail - Other non-SMEs	7,028	7,028	7,841	7,841
Equity IRB	1,530	1,530	2,613	2,613
Other non-credit obligation assets	4,136	4,137	4,365	4,365
Total	108,164	108,029	110,765	110,733

Credit risk

NatWest Group profile by RWA calculation approach

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

IRB approach: PD/LGD

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

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

Credit risk

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

		b	d	e	f	g	i	l	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
2019	PD Range %	£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	70
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	927
Retail - Qualifying revolving	0.00 to <0.15	48	7,349	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	7,089	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	4,883	3,418	1.41	2,735,188	70	1,245	36	34	48
Retail - Qualifying revolving	2.50 to <10.0	2,031	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		6,063	25,859	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
		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	PD Range %	£m	£m	£m	%		%	£m	%	£m	£m
Retail - Other SME	0.00 to <0.15	—	639	740	0.12	293,487	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	234,540	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	336,525	46	1,972	42	30	14
Retail - Other SME	2.50 to <10.0	1,505	98	1,695	4.22	166,961	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	1,194,841	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		182,276	41,401	215,130	2.77	21,547,724	21	37,150	17	2,066	2,310

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_A. 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 gross 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	57,175	1,151	57	57,879	0.01	62	45	1.45	3,240	6	4	4
Central governments and central banks	0.15 to <0.25	—	—	100	—	0.23	2	19	1.00	—	—	—	—
Central governments and central banks	0.25 to <0.50	271	—	—	271	0.32	2	53	1.12	141	52	—	—
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	2.50 to <10.0	—	—	—	—	2.50	—	50	4.99	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	2	—	—	2	100.00	1	7	1.00	—	—	—	1
Total - Central governments and central banks		57,448	1,151	57	58,152	0.02	67	45	1.45	3,381	6	4	5
Institutions	0.00 to <0.15	3,761	820	85	4,339	0.10	248	39	1.76	930	21	2	2
Institutions	0.15 to <0.25	2,594	337	38	2,730	0.19	110	37	1.42	939	34	2	19
Institutions	0.25 to <0.50	754	60	39	778	0.39	48	17	3.42	283	36	1	3
Institutions	0.50 to <0.75	7	43	41	25	0.64	15	54	2.17	29	117	—	—
Institutions	0.75 to <2.50	40	17	31	45	1.44	31	39	2.34	43	94	—	1
Institutions	2.50 to <10.0	16	—	67	16	3.05	35	47	1.02	21	129	—	—
Institutions	10.0 to <100.00	—	1	20	1	29.30	66	60	1.99	2	299	—	—
Institutions	100.00 (default)	—	—	—	—	100.00	1	50	1.00	—	—	—	—
Total - Institutions		7,172	1,278	68	7,934	0.18	554	36	1.81	2,247	28	5	25
Corporates - Specialised lending	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	0.75 to <2.50	—	—	100	—	1.81	2	1	5.00	—	—	—	—
Corporates - Specialised lending	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Corporates - Specialised lending	100.00 (default)	4	1	101	4	100.00	3	40	4.12	—	—	2	1
Total - Corporates - Specialised lending		4	1	101	4	97.48	5	39	4.14	—	—	2	1

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

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 gross 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
2019	%	£m	£m	%	£m	%		%	years	£m	%	£m	£m
Central governments and central banks	0.00 to <0.15	52,337	206	32	52,435	0.01	57	45	1.63	2,865	5	3	3
Central governments and central banks	0.15 to <0.25	275	—	100	275	0.23	5	56	1.14	122	44	—	—
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	4.99	—	—	—	—
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Central governments and central banks	100.00 (default)	2	—	—	2	100.00	1	7	1.00	—	—	—	—
Total - Central governments and central banks		52,614	206	32	52,712	0.02	63	45	1.63	2,987	6	3	3
Institutions	0.00 to <0.15	4,681	1,186	85	5,588	0.10	263	38	1.59	1,108	20	2	21
Institutions	0.15 to <0.25	3,345	1,170	42	3,893	0.17	121	40	0.95	1,139	29	3	1
Institutions	0.25 to <0.50	182	28	36	174	0.38	38	23	2.93	46	27	—	—
Institutions	0.50 to <0.75	2	15	37	8	0.64	18	68	0.78	8	107	—	—
Institutions	0.75 to <2.50	58	26	29	65	1.50	24	51	1.35	79	122	1	—
Institutions	2.50 to <10.0	24	3	42	25	2.65	37	45	1.09	30	117	—	—
Institutions	10.0 to <100.00	—	—	65	—	40.96	78	52	4.99	—	—	—	—
Institutions	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Institutions		8,292	2,428	63	9,753	0.15	579	38	1.35	2,410	25	6	22
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 gross 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
2019	%	£m	£m	%	£m	%		%	years	£m	%	£m	£m
Corporates - SME	0.00 to <0.15	27	10	75	35	0.10	43	32	2.48	7	20	—	—
Corporates - SME	0.15 to <0.25	434	196	55	544	0.22	1,208	36	3.12	181	33	—	2
Corporates - SME	0.25 to <0.50	2,154	742	56	2,578	0.41	6,452	25	3.09	740	29	3	5
Corporates - SME	0.50 to <0.75	2,564	834	49	2,979	0.64	5,204	23	2.79	987	33	4	6
Corporates - SME	0.75 to <2.50	8,038	2,618	47	9,301	1.31	14,857	24	2.67	4,063	44	29	34
Corporates - SME	2.50 to <10.0	3,301	885	44	3,728	3.52	6,645	23	2.32	1,872	50	30	31
Corporates - SME	10.0 to <100.00	517	69	50	558	15.76	1,038	26	2.38	738	132	22	17
Corporates - SME	100.00 (default)	627	45	28	645	100.00	1,482	40	2.65	174	27	263	272
Total - Corporates - SME		17,662	5,399	48	20,368	4.99	36,929	24	2.68	8,762	43	351	367
Corporates - Other	0.00 to <0.15	29,612	40,640	44	47,519	0.05	2,335	43	2.84	10,791	23	11	8
Corporates - Other	0.15 to <0.25	7,717	11,559	41	12,354	0.19	1,221	43	2.77	5,737	46	10	7
Corporates - Other	0.25 to <0.50	7,155	6,342	45	9,881	0.39	1,574	40	2.44	5,825	59	16	20
Corporates - Other	0.50 to <0.75	3,935	2,037	46	4,900	0.64	1,343	36	2.71	3,403	69	11	19
Corporates - Other	0.75 to <2.50	9,356	5,298	54	12,083	1.32	8,367	34	2.61	9,966	82	54	55
Corporates - Other	2.50 to <10.0	4,653	2,102	49	5,634	3.35	6,278	28	2.20	4,885	87	52	45
Corporates - Other	10.0 to <100.00	245	110	48	292	14.88	570	29	2.26	634	217	14	8
Corporates - Other	100.00 (default)	646	200	36	715	100.00	723	48	1.86	27	4	342	523
Total - Corporates - Other		63,319	68,288	45	93,378	1.31	22,411	40	2.70	41,268	44	510	685
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.15 to <0.25	596	—	—	595	0.23	1	90	5.00	894	150	1	—
Equities	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
Equities	0.75 to <2.50	183	—	—	182	1.27	10	90	5.00	511	280	2	—
Equities	2.50 to <10.0	55	3	100	59	2.50	15	90	5.00	194	328	1	—
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
Equities	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	—
Total - Equities		834	3	100	836	0.61	26	90	5.00	1,599	191	4	—
Total - Wholesale all portfolios		142,732	76,325	46	177,059	1.28	60,026	40	2.32	57,042	32	875	1,078

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	38	0.06	45	0.01	45	0.01	45	0.10	48
Institutions	0.18	36	0.23	28	0.15	45	0.13	28	0.17	43	0.22	49
Corporates	2.39	37	2.69	35	3.91	36	1.03	41	0.56	46	2.94	45
<i>Specialised lending</i>	97.48	39	—	—	—	—	—	—	—	—	97.48	39
<i>SME</i>	4.74	23	4.43	23	9.53	33	77.76	45	6.92	17	28.22	37
<i>Other corporate</i>	1.93	39	2.24	38	2.61	37	0.98	41	0.56	46	2.64	46
Retail	2.64	19	2.37	18	6.45	30	3.58	57	2.25	56	3.17	57
<i>Secured by real estate property - SME</i>	5.06	39	5.05	39	6.74	20	5.11	27	8.36	31	14.27	35
<i>- non SME</i>	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 - SME</i>	8.94	25	9.05	24	5.66	72	7.64	32	4.53	37	6.01	37
<i>- non-SME</i>	10.87	74	10.92	74	7.89	73	36.32	75	34.26	79	24.01	76
Equities	1.71	90	1.72	90	1.28	90	1.79	90	1.67	90	1.70	90
Total	2.15	28	2.44	23	4.67	34	0.31	43	0.21	45	1.10	47
2019												
Central governments and central banks	0.02	45	0.01	47	0.06	45	0.01	45	0.01	45	0.10	46
Institutions	0.15	38	0.18	27	0.15	45	0.13	30	0.13	45	0.24	49
Corporates	1.97	37	2.10	35	3.52	36	1.48	44	0.31	47	2.46	46
<i>Specialised lending</i>	34.95	34	—	—	—	—	1.28	50	—	—	34.95	34
<i>SME</i>	4.99	24	4.90	24	5.60	26	44.58	19	2.35	8	10.79	35
<i>Other corporate</i>	1.31	40	1.29	38	2.55	40	1.43	44	0.31	47	2.21	46
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 - SME</i>	4.79	43	4.77	43	11.79	43	11.91	39	28.52	42	9.53	40
<i>- non SME</i>	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 - SME</i>	5.57	49	5.56	48	5.68	72	3.63	53	8.63	48	5.66	48
<i>- non-SME</i>	10.39	76	10.42	76	8.21	72	32.54	75	32.44	80	21.33	77
Equities	0.61	90	1.56	90	1.28	90	1.80	90	1.68	90	0.24	90
Total	2.10	30	2.15	25	7.63	34	0.49	44	0.12	46	0.82	49

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	3,355	723	50	3,776	1,849	—
	Equal to or more than 2.5 years	5,999	1,536	70	7,157	4,481	29
2 - Good	Less than 2.5 years	3,801	453	70	4,146	2,903	17
	Equal to or more than 2.5 years	1,926	471	90	2,314	2,036	19
3 - Satisfactory	Less than 2.5 years	139	3	115	143	164	4
	Equal to or more than 2.5 years	185	5	115	189	218	5
4 - Weak	Less than 2.5 years	133	18	250	142	355	11
	Equal to or more than 2.5 years	18	1	250	19	47	2
5 - Default	Less than 2.5 years	401	11	—	413	—	207
	Equal to or more than 2.5 years	297	6	—	301	—	151
Total	Less than 2.5 years	7,829	1,208		8,620	5,271	239
	Equal to or more than 2.5 years	8,425	2,019		9,980	6,782	206

2019							
1 - Strong	Less than 2.5 years	3,688	853	50	4,181	2,090	—
	Equal to or more than 2.5 years	5,073	1,407	70	6,188	4,332	25
2 - Good	Less than 2.5 years	2,984	374	70	3,308	2,316	13
	Equal to or more than 2.5 years	1,823	160	90	1,954	1,759	16
3 - Satisfactory	Less than 2.5 years	218	10	115	227	261	6
	Equal to or more than 2.5 years	136	11	115	147	169	4
4 - Weak	Less than 2.5 years	63	32	250	74	186	6
	Equal to or more than 2.5 years	19	—	250	20	49	2
5 - Default	Less than 2.5 years	334	11	—	344	—	174
	Equal to or more than 2.5 years	242	8	—	247	—	123
Total	Less than 2.5 years	7,287	1,280		8,134	4,853	199
	Equal to or more than 2.5 years	7,293	1,586		8,556	6,309	170

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

2020	On-balance sheet amount £m	Off-balance sheet amount £m	Risk-weight %	Exposure amount £m	RWAs £m	Capital requirements £m
Exchange-traded equity exposures	—	—	290	—	—	—
Private equity exposures	420	100	190	520	991	80
Other equity exposures	1	—	370	1	5	—
Total	421	100	—	521	996	80
2019						
Exchange-traded equity exposures	—	—	290	—	—	—
Private equity exposures	412	114	190	526	999	80
Other equity exposures	3	1	370	4	15	1
Total	415	115	—	530	1,014	81

Standardised approach

Calculation of RWAs under the standardised approach

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

Recognition of credit risk mitigation in the calculation of RWAs

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

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

	a		b		c		d	e	f
	Exposures pre CCF and CRM		Exposures post CCF and CRM						
	On-balance sheet £m	Off-balance sheet £m	On-balance sheet £m	Off-balance sheet £m			RWA £m	RWA density %	
2020									
1 Central governments and central banks	115,111	601	115,432	121			469		—
2 Regional governments and local authorities	2	272	2	—			1		61
4 Multilateral development banks	420	—	422	—			—		—
6 Institutions	411	50	455	—			83		18
7 Corporates	6,526	2,602	5,841	683			5,082		78
8 Retail	2,302	4,261	2,207	37			1,342		60
9 Secured by mortgages on immovable property - residential	16,933	1,342	16,934	296			6,285		36
- commercial	2,757	252	2,682	115			2,776		99
10 Exposures in default	429	38	458	4			532		115
11 Items associated with particularly high risk	—	—	—	—			—		—
12 Covered bonds	124	—	127	—			25		20
14 Equity exposures	649	—	649	—			1,597		246
16 Other exposures	2,083	—	2,179	—			1,529		70
17 Total	147,747	9,418	147,388	1,256			19,721		13
2019									
1 Central governments and central banks	81,041	919	81,104	235			323		—
2 Regional governments and local authorities	20	202	19	1			6		27
4 Multilateral development banks	—	—	—	—			—		—
6 Institutions	307	77	353	—			85		24
7 Corporates	8,011	1,979	7,619	593			7,691		94
8 Retail	2,420	3,937	2,331	49			1,433		60
9 Secured by mortgages on immovable property - residential	13,250	1,245	13,254	253			4,849		36
10 - commercial	616	256	547	131			692		102
11 Exposures in default	420	103	405	1			489		121
12 Items associated with particularly high risk	—	—	—	—			—		—
13 Covered bonds	—	—	—	—			—		—
15 Equity exposures	671	—	671	—			1,619		241
16 Other exposures	1,231	—	1,345	—			713		53
17 Total	107,987	8,718	107,648	1,263			17,900		16

EU CR5a: STD: CQS mapping to external credit ratings

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

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

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.

EAD post CRM	Risk-weight																Of which:	
	0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% (1) £m	250% £m	370% £m	1250% £m	Others £m	Deducted £m	Total £m	Unrated £m
2020																		
1 Central governments and central banks	115,312	—	—	—	58	—	—	—	—	—	—	183	—	—	—	—	115,553	461
2 Regional governments and local authorities	—	—	—	—	1	—	—	—	—	1	—	—	—	—	—	—	2	2
3 Multilateral development banks	422	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	422	—
4 Institutions	43	—	—	—	412	—	—	—	—	—	—	—	—	—	—	—	455	11
5 Corporates	986	—	—	—	276	—	200	—	—	5,054	2	—	—	—	6	—	6,524	2,926
6 Retail	—	—	—	—	297	—	—	—	1,946	1	—	—	—	—	—	—	2,244	—
7 Secured by mortgages on immovable property																		
- residential	1	—	—	—	—	16,799	—	—	62	368	—	—	—	—	—	—	17,230	17,230
- commercial	3	—	—	—	—	—	—	—	—	2,764	27	—	—	—	3	—	2,797	2,797
10 Exposures in default	4	—	—	—	—	—	—	—	—	311	147	—	—	—	—	—	462	459
11 Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12 Covered bonds	—	—	—	—	127	—	—	—	—	—	—	—	—	—	—	—	127	—
14 Equity exposures	—	—	—	—	—	—	—	—	—	16	—	633	—	—	—	—	649	632
15 Other exposures	477	—	—	—	162	—	31	—	—	1,475	—	—	—	—	34	—	2,179	2,179
16 Total EAD post CRM	117,248	—	—	—	1,333	16,799	231	—	2,008	9,990	176	816	—	—	43	—	148,644	26,697
17 EAD pre CRM	117,025	—	—	—	1,364	16,799	231	—	2,107	10,912	176	815	—	—	82	—	149,511	27,215
2019																		
1 Central governments and central banks	81,183	—	—	—	29	—	—	—	—	—	—	127	—	—	—	—	81,339	280
2 Regional governments and local authorities	—	—	—	—	18	—	—	—	—	2	—	—	—	—	—	—	20	20
6 Institutions	—	—	—	—	307	—	—	—	—	—	—	—	—	—	46	—	353	56
7 Corporates	94	—	—	—	424	—	140	—	—	7,502	52	—	—	—	—	—	8,212	2,645
8 Retail	—	—	—	—	279	—	—	—	2,014	—	—	—	—	—	87	—	2,380	—
9 Secured by mortgages on immovable property																		
- residential	—	—	—	—	—	13,310	—	—	—	196	1	—	—	—	—	—	13,507	13,507
- commercial	—	—	—	—	—	—	—	—	—	647	31	—	—	—	—	—	678	678
10 Exposures in default	—	—	—	—	—	—	—	—	—	239	167	—	—	—	—	—	406	403
14 Equity exposures	—	—	—	—	—	—	—	—	—	38	—	633	—	—	—	—	671	632
15 Other exposures	527	—	—	—	56	—	26	—	—	677	—	—	—	—	59	—	1,345	1,345
16 Total EAD post CRM	81,804	—	—	—	1,113	13,310	166	—	2,014	9,301	251	760	—	—	192	—	108,911	19,566
17 EAD pre CRM	81,802	—	—	—	1,113	13,310	166	—	2,079	9,854	312	759	—	—	147	—	109,542	19,897

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 NatWest Group's credit risk framework. Refer to the Credit risk section in the 2020 NatWest Group ARA for more information.

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

Counterparty credit limit setting

Counterparty credit limits are established through the credit risk management framework. Limits are based on the credit quality of the counterparty and the appetite for the maximum potential future exposure of transactions, based on 95th percentile confidence levels. The utilisations recorded against the limits also reflect the 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. The policy framework establishes approval authorities for documentation requirements under collateral agreements including: collateral threshold amounts; minimum transfer amounts; minimum haircuts; collateral eligibility criteria; and collateral call frequency.

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

Collateral required in the event of a credit rating downgrade

NatWest Group calculates the additional collateral and other liquidity impacts that would contractually arise in the event of its credit ratings being downgraded. This is undertaken on a daily basis for Treasury and liquidity management purposes. As at 31 December 2020, a simultaneous one-notch long-term and associated short-term downgrade in the credit ratings of all rated entities within NatWest Group by all major ratings agencies would have required NatWest Group to post estimated additional collateral of £1.3 billion, without taking mitigating management actions into account. A two-notch downgrade would have required £2.5 billion.

Credit valuation adjustments (CVAs)

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

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

Wrong-way risk

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

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

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

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

Counterparty credit risk

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	d	e	f	g
	Notional	Replacement cost/current market value	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
	£m	£m	£m	£m		£m	£m
2020							
1 Mark-to-market	n/a	4,896	1,876	n/a	n/a	2,796	1,311
4 Internal model method (for derivatives and SFTs)	n/a	n/a	n/a	8,867	1.4	12,414	5,071
6 <i>of which: derivatives and long settlement transactions</i>	n/a	n/a	n/a	8,867	1.4	12,414	5,071
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	n/a	4,025	599
11 Total	—	4,896	1,876	8,867	—	19,235	6,981
2019							
1 Mark-to-market	n/a	5,135	2,736	n/a	n/a	3,999	2,106
4 Internal model method (for derivatives and SFTs)	n/a	n/a	n/a	11,048	1.4	15,467	6,869
6 <i>of which: derivatives and long settlement transactions</i>	n/a	n/a	n/a	11,048	1.4	15,467	6,869
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	n/a	5,701	1,090
11 Total	—	5,135	2,736	11,048	—	25,167	10,065

Key points

- The RWA decrease related to the IMM was mainly driven by a decrease in asset size, chiefly reflecting trade novations. It also reflected the hedging of credit exposure with a portfolio credit default swap.
- The decrease in non-IMM RWAs mainly reflected reduced exposure: (i) through the exiting of exchange-traded derivative (ETD) clearing and trading business; (ii) through maturities, and (iii) in relation to transactions with special purpose vehicles (SPVs) following a review of the eligibility of financial collateral with such counterparties in Q1 2020. It also reflected the hedging of credit exposure with a portfolio credit default swap. The overall decrease was partly offset by the impact of counterparty downgrades.

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

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	676	—	203	—	3.79	373	55
Corporates - Specialised lending	Good	344	—	95	—	4.12	274	80
Corporates - Specialised lending	Satisfactory	23	—	18	—	4.03	26	115
Corporates - Specialised lending	Weak	1	—	3	—	1.26	2	250
Corporates - Specialised lending	Default	6	—	6	—	1.42	—	—
Total - Corporates - Specialised lending (1)		1,050	—	325	—	3.89	675	64
Corporates - Other	0.00 to <0.15	7,334	0.05	2,497	45	2.17	1,426	19
Corporates - Other	0.15 to <0.25	2,148	0.19	350	45	3.02	929	43
Corporates - Other	0.25 to <0.50	812	0.40	323	53	2.18	619	76
Corporates - Other	0.50 to <0.75	220	0.64	134	41	1.40	139	63
Corporates - Other	0.75 to <2.50	465	1.21	334	38	2.27	388	83
Corporates - Other	2.50 to <10.00	109	3.45	211	49	1.76	157	144
Corporates - Other	10.00 to <100.00	14	19.39	15	45	2.09	32	231
Corporates - Other	100.00 (Default)	3	100.00	8	47	1.21	—	—
Total - Corporates - Other		11,105	0.24	3,872	45	2.32	3,690	33
Total - Wholesale all portfolios		18,298	0.25	5,283	45	2.50	6,729	37

Note:

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

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	1,167	0.01	29	46	2.68	129	11
Central governments and central banks	0.15 to <0.25	—	0.23	1	45	5.00	—	—
Central governments and central banks	0.25 to <0.50	—	0.45	1	45	1.00	—	52
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	155	1.81	1	72	3.53	327	211
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		1,322	0.22	32	49	2.78	456	35
Institutions	0.00 to <0.15	2,769	0.10	143	45	2.39	1,044	38
Institutions	0.15 to <0.25	3,446	0.18	177	46	2.45	1,990	58
Institutions	0.25 to <0.50	213	0.38	87	51	2.36	183	86
Institutions	0.50 to <0.75	172	0.64	28	54	1.32	158	92
Institutions	0.75 to <2.50	274	1.62	48	49	0.77	278	102
Institutions	2.50 to <10.00	41	2.63	16	47	4.14	69	168
Institutions	10.00 to <100.00	—	—	1	—	—	—	—
Institutions	100.00 (Default)	—	—	—	—	—	—	—
Total - Institutions		6,915	0.24	500	46	2.34	3,722	54
Corporates - SME	0.00 to <0.15	—	—	1	45	5.00	—	30
Corporates - SME	0.15 to <0.25	1	0.22	19	52	1.02	—	31
Corporates - SME	0.25 to <0.50	13	0.42	164	44	1.73	6	46
Corporates - SME	0.50 to <0.75	8	0.64	172	34	1.60	3	36
Corporates - SME	0.75 to <2.50	38	1.41	413	33	2.18	22	57
Corporates - SME	2.50 to <10.00	14	3.04	163	32	1.84	10	69
Corporates - SME	10.00 to <100.00	—	11.47	12	43	2.60	1	156
Corporates - SME	100.00 (Default)	6	100.00	14	41	2.76	—	—
Total - Corporates - SME		80	8.76	958	35	2.02	42	51

Counterparty credit risk

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

		a	b	c	d	e	f	g
		EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs £m	RWA density %
2019	PD scale							
Corporates - Specialised lending	Strong	591	—	239	—	4.00	392	66
Corporates - Specialised lending	Good	256	—	101	—	4.56	228	89
Corporates - Specialised lending	Satisfactory	16	—	16	—	4.98	18	115
Corporates - Specialised lending	Weak	—	—	—	—	—	—	—
Corporates - Specialised lending	Default	5	—	9	—	2.56	—	—
Total - Corporates - Specialised lending (1)		868	—	365	—	4.18	638	74
Corporates - Other	0.00 to <0.15	9,864	0.04	3,517	44	2.29	1,818	18
Corporates - Other	0.15 to <0.25	3,324	0.19	402	46	2.72	1,790	54
Corporates - Other	0.25 to <0.50	543	0.38	312	57	1.77	382	70
Corporates - Other	0.50 to <0.75	171	0.64	135	48	1.56	135	79
Corporates - Other	0.75 to <2.50	683	1.10	261	44	1.90	586	86
Corporates - Other	2.50 to <10.00	58	2.90	206	44	1.33	68	116
Corporates - Other	10.00 to <100.00	6	22.93	15	44	3.47	14	242
Corporates - Other	100.00 (Default)	1	100.00	1	50	—	—	—
Total - Corporates - Other		14,650	0.17	4,849	45	2.34	4,793	33
Total - Wholesale all portfolios		23,836	0.25	6,704	46	2.50	9,651	40

Note:

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

Key point

- By asset class, the RWA decrease mainly reflected trade novations in corporates and central banks and a decrease in asset size in institutions.

Counterparty credit risk

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

The table below shows risk-weight by exposure class.

Exposure class	Risk-weight								Of which: Unrated
	0% £m	2% £m	20% £m	50% £m	75% £m	100% £m	150% £m	Total £m	£m
2020									
1 Central governments and central banks	449	—	—	—	—	—	—	449	—
2 Regional government and local authorities	12	—	28	—	—	—	—	40	—
6 Institutions	—	2,819	310	—	—	—	—	3,129	—
7 Corporates	—	—	87	113	—	139	—	339	2
9 Exposures in default	—	—	—	—	—	—	1	1	—
11 Total	461	2,819	425	113	—	139	1	3,958	2
2019									
1 Central governments and central banks	724	—	—	—	—	—	—	724	—
2 Regional government and local authorities	12	—	8	—	—	—	—	20	—
6 Institutions	—	2,895	375	3	—	—	—	3,273	—
7 Corporates	—	—	106	26	—	355	—	488	19
9 Exposures in default	—	—	—	—	—	—	—	—	—
11 Total	736	2,895	489	29	—	355	—	4,505	19

Key points

- The reduction in exposure to central governments and central banks mainly reflected an early repayment of central bank funding.
- The reduction in exposure to corporates was driven by the review of the eligibility of financial collateral with SPVs in Q1 2020.

EU CCR2: CCR: Credit valuation adjustment capital charge

The table below shows the CVA charge split by approach.

	2020		2019	
	a	b	a	b
	Exposure amount £m	RWAs £m	Exposure amount £m	RWAs £m
1 Total portfolios subject to the advanced CVA capital charge	6,024	1,184	8,184	1,443
2 (i) VaR component (including the multiplier)	—	406	—	253
3 (ii) Stressed VaR component (including the multiplier)	—	778	—	1,190
4 All portfolios subject to the standardised CVA capital charge	1,317	334	1,434	359
EU4 Based on original exposure method	—	—	—	—
5 Total	7,341	1,518	9,618	1,802

Key points

- The decrease in the CVA charge reflected a decrease in exposure to counterparties subject to this charge, largely due to de-risking of this portfolio.
- The increase in the VaR-based component reflected the increased market volatility resulting from the initial impact of the pandemic during March 2020.

Counterparty credit risk

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	178,805	147,827	30,978	25,153	5,825
2	SFTs	168,803	—	168,803	165,717	3,086
4	Total	347,608	147,827	199,781	190,870	8,911
2019						
1	Derivatives	167,554	136,605	30,949	23,903	7,046
2	SFTs	179,444	—	179,444	175,135	4,309
4	Total	346,998	136,605	210,393	199,038	11,355

Note:

(1) Any excess collateral held is not included.

Key point

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

EU CCR6: CCR: Credit derivatives

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

	2020		2019	
	a	b	a	b
	Protection bought £m	Protection sold £m	Protection bought £m	Protection sold £m
Notionals				
Single-name credit default swaps	4,254	2,883	5,055	3,523
Index credit default swaps	3,329	641	3,925	867
Total return swaps	150	150	465	204
Other credit derivatives	2,000	—	—	—
Total notionals	9,733	3,674	9,445	4,594
Of which: Own credit portfolio - notionals (1)	52	—	85	—
Fair values				
Positive fair value (asset)	50	62	74	74
Negative fair value (liability)	(221)	(50)	(176)	(77)

Note:

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

Key point

- The increase in bought protection on Other credit derivatives reflects a portfolio credit default swap.

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)	3,244	182	3,475	260
2	Exposures for trades at QCCPs (excluding OTC initial margin and default fund contributions)	3,010	97	3,117	112
	Of which:				
3	(i) OTC derivatives	967	56	1,012	69
4	(ii) Exchange-traded derivatives including initial margin	395	8	543	12
5	(iii) Securities financing transactions	1,648	33	1,562	31
8	Non-segregated initial margin	11	—	57	1
9	Pre-funded default fund contributions	223	85	301	146

Key point

- Exposures to qualifying CCPs decreased, reflecting a reduction in the default fund contribution and the exiting of ETD clearing and trading business.

Market risk

Market risk

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

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

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

Market risk governance and management

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

For more information on the governance and management, mitigation, monitoring and reporting of traded market risk as well as disclosures relating to non-traded market risk, refer to the Market risk section of the 2020 NatWest Group ARA.

EU MRB_A: MR: Qualitative information – position risk

Inclusion of exposures in trading book

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

Trading book positions must be valued by marking them to market or to model on a daily basis. They are subject to market risk-based rules, with market risk capital requirements calculated either by using internal models where regulatory approval has been received or otherwise by using the non-modelled, or standardised, approach. Where the criteria set out in the policy are not met, positions are classified as non-trading book exposure and capitalised as outlined on page 120.

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

Calculation of market risk capital requirements

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

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

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

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

Regulatory VaR

VaR is a statistical estimate of the potential change in the market value of a portfolio (and, thus, the impact on the income statement) over a specified time horizon at a given confidence level.

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

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

The performance and adequacy of the VaR model are tested on a regular basis through the following processes:

- Back-testing – Regulatory and internal back-testing is conducted on a daily basis. (For information on regulatory back-testing, refer to page 123. For information on internal back-testing, refer to page 236 of the 2020 NatWest Group ARA.)
- Ongoing model validation – VaR model performance is assessed both regularly, and on an ad-hoc basis, if market conditions or the portfolio profile change significantly.
- Model Risk Management review – As part of the model lifecycle, all risk models (including the VaR model) are independently reviewed to ensure that the model is still fit for purpose given current market conditions and the portfolio profile (refer to page 236 of the 2020 NatWest Group ARA).

Market risk

Regulatory stressed VaR (SVaR)

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

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

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

NatWest Group's SVaR model has also been approved by the PRA for use in the capital requirement calculation. The distinction between regulatory SVaR and internal SVaR is the same as that between regulatory VaR and internal VaR.

Risk factors

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

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

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

General and specific risks

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

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

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

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

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

Market risk

VaR limitations

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

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

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

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

Risks Not In VaR (RNIV)

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

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

RNIVs that are related specifically to instruments that have level 3 valuation hierarchy assumptions (refer to the 2020 NatWest Group ARA, page 295) are mainly included in the following categories: proxied sensitivities or risk factors, higher-order sensitivity terms, and static pricing parameters.

NatWest Group adopts two approaches for the quantification of RNIVs:

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

Incremental risk charge (IRC)

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

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

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

NWM Plc's average liquidity horizon by position (weighted by materiality) at 31 December 2020 was 3.3 months (2019 – 3.3 months). The horizon is determined based on issuer liquidity, position concentration, product type and maturity.

Model validation

NatWest Group uses a variety of models to manage and measure market risk. These include pricing models (used for valuation of positions) and risk models (for risk measurement and capital calculation purposes). They are developed and approved in NatWest Markets, with material models subject to independent review by Model Risk Management. For further detail on the independent model validation carried out by Model Risk Management, refer to the Model risk section of the 2020 NatWest Group ARA. Information relating to pricing and market risk models is presented below.

Pricing models

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

The review process includes the following steps:

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

Risk models

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

Calculation of regulatory capital for non-trading book exposures

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

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

Market risk

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

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

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

	NatWest Group		NWH Group		NWM Plc	
	a	b	a	b	a	b
	RWAs	MCR	RWAs	MCR	RWAs	MCR
	£m	£m	£m	£m	£m	£m
2019						
STD	2,036	163	125	10	1,102	88
1 Interest rate position risk (outright products)	1,171	94	—	—	617	49
2 Equity position risk (outright products)	—	—	—	—	—	—
3 Foreign exchange position risk (outright products)	392	31	125	10	19	2
4 Commodity position risk (outright products)	7	1	—	—	—	—
6 Option position risk (delta-plus approach)	—	—	—	—	—	—
8 Securitisation positions	466	37	—	—	466	37
Internal model approach	10,894	871	—	—	10,127	810
VaR	1,445	115	—	—	1,358	109
SVaR	3,963	317	—	—	3,551	284
Incremental risk charge	2,265	181	—	—	2,093	167
Other (RNIV)	3,221	258	—	—	3,125	250
<i>Of which: VaR-based RNIV</i>	<i>399</i>	<i>32</i>	<i>—</i>	<i>—</i>	<i>399</i>	<i>32</i>
<i>Of which: SVaR-based RNIV</i>	<i>1,124</i>	<i>90</i>	<i>—</i>	<i>—</i>	<i>1,114</i>	<i>89</i>
<i>Of which: Stress RNIV</i>	<i>1,698</i>	<i>136</i>	<i>—</i>	<i>—</i>	<i>1,612</i>	<i>129</i>
Total	12,930	1,034	125	10	11,229	898

Key points

NatWest Group

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

NWH Group

- RWAs relate solely to the banking book foreign exchange charge.
- The reduction in RWAs was primarily due to a decrease in euro positions relating to transfer pricing charges between NWH Group entities.

NWM Plc

- Refer to EU MR2_B for commentary.

RBSI

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

Market risk

EU MR2_A: MR IMA: RWAs and MCR

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

		2020		2019	
		a	b	a	b
		RWAs	MCR	RWAs	MCR
		£m	£m	£m	£m
1	VaR (higher of a and b)	1,599	128	1,445	115
a	Period end VaR	431	34	515	41
b	Average of the daily VaR for preceding 60 business days x multiplication factor	1,599	128	1,445	115
2	SVaR (higher of a and b)	3,666	293	3,963	317
a	Period end SVaR	1,227	98	1,006	80
b	Average of the SVaR for preceding 60 business days x multiplication factor	3,666	293	3,963	317
3	Incremental risk charge (higher of a and b)	1,459	117	2,265	181
a	Period end IRC value	1,380	110	1,887	151
b	Average IRC over preceding 60 business days	1,459	117	2,265	181
5	Other (RNIV at period end)	1,630	130	3,221	258
6	Total	8,354	668	10,894	871

Key point

- Refer to the commentary below Table EU MR2_B.

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

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

		2020		2019	
		NatWest Group	NWM Plc	NatWest Group	NWM Plc
		£m	£m	£m	£m
VaR (10 day 99%)					
1	Maximum value	72	70	61	59
2	Average value	45	42	46	44
3	Minimum value	28	25	33	31
4	Period end	34	32	41	40
SVaR (10 day 99%)					
5	Maximum value	141	135	291	286
6	Average value	105	99	124	118
7	Minimum value	76	70	80	73
8	Period end	98	92	80	73
IRC (99.9%)					
9	Maximum value	183	177	208	208
10	Average value	131	129	176	166
11	Minimum value	107	106	133	133
12	Period end	110	110	151	140

Key point

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

Market risk

VaR back-testing

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

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

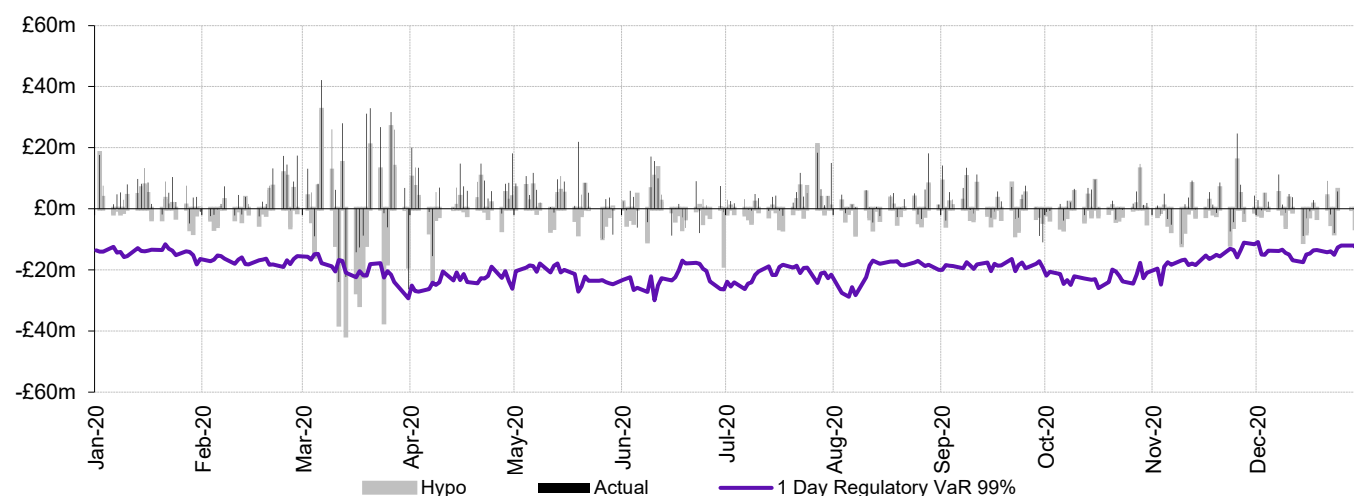
The Actual P&L for a particular business day is the firm's actual P&L in respect of the trading activities including intraday activities, adjusted by stripping out fees and commissions, brokerage, and additions to and releases from reserves that are not directly related to market risk.

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

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

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

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



Key points

- In the 250-day rolling window to 31 December 2020, NWM Plc experienced a total of two Actual and seven Hypo back-testing exceptions. These all occurred in March 2020 when market volatility and illiquidity rose to exceptional levels as a result of the COVID-19 global outbreak.
- An increase in VaR model back-testing exceptions was observed across the industry.
- Under the provisions of the CRR COVID-19 Amendment, NWM Plc has been granted permission by the PRA to disregard exceptions that occurred on five days in March 2020 when calculating its minimum capital requirements for market risk. This adjustment has reduced the total to one Actual and two Hypo exceptions.

Securitisation

Securitisation

SECA: SEC qualitative disclosures

Framework, roles and definitions

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

Definitions

Securitisation and special purpose entities

The CRR defines a securitisation as a transaction or scheme where the credit risk of an exposure or pool of exposures is 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 128). 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, NatWest Group aims to achieve one or both of the following objectives, either for its own purposes or for customers:

- To diversify sources of funding; and
- To facilitate prudential balance sheet and risk management.

In doing so, NatWest Group may incur a range of risks, including credit, market, liquidity and funding, legal, regulatory and reputational risks; for which it must hold regulatory capital. For details of CRR rules governing the calculation of regulatory capital required in respect of securitisations, refer to page 128.

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

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

Investor – To generate financial returns, NatWest Group may:

- Purchase securities issued by an SSPE;
- Enter into derivative transactions with an SSPE; or
- Lend to an SSPE, often by providing a liquidity facility that the SSPE can use if it is unable to issue securities, particularly commercial paper.

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

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

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

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

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

Other administrative roles – As a 'contractual party', NatWest Group may do any of the following, alone or in combination:

- Hold the bank account of an SSPE on its own books;
- Monitor the credit quality of the underlying assets on behalf of investors;
- Report on the performance of the SSPE to investors; and
- Make payments to investors on behalf of the SSPE.

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

Risk management

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

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

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Types of risk	Definition and how the risk may arise	How NatWest 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 NatWest Group to credit risk for any of several reasons.</p> <p>If NatWest Group invests in an SSPE by purchasing or (in the case of a securitisation it has originated) retaining the bonds it issues, conducting derivative transactions with it or lending to it, NatWest Group is exposed to the risk that the SSPE will fail to meet its obligations to settle outstanding amounts to NatWest Group. This may happen because cash flows generated by the underlying assets are insufficient to repay creditors, including bondholders, derivative counterparties or lenders, or in the event of a third party, such as a bank account provider or derivative counterparty, defaulting on its obligation to the SSPE. The SSPE pays principal and interest to creditors in order of seniority, with the most senior paid first.</p> <p>When NatWest Group originates a securitisation transaction, if the securitisation structure does not substantially transfer the economic risks of the underlying assets, including credit risk, to a third party, it is exposed to credit risk on those assets just as it would be if the securitisation had never taken place.</p> <p>Credit risk is heightened if the assets in the SSPE are not diversified by sector, geography or borrower.</p>	<p>NatWest Group's overall exposure to third party securitisation is governed by its sector concentration framework. If it retains or purchases bonds issued by an SSPE, conducts derivative transactions with it or lends to it, NatWest Group monitors the performance of the vehicle in part by reviewing information provided by the trustee as well as by rating agencies or other third parties.</p> <p>As an originator, if the securitisation structure does not transfer substantial credit risk to a third party, NatWest Group manages it as if the securitisation had never taken place. NatWest Group has credit limits in place and monitors SSPE positions with third party bank account providers for own asset securitisations which generate a credit risk exposure for NatWest Group.</p> <p>NatWest Group may seek to mitigate credit risk arising from the purchase (or retention) of bonds issued by an SSPE through the use of unfunded protection, usually credit default swaps, but also guarantees. It hedges the risk associated with purchased bonds, which are generally held in the trading book, as appropriate. It does not usually hedge the credit risk associated with retained bonds, which are generally held in the non-trading book.</p>
Traded market risk	Traded market risk is the risk arising from changes in fair value on positions, assets, liabilities or commitments in trading portfolios as a result of fluctuations in market prices.	NatWest Group manages this risk in accordance with its policy on market risk. Re-securitisation exposures are subject to individual scrutiny. For further information, refer to the Traded market risk section of the 2020 NatWest Group ARA.
Non-traded market risk	Non-traded market risk is the risk to the value of assets or liabilities outside the trading book, or the risk to income, that arises from changes in market prices such as interest rates, foreign exchange rates and equity prices, or from changes in managed rates.	NatWest Group manages this risk in accordance with its policy on non-traded market risk, including structural interest rate risk. For further information, refer to the Non-traded market risk section of the 2020 NatWest Group ARA.
Liquidity and funding risk	<p>Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due.</p> <p>Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base.</p> <p>NatWest Group may sponsor securitisations and, as sponsor, may provide liquidity facilities to the SSPE. If the SSPE utilises these facilities, NatWest Group will need to fund them, giving rise to the risk that it will not be able to do so.</p>	NatWest Group manages these risks in accordance with its policy on liquidity and funding risk. For further information, refer to Liquidity management and Funding risk management in the Capital, liquidity and funding risk section of the 2020 NatWest Group ARA.

Securitisation

Types of risk	Definition and how the risk may arise	How NatWest Group monitors and manages the risk
Legal risk	<p>The risk that NatWest Group will incur losses as a result of the failure of the documentation relating to a securitisation to perform as expected or as a result of investors asserting that NatWest Group made inadequate disclosures or conducted inadequate due diligence in relation to the relevant credit exposures. Legal risk is elevated if the parties to the transaction are located in different jurisdictions, as documentation effective in one jurisdiction may not be effective in another. Additional losses may arise as a result of costs incurred by the parties in an effort to address documentary shortcomings.</p> <p>This risk is heightened in the case of re-securitisations, as NatWest Group needs to gather information surrounding each of the original transactions, together with an understanding of their interaction within the re-securitisation.</p>	<p>NatWest Group has specific processes and controls in place designed to ensure adequate due diligence is undertaken and appropriate disclosures are made in relation to the relevant offerings. In relation to documentation, distribution of securities and compliance with relevant laws and regulations, NatWest Group works with experienced internal and external counsel to ensure all reasonable steps are taken to ensure documentation standards are satisfactory and applicable laws and regulations in all relevant jurisdictions are complied with.</p>
Compliance & conduct risk	<p>Compliance risk is the risk that the behaviour of NatWest Group towards customers fails to comply with laws, regulations, rules standards and codes of conduct. Conduct risk is the risk that the conduct of NatWest Group and its subsidiaries and its staff towards customers – or in the markets in which it operates – leads to unfair or inappropriate customer outcomes and results in reputational damage, financial loss or both. Compliance and conduct risks exist across all stages of NatWest Group's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential insider information.</p>	<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 NatWest Group. This risk falls under the governance of the Mandatory Change Advisory Committee, which meets monthly with representatives from all franchises and functions. For further information, refer to the Compliance & conduct risk section of the 2020 NatWest Group ARA.</p>
Reputational risk	<p>The risk to NatWest 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>	<p>NatWest Group manages reputational risk in accordance with its reputational risk management framework. For further information, refer to the Reputational risk section of the 2020 NatWest Group ARA.</p>
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>	<p>NatWest Group manages operational risk in accordance with its operational risk management framework. For further information, refer to the Operational risk section of the 2020 NatWest Group ARA.</p>

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 NatWest Group's published accounting policy Basis of Consolidation (refer to page 264 of the 2020 NatWest Group ARA). The transfer of assets to a securitisation vehicle is treated as a sale if the securitised assets are derecognised from the consolidated balance sheet in accordance with NatWest Group's published accounting policy Derecognition (refer to page 267 of the 2020 NatWest Group ARA).

NatWest Group applies its accounting policies Provisions; Loan commitments; and Financial guarantee contracts (set out on pages 265 to 267 of the 2020 NatWest Group ARA) to contractual commitments, such as liquidity lines, that could require it to provide financial support for securitised assets.

Key assumptions for valuing securitisation positions

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

Synthetic securitisations

Synthetic securitisations are assessed using the same approach as non-synthetic securitisations. Any derivatives are treated in accordance with NatWest Group's published accounting policy Derivatives and hedging (refer to page 267 of the 2020 NatWest Group ARA).

Assets awaiting securitisation

Financial assets are valued using NatWest Group's accounting policy for financial instruments (refer to page 266 of the 2020 NatWest Group ARA). At both 31 December 2020 and 31 December 2019, no assets were categorised as awaiting securitisation.

Implicit support

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

Securitisation and re-securitisation exposures

Additional information detailing accounting policies and treatment of securitisations and re-securitisations can be found on page 267 of the 2020 NatWest Group ARA.

Types of transactions

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

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

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

SSPEs used by NatWest Group

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

At 31 December 2020, NatWest Group sponsored one remaining multi-seller commercial paper conduit programme, Thames Asset Global Securitization (TAGS). NatWest Group provides programme-wide credit enhancement and liquidity facilities to TAGS. During 2020, TAGS issued no commercial paper to external parties.

The transactions in which NatWest Group acts as a swap counterparty, has originated all the assets and continues to administer the associated SSPEs comprise the following:

- Ardmore & Dunmore (Irish residential mortgages SSPEs);
- Epic (commercial real estate SSPEs); and
- Talisman (commercial real estate SSPEs).

Following synthetic securitisations in previous years primarily of loans to corporates, SMEs and commercial mortgages, in 2020, NatWest 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 to SEC 4 show total securitisation positions, as discussed under Regulatory treatment of securitisation on page 128. The exposures included those retained from NatWest Group own securitised assets, investments in SSPE notes, credit lines to SSPEs and derivative transactions with SSPEs.

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

Securitisation

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)	—	—	—	24	—	24	4,209	—	4,209
Residential mortgages	—	—	—	—	—	—	3,253	—	3,253
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	24	—	24	939	—	939
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	17	—	17
Wholesale (total)	—	6,342	6,342	—	—	—	2,556	—	2,556
Commercial Mortgages	—	1,706	1,706	—	—	—	458	—	458
Leasing	—	—	—	—	—	—	76	—	76
Loans to corporates	—	4,636	4,636	—	—	—	1,262	—	1,262
Trade Receivables	—	—	—	—	—	—	99	—	99
Auto Receivables	—	—	—	—	—	—	661	—	661
Total at 31 December 2020	—	6,342	6,342	24	—	24	6,765	—	6,765
Retail (total)	—	—	—	28	—	28	5,400	—	5,400
Residential mortgages	—	—	—	—	—	—	4,145	—	4,145
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	28	—	28	1,225	—	1,225
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	30	—	30
Wholesale (total)	—	5,876	5,876	—	—	—	3,274	—	3,274
Commercial Mortgages	—	1,533	1,533	—	—	—	708	—	708
Leasing	—	—	—	—	—	—	302	—	302
Loans to corporates	—	4,343	4,343	—	—	—	893	—	893
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	1,371	—	1,371
Total at 31 December 2019	—	5,876	5,876	28	—	28	8,674	—	8,674

Key points

- The decrease in exposure mainly occurred in the residential mortgage, auto receivable and consumer loan portfolios in NatWest Markets, in line with plans to reduce overall RWAs.
- The total exposure amount included EAD of £0.8 billion (2019 – £0.7 billion) and RWAs of £0.4 billion (2019 – £0.5 billion) related to counterparty credit risk associated with derivative trades. Within this, residential mortgages accounted for EAD of £0.4 billion (2019 – £0.4 billion) and RWAs of £0.2 billion (2019 – £0.4 billion).

Securitisation

SEC 2: Securitisation exposures in the trading book

	Originator			Sponsor			Investor		
	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m	Traditional £m	Synthetic £m	Sub-total £m
Retail (total)	—	—	—	—	—	—	10	—	10
Residential mortgages	—	—	—	—	—	—	10	—	10
Credit Card Receivables	—	—	—	—	—	—	—	—	—
Consumer Loans	—	—	—	—	—	—	—	—	—
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	—	—	—
Wholesale (total)	—	—	—	—	—	—	17	—	17
Commercial Mortgages	—	—	—	—	—	—	—	—	—
Leasing	—	—	—	—	—	—	—	—	—
Loans to corporates	—	—	—	—	—	—	17	—	17
Trade Receivables	—	—	—	—	—	—	—	—	—
Auto Receivables	—	—	—	—	—	—	—	—	—
Total at 31 December 2020	—	—	—	—	—	—	27	—	27
Retail (total)	—	—	—	—	—	—	451	—	451
Residential mortgages	—	—	—	—	—	—	384	—	384
Credit Card Receivables	—	—	—	—	—	—	6	—	6
Consumer Loans	—	—	—	—	—	—	21	—	21
Loans to SMEs (treated as Retail)	—	—	—	—	—	—	40	—	40
Wholesale (total)	—	—	—	—	—	—	157	—	157
Commercial Mortgages	—	—	—	—	—	—	8	—	8
Leasing	—	—	—	—	—	—	1	—	1
Loans to corporates	—	—	—	—	—	—	121	—	121
Trade Receivables	—	—	—	—	—	—	8	—	8
Auto Receivables	—	—	—	—	—	—	19	—	19
Total at 31 December 2019	—	—	—	—	—	—	608	—	608

Key point

- The decrease in exposure was primarily due to a significant reduction in the ABS trading business during the year.

Securitisation

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

31 December 2019													
	Exposure values					Exposure values					RWA		
	(by RW bands)					(by regulatory approach) (1)					(by regulatory approach) (1)		
	≤20% RW £m	>20% to 50% RW £m	>50% to 100% RW £m	>100% to <1250% RW £m	1250% RW £m	AIRB £m	SEC- ERBA £m	SEC- SA £m		AIRB £m	SEC- ERBA £m	SEC- SA £m	
Total Exposures	5,200	473	79	141	11	5,904	—	—		1,388	—	—	
Traditional securitisation	28	—	—	—	—	28	—	—		6	—	—	
Of which securitisation	28	—	—	—	—	28	—	—		6	—	—	
Of which retail	28	—	—	—	—	28	—	—		6	—	—	
Of which wholesale	—	—	—	—	—	—	—	—		—	—	—	
Of which re-securitisation	—	—	—	—	—	—	—	—		—	—	—	
Of which senior	—	—	—	—	—	—	—	—		—	—	—	
Of which non-senior	—	—	—	—	—	—	—	—		—	—	—	
Synthetic securitisation	5,172	473	79	141	11	5,876	—	—		1,382	—	—	
Of which securitisation	5,172	473	79	141	11	5,876	—	—		1,382	—	—	
Of which retail	—	—	—	—	—	—	—	—		—	—	—	
Of which wholesale	5,172	473	79	141	11	5,876	—	—		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% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC- ERBA	SEC- IRBA	SEC- SA	12.5	SEC- ERBA	SEC- IRBA	SEC- SA	12.5
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Exposures	6,079	212	303	163	8	1,342	—	5,415	8	664	—	817	97
Traditional securitisation	6,079	212	303	163	8	1,342	—	5,415	8	664	—	817	97
Of which securitisation	6,079	212	303	163	8	1,342	—	5,415	8	664	—	817	97
Of which retail	3,942	6	109	144	8	408	—	3,793	8	353	—	574	97
Of which wholesale	2,137	206	194	19	—	934	—	1,622	—	311	—	243	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which retail	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which senior	—	—	—	—	—	—	—	—	—	—	—	—	—
Of which non-senior	—	—	—	—	—	—	—	—	—	—	—	—	—

31 December 2019												
	Exposure values (by RW bands)					Exposure values (by regulatory approach) (1)			RWA (by regulatory approach) (1)			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	AIRB	SEC- ERBA	SEC- SA	AIRB	SEC- ERBA	SEC- SA	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Total Exposures	8,179	409	21	38	27	6,226	69	2,379	1,056	62	360	
Traditional securitisation	8,179	409	21	38	27	6,226	69	2,379	1,056	62	360	
Of which securitisation	8,179	409	21	38	27	6,226	69	2,379	1,056	62	360	
Of which retail	5,092	229	21	31	27	3,767	69	1,564	739	62	237	
Of which wholesale	3,087	180	—	7	—	2,459	—	815	317	—	123	
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 Markets Plc Remuneration Disclosure

Summary of approach taken

We disclose MRT remuneration details for each of our legal entities in scope of the Capital Requirements Regulations ('CRR firms') in line with the requirements of Article 450 of the CRR, the Basel Committee on Banking Supervision Pillar 3 disclosure requirements and the EBA guidelines on sound remuneration policies. In line with regulations, we identify MRTs at consolidated, sub-consolidated and solo regulated subsidiary entity levels. The following pages contain the quantitative disclosures for NatWest Markets Plc ('NWM'), NatWest Markets N.V. ('NWM N.V.'), Royal Bank of Scotland International (Holdings) Limited and RBSI Depository Services S.A. 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 and associated Pillar 3 disclosures which can be found on natwestgroup.com.

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 NWM and NWM N.V., their pay will only be reported once for the entity in which they perform their primary role. Their pay is excluded from the remuneration tables for the other entities.

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 320 employees who have been identified as MRTs for NatWest Markets Plc ('NWM Plc'). NWM Plc is a wholly-owned subsidiary of The NatWest Group. NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings including NatWest Markets N.V..

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 with that disclosed for NatWest Group.

NWM Plc has a Performance and Remuneration Committee (the NWM Plc RemCo). The NWM Plc RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate at the NWM Plc level.

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

The NWM Plc 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 NWM Plc RemCo met 7 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of NWM Plc
Non-Executive Directors	Non-executive directors of NWM Plc

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	6	6
Corporate Functions	11	58	69
Control Functions	5	93	98
Capital Markets	2	51	53
Trading & Sales	4	88	92
Total	24	296	320

A total of 89 of the individuals above hold MRT criteria for NWM Plc 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 NWM Plc. 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 NWM Plc was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	21	210	231
	£m	£m	£m
Executive Directors	2.18	-	2.18
Non-Executive Directors	-	0.63	0.63
Corporate Functions	7.91	9.73	17.64
Control Functions	2.52	17.73	20.25
Capital Markets	2.76	27.40	30.16
Trading & Sales	7.54	57.99	65.53
Total	22.91	113.48	136.39

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	21	210	231
	£m	£m	£m
Executive Directors	1.47	-	1.47
Non-Executive Directors	-	0.63	0.63
Corporate Functions	6.03	8.14	14.17
Control Functions	1.92	14.43	16.35
Capital Markets	2.21	18.75	20.96
Trading & Sales	5.29	41.69	46.98
Total	16.92	83.64	100.56

NatWest Markets Plc Remuneration Disclosure

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	16	153	169
	£m	£m	£m
Executive Directors			
Cash remuneration	0.00	-	0.00
Deferred bonds	0.03	-	0.03
Deferred shares	0.12	-	0.12
Non-Executive Directors	-	-	-
Corporate Functions			
Cash remuneration	0.01	0.03	0.04
Deferred bonds	0.34	0.71	1.05
Deferred shares	1.52	0.85	2.37
Control Functions			
Cash remuneration	0.01	0.09	0.10
Deferred bonds	0.17	1.54	1.71
Deferred shares	0.42	1.68	2.10
Capital Markets			
Cash remuneration	0.00	0.07	0.07
Deferred bonds	0.06	1.68	1.74
Deferred shares	0.49	6.90	7.39
Trading & Sales			
Cash remuneration	0.01	0.12	0.13
Deferred bonds	0.17	2.96	3.13
Deferred shares	2.07	13.22	15.29
Total	5.42	29.85	35.27

	Senior mgmt	Other MRTs	Total
Long-term incentives			
Number of beneficiaries	1	-	1
	£m	£m	£m
Executive Directors	0.56	-	0.56
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Capital Markets	-	-	-
Trading & Sales	-	-	-
Total	0.56	-	0.56

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	19.42	61.43	80.85
Awarded during year	7.73	37.54	45.27
Paid out (retained)	4.19	21.43	25.63
Paid out (released)	2.64	20.11	22.75
Reduced from prior years	0.14	2.42	2.55
Unvested at year end	20.18	55.01	75.19

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

NWM Plc 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 of NWM Plc in respect of the 2020 performance year.

Severance payments and / or arrangements can be made to employees who leave NWM Plc 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 £50,000 each. The two individuals were both senior management MRTs and in each case the non-standard amount related to enhanced outplacement support. 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 NWM Plc shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2020 is approximately 1 to 0.50. The majority of MRTs were based in the UK.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	17	153	170
	ratio	ratio	ratio
Executive Directors	1 to 0.49	-	1 to 0.49
Non-Executive Directors	-	-	-
Corporate Functions	1 to 0.41	1 to 0.27	1 to 0.33
Control Functions	1 to 0.31	1 to 0.27	1 to 0.28
Capital Markets	1 to 0.97	1 to 0.57	1 to 0.58
Trading & Sales	1 to 0.71	1 to 0.60	1 to 0.61
Consolidated	1 to 0.51	1 to 0.49	1 to 0.50

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	25
€1.5 - €2.0	8
€2.0 - €2.5	5
More than €2.5	0
Total	38

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, 89 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 NWM Plc. 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.

NatWest Markets N.V. 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 99 employees who have been identified as MRTs for NatWest Markets N.V. ('NWM N.V.'). NWM N.V. is a wholly-owned subsidiary of NatWest Markets Plc. NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings including NatWest Markets N.V. ('NWM N.V.').

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 with that disclosed for NatWest Group.

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

The key areas of focus for the NWM N.V. SB with respect to performance and remuneration matters includes: reviewing and recommending, or where appropriate ratifying remuneration arrangements for NWM N.V.'s key employees; and inputting to and subsequently adopting the NatWest Group Remuneration Policy Principles.

The NWM N.V. SB must be able to act independently and the non-executive directors serving on this committee are supported by the necessary entity-specific management information in order to carry out their duties. The NWM N.V. SB met 14 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of NWM N.V.
Non-Executive Directors	Non-executive directors of NWM N.V.

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	4	4
Corporate Functions	1	17	18
Control Functions	1	45	46
Capital Markets	-	18	18
Trading & Sales	-	11	11
Total	4	95	99

A total of 64 of the individuals above hold MRT criteria for NWM N.V. 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 the primary role which they perform for another NatWest Group entity and is not substantially linked to their MRT status for NWM N.V.. 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 NWM N.V. was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	4	31	35
	£m	£m	£m
Executive Directors	1.13	-	1.13
Non-Executive Directors	-	0.16	0.16
Corporate Functions	0.42	0.98	1.40
Control Functions	0.42	2.16	2.58
Capital Markets	-	4.20	4.20
Trading & Sales	-	0.92	0.92
Total	1.97	8.42	10.39

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	4	31	35
	£m	£m	£m
Executive Directors	0.98	-	0.98
Non-Executive Directors	-	0.16	0.16
Corporate Functions	0.39	0.84	1.23
Control Functions	0.39	2.05	2.44
Capital Markets	-	3.08	3.08
Trading & Sales	-	0.73	0.73
Total	1.76	6.86	8.62

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	4	23	27

	£m	£m	£m
Executive Directors			
Cash remuneration	0.00	-	0.00
Deferred bonds	0.04	-	0.04
Deferred shares	0.10	-	0.10
Non-Executive Directors	-	-	-
Corporate Functions			
Cash remuneration	0.00	0.01	0.01
Deferred bonds	0.01	0.10	0.11
Deferred shares	0.03	0.02	0.05
Control Functions			
Cash remuneration	0.00	0.02	0.02
Deferred bonds	0.01	0.05	0.06
Deferred shares	0.02	0.04	0.06
Capital Markets			
Cash remuneration	-	0.02	0.02
Deferred bonds	-	0.36	0.36
Deferred shares	-	0.75	0.75
Trading & Sales			
Cash remuneration	-	0.00	0.00
Deferred bonds	-	0.04	0.04
Deferred shares	-	0.15	0.15
Total	0.21	1.56	1.77

Long-term incentives	Senior mgmt	Other MRTs	Total
Number of beneficiaries	-	-	-
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Capital Markets	-	-	-
Trading & Sales	-	-	-
Total	-	-	-

NatWest Markets N.V. 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	Other MRTs	Total
	£m	£m	£m
Unvested from prior year	0.34	1.69	2.03
Awarded during year	0.30	1.55	1.85
Paid out (retained)	0.16	0.48	0.64
Paid out (released)	0.14	1.25	1.39
Reduced from prior years	0.00	0.12	0.12
Unvested at year end	0.34	1.40	1.74

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

NWM N.V. 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 of NWM N.V. in respect of the 2020 performance year.

Severance payments and / or arrangements can be made to employees who leave NWM N.V. 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 of NWM N.V. 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 who perform their primary role for NWM N.V. and work the majority of their time in the Netherlands shall not exceed 20% of the fixed component. The variable component of total remuneration for MRTs who perform their primary role for NWM N.V. and work the majority of their time outside the Netherlands, shall not exceed 100% of the fixed component.

The average ratio between fixed and variable remuneration for 2020 is approximately 1 to 0.24. The majority of MRTs were based in the Netherlands.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
	ratio	ratio	ratio
Number of beneficiaries	4	23	27
Executive Directors	1 to 0.14	-	1 to 0.14
Non-Executive Directors	-	-	-
Corporate Functions	1 to 0.10	1 to 0.15	1 to 0.13
Control Functions	1 to 0.07	1 to 0.06	1 to 0.07
Capital Markets	-	1 to 0.42	1 to 0.42
Trading & Sales	-	1 to 0.44	1 to 0.44
Consolidated	1 to 0.12	1 to 0.28	1 to 0.24

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, 64 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 NWM N.V.. 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).

The Royal Bank of Scotland International (Holdings) 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 158 employees who have been identified as MRTs for The Royal Bank of Scotland International (Holdings) Limited ('RBSIH') and its subsidiaries. RBSIH is a wholly-owned subsidiary of NatWest 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 with that disclosed for NatWest Group.

RBSIH has a Remuneration Committee (the RBSIH RemCo) which considers remuneration for RBSIH employees. The RBSIH RemCo is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate at the RBSIH level.

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

The RBSIH 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 its duties. The RBSIH RemCo met 6 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of RBSIH
Non-Executive Directors	Non-executive directors of RBSIH

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	6	6
Corporate Functions	3	31	34
Control Functions	2	36	38
Institutional Banking	1	66	67
Other customer facing	2	9	11
Total	10	148	158

A total of 55 of the individuals above hold MRT criteria for RBSIH 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 the primary role which they perform for another NatWest Group entity and is not substantially linked to their MRT status for RBSIH. 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 RBSIH was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	10	93	103
	£m	£m	£m
Executive Directors	1.53	-	1.53
Non-Executive Directors	-	0.36	0.36
Corporate Functions	0.71	0.22	0.93
Control Functions	0.48	2.66	3.14
Institutional Banking	0.42	7.05	7.47
Other customer facing	0.52	0.76	1.28
Total	3.66	11.05	14.71

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	10	93	103
	£m	£m	£m
Executive Directors	1.09	-	1.09
Non-Executive Directors	-	0.36	0.36
Corporate Functions	0.56	0.20	0.76
Control Functions	0.37	2.43	2.80
Institutional Banking	0.28	5.90	6.18
Other customer facing	0.41	0.66	1.07
Total	2.71	9.55	12.26

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	9	76	85
	£m	£m	£m
Executive Directors			
Cash remuneration	0.00	-	0.00
Deferred bonds	0.06	-	0.06
Deferred shares	0.01	-	0.01
Non-Executive Directors			
	-	-	-
Corporate Functions			
Cash remuneration	0.00	0.00	0.00
Deferred bonds	0.14	0.02	0.16
Deferred shares	0.01	-	0.01
Control Functions			
Cash remuneration	0.00	0.04	0.04
Deferred bonds	0.09	0.20	0.29
Deferred shares	0.01	-	0.01
Institutional Banking			
Cash remuneration	0.00	0.11	0.11
Deferred bonds	0.06	0.96	1.02
Deferred shares	0.08	0.08	0.16
Other customer facing			
Cash remuneration	0.01	0.01	0.02
Deferred bonds	0.10	0.08	0.18
Deferred shares	0.01	-	0.01
Total	0.58	1.50	2.08

Long-term incentives	Senior mgmt	Other MRTs	Total
Number of beneficiaries	1	-	1
	£m	£m	£m
Executive Directors	0.37	-	0.37
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Institutional Banking	-	-	-
Other customer facing	-	-	-
Total	0.37	-	0.37

The Royal Bank of Scotland International (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	1.90	0.50	2.40
Awarded during year	1.95	2.50	4.45
Paid out (retained)	0.64	0.14	0.78
Paid out (released)	0.61	2.38	2.99
Reduced from prior years	0.11	0.03	0.13
Unvested at year end	2.49	0.46	2.95

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

RBSIH 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 of RBSIH for the 2020 performance year.

Severance payments can be made to employees who leave RBSIH 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 of RBSIH 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 who perform their primary role for RBSIH 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 Channel Islands.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	10	75	85
	ratio	ratio	ratio
Executive Directors	1 to 0.41	-	1 to 0.41
Non-Executive Directors	-	-	-
Corporate Functions	1 to 0.27	1 to 0.15	1 to 0.25
Control Functions	1 to 0.28	1 to 0.11	1 to 0.13
Institutional Banking	1 to 0.49	1 to 0.21	1 to 0.22
Other customer facing	1 to 0.28	1 to 0.14	1 to 0.19
Consolidated	1 to 0.35	1 to 0.17	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	1
More than €1.5	-
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, 55 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 RBSIH. 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.

RBSI Depository Services (Lux) 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 35 employees who have been identified as MRTs for RBS International Depository Services S.A. ('RBSI DS') and its subsidiaries. RBSI DS is a wholly-owned subsidiary of The Royal Bank of Scotland International (Holdings) Limited.

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 with that disclosed for NatWest Group.

RBSI DS has a Supervisory Board (the RBSI DS Supervisory Board) which considers remuneration for RBSI DS employees. The RBSI DS Supervisory Board is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate at the RBSI DS level.

The key areas of focus for the RBSI DS Supervisory Board include: reviewing and recommending, or where appropriate ratifying, remuneration arrangements for RBSI DS's key employees; and inputting to and subsequently adopting the NatWest Group Remuneration Policy Principles.

The RBSI DS Supervisory Board 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 its duties. The RBSI DS Supervisory Board met 11 times during the financial year.

Definitions for tables

Executive Directors	Executive directors of RBSI DS
Non-Executive Directors	Non-executive directors of RBSI DS

1. Number of MRTs by business area

Number of beneficiaries	Senior mgmt	Other MRTs	Total
Executive Directors	2	-	2
Non-Executive Directors	-	2	2
Corporate Functions	-	12	12
Control Functions	-	15	15
Depository Services	-	4	4
Total	2	33	35

A total of 28 of the individuals above hold MRT criteria for RBSI DS but have their primary role in another NatWest Group entity.

Note that remuneration for these 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 the primary role which they perform for another NatWest Group entity and is not substantially linked to their MRT status for RBSI DS. 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 RBSI DS was as follows:

Aggregate remuneration	Senior mgmt	Other MRTs	Total
Number of beneficiaries	2	5	7
	£m	£m	£m
Executive Directors	0.38	-	0.38
Non-Executive Directors	-	0.02	0.02
Corporate Functions	-	-	-
Control Functions	-	0.21	0.21
Depository Services	-	0.26	0.26
Total	0.38	0.49	0.87

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	2	5	7
	£m	£m	£m
Executive Directors	0.30	-	0.30
Non-Executive Directors	-	0.02	0.02
Corporate Functions	-	-	-
Control Functions	-	0.21	0.21
Depository Services	-	0.24	0.24
Total	0.30	0.47	0.77

Variable remuneration awarded for 2020 performance

Variable remuneration consisted of a 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	2	3	5

	£m	£m	£m
Executive Directors			
Cash remuneration	0.00	-	0.00
Deferred bonds	0.07	-	0.07
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	-	-	-
Depository Services			
Cash remuneration	-	0.00	0.00
Deferred bonds	-	0.02	0.02
Deferred shares	-	-	-

Total	0.07	0.03	0.10
	Senior mgmt	Other MRTs	Total
Long-term incentives			
Number of beneficiaries	-	-	-
	£m	£m	£m
Executive Directors	-	-	-
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	-	-
Depository Services	-	-	-
Total	-	-	-

RBSI Depository Services (Lux) 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	0.00	0.00	0.00
Awarded during year	0.02	0.04	0.06
Paid out (retained)	0.00	0.00	0.00
Paid out (released)	0.02	0.04	0.06
Reduced from prior years	0.00	0.00	0.00
Unvested at year end	0.00	0.00	0.00

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

RBSI DS 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 of RBSI DS for the 2020 performance year.

Severance payments can be made to employees who leave RBSI DS 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 of RBSI DS 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 who perform their primary role for RBSI DS shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2020 is approximately 1 to 0.16. The majority of MRTs were based in Luxembourg.

Ratio of fixed to variable	Senior mgmt	Other MRTs	Total
Number of beneficiaries	2	3	5
	ratio	ratio	ratio
Executive Directors	1 to 0.25	-	1 to 0.25
Non-Executive Directors	-	-	-
Corporate Functions	-	-	-
Control Functions	-	1 to 0.07	1 to 0.07
Depository Services	-	1 to 0.09	1 to 0.09
Consolidated	1 to 0.25	1 to 0.08	1 to 0.16

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, 28 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 RBSI DS. 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).

Appendix 1 – CRR Roadmap

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

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

Appendix 1 – CRR roadmap

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

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 438: Capital requirements		
438	See sub paragraphs below.	
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Pillar 3 - Presentation of Information & ARA: Risk and capital management - Risk management framework.
438 (b)	Result of ICAAP on demand from authorities.	N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised approach exposure class.	CR2.
438 (d)	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)		
438 (e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.	EU OV1 & EU MR1.
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	NatWest Group uses Standardised approach; 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.	
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	CCR - EAD calculation methods for counterparty credit risk & counterparty credit limit setting.
439 (b)	Discussion of process to secure collateral and establishing reserves.	CCR – Counterparty credit risk management & Credit Valuation Adjustments & ARA: Notes to Consolidated Accounts 12 Financial Instruments – valuation.
439 (c)	Discussion of management of wrong-way exposures	CCR – Wrong-way risks.
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	EAD calculation methods for counterparty credit risk & Counterparty credit limit setting.
439 (e)	Derivation of net derivative credit exposure.	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_CCR6.
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	EU_CCR6.
439 (i)	Estimate of alpha, if applicable.	EAD calculation methods for counterparty credit risk.
CRR 440: Capital buffers		
440 (1)	See sub paragraphs below.	N/A
440 (1) (a)	Geographical distribution of relevant credit exposures.	CCyB1.
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	CCyB1.
440 (2)	EBA will issue technical implementation standards related to 440 (1).	NatWest Group follows the current standards.
CRR 441: Indicators of global systemic importance		
441 (1)	Disclosure of the indicators of global systemic importance.	
441 (2)	EBA will issue technical implementation standards related to 441 (1).	NatWest Group follows the current standards.

Appendix 1 – CRR roadmap

CRR ref	High- level summary	Compliance reference
CRR 442: Credit risk adjustments		
442	See sub paragraphs below.	
442 (a)	Disclosure of bank's definitions of past due and impaired.	ARA: Risk and capital Management and Notes on the consolidated accounts - 14 Loan impairment provisions
442 (b)	Approaches for calculating credit risk adjustments.	ARA: Accounting policies: 13. 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.
(i) 442 (g)		ARA: Risk and capital management - Segmental loans and impairment metrics.
(ii) 442 (g) (iii)		NPL template: Template 5
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	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
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 Credit risk: Standardised approach.	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.	CCyB1.
444 (d)	Mapping of external rating to credit quality steps.	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.
444 (e)	Exposure value pre and post-credit risk mitigation, by CQS.	
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.	NatWest Group uses the standardised approach, refer to EU OV1 and ARA: Risk and capital management - Operational risk
CRR 447: Exposures in equities not included in the trading book		
447		
447 (a)	Differentiation between exposures based on their objectives, and an overview of the accounting techniques and valuation methodologies used.	ARA: Risk and capital management - Credit risk and Non-traded market risk. For further detail on accounting refer to ARA: Accounting policies: 12 Financial Instruments.
447 (b)	Comparison between the balance sheet value, fair value and market price where materially different.	ARA: Risk and capital management - Credit risk - Non-traded market risk - Equity Risk table.
447 (c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures.	ARA: Risk and capital management - Credit risk - Non-traded market risk - Equity Risk table.
447 (d)	The cumulative realised gains or losses arising from sales and liquidations in the period.	
447 (e)	The total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds.	

Appendix 1 – CRR roadmap

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

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 449: Exposure to securitisation positions		
449 (o)	Banking and trading book securitisations by risk band:	
449 (o) (i)	Retained and purchased exposure and associated capital requirements, broken down by risk-weight bands;	SEC 1 & SEC 2.
449 (o) (ii)	Retained and purchased re-securitisation exposures before and after hedging and insurance; exposure to financial guarantors broken down by guarantor credit worthiness.	SEC 1 & SEC 2.
449 (p)	Impaired assets and recognised losses related to banking book securitisations, by exposure type.	
449 (q)	Exposure and capital requirements for trading book securitisations, separately into traditional.	SEC 2.
449 (r)	Whether the institution has provided non-contractual financial support to securitisation vehicles.	Securitisation – Implicit support.
CRR 450: Remuneration policy		
450	Remuneration policy	ARA: Governance - Directors' remuneration report and Other remuneration disclosure. And as set out in this document within NatWest Markets Plc remuneration disclosures & RBSI (Holdings) Group remuneration disclosure sections. 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;	If requested, NatWest Group provides the information
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;	Refer to NatWest Markets Plc remuneration disclosures & RBSI (Holdings) Group remuneration disclosure sections within this document.
CRR 451: Leverage		
451 (1)	See sub paragraphs below.	
451 (1) (a)	Leverage ratio, and breakdown of total exposure measure,	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.	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.	NatWest Group follows the current standards.

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
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)		
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.
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. & EU CR9_C.
452 (i)	Predicted against actual losses for sufficient period, and historical analysis to help assess the performance of the rating system over a sufficient period.	EU_CR9_a; EU_CR9_a_1; EU_CR9_a_2; EU_CR9_b; EU_CR9_c.
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 NatWest 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.

Appendix 1 – CRR roadmap

CRR ref	High-level summary	Compliance reference
CRR 454: Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A
CRR 455: Use of Internal Market Risk Models		
455		
455(a)	See sub paragraphs below.	
455(a)(i)	Characteristics of the market risk models.	EU MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (a) (ii)	Methodology for all-price risk measure and incremental risk charge.	EU MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (a) (iii)	Descriptions of stress tests applied to the portfolios.	ARA: Risk and capital management - Stress testing in Market Risk.
455 (a) (iv)	Methodology for back-testing and validating the models.	ARA: Risk and capital management: Traded market risk.
455 (b)	Scope of permission for use of the models.	EU MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (c)	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	EU MRB_A: MR: Qualitative information. PV1.
455 (d)	High/Low/Mean values over the year of VaR, SVaR, all-price risk measure and incremental risk charge.	EU_MR3.
455 (d) (i)		
455 (d) (ii)		
455 (d) (iii)		
455 (e)	The elements of the own fund calculation.	EU_MR2_A.
455 (f)	Weighted average liquidity horizons of portfolios covered by models.	EU MRB_B: MR: Qualitative disclosure on use of internal model approach.
455 (g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value.	EU_MR4.