



NatWest
Group

The Royal Bank of Scotland International Limited

2022 Pillar 3 Report

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Attestation statement

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

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

Dominic Simpson
Executive Director, RBSI Limited Board

Presentation of information

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

RBSI is incorporated in Jersey and is subsidiary of NatWest Group plc. NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

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

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

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

The disclosures for RBSI are calculated in accordance with the regulatory capital requirements in Jersey.

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

Certain fixed format disclosure tables include bespoke requirements for comparatives. Where a comparative is not prescribed, the comparative period provided is December 2021. Where applicable, comparatives have not been provided for first-time disclosures.

A subset of the Pillar 3 templates that are required to be disclosed were not applicable to RBSI at 31 December 2022 and have therefore not been included in this report. Where appropriate, certain qualitative disclosures are provided in the NatWest Group Pillar 3 report. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

| PRA template reference | Template name | Reasons for exclusion |
|-------------------------------|---|--|
| IFRS9 | Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL | RBSI does not take advantage of the IFRS 9 transitional capital rules in respect to ECL provisions therefore the disclosure table IFRS9-FL is not included in this document. |
| UK LIQA | Liquidity risk management | Please refer to the UK LIQA in the NatWest Group Pillar 3 report located |
| UK CR2a | Changes in the stock of non-performing loans and advances and related net accumulated recoveries | Threshold for disclosure not met |
| UK CQ2 | Quality of forbearance | Threshold for disclosure not met |
| UK CQ6 | Collateral valuation - loans and advances | Threshold for disclosure not met |
| UK CQ7 | Collateral obtained by taking possession and execution processes | Collateral obtained by taking possession is not recognised on the balance sheet |
| UK CQ8 | Collateral obtained by taking possession and execution processes – vintage breakdown | Collateral obtained by taking possession is not recognised on the balance sheet & threshold not met |
| UK CCyB1 | Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer | Based on local rules in Jersey, RBSI is not subject a countercyclical buffer requirement |
| UK CCyB2 | Amount of institution-specific countercyclical capital buffer | |
| UK CR10.5 | Equity exposures under the simple risk-weighted approach | No reportable exposures |
| UK CCA | Main features of regulatory own funds instruments and eligible liabilities instruments | Published as supplement alongside this report |

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

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

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

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

Key points

| <p>CET1 ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>CET1 ratio</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>18.5%</td> </tr> <tr> <td>2021</td> <td>20.9%</td> </tr> </tbody> </table> | Year | CET1 ratio | 2022 | 18.5% | 2021 | 20.9% | <p>The CET1 ratio decreased by 240 basis points to 18.5%. The decrease is primarily due to a £0.2 billion increase in RWAs and a £0.1 billion decrease in CET1 capital.</p> <p>The CET1 capital decrease is mainly driven by:</p> <ul style="list-style-type: none"> - the addition of Q4 2021 audited profits of £0.1 billion; - the addition of H1 2022 verified profits of £0.2 billion; - an ordinary dividend of £0.4 billion; and - other reserve movements |
|---|----------------|----------------|------|--------|------|--------|---|
| Year | CET1 ratio | | | | | | |
| 2022 | 18.5% | | | | | | |
| 2021 | 20.9% | | | | | | |
| <p>RWA</p> <table border="1"> <thead> <tr> <th>Year</th> <th>RWA</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>£7.6bn</td> </tr> <tr> <td>2021</td> <td>£7.4bn</td> </tr> </tbody> </table> | Year | RWA | 2022 | £7.6bn | 2021 | £7.4bn | <p>Total RWAs increased by £0.2 billion to £7.6 billion during the period reflecting:</p> <ul style="list-style-type: none"> - £0.1 billion in Operational Risk RWAs. - £0.2 billion in FX movements and non-credit assets. - Customer credit risk RWAs include a £0.2 billion increase due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022 and £0.1 billion increase due to changes in risk metrics. This is offset with a £0.3 billion volume reduction. |
| Year | RWA | | | | | | |
| 2022 | £7.6bn | | | | | | |
| 2021 | £7.4bn | | | | | | |
| <p>Leverage ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Leverage ratio</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>4.0%</td> </tr> <tr> <td>2021</td> <td>4.2%</td> </tr> </tbody> </table> | Year | Leverage ratio | 2022 | 4.0% | 2021 | 4.2% | <p>The leverage ratio has decreased 20 basis points from December 2021. Key drivers of the increase are a £0.1 billion decrease in Tier 1 capital and a £1.4 billion decrease in total exposure. Total exposure includes claims on central banks.</p> |
| Year | Leverage ratio | | | | | | |
| 2022 | 4.0% | | | | | | |
| 2021 | 4.2% | | | | | | |
| <p>LCR</p> <table border="1"> <thead> <tr> <th>Year</th> <th>LCR</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>121%</td> </tr> <tr> <td>2021</td> <td>136%</td> </tr> </tbody> </table> | Year | LCR | 2022 | 121% | 2021 | 136% | <p>The average LCR ratio has decreased 15% from December 2021. This reduction is driven by a combination of higher customer lending facilities to the Funds sector and a reduction in customer deposits.</p> |
| Year | LCR | | | | | | |
| 2022 | 121% | | | | | | |
| 2021 | 136% | | | | | | |

UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures.

| | | RBSI | | | | |
|---|--|-------------|--------------|---------|----------|-------------|
| | | 31 December | 31 September | 30 June | 31 March | 31 December |
| | | 2022 | 2022 | 2022 | 2022 | 2021 |
| | | £m | £m | £m | £m | £m |
| Available own funds (amounts) | | | | | | |
| 1 | Common equity tier 1 (CET1) capital | 1,412 | 1,637 | 1,415 | 1,619 | 1,541 |
| 2 | Tier 1 capital | 1,712 | 1,937 | 1,715 | 1,919 | 1,841 |
| 3 | Total capital | 1,718 | 1,939 | 1,719 | 1,933 | 1,842 |
| Risk-weighted exposure amounts | | | | | | |
| 4 | Total risk-weighted exposure amount | 7,639 | 8,137 | 8,300 | 7,492 | 7,356 |
| Capital ratios (as a percentage of risk-weighted exposure amount) | | | | | | |
| 5 | Common equity tier 1 ratio (%) | 18.5 | 20.1 | 17 | 21.6 | 20.9 |
| 6 | Tier 1 ratio (%) | 22.4 | 23.8 | 20.7 | 25.6 | 25 |
| 7 | Total capital ratio (%) | 22.5 | 23.8 | 20.7 | 25.8 | 25 |
| Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount) | | | | | | |
| UK 7a | Additional CET1 SREP requirements (%) | 6.8 | 6.8 | 6.8 | 6.8 | 6.3 |
| UK 7b | Additional AT1 SREP requirements (%) | — | — | — | — | — |
| UK 7c | Additional Tier 2 SREP requirements (%) | 1.2 | 1.2 | 1.2 | 1.2 | 1 |
| UK 7d | Total SREP own funds requirements (%) | 18.0 | 18.0 | 18.0 | 18.0 | 17.3 |
| Combined buffer requirement (as a percentage of risk-weighted exposure amount) | | | | | | |
| 8 | Capital conservation buffer (%) | | | | | |
| 9 | Institution specific countercyclical capital buffer (%) (1) | | | | | |
| 10 | Global Systemically Important Institution buffer (%) (2) | | | | | |
| UK 10a | Other Systemically Important Institution buffer (%) (1) | | | | | |
| 11 | Combined buffer requirement (%) | | | | | |
| UK 11a | Overall capital requirements (%) | 18.0 | 18.0 | 18.0 | 18.0 | 17.3 |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) (3) | 3.2 | 4.9 | 1.8 | 6.4 | 6.2 |
| Leverage ratio (5) | | | | | | |
| 13 | Total exposure measure excluding claims on central banks (4) | 42,859 | 43,933 | 45,757 | 42,188 | 44,336 |
| 14 | Leverage ratio excluding claims on central banks (%) (4) | 4.0 | 4.4 | 3.8 | 4.6 | 4.2 |
| Additional leverage ratio disclosure requirements (5) | | | | | | |
| UK 14a | Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%) | | | | | |
| UK 14b | Leverage ratio including claims on central banks (%) | | | | | |
| UK 14c | Average leverage ratio excluding claims on central banks (%) | | | | | |
| UK 14d | Average leverage ratio including claims on central banks (%) | | | | | |
| UK 14e | Countercyclical leverage ratio buffer (%) | | | | | |
| Liquidity coverage ratio (6) | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (weighted value-average) | 20,077 | 21,147 | 21,766 | 21,759 | 21,107 |
| UK 16a | Cash outflows - Total weighted value | 20,675 | 20,871 | 20,540 | 20,165 | 19,674 |
| UK 16b | Cash inflows - Total weighted value | 4,020 | 4,054 | 3,921 | 3,982 | 4,149 |
| 16 | Total net cash outflows (adjusted value) | 16,655 | 16,817 | 16,619 | 16,183 | 15,525 |
| 17 | Liquidity coverage ratio (%) (6) | 121 | 126 | 131 | 134 | 136 |
| Net stable funding ratio | | | | | | |
| 18 | Total available stable funding | 16,479 | | | | |
| 19 | Total required stable funding | 13,395 | | | | |
| 20 | NSFR ratio (%) | 123 | | | | |

(1) Row 9 and row 10a are not applicable under Jersey regulatory rules. The Jersey regulator intends to introduce changes to its capital framework in 2023 which will bring the regime broadly into line with international standards.

(2) NatWest Group entities are not subject to a G-SII buffer.

(3) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).

(4) The leverage metrics for RBSI are calculated in accordance with Jersey regulatory rules which do not permit the exclusion of claims on central banks.

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

(6) 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

UK OV1: Overview of risk-weighted exposure amounts

The table below shows RWAs and total own funds requirements by risk type. Total own funds requirements are calculated as 10% of RWAs.

| | | RBSI | | | |
|--------|--|---------------------------------------|------------------|------------------------------|---|
| | | a | | b | c |
| | | Risk-weighted exposure amounts (RWAs) | | Total own funds requirements | |
| | | 31 December 2022 | 31 December 2021 | 31 December 2022 | |
| 1 | Credit risk (excluding counterparty credit risk) | 6,509 | 6,370 | 651 | |
| 2 | Of which: standardised approach | 1,480 | 1,522 | 148 | |
| 3 | Of which: the foundation IRB (FIRB) approach | — | — | — | |
| 4 | Of which: slotting approach | 1,222 | 1,350 | 122 | |
| UK 4a | Of which: equities under the simple risk-weighted approach | — | — | — | |
| 5 | Of which: the advanced IRB (AIRB) approach | 3,807 | 3,498 | 381 | |
| 6 | Counterparty credit risk | 19 | 33 | 2 | |
| 7 | Of which: standardised approach | 19 | 33 | 2 | |
| 8 | Of which: internal model method (IMM) | — | — | — | |
| UK 8a | Of which: exposures to a CCP | — | — | — | |
| UK 8b | Of which: credit valuation adjustment (CVA) | — | — | — | |
| 9 | Of which: other counterparty credit risk | — | — | — | |
| 15 | Settlement risk | — | — | — | |
| 16 | Securitisation exposures in the non-trading book (after the cap) | — | — | — | |
| 17 | Of which: SEC-IRBA approach | — | — | — | |
| 18 | Of which: SEC-ERBA (including IAA) | — | — | — | |
| 19 | Of which: SEC-SA approach | — | — | — | |
| UK 19a | Of which: 1,250%/deduction | — | — | — | |
| 20 | Position, foreign exchange and commodities risk (market risk) | 56 | 28 | 5 | |
| 21 | Of which: standardised approach | 56 | 28 | 5 | |
| 22 | Of which: IMA | — | — | — | |
| UK 22a | Large exposures | — | — | — | |
| 23 | Operational risk | 1,055 | 925 | 106 | |
| UK 23a | Of which: basic indicator approach | — | — | — | |
| UK 23b | Of which: standardised approach | 1,055 | 925 | 106 | |
| UK 23c | Of which: advanced measurement approach | — | — | — | |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk-weight) (1) | 80 | 3 | 8 | |
| 29 | Total | 7,639 | 7,356 | 764 | |

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

UK OVC: ICAAP information

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

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

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

| | | RBSI |
|---|----------------------------|--------------|
| | | a |
| | | RWAs |
| | | £m |
| 1 | At 31 December 2021 | 4,848 |
| 2 | Asset size | (338) |
| 3 | Asset quality | 142 |
| 4 | Model updates | 245 |
| 7 | Foreign exchange movements | 132 |
| 9 | At 31 December 2022 | 5,029 |

(1) The following rows are excluded from the table as they have zero value for the period (5) methodology and policy (6) acquisitions and disposals (8) other.

2022

- The increase in RWAs relating to model updates and methodology was due to adjustments as a result of new regulations applicable to IRB models from 1 January 2022.
- The decrease in asset size was mainly within the Commercial Real Estate and Funds sector.
- The increase relating to asset quality primarily reflected customers moving into default.
- The increase in foreign exchange movements was mainly a result of sterling weakening against the US dollar during the period.

Annex VII: Capital

UK CC1: Composition of regulatory own funds

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

| | | RBSI | |
|--|--|---|---------------------|
| | | 31 December 2022 | 31 December 2021 |
| | | £m | £m |
| | | Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation | |
| CET1 capital: instruments and reserves | | | |
| 1 | Capital instruments and the related share premium accounts | 97 | 97 |
| | <i>Of which: ordinary shares</i> | 97 | 97 |
| | <i>Of which: share premium</i> | — | — |
| 2 | Retained earnings | 1,385 | 1,657 |
| 3 | Accumulated other comprehensive income (and other reserves) | (301) | (23) |
| UK-3a | Funds for general banking risk | — | — |
| 4 | Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1 | — | — |
| 5 | Minority interests (amount allowed in consolidated CET1) | — | — |
| UK-5a | Independently reviewed interim profits net of any foreseeable charge or dividend | — | — |
| 6 | CET1 capital before regulatory adjustments | 1,181 | 1,731 |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 7 | (-) Additional value adjustments | — | — |
| 8 | (-) Intangible assets (net of related tax liability) | (22) | (14) |
| 10 | (-) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) | — | — |
| 11 | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | 287 | 36 |
| 12 | (-) Negative amounts resulting from the calculation of expected loss amounts | (21) | (35) |
| 13 | (-) Any increase in equity that results from securitised assets | — | — |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | — | — |
| 15 | (-) Defined-benefit pension fund assets | (13) | (177) |
| 16 | (-) Direct, indirect and synthetic holdings by an institution of own CET1 instruments | — | — |
| 17 | (-) Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution | — | — |
| 18 | (-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (above the 10% threshold and net of eligible short positions) | — | — |
| 19 | (-) Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) | — | — |
| UK-20a | Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative | — | — |
| UK-20b | <i>(-) Of which: qualifying holdings outside the financial sector</i> | — | — |
| UK-20c | <i>(-) Of which: securitisation positions</i> | — | — |
| UK-20d | <i>(-) Of which: free deliveries</i> | — | — |
| 21 | (-) Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) | — | — |
| 22 | (-) Amount exceeding the 17.65% threshold | — | — |
| 23 | <i>(-) Of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i> | — | — |

UK CC1: Composition of regulatory own funds continued

| | | RBSI | |
|--|---|--|---------------------|
| | | Source based on reference number/letters of the balance | |
| | | sheet under the regulatory scope of consolidation | |
| | | 30 December 2022 | 31 December 2021 |
| | | £m | £m |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 25 | <i>(-) Of which: deferred tax assets arising from temporary differences</i> | — | — |
| UK-25a | (-) Losses for the current financial period | — | (b) — |
| UK-25b | (-) Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses | — | — |
| 27 | (-) Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 items of the institution | — | — |
| 27a | Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant) | — | — |
| 28 | Total regulatory adjustments to CET1 | 231 | (190) |
| 29 | CET1 capital | 1,412 | 1,541 |
| AT1 capital: instruments | | | |
| 30 | Capital instruments and the related share premium accounts | 300 | (h) 300 |
| 31 | <i>Of which: classified as equity under applicable accounting standards</i> | 300 | 300 |
| 32 | <i>Of which: classified as liabilities under applicable accounting standards</i> | — | — |
| 33 | Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1 as described in Article 486 (3) CRR | — | (j) — |
| UK-33a | Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1 | — | — |
| UK-33b | Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1 | — | — |
| 34 | Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties | — | (j) — |
| 35 | <i>Of which: instruments issued by subsidiaries subject to phase out</i> | — | — |
| 36 | AT1 capital before regulatory adjustments | 300 | 300 |
| AT1 capital: regulatory adjustments | | | |
| 37 | (-) Direct, indirect and synthetic holdings by an institution of own AT1 instruments | — | — |
| 38 | (-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution | — | — |
| 39 | (-) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) | — | — |
| 40 | (-) Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) | — | — |
| 42 | (-) Qualifying T2 deductions that exceed the T2 items of the institution | — | — |
| 42a | Other regulatory adjustments to AT1 capital | — | — |
| 43 | Total regulatory adjustments to AT1 capital | — | — |
| 44 | AT1 capital | 300 | 300 |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 1,712 | 1,841 |

UK CC1: Composition of regulatory own funds continued

| | | RBSI | |
|---|--|---|---------------------|
| | | 30 December 2022 | 31 December 2021 |
| | | £m | £m |
| | | Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation | |
| T2 capital: instruments | | | |
| 46 | Capital instruments and the related share premium accounts | — | — |
| 47 | Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR | — | — |
| UK-47a | Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2 | — | — |
| UK-47b | Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2 | — | — |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | — | — |
| 49 | <i>Of which: instruments issued by subsidiaries subject to phase out</i> | — | — |
| 50 | Credit risk adjustments | 6 | 1 |
| 51 | T2 capital before regulatory adjustments | 6 | 1 |
| T2 capital: regulatory adjustments | | | |
| 52 | (-) Direct, indirect and synthetic holdings of own T2 instruments and subordinated loans | — | — |
| 53 | (-) Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution | — | — |
| 54 | (-) Direct, indirect and synthetic 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) | — | — |
| UK-56a | (-) Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution | — | — |
| UK-56b | (-) Other regulatory adjustments to T2 capital | — | — |
| 57 | Total regulatory adjustments to T2 capital | — | — |
| 58 | T2 capital | 6 | 1 |
| 59 | Total capital (TC = T1 + T2) | 1,718 | 1,842 |
| 60 | Total risk exposure amount | 7,639 | 7,356 |
| Capital ratios and buffers | | | |
| 61 | CET1 (as a percentage of total risk exposure amount) | 18.5% | 20.9% |
| 62 | T1 (as a percentage of total risk exposure amount) | 22.4% | 25.0% |
| 63 | Total capital (as a percentage of total risk exposure amount) | 22.5% | 25.0% |
| 64 | Institution CET1 overall capital requirement (CET1 requirement in accordance with article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104 (1) CRD, plus combined buffer requirement in accordance with Article 128 (6) CRD) expressed as a percentage of risk exposure amount | 6.8% | 6.3% |
| 65 | <i>Of which: capital conservation buffer requirement</i> | 0.0% | 0.0% |
| 66 | <i>Of which: counter cyclical buffer requirement</i> | 0.0% | 0.0% |
| 67 | <i>Of which: systemic risk buffer requirement</i> | — | — |
| UK-67a | <i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i> | — | — |
| 68 | CET1 available to meet buffers (as a percentage of risk exposure amount) ⁽¹⁾ | 10.0% | 12.4% |

UK CC1: Composition of regulatory own funds continued

| | | RBSI | |
|--|---|---|---------------------------|
| | | 30 December 2022 £m | 31 December 2021 £m |
| | | Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation | |
| Amounts below the thresholds for deduction (before risk weighting) | | | |
| 72 | Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | — | 0 |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions) | — | — |
| 75 | Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR met) | 32 | 1 |
| Available caps on the inclusion of provisions in T2 | | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap) | — | — |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | 17 | 19 |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap) | — | — |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | 39 | 38 |
| Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022) | | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | — | — |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | — | — |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | — | — |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | — | — |
| 84 | Current cap on T2 instruments subject to phase out arrangements | — | — |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | — | — |

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

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

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

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

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

| | RBSI | |
|---|--|------------|
| | As at period end 31 December 2022 | |
| | a | |
| | Balance sheet as under published financial statements/ Under regulatory scope of consolidation | |
| | £m | References |
| Assets | | |
| Cash and balances at central banks | 17,012 | |
| Derivatives | 172 | |
| Loans to banks - amortised cost | 1,625 | |
| Loans to customers - amortised cost | 16,360 | |
| Other financial assets | 3,271 | |
| Intangible assets | 22 | (d) |
| Property, plant and equipment | 78 | |
| Current and deferred tax assets | 34 | |
| <i>Of which: DTAs that rely on future profitability and do not arise from temporary differences</i> | — | (e) |
| Prepayments, accrued income and other assets | 32 | |
| <i>Of which: defined benefit pension fund assets</i> | 13 | (f) |
| Investment in group undertakings | | |
| Amounts due from holding companies and fellow subsidiaries | 567 | |
| Total assets | 39,173 | |
| Liabilities | | |
| Bank deposits | 327 | |
| Customer deposits | 34,637 | |
| Derivatives | 411 | |
| Other financial liabilities | 839 | (j) |
| Provisions, deferred income and other liabilities | 124 | |
| Current and deferred tax liabilities | 33 | |
| <i>Of which: defined benefit pension scheme assets</i> | — | (g) |
| Subordinated liabilities | — | (i) |
| Notes in circulation | — | |
| Amounts due from holding companies and fellow subsidiaries | 1,094 | (j) |
| Total liabilities | 37,465 | |
| Shareholders' Equity | | |
| Non-controlling interests | — | |
| Owners' equity | | |
| Called up share capital | 97 | (a) |
| Reserves | 1,611 | |
| <i>Of which: amount eligible for retained earnings</i> | 1,597 | (b) |
| <i>Of which: amount eligible for accumulated OCI and other reserves</i> | (291) | (c) & (i) |
| <i>Of which: amount of other equity instruments</i> | 300 | (h) |
| <i>Of which: share premium accounts</i> | 5 | (k) |
| Total shareholders' equity | 1,708 | |

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

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

| 2 Description of insolvency ranking | | Insolvency ranking | | | | | | | | Total £m |
|-------------------------------------|---|---------------------|-------|--|-------|-------------------|-------|---------------------------------|-------|-------------|
| | | Shareholders equity | | Preference shares and contingent capital notes | | Subordinated debt | | Senior non-preferential debt | | |
| | | Resolution | | Resolution | | Resolution | | Resolution | | |
| | | entity | Other | entity | Other | entity | Other | entity | Other | |
| 2022 | | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| 3 | Total liabilities and own funds | 1,408 | — | 300 | — | 291 | — | — | — | 1,999 |
| 4 | o/w excluded liabilities | — | — | — | — | 291 | — | — | — | 291 |
| 5 | Total liabilities and own funds less excluded liabilities | 1,408 | — | 300 | — | — | — | — | — | 1,708 |
| 6 | Subset of TLOF less of excluded liabilities that are own funds and eligible liabilities for the purpose of MREL | 1,408 | — | 300 | — | — | — | — | — | 1,708 |
| 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 | 1,408 | — | 300 | — | — | — | — | — | 1,708 |

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

Annex XI: Leverage

UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The table below shows a reconciliation between total assets under IFRS standards and the leverage exposure measure. The leverage metrics are calculated in accordance with the Leverage Ratio (CRR) part of local JFSC regulations.

| | | RBSI | |
|--------|---|---------------------|-----------------|
| | | 31 December 2022 | 30 June 2022 |
| | | £m | £m |
| 1 | Total assets as per published financial statements | 39,173 | 42,008 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | — | — |
| 3 | (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference) | — | — |
| 4 | (Adjustment for exemption of exposures to central banks) | — | — |
| 5 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (1) of Article 429a(1) of the CRR) | — | — |
| 6 | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting | — | — |
| 7 | Adjustment for eligible cash pooling transactions | — | — |
| 8 | Adjustment for derivative financial instruments | 55 | 57 |
| 9 | Adjustment for securities financing transactions (SFTs) | — | — |
| 10 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 3,665 | 3,898 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage)) | — | — |
| UK-11a | (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR) | — | — |
| UK-11b | (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR) | — | — |
| 12 | Other adjustments | (34) | (206) |
| 13 | Total exposure measure | 42,859 | 45,757 |

UK LR2 - LRCom: Leverage ratio common disclosure

The leverage metrics are calculated in accordance with the Leverage Ratio part of the Jersey Financial Services Commission (JFSC) policy. On balance sheet exposure includes exposures to Central Banks. The JFSC policy does not stipulate a minimum leverage capital requirement.

| | | RBSI | |
|--|--|---------------------|-----------------|
| | | 31 December 2022 | 30 June 2022 |
| | | £m | £m |
| On-balance sheet exposures (excluding derivatives and SFTs) | | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 39,001 | 41,716 |
| 2 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | — | — |
| 3 | (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | — | — |
| 4 | (Adjustment for securities received under securities financing transactions that are recognised as an asset) | — | — |
| 5 | (General credit risk adjustments to on-balance sheet items) | — | — |
| 6 | (Asset amounts deducted in determining Tier 1 capital (leverage)) | (34) | (206) |
| 7 | Total on-balance sheet exposures (excluding derivatives, and SFTs) | 38,967 | 41,510 |
| Derivative exposures | | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin) | 165 | 282 |
| UK-8a | Derogation for derivatives: replacement costs contribution under the simplified standardised approach | — | — |
| 9 | Add-on amounts for PFE associated with SA-CCR derivatives transactions | 62 | 67 |
| UK-9a | Derogation for derivatives: potential future exposure contribution under the simplified standardised approach | — | — |
| UK-9b | Exposure determined under the original exposure method | — | — |
| 10 | (Exempted CCP leg of client-cleared trade exposures) (SA-CCR) | — | — |
| UK-10a | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach) | — | — |
| UK-10b | (Exempted CCP leg of client-cleared trade exposures) (original exposure method) | — | — |
| 11 | Adjusted effective notional amount of written credit derivatives | — | — |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | — | — |
| 13 | Total derivative exposures | 227 | 349 |
| Securities financing transaction (SFT) exposures | | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 1,571 | 1,084 |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | (1,571) | (1,084) |
| 16 | Counterparty credit risk exposure for SFT assets | — | — |
| UK-16a | Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR | — | — |
| UK-17 | Agent transaction exposures | — | — |
| UK-17a | (Exempted CCP leg of client-cleared SFT exposures) | — | — |
| 18 | Total securities financing transaction exposures | — | — |
| Other off-balance sheet exposures | | | |
| 19 | Off-balance sheet exposures at gross notional amount | 10,254 | 10,875 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (6,589) | (6,977) |
| 21 | (General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures) | — | — |
| 22 | Off-balance sheet exposures | 3,665 | 3,898 |

UK LR2 - LRCom: Leverage ratio common disclosure continued

| | | RBSI | |
|--|--|---------------------|-----------------|
| | | 31 December 2022 | 30 June 2022 |
| | | £m | £m |
| Excluded exposures | | | |
| UK-22a | (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR) | — | — |
| UK-22b | (Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet)) | — | — |
| UK-22g | (Excluded excess collateral deposited at triparty agents) | — | — |
| UK-22k | (Total exempted exposures) | — | — |
| Capital and total exposure measure | | | |
| 23 | Tier 1 capital (leverage) | 1,712 | 1,715 |
| 24 | Total exposure measure including claims on central banks | 42,859 | 45,757 |
| UK-24a (-) | Claims on central banks excluded | (16,957) | (16,206) |
| UK-24b | Total exposure measure excluding claims on central banks | 25,902 | 29,551 |
| Leverage ratio | | | |
| 25 | Leverage ratio excluding claims on central banks (%) | — | — |
| UK-25a | Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%) | — | — |
| UK-25b | Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%) | — | — |
| UK-25c | Leverage ratio including claims on central banks (%) | 4.0 | 3.8 |
| 26 | Regulatory minimum leverage ratio requirement (%) | — | — |
| Additional leverage ratio disclosure requirements - leverage ratio buffers | | | |
| 27 | Leverage ratio buffer (%) | — | — |
| UK-27a | Of which: G-SII or O-SII additional leverage ratio buffer (%) | — | — |
| UK-27b | Of which: countercyclical leverage ratio buffer (%) | — | — |
| Additional leverage ratio disclosure requirements - disclosure of mean values | | | |
| 28 | Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable | — | — |
| 29 | Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables | — | — |
| UK-31 | Average total exposure measure excluding claims on central banks | — | — |
| UK-32 | Average total exposure measure including claims on central banks | — | — |
| UK-33 | Average leverage ratio excluding claims on central banks | — | — |
| UK-34 | Average leverage ratio including claims on central banks | — | — |

(1) NatWest Group is an LREQ firm therefore subject to the additional quarterly disclosures for averaging and the countercyclical leverage ratio buffer.

(2) The prior period values are as at 31 March 2022 to provide a comparable view of the leverage metrics based on the current requirements in the Leverage Ratio (CRR) part of the PRA rulebook.

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

The table below shows the breakdown of the leverage ratio exposures.

| | | RBSI | |
|-------|--|---------------|---------|
| | | 31 December | 30 June |
| | | 2022 | 2022 |
| | | £m | £m |
| UK-1 | Total on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which: | 38,967 | 41,510 |
| UK-2 | Trading book exposures | — | — |
| UK-3 | Banking book exposures, of which: | 38,967 | 41,510 |
| UK-4 | Covered bonds | — | — |
| UK-5 | Exposures treated as sovereigns | 20,689 | 21,839 |
| UK-6 | Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns | 211 | 207 |
| UK-7 | Institutions | 1,869 | 3,220 |
| UK-8 | Secured by mortgages of immovable properties | 2,349 | 2,391 |
| UK-9 | Retail exposures | 219 | 266 |
| UK-10 | Corporate | 13,138 | 12,962 |
| UK-11 | Exposures in default | 123 | 134 |
| UK-12 | Other exposures (e.g. equity, securitisations, and non-credit obligation assets) | 369 | 491 |

UK LRA: Disclosure of LR qualitative information

Processes used to manage the risk of excessive leverage

The RBSI Assets and Liabilities Committee oversees the effective management of the current and future balance sheets in line with Board-approved strategy and risk appetite. The Bank's capital and exposures are monitored by the Committee on a monthly basis.

Factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

The leverage ratio has increased 20 basis points from December 2021. Key drivers of the increase are -

- a £0.1 billion decrease in Tier 1 capital, with £0.1 billion Q4 audited profits and £0.2bn H1 2022 verified profits offset with an ordinary dividend of £0.4 billion, and
- a £1.4 billion or 3% decrease in total exposure.

Annex XIII: Liquidity

UK LIQ1: Quantitative information of LCR

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

| | RBSI | | | | | | | |
|--|----------------------------------|----------------------|-----------------|------------------|--------------------------------|----------------------|-----------------|------------------|
| | Total unweighted value (average) | | | | Total weighted value (average) | | | |
| | 31 December 2022 | 30 September 2022 | 30 June 2022 | 31 March 2022 | 31 December 2022 | 30 September 2022 | 30 June 2022 | 31 March 2022 |
| Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| High-quality liquid assets | | | | | | | | |
| 1 Total high-quality liquid assets (HQLA) | | | | | 20,077 | 21,147 | 21,766 | 21,759 |
| Cash - outflows | | | | | | | | |
| 2 Retail deposits and deposits from small business customers | 6,627 | 6,724 | 6,645 | 6,584 | 1,260 | 1,226 | 1,167 | 1,151 |
| Of which: | | | | | | | | |
| 3 Stable deposits | — | — | — | — | — | — | — | — |
| 4 Less stable deposits | 6,627 | 6,724 | 6,645 | 6,584 | 1,260 | 1,226 | 1,167 | 1,151 |
| 5 Unsecured wholesale funding | 23,094 | 23,632 | 23,636 | 23,509 | 14,717 | 14,934 | 14,749 | 14,476 |
| 6 Operational deposits (all counterparties) and deposits in networks of cooperative banks | 6,951 | 7,239 | 7,389 | 7,421 | 1,738 | 1,810 | 1,847 | 1,855 |
| 7 Non-operational deposits (all counterparties) | 16,081 | 16,328 | 16,168 | 16,001 | 12,917 | 13,059 | 12,823 | 12,534 |
| 8 Unsecured debt | 62 | 65 | 79 | 87 | 62 | 65 | 79 | 87 |
| 9 Secured wholesale funding | | | | | — | — | — | — |
| 10 Additional requirements | 10,559 | 11,290 | 11,060 | 10,560 | 4,668 | 4,686 | 4,603 | 4,521 |
| 11 Outflows related to derivative exposures and other collateral requirements | 1,193 | 1,326 | 1,354 | 1,658 | 1,520 | 1,591 | 1,599 | 1,658 |
| 12 Outflows related to loss of funding on debt products | — | — | — | — | — | — | — | — |
| 13 Credit and liquidity facilities | 9,366 | 9,964 | 9,706 | 8,902 | 3,148 | 3,095 | 3,004 | 2,863 |
| 14 Other contractual funding obligations | — | — | — | — | — | — | — | — |
| 15 Other contingent funding obligations | 728 | 550 | 565 | 346 | 30 | 25 | 21 | 17 |
| 16 Total cash outflows | | | | | 20,675 | 20,871 | 20,540 | 20,165 |
| Cash - inflows | | | | | | | | |
| 17 Secured lending (e.g. reverse repos) | — | — | — | — | — | — | — | — |
| 18 Inflows from fully performing exposures | 2,881 | 2,653 | 2,533 | 2,367 | 2,500 | 2,292 | 2,082 | 2,158 |
| 19 Other cash inflows | 1,193 | 1,326 | 1,354 | 1,659 | 1,520 | 1,762 | 1,839 | 1,824 |
| UK-19 ^a (Difference between total weighted arising inflows and total weighted outflows from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | — | — | — | — | — | — | — | — |
| UK-19 ^b (Excess inflows from a related specialised credit institution) | — | — | — | — | — | — | — | — |
| 20 Total cash inflows | 4,074 | 3,979 | 3,887 | 4,026 | 4,020 | 4,054 | 3,921 | 3,982 |
| UK-20 ^a Fully exempt inflows | — | — | — | — | — | — | — | — |
| UK-20 ^b Inflows subject to 90% cap | — | — | — | — | — | — | — | — |
| UK-20 ^c Inflows subject to 75% cap | 4,074 | 3,979 | 3,887 | 4,026 | 4,020 | 4,054 | 3,921 | 3,982 |
| Total adjusted value | | | | | | | | |
| UK-21 Liquidity buffer | | | | | 20,077 | 21,147 | 21,766 | 21,759 |
| 22 Total net cash outflows | | | | | 16,655 | 16,817 | 16,619 | 16,183 |
| 23 Liquidity coverage ratio (%) | | | | | 121 | 126 | 131 | 134 |

UK LIQ2: Net stable funding ratio

| (In £m) | | RBSI | | | | |
|---|---|---------------------------------------|--------|-------|-------|-----------------------------|
| | | a | b | c | d | e |
| | | Unweighted value by residual maturity | | | | Weighted Value (average) |
| No maturity | < 6 months | 6 months to < 1 yr | ≥ 1 yr | | | |
| Available stable funding (ASF) Items | | | | | | |
| 1 | Capital items and instruments | 1,971 | — | — | — | 1,971 |
| 2 | Own funds | 1,971 | — | — | — | 1,971 |
| 3 | Other capital instruments | — | — | — | — | — |
| 4 | Retail Deposits | — | 7,446 | 368 | 2 | 7,152 |
| 5 | Stable deposits | — | — | — | — | — |
| 6 | Less stable deposits | — | 7,446 | 368 | 2 | 7,152 |
| 7 | Wholesale funding | — | 29,772 | 307 | 22 | 7,356 |
| 8 | Operational deposits | — | 7,124 | — | — | 3,562 |
| 9 | Other wholesale funding | — | 22,648 | 307 | 22 | 3,794 |
| 10 | Interdependent liabilities | — | — | — | — | — |
| 11 | Other liabilities | — | 199 | 4 | 34 | — |
| 12 | NSFR derivative liabilities | — | — | — | — | — |
| 13 | All other liabilities and capital instruments not included in the above categories | — | 199 | 4 | 34 | — |
| 14 | Total available stable funding (ASF) | | | | | 16,479 |
| Required stable funding (RSF) Items | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | 233 |
| UK-15a | Assets encumbered for more than 12 million in cover pool | | — | — | — | — |
| 16 | Deposits held at other financial institutions for operational purposes | | — | — | — | — |
| 17 | Performing loans and securities: | | 6,660 | 3,570 | 9,211 | 12,189 |
| 18 | Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut | | — | — | — | — |
| 19 | Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions | | 5,952 | 3,074 | 4,874 | 8,355 |
| 20 | Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which: | | 638 | 437 | 2,063 | 2,291 |
| 21 | With a risk weight of less than or equal to 35% under Basel II Standardised Approach for credit risk | | 128 | 87 | 413 | 458 |
| 22 | Performing residential mortgages, of which: | | 70 | 59 | 2,274 | 1,543 |
| 23 | With a risk weight of less than or equal to 35% under the the Basel II Standardised Approach for credit risk | | 70 | 59 | 2,274 | 1,543 |
| 24 | Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products | | — | — | — | — |
| 25 | Interdependent assets | | — | — | — | — |
| 26 | Other assets: | | — | 244 | 8 | 241 |
| 27 | Physical traded commodities | | — | — | — | — |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | — | — | 47 | 40 |
| 29 | NSFR derivative assets | | 67 | 5 | 190 | 262 |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | | — | — | — | — |
| 31 | All other assets not included in the above categories | | 176 | 3 | 4 | 183 |
| 32 | Off-balance sheet items | | 10,357 | — | — | 487 |
| 33 | Total RSF | | | | | 13,395 |
| 34 | Net Stable Funding Ratio (%) | | | | | 123 |

UK LIQB: Qualitative information on LCR, which complements template UK LIQ1 LCR inputs & results over time

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

All figures included in the table represent a 12-month rolling average for the period January 2022 - December 2022.

As at 31 December 2022 the LCR ratio for RBS International Ltd was 130% or £4.7bn of excess over the regulatory minimum of 100%. This compares to 136% as at 31 December 2021 or £6.1bn of excess over the regulatory minimum of 100%. The reduction in the LCR is driven by higher customer lending facilities to the Funds sector and a reduction in customer deposits.

The average LCR ratio for the 12 months to 31 December 2022 has decreased 5% over the previous quarter, from 126% to 121%. The main drivers include increased customer lending and a decrease in customer deposits.

Concentration of funding sources

RBS International Ltd maintains a diversified set of funding sources of which retail, corporate and non-bank financial institution deposits are the biggest contributors. Other sources of funding include commercial paper, intragroup borrowing and capital, and derivative cash collateral. RBSI continues to explore ways to further diversify its funding sources.

Liquidity buffer composition

HQLA is primarily held in Level 1 cash and central bank reserves (75%) and Level 1 high quality securities (25%).

Derivative exposures and potential collateral calls

RBS International Ltd has minimal exposure to derivatives and potential collateral calls.

Currency mismatch in the LCR

Under the JFSC liquidity regime RBS International Ltd is not required to calculate LCR at a currency level. However, in line with NatWest Group Plc, it manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.

Annex XV: Credit risk quality

UK CQ1: Credit quality of forborne exposures

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

| | | RBSI | | | | | | | |
|------------------|--|---|-------------------------|---------------------|--------------------|--|--------------------------------------|---|--|
| | | 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 | Non-performing forborne | Of which: defaulted | Of which: impaired | On performing forborne exposures | On non-performing forborne exposures | | |
| | | £m | £m | £m | £m | £m | £m | £m | £m |
| 31 December 2022 | | | | | | | | | |
| 005 | Cash balances at central banks and other demand deposits | — | — | — | — | — | — | — | — |
| 010 | Loans and advances | 35 | 116 | 72 | 72 | — | (17) | 127 | 96 |
| 020 | Central banks | — | — | — | — | — | — | — | — |
| 030 | General governments | — | — | — | — | — | — | — | — |
| 040 | Credit institutions | — | — | — | — | — | — | — | — |
| 050 | Other financial corporations | — | 2 | 2 | 2 | — | (1) | 1 | 1 |
| 060 | Non-financial corporations | 35 | 114 | 70 | 70 | — | (16) | 126 | 95 |
| 070 | Households | — | — | — | — | — | — | — | — |
| 080 | Debt securities | — | — | — | — | — | — | — | — |
| 090 | Loan commitments given | 1 | — | — | — | — | — | 1 | — |
| 100 | Total | 36 | 116 | 72 | 72 | — | (17) | 128 | 96 |

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

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

| | a | b | c | d | e | f | g | h | i | j | k | l |
|---|--------------------------------------|---|---|---------------------------------------|---|--|---|--|---|---|--|------------------------------|
| | Gross carrying amount/nominal amount | | | | | | | | | | | |
| | Performing exposures £m | Of which: Not past due or past due ≤ 30 days £m | Of which: Past due > 30 days ≤ 90 days £m | Non- performing exposures £m | Of which: Unlikely to pay that are not past due or are past due ≤ 90 days £m | Of which: Past due > 90 days ≤ 180 days £m | Of which: Past due > 180 days ≤ 1 year £m | Of which: Past due > 1 year ≤ 2 years £m | Of which: Past due > 2 years ≤ 5 years £m | Of which: Past due > 5 years ≤ 7 years £m | Of which: Past due > 7 years £m | Of which: Defaulted £m |
| 31 December 2022 | | | | | | | | | | | | |
| 005 Cash balances at central banks and other demand deposits | 18,842 | 18,842 | — | — | — | — | — | — | — | — | — | — |
| 010 Loans and advances | 16,510 | 16,503 | 7 | 182 | 136 | 21 | 4 | 3 | 10 | 4 | 4 | 131 |
| 020 Central banks | 129 | 129 | — | — | — | — | — | — | — | — | — | — |
| 030 General governments | 474 | 474 | — | — | — | — | — | — | — | — | — | — |
| 040 Credit institutions | 132 | 132 | — | — | — | — | — | — | — | — | — | — |
| 050 Other financial corporations | 10,849 | 10,849 | — | 2 | 2 | — | — | — | — | — | — | 2 |
| 060 Non-financial corporations | 2,426 | 2,425 | 1 | 127 | 121 | 1 | — | — | — | 2 | 3 | 83 |
| 070 Of which: SMEs | 274 | 274 | — | 4 | 4 | — | — | — | — | — | — | 4 |
| 080 Households | 2,500 | 2,494 | 6 | 53 | 13 | 20 | 4 | 3 | 10 | 2 | 1 | 46 |
| 090 Debt securities | 3,271 | 3,271 | — | — | — | — | — | — | — | — | — | — |
| 100 Central banks | — | — | — | — | — | — | — | — | — | — | — | — |
| 110 General governments | 3,098 | 3,098 | — | — | — | — | — | — | — | — | — | — |
| 120 Credit institutions | 173 | 173 | — | — | — | — | — | — | — | — | — | — |
| 130 Other financial corporations | — | — | — | — | — | — | — | — | — | — | — | — |
| 140 Non-financial corporations | — | — | — | — | — | — | — | — | — | — | — | — |
| 150 Off-balance sheet exposures | 10,268 | — | — | 1 | — | — | — | — | — | — | — | 1 |
| 160 Central banks | — | — | — | — | — | — | — | — | — | — | — | — |
| 170 General governments | 146 | — | — | — | — | — | — | — | — | — | — | — |
| 180 Credit institutions | — | — | — | — | — | — | — | — | — | — | — | — |
| 190 Other financial corporations | 8,222 | — | — | — | — | — | — | — | — | — | — | — |
| 200 Non-financial corporations | 1,468 | — | — | 1 | — | — | — | — | — | — | — | 1 |
| 210 Households | 432 | — | — | — | — | — | — | — | — | — | — | — |
| 220 Total | 48,891 | 38,616 | 7 | 183 | 136 | 21 | 4 | 3 | 10 | 4 | 4 | 132 |

UK CQ4: Quality of non-performing exposures by geography

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

| | | RBSI | | | | | | |
|------------------|------------------------------------|-------------------------------|--------------------------|---------------------|---------------------------------|------------------------|--|---|
| | | a | b | c | d | e | f | g |
| | | Gross carrying/nominal amount | Of which: non-performing | Of which: defaulted | Of which: subject to impairment | Accumulated impairment | Provisions on off-balance-sheet commitments and financial guarantees given | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| 31 December 2022 | | £m | £m | £m | £m | £m | £m | £m |
| 010 | On-balance sheet exposures | 19,963 | 182 | 131 | 19,963 | (53) | — | — |
| 020 | UK | 14,116 | 182 | 131 | 14,116 | (50) | — | — |
| 030 | Rol | 1 | — | — | 1 | — | — | — |
| 040 | Other Western Europe | 3,989 | — | — | 3,989 | (2) | — | — |
| 050 | US | 1,063 | — | — | 1,063 | — | — | — |
| 070 | Other countries | 794 | — | — | 794 | (1) | — | — |
| 080 | Off-balance sheet exposures | 10,269 | 1 | 1 | — | — | (1) | — |
| 090 | UK | 6,547 | 1 | 1 | — | — | (1) | — |
| 100 | Rol | — | — | — | — | — | — | — |
| 110 | Other Western Europe | 3,342 | — | — | — | — | — | — |
| 120 | US | 85 | — | — | — | — | — | — |
| 140 | Other countries | 295 | — | — | — | — | — | — |
| 150 | Total | 30,232 | 183 | 132 | 19,963 | (53) | (1) | — |

(1) The geographical breakdown disclosed is based on combined on and off-balance sheet exposures and represent greater than 96% of total exposure.

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

UK CQ5: Credit quality of loans and advances by industry

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

| | | RBSI | | | | | |
|------------------|---|-----------------------|--------------------------|---------------------|--|------------------------|---|
| | | a | b | c | d | e | f |
| | | Gross carrying amount | Of which: non-performing | Of which: defaulted | Of which: loans and advances subject to impairment | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| 31 December 2022 | | £m | £m | £m | £m | £m | £m |
| 010 | Agriculture, forestry and fishing | 8 | 4 | 4 | 8 | (2) | — |
| 020 | Mining and quarrying | — | — | — | — | — | — |
| 030 | Manufacturing | 45 | 1 | 1 | 45 | (1) | — |
| 040 | Electricity, gas, steam and air conditioning supply | 28 | — | — | 28 | — | — |
| 050 | Water supply | — | — | — | — | — | — |
| 060 | Construction | 87 | 12 | 12 | 87 | (3) | — |
| 070 | Wholesale and retail trade | 211 | 3 | 3 | 211 | (2) | — |
| 080 | Transport and storage | 8 | — | — | 8 | — | — |
| 090 | Accommodation and food service activities | 42 | — | — | 42 | (1) | — |
| 100 | Information and communication | 7 | — | — | 7 | — | — |
| 110 | Financial and insurance activities | — | — | — | — | — | — |
| 120 | Real estate activities | 2,055 | 97 | 53 | 2,055 | (20) | — |
| 130 | Professional, scientific and technical activities | 16 | 4 | 4 | 16 | (2) | — |
| 140 | Administrative and support service activities | 9 | 5 | 5 | 9 | — | — |
| 150 | Public administration and defence, compulsory social security | — | — | — | — | — | — |
| 160 | Education | 4 | — | — | 4 | — | — |
| 170 | Human health services and social work activities | 24 | — | — | 24 | — | — |
| 180 | Arts, entertainment and recreation | 2 | — | — | 2 | — | — |
| 190 | Other services | 7 | 1 | 1 | 7 | — | — |
| 200 | Total | 2,553 | 127 | 83 | 2,553 | (31) | — |

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

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

| | | RBSI | | | | | | | | | | | | | | |
|------------------|--|--------------------------------------|-------------------|-------------------|--------------------------|-------|-------------------|--|-------------------|-------------------|---|-------------------|-------------------|---|-------------------------|-----------------------------|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
| | | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Collateral and financial guarantee received | | |
| | | Performing exposures | | | Non-performing exposures | | | Performing exposures – accumulated impairment and provisions | | | Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | Accumulated partial write-off | On performing exposures | On non-performing exposures |
| | | Of which: Stage 1 | Of which: Stage 2 | Of which: Stage 2 | Of which: Stage 3 | Total | Of which: Stage 1 | Of which: Stage 2 | Of which: Stage 2 | Of which: Stage 3 | Of which: Stage 3 | Of which: Stage 3 | Of which: Stage 3 | £m | £m | £m |
| | | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| 31 December 2022 | | | | | | | | | | | | | | | | |
| 005 | Cash balances at central banks and other demand deposits | 18,842 | 18,842 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 010 | Loans and advances | 16,510 | 15,696 | 814 | 182 | 51 | 131 | (22) | (15) | (7) | (31) | (1) | (30) | — | 4,893 | 147 |
| 020 | Central banks | 129 | 129 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 030 | General governments | 474 | 474 | — | — | — | — | — | — | — | — | — | — | — | 251 | — |
| 040 | Credit institutions | 132 | 132 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 050 | Other financial corporations | 10,849 | 10,346 | 503 | 2 | — | 2 | (5) | (3) | (2) | (1) | — | (1) | — | 165 | 1 |
| 060 | Non-financial corporations | 2,426 | 2,152 | 274 | 127 | 44 | 83 | (12) | (8) | (4) | (19) | (1) | (18) | — | 2,039 | 105 |
| 070 | Of which: SMEs | 274 | 246 | 28 | 4 | — | 4 | (1) | (1) | — | (2) | — | (2) | — | 233 | 1 |
| 080 | Households | 2,500 | 2,463 | 37 | 53 | 7 | 46 | (5) | (4) | (1) | (11) | — | (11) | — | 2,438 | 41 |
| 090 | Debt securities | 3,271 | 3,271 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 100 | Central banks | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 110 | General governments | 3,098 | 3,098 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 120 | Credit institutions | 173 | 173 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 130 | Other financial corporations | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 140 | Non-financial corporations | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 150 | Off-balance sheet exposures | 10,268 | 9,731 | 537 | 1 | — | 1 | (1) | — | (1) | — | — | — | — | 650 | — |
| 160 | Central banks | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 170 | General governments | 146 | 146 | — | — | — | — | — | — | — | — | — | — | — | 20 | — |
| 180 | Credit institutions | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 190 | Other financial corporations | 8,222 | 7,830 | 392 | — | — | — | — | — | — | — | — | — | — | 144 | — |
| 200 | Non-financial corporations | 1,468 | 1,329 | 139 | 1 | — | 1 | — | — | — | — | — | — | — | 269 | — |
| 210 | Households | 432 | 426 | 6 | — | — | — | (1) | — | (1) | — | — | — | — | 217 | — |
| 220 | Total | 48,891 | 47,540 | 1,351 | 183 | 51 | 132 | (23) | (15) | (8) | (31) | (1) | (30) | — | 5,543 | 147 |

(1) The gross NPL ratio for RBSI is 1.09%. Cash balances at central banks and other demand deposits were excluded from the ratio calculation.

UK CR1-A: Maturity of exposures

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

| | | RBSI | | | | | |
|-------------------------|--------------------|--------------------|--------------|------------------------|--------------|-----------------------|---------------|
| | | a | b | c | d | e | f |
| | | Net exposure value | | | | | |
| | | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| | | £m | £m | £m | £m | £m | £m |
| 31 December 2022 | | | | | | | |
| 1 | Loans and advances | 615 | 7,587 | 5,937 | 2,500 | — | 16,639 |
| 2 | Debt securities | — | 914 | 1,721 | 636 | — | 3,271 |
| 3 | Total | 615 | 8,501 | 7,658 | 3,136 | — | 19,910 |

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

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

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

| | | RBSI |
|-----|--|-----------------------------------|
| | | a |
| | | Gross carrying amount £m |
| 010 | Initial stock of non-performing loans and advances | 169 |
| 020 | Inflows to non-performing portfolios | 55 |
| 030 | Outflows from non-performing portfolios | (42) |
| 040 | Outflows due to write-offs | (2) |
| 050 | Outflow due to other situations | (40) |
| 060 | Final stock of non-performing loans and advances | 182 |

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

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

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

As of January 2022, a new regulatory definition of default for was introduced in line with PRA and EBA guidance. This definition of default was also adopted for IFRS 9.

Impairment, provisioning and write-offs

In the overall assessment of credit risk, impairment provisioning and write-offs are used as key indicators of credit quality.

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

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

Model build:

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

Model application:

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

IFRS 9 ECL model design principles

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

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

- Unbiased – material regulatory conservatism has been removed from IFRS 9 parameters to produce unbiased estimates.
- Point-in-time – IFRS 9 parameters reflect actual economic conditions at the reporting date instead of long-run average or downturn conditions.

- Forward-looking – IFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflect forward-looking economic conditions.
- Lifetime measurement – IFRS 9 PD, LGD and EAD are provided as multi-period term structures up to exposure lifetimes instead of over a fixed one-year horizon.

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

PD estimates

Wholesale models

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

LGD estimates

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

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

EAD estimates

Personal

EAD is calculated as the maximum of the balance exposure, or limit which has been factored up by a credit conversion factor sourced from the benchmarked modelled portfolio.

Wholesale

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

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

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

Governance and post model adjustments

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

- Economic uncertainty – ECL adjustments primarily arising from uncertainties associated with increased inflation and cost of living risks as well as supply chain disruption, along with the residual effect of COVID-19 and government support schemes. In all cases, management judged that additional ECL was required until further credit performance data became available as the full effects of these issues matures.
- Other adjustments – ECL adjustments where it was judged that the modelled ECL required to be amended.

Post-model adjustments will remain a key focus area of RBSI's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends with a particular focus on segments of the portfolio (both commercial and consumer) that are likely to be more susceptible to inflation, cost of living and supply chain risks.

Significant increase in credit risk (SICR)

Exposures that are considered significantly credit deteriorated since initial recognition are classified in Stage 2 and assessed for lifetime ECL measurement (exposures not considered deteriorated carry a 12 month ECL). RBSI has adopted a framework to identify deterioration based primarily on relative movements in lifetime PD supported by additional qualitative backstops. The principles applied are consistent across RBSI and align to credit risk management practices, where appropriate.

The framework comprises the following elements:

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

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

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

Annex XVII Credit risk mitigation

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

| | | RBSI | | | | |
|-------------------------|---|---------------------------|-------------------------|---------------------------------|---|---|
| | | a | b | c | d | e |
| | | Unsecured carrying amount | Secured carrying amount | Of which: secured by collateral | Of which: secured by financial guarantees | Of which: secured by credit derivatives |
| | | £m | £m | £m | £m | £m |
| 31 December 2022 | | | | | | |
| 1 | Loans and advances | 30,404 | 5,077 | 4,784 | 256 | — |
| 2 | Debt securities | 3,271 | — | — | — | — |
| 3 | Total | 33,675 | 5,077 | 4,784 | 256 | — |
| 4 | <i>Of which: non-performing exposures</i> | 4 | 147 | 147 | — | — |
| 5 | <i>Of which: defaulted</i> | 3 | 98 | 97 | — | — |

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

Credit risk mitigation

Credit risk mitigation (CRM) is defined as the use of collateral or guarantees to reduce potential loss if a customer fails to settle all or part of its obligations to RBSI. 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.

RBSI uses a number of credit risk mitigation approaches.

Mitigation techniques, as set out in the appropriate credit policies and transactional acceptance standards, are used in the management of credit portfolios across RBSI. 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 RBSI 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. RBSI 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

RBSI 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 – Such assets are suitable collateral only if RBSI can identify, locate, and segregate them from other assets on which it does not have a claim. RBSI 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 RBSI's counterparties by their own customers. Valuation takes into account the quality of the counterparty's receivable management processes and excludes any that are past due.

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

For commercial real estate valuations, RBSI Group has an actively managed panel of chartered surveying firms that cover the spectrum of geography and property sectors in which RBSI Group takes collateral. Suitable valuers for particular assets are typically contracted through a service agreement to ensure consistency of quality and advice.

Personal

RBSI Group takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. RBSI Group values residential property during the loan underwriting process by appraising properties individually.

Annex XXI: Credit risk – IRB approach

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

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

| Exposure Classes | | RBSI | | | | | | | | | | |
|------------------|---|---------------------------|-------------------|----------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | | a | | b | | c | | d | | e | | f |
| 31 December 2022 | | Exposures pre CCF and CRM | | Exposures post CCF and CRM | | RWA density | | RWA | | density | | |
| | | On-balance sheet | Off-balance sheet | On-balance sheet | Off-balance sheet | On-balance sheet | Off-balance sheet | On-balance sheet | Off-balance sheet | On-balance sheet | Off-balance sheet | On-balance sheet |
| | | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | % |
| 1 | Central governments or central banks | 13,246 | 38 | 13,246 | 19 | — | — | — | — | — | — | — |
| 2 | Regional governments or local authorities | — | — | — | — | — | — | — | — | — | — | — |
| 3 | Public sector entities | 34 | 54 | 34 | 27 | 12 | 20 | — | — | — | — | — |
| 4 | Multilateral development banks | 401 | — | 401 | — | — | — | — | — | — | — | — |
| 5 | International organisations | — | — | — | — | — | — | — | — | — | — | — |
| 6 | Institutions | 568 | — | 568 | — | 114 | 20 | — | — | — | — | — |
| 7 | Corporates | 71 | 384 | 71 | 113 | 158 | 86 | — | — | — | — | — |
| 8 | Retail | 219 | 51 | 83 | 10 | 81 | 87 | — | — | — | — | — |
| 9 | Secured by mortgages on immovable property | 2,349 | 117 | 2,349 | 50 | 887 | 37 | — | — | — | — | — |
| 10 | Exposures in default | 38 | — | 38 | — | 39 | 103 | — | — | — | — | — |
| 11 | Items associated with particularly high risk | — | — | — | — | — | — | — | — | — | — | — |
| 12 | Covered bonds | — | — | — | — | — | — | — | — | — | — | — |
| 13 | Institutions and corporates with a short-term credit assessment | — | — | — | — | — | — | — | — | — | — | — |
| 14 | Collective investment undertakings | — | — | — | — | — | — | — | — | — | — | — |
| 15 | Equity | — | — | — | — | — | — | — | — | — | — | — |
| 16 | Other items | 336 | — | 336 | — | 189 | 56 | — | — | — | — | — |
| 17 | Total | 17,262 | 644 | 17,126 | 219 | 1,480 | 9 | — | — | — | — | — |

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

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

| | | RBSI | |
|-----|--|--------------------------------|--------------|
| | | 31 December 2022 | |
| | | a | b |
| | | Pre-credit derivatives RWAs | Actual RWAs |
| | | £m | £m |
| 5 | Exposures under AIRB | 3,807 | 3,807 |
| 6 | Central governments and central banks | 24 | 24 |
| 7 | Institutions | 408 | 408 |
| 8 | Corporates | 3,375 | 3,375 |
| 8.1 | Of which: SME | 314 | 314 |
| 8.2 | Of which: Specialised lending (2) | — | — |
| 8.3 | Of which: Other | 3,061 | 3,061 |
| 9 | Retail | — | — |
| 9.1 | Of which: Secured by real estate SME | | |
| | - Secured by immovable property collateral | — | — |
| 9.2 | Of which: Secured by real estate non-SME | | |
| | - Secured by immovable property collateral | — | — |
| 9.3 | Of which: Qualifying revolving | — | — |
| 9.4 | Of which: Other SME | — | — |
| 9.5 | Of which: Other non-SME | — | — |
| 10 | Total | 3,807 | 3,807 |

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

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

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

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

| RBSI | | | | | | | | | | | | | | | |
|--|-----------------------------------|---|--|--|---|--|--|---|---|---|--|--|---|---|--|
| | Credit risk mitigation techniques | | | | | | | | | | | Unfunded credit protection (UFCP) | | Credit risk mitigation methods in the calculation of RWAs | |
| | Funded credit protection (FCP) | | | | | | Part of exposures covered by other funded credit protection | | | | | | | | |
| | Total exposures £m | Part of exposures covered by financial collaterals % | Part of exposures covered by other eligible collaterals % | Part of exposures covered by immovable property collaterals % | Part of exposures covered by receivables % | Part of exposures covered by other physical collaterals % | Part of exposures covered by other funded credit protection % | Part of exposures covered by cash on deposit % | Part of exposures covered by life insurance policies % | Part of exposures covered by instruments held by a third party % | Part of exposures covered by guarantees % | Part of exposures covered by credit derivatives % | RWA post all assigned to the obligor exposure class £m | RWA with substitution effects £m | |
| 31 December 2022 | a | b | c | d | e | f | g | h | i | j | k | l | m | n | |
| 1 Central governments and central banks | 6,861 | 1.01 | — | — | — | — | — | — | — | — | — | — | 117 | 24 | |
| 2 Institutions | 1,636 | — | 0.06 | 0.06 | — | — | — | — | — | — | 2.61 | — | 237 | 408 | |
| 3 Corporates | 16,607 | 1.01 | 7.37 | 4.48 | — | 2.89 | — | — | — | — | 0.05 | — | 11,265 | 3,375 | |
| 3.1 Of which: SME | 399 | 2.44 | 66.42 | 62.71 | — | 3.71 | — | — | — | — | 0.39 | — | 316 | 314 | |
| 3.2 Of which: Specialised lending | — | — | — | — | — | — | — | — | — | — | — | — | — | — | |
| 3.3 Of which: Other | 16,208 | 0.98 | 5.92 | 3.05 | — | 2.87 | — | — | — | — | 0.04 | — | 10,949 | 3,061 | |
| 4 Retail | — | — | — | — | — | — | — | — | — | — | — | — | — | — | |
| 4.1 Of which: Immovable property SME | — | — | — | — | — | — | — | — | — | — | — | — | — | — | |
| 4.2 Of which: Immovable property non-SME | — | — | — | — | — | — | — | — | — | — | — | — | — | — | |
| 4.3 Of which: Qualifying revolving | — | — | — | — | — | — | — | — | — | — | — | — | — | — | |
| 4.4 Of which: Other SMEs | — | — | — | — | — | — | — | — | — | — | — | — | — | — | |
| 4.5 Of which: Other non-SME | — | — | — | — | — | — | — | — | — | — | — | — | — | — | |
| 5 Total | 25,104 | 0.95 | 4.88 | 2.97 | — | 1.91 | — | — | — | — | 0.20 | — | 11,619 | 3,807 | |

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

| A-IRB | | RBSI | | | | | | | | | | | | | |
|-------|---|-----------------------------------|--|---|---|--|---|---|--|--|--|---|---|---|-------------------------------|
| | | Credit risk mitigation techniques | | | | | | | | | | Unfunded credit protection (UFCP) | | Credit risk mitigation methods in the calculation of RWAs | |
| | | Funded credit protection (FCP) | | | | | | | | | | | | | |
| | | Total exposures | Part of exposures covered by financial collaterals | Part of exposures covered by other eligible collaterals | Part of exposures covered by immovable property collaterals | Part of exposures covered by receivables | Part of exposures covered by other physical collaterals | Part of exposures covered by other funded credit protection | Part of exposures covered by cash on deposit | Part of exposures covered by life insurance policies | Part of exposures covered by instruments held by a third party | Part of exposures covered by guarantees | Part of exposures covered by credit derivatives | RWA assigned to the obligor exposure class | RWA with substitution effects |
| £m | % | % | % | % | % | % | % | % | % | % | % | £m | £m | | |
| a | b | c | d | e | f | g | h | i | j | k | l | m | n | | |
| 6 | Specialised lending under the slotting approach | 1,640 | 0.09 | 212.93 | 211.71 | — | 1.22 | 6.30 | — | — | 6.30 | 0.41 | — | 1,208 | 1,222 |
| 7 | Equity Exposures | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

Annex XXIII: Specialised lending

UK CR10: Specialised lending and equity exposures under the simple risk-weighted approach

| | | RBSI | | | | | |
|------------------|---------------------------------|--|----------------------------|-------------|----------------|-------------------------------|----------------------|
| | | a | b | c | d | e | f |
| | | Specialised lending: Income-producing real estate and high volatility commercial real estate (slotting approach) | | | | | |
| | | On-balance sheet exposure | Off-balance sheet exposure | Risk-weight | Exposure value | Risk-weighted exposure amount | Expected loss amount |
| 31 December 2022 | Remaining maturity | £m | £m | % | £m | £m | £m |
| Category 1 | Less than 2.5 years | 368 | 128 | 50% | 425 | 212 | — |
| | Equal to or more than 2.5 years | 504 | 112 | 70% | 558 | 391 | 2 |
| Category 2 | Less than 2.5 years | 250 | 23 | 70% | 273 | 191 | 1 |
| | Equal to or more than 2.5 years | 295 | 36 | 90% | 313 | 282 | 3 |
| Category 3 | Less than 2.5 years | 17 | — | 115% | 17 | 20 | — |
| | Equal to or more than 2.5 years | 5 | — | 115% | 5 | 6 | — |
| Category 4 | Less than 2.5 years | 48 | — | 250% | 48 | 120 | 5 |
| | Equal to or more than 2.5 years | — | — | 250% | — | — | — |
| Category 5 | Less than 2.5 years | 1 | — | — | 1 | — | — |
| | Equal to or more than 2.5 years | — | — | — | — | — | — |
| Total | Less than 2.5 years | 684 | 151 | | 764 | 543 | 6 |
| | Equal to or more than 2.5 years | 804 | 148 | | 876 | 679 | 5 |

Annex XXXIII: Remuneration

This section contains disclosures which are required in accordance with UK regulatory requirements and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. They also take into account the European Banking Authority (EBA) guidelines on sound remuneration policies. It should be read in conjunction with the Directors' Remuneration Report starting on page 138 of the NatWest Group 2022 ARA.

UK REM A - Remuneration policy for all colleagues

The remuneration policy supports the business strategy and is designed to promote the long-term success of NatWest Group. It aims to reward the delivery of good performance provided this is achieved in a manner consistent with NatWest Group values and within acceptable risk parameters.

The remuneration policy applies the same principles to everyone, including Material Risk Takers (MRTs), with some minor adjustments where necessary to comply with local regulatory requirements. The main elements of the policy are set out below.

Base salary

The purpose is to provide a competitive level of fixed cash remuneration.

Operation

We review base salaries annually to ensure they reflect the talents, skills and competencies the individual brings to the business.

Role-based allowance

Certain MRT roles receive role-based allowances. The purpose is to provide fixed pay that reflects the skills and experience required for the role.

Operation

Role-based allowances are fixed allowances which form an element of overall fixed remuneration for regulatory purposes. They are based on the role the individual performs.

They are delivered in cash and/or shares depending on the level of the allowance and the seniority of the recipient. Shares are subject to a minimum three-year retention period.

Benefits and pension

The purpose is to provide a range of flexible and competitive benefits.

Operation

In most jurisdictions, benefits or a cash equivalent are provided from a flexible benefits account. Pension funding forms part of fixed remuneration and NatWest Group does not provide discretionary pension benefits.

Annual bonus

The purpose is to support a culture where individuals recognise the importance of helping people, families and businesses to thrive and are rewarded for superior performance. Certain junior roles are not eligible for an annual bonus. Annual bonus is offered to our more senior colleagues, including MRTs, the executive directors and members and attendees of NatWest Group's senior executive committees, as it is appropriate for them to have some variable pay at risk if performance is not at the required level.

Operation

The annual bonus pool is based on a balanced scorecard of measures including financial, customer, people and culture, climate, financial capability, enterprise and risk and control measures. Allocation from the pool depends on the performance of the business area and the individual.

We use a structured performance management framework to support individual performance assessment. This is designed to assess performance against longer-term business requirements across a range of financial and non-financial metrics. It also evaluates adherence to internal controls and risk management. We use a balanced scorecard to align with the business strategy. Each individual will have defined measures of success for their role.

We also take risk and conduct performance into account. Control functions are assessed independently of the business units that they oversee. Performance goals and remuneration are set according to the priorities of the control area, not the targets of the businesses they support. The Group Chief Risk Officer and the Group Chief Audit Executive have the authority to escalate matters to Board level if management do not respond appropriately.

Independent control functions exist for the main legal entities outside the ring fence (NWM Plc and RBS International). Multiple reporting lines are in place into the respective legal entity CEOs and the NatWest Group Control Function Head.

Awards may be granted up to a maximum of 100% of fixed pay. For awards made in respect of the 2022 performance year, immediate cash awards continue to be limited to a maximum of £2,000. In line with regulatory requirements, for MRTs, 40% of awards under £500,000 will be deferred over four, five or seven years. This rises to 60% for awards over £500,000, and awards granted to the directors of significant UK firms. For MRTs, a minimum of 50% of any variable pay is delivered in shares and a 12-month retention period applies to the shares after vesting.

The deferral period is four years for standard MRTs and Risk Manager MRTs who meet the 'non-higher paid' condition. It rises to five years for 'higher paid' Risk Manager MRTs, FCA Senior Management Functions (SMF), and PRA SMFs who meet the 'non-higher paid' condition; and to seven years for 'higher paid' PRA SMF roles. All awards are subject to malus and clawback provisions.

Guaranteed awards may only be granted for new hires in exceptional circumstances in compensation for awards forgone at their previous company and are limited to first year of service. NatWest Group does not offer sign-on awards. Retention awards are only used in truly exceptional circumstances such as major restructuring and where the individual is a 'flight risk' and is viewed as critical to the successful operation of the business or delivery of a business critical project. Whilst no performance conditions are attached to retention awards, the colleague must continue to deliver to the standard expectations of conduct, behaviour and minimum performance levels prior to the award vesting.

Severance payments and/or arrangements can be made to colleagues who leave NatWest Group in certain situations, including redundancy. Such payments are calculated by a pre-determined formula set out within the relevant social plans, policies, agreements or local laws. Where local laws permit, there is a cap on the maximum amount that can be paid.

UK REM A - Remuneration policy for all colleagues continued

Restricted Share Plan (RSP) awards

The purpose and operation of RSP awards is explained in detail in the Directors' Remuneration Report. NatWest Group provides executive directors and certain members of NatWest Group's senior executive committees with RSP awards which are delivered entirely in shares. Any awards made are subject to a performance assessment prior to grant and a further assessment against underpin criteria prior to vesting.

Shareholding requirements

The requirements promote long-term alignment between senior executives and shareholders.

Operation

Executive directors and certain members of NatWest Group's senior executive committees are required to build up and hold a shareholding equivalent to a percentage of salary. There is a restriction on the number of shares that individuals can sell until this requirement is met.

Company share plans

The purpose is to provide an easy way for individuals to hold shares in NatWest Group plc, which helps to encourage financial capability and long-term thinking and provides a direct involvement in NatWest Group's performance.

Operation

Colleagues in certain jurisdictions are offered the opportunity to contribute from salary and acquire shares in NatWest Group plc through company share plans. This includes Sharesave and the Buy As You Earn plan in the UK. Any shares held are not subject to performance conditions.

Criteria for identifying MRTs

The EBA has issued criteria for identifying MRT roles, which includes those staff whose activities have a material influence over NatWest Group's performance or risk profile. These criteria are both qualitative (based on the nature of the role) and quantitative (based on the amount a colleague is paid). In 2022, MRTs were identified for 13 legal entities (including at parent, holding company and consolidated levels) within NatWest Group. The MRT criteria are applied for each of these entities, and consequently many MRTs are identified in relation to more than one entity.

The qualitative criteria can be summarised as: staff within the management body; senior management; other staff with key functional or managerial responsibilities including for risk management; and staff who individually, or as part of a Committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels.

The quantitative criteria are: individuals earning £660,000 or more in the previous year; individuals earning less than £660,000 in the previous year, but more than a threshold set at the higher of £440,000 or the average total earnings of the management body and senior management for the relevant legal entity and who can impact the risk profile of a material business unit; and individuals in the top 0.3% of earners of the relevant legal entity for the previous year. In addition to the qualitative and quantitative criteria, NatWest Group has applied its own minimum standards to identify roles that are considered to have a material influence over its risk profile.

Personal hedging strategies

The conditions attached to discretionary share-based awards prohibit the use of any personal hedging strategies to lessen the impact of a reduction in the value of such awards. Recipients explicitly acknowledge and accept these conditions when any share-based awards are granted.

Risk in the remuneration process

NatWest Group's approach to remuneration promotes effective risk management through having a clear distinction between fixed remuneration (which reflects the role undertaken by an individual) and variable remuneration (which is directly linked to performance and can be risk-adjusted). Fixed pay is set at an appropriate level to discourage excessive risk-taking and which would allow NatWest Group to pay zero variable pay.

We achieve focus on risk through clear inclusion of risk in performance goals, performance reviews, the determination of variable pay pools, incentive plan design and the application of malus and clawback. The Remuneration Committee (RemCo) is supported in this by the Board Risk Committee (BRC) and the Risk function, as well as independent oversight by the Internal Audit function.

We use a robust process to assess risk performance. We consider a range of measures, specifically: capital; liquidity and funding risk; credit risk; market risk; pension risk; compliance & conduct risk; financial crime; climate risk; operational risk; business risk and reputational risk. We also consider our overall risk culture.

Remuneration arrangements are in line with regulatory requirements and we fully disclose and discuss the steps taken to ensure appropriate and thorough risk adjustment with the PRA and the FCA.

Variable pay determination

For the 2022 performance year, NatWest Group operated a robust control function-led multi-step process to assess performance and determine the appropriate bonus pool by business area and function. At multiple points throughout the process, we made reference to Group-wide business performance (from both affordability and appropriateness perspectives) and the need to distinguish between 'go-forward' and 'resolution' activities.

The process uses financial, customer, people and culture, climate, financial capability and enterprise measures to consider a balanced scorecard of performance assessments at the level of each business area or function. We then undertake risk and control assessments at the same level to ensure performance achieved without appropriate consideration of risk, risk culture and conduct controls, is not inappropriately rewarded.

BRC reviews any material risk and conduct events and, if appropriate, an underpin may be applied to the individual business and function bonus pools or to the overall bonus pool. BRC may recommend a reduction of a bonus pool if it considers that risk and conduct performance is unacceptable or that the impact of poor risk management has yet to be fully reflected in the respective inputs.

Following further review against overall performance and conduct, taking into account input from the CFO on affordability and capital and liquidity adequacy, the CEO will make a final recommendation to the RemCo, informed by all the previous steps and her strategic view of the business. The RemCo will then make an independent decision on the final bonus pool taking all of these earlier steps into account.

UK REM A - Remuneration policy for all colleagues continued

Variable pay determination continued

The assessment process for RSP awards to executive directors and other eligible senior executives uses our internal ratings scale to determine whether satisfactory performance has been delivered in the year prior to grant. A further assessment of performance against underpin criteria including risk considerations takes place before vesting.

Remuneration and culture

NatWest Group continues to assess conduct and its impact on remuneration as part of the annual Group-wide bonus pool process and also via the accountability review framework. Many colleagues receive fixed pay only, which provides them with greater security and allows them to fully focus on the needs of the customer. The RemCo will continue to review workforce remuneration and the alignment of incentives and reward with culture.

The governance of culture is clearly laid out. Senior management function roles have clearly defined accountabilities which are taken into account in their performance and pay decisions. The Board and Sustainable Banking Committee also play essential roles in building cultural priorities. Frameworks are in place to measure progress.

Accountability review process and malus/clawback

We introduced the accountability review process in 2012 to identify any material risk management, control and general policy breach failures, or employee misbehaviour and to ensure accountability for those events. This allows NatWest Group to respond to instances where new information would change the variable pay decisions made in previous years and/or the decisions to be made in the current year. Potential outcomes under the accountability review process are:

- malus - to reduce (to zero if appropriate) the amount of any unvested variable pay awards prior to payment;
- clawback - to recover awards that have already vested; and
- in-year bonus reductions - to adjust variable pay that would have otherwise been awarded for the current year.

As part of the acceptance of variable pay awards, colleagues must agree to terms that state that malus and clawback may be applied. Any variable pay awarded to MRTs is subject to clawback for seven years from the date of grant. This period can be extended to 10 years for MRTs who perform a 'senior management function' under the Senior Managers Regime where there are outstanding internal or regulatory investigations at the end of the normal seven-year clawback period. Awards to other colleagues (non-MRTs) are subject to clawback for 12 months from each vesting date.

During 2022 a number of issues and events were considered under the accountability review framework. No adjustments were made as part of accountability reviews undertaken in 2022 for any colleagues in the RBSIH sub-group.

Remuneration of Material Risk Takers ('MRTs')

Summary of approach taken

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

The following pages contain the quantitative disclosures for RBS International (Holdings) Limited ('RBSIH'). You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group at natwestgroup.com. In addition, this Pillar 3 report contains the remuneration disclosures for RBS International Depository Services S.A. ('RBSI DS'). RBSI DS is a direct subsidiary of RBSIH but does not meet the definition of a large institution; we make remuneration disclosures to meet local regulatory expectations in Luxembourg.

Solo Regulated Entity reporting

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

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

Remuneration of Material Risk Takers (MRTs)

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 141 individuals who have been identified as MRTs for The Royal Bank of Scotland International (Holdings) Limited (RBSIH).

We have excluded 90 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within RBSIH, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. Note the numbers in the tables all agree to the underlying source data, but when presented to two decimal places and aggregated, this can result in small rounding differences.

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

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

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

RBSIH RemCo must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. RBSIH RemCo met 7 times in 2022.

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

| | RBSI | | Other | | Other senior management and other MRTs split by business area | | | | Total |
|--|-------------|-------------|-------------|-------------|--|-----------------|-------------|-------------|--------------|
| | RBSI | RBSI | senior | Other | Institutional | Other | Corporate | Control | |
| | NEDs | EDs | mngt. | MRTs | Banking | Customer Facing | functions | functions | |
| Fixed remuneration | | | | | | | | | |
| Total number of MRTs | 3 | 3 | 14 | 32 | | | | | 52 |
| Other senior management - split by business area | | | | | 4 | 1 | 3 | 6 | |
| Other MRTs - split by business area | | | | | 7 | 4 | 4 | 17 | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Total fixed remuneration of MRTs | 0.40 | 2.01 | 2.86 | 3.96 | 2.23 | 0.69 | 0.83 | 3.06 | 9.22 |
| Cash-based | 0.40 | 1.93 | 2.86 | 3.96 | 2.23 | 0.69 | 0.83 | 3.06 | 9.13 |
| Share-based | — | 0.09 | — | — | — | — | — | — | 0.09 |
| Other instruments or forms | — | — | — | — | — | — | — | — | — |
| Variable remuneration | | | | | | | | | |
| Total number of MRTs | — | 3 | 13 | 28 | | | | | 44 |
| Other senior management - split by business area | | | | | 4 | 1 | 3 | 5 | |
| Other MRTs - split by business area | | | | | 7 | 4 | 2 | 15 | |
| Total variable remuneration of MRTs | — | 1.05 | 1.48 | 1.25 | 1.28 | 0.36 | 0.32 | 0.77 | 3.78 |
| Cash-based | — | 0.53 | 0.78 | 0.94 | 0.76 | 0.23 | 0.21 | 0.52 | 2.25 |
| Of which: deferred cash | — | 0.21 | 0.28 | 0.12 | 0.21 | 0.05 | 0.05 | 0.10 | 0.61 |
| Share-based (annual bonus) | — | 0.53 | 0.70 | 0.31 | 0.52 | 0.13 | 0.11 | 0.25 | 1.54 |
| Of which: deferred shares | — | 0.21 | 0.28 | 0.12 | 0.21 | 0.05 | 0.05 | 0.10 | 0.61 |
| Share-based (RSP awards) | — | — | — | — | — | — | — | — | — |
| Of which: deferred shares | — | — | — | — | — | — | — | — | — |
| Other instruments or forms | — | — | — | — | — | — | — | — | — |
| Total remuneration of MRTs | 0.40 | 3.06 | 4.34 | 5.21 | 3.52 | 1.05 | 1.15 | 3.83 | 13.00 |

(1) The breakdown by business areas required in template UK REM5 has been combined with UK REM1 above, as permitted under regulatory guidance for the templates.

(2) Fixed remuneration consists of salaries, allowances, pension and benefit funding.

(3) Variable remuneration consists of a combination of annual bonus and RSP awards, deferred over a four to seven year period in accordance with regulatory requirements; and (where applicable) severance payments. Under the NatWest Group bonus deferral structure, immediate cash awards are limited to £2,000 per person, with a further payment of cash and shares within Year 0.

(4) RSP awards vest subject to the extent to which performance conditions are met and can result in zero payment.

(5) Under the regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2022 performance year.

UK REMA - Derogations

The regulations allow some flexibility not to apply certain requirements that would normally apply to MRTs where an individual's annual variable remuneration does not exceed £44,000 and does not represent more than one third of the individual's total annual remuneration (derogations permitted under point (b) of Article 94(3) of CRD V). We have used this flexibility to disapply MRT rules relating to deferral and delivery of awards in shares for 24 MRTs in respect of performance year 2022. Total remuneration for these individuals in 2022 was £3.35 million, of which £2.76 million was fixed pay and £0.59 million was variable pay.

UK REMA - Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2022 was approximately 1 to 0.40. The majority of MRTs were based in the Channel Islands.

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

| | RBSI Ltd NEDs | RBSI Ltd EDs | Other senior management | Other MRTs |
|---|------------------|-----------------|-------------------------------|---------------|
| Special payments | | | | |
| Guaranteed awards and sign on awards | | | | |
| Number of MRTs | — | — | — | — |
| | £m | £m | £m | £m |
| Total amount | — | — | — | — |
| Of which: paid during the financial year that are not taken into account in the bonus cap | — | — | — | — |
| Severance payments awarded in previous periods, paid out during the financial year | | | | |
| Number of MRTs | — | — | — | — |
| | £m | £m | £m | £m |
| Total amount | — | — | — | — |
| Severance payments awarded during the financial year | | | | |
| Number of MRTs | — | — | — | 1 |
| | £m | £m | £m | £m |
| Total amount | — | — | — | 0.12 |
| Of which: paid during the financial year | — | — | — | 0.12 |
| Of which: deferred | — | — | — | — |
| Of which: paid during the financial year that are not taken into account in the bonus cap | — | — | — | 0.12 |
| Of which: highest payment that has been awarded to a single person | — | — | — | 0.12 |

- (1) This table reports details of new hire guarantees and severance. The disclosures do not include buy-outs or retention bonuses (where these have been granted).
(2) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

UK REM3 - Outstanding deferred remuneration

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

| Deferred and retained remuneration | Total amount of deferred remuneration awarded for previous performance periods £m | Of which: due to vest in the financial year £m | Of which: vesting in subsequent financial years £m | Amount of performance adjustment to deferred remuneration that was due to vest in the financial year £m | Amount of performance adjustment to deferred remuneration due to vest in future financial years £m | Total amount of adjustment during the year due to ex post implicit adjustments* £m | Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year £m | Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention £m |
|--|--|---|---|--|---|---|---|---|
| RBSI NEDs - No deferred or retained remuneration held | | | | | | | | |
| RBSI EDs | | | | | | | | |
| Cash-based Shares or equivalent interests | — | — | — | — | — | — | — | — |
| Share-linked or equivalent non-cash instruments | 2.15 | 0.40 | 1.75 | — | — | 0.25 | 0.40 | 0.40 |
| Other instruments or forms | — | — | — | — | — | — | — | — |
| Other senior management | | | | | | | | |
| Cash-based Shares or equivalent interests | — | — | — | — | — | — | — | — |
| Share-linked or equivalent non-cash instruments | 0.52 | 0.22 | 0.31 | — | — | 0.06 | 0.22 | 0.22 |
| Other instruments or forms | — | — | — | — | — | — | — | — |
| Other MRTs | | | | | | | | |
| Cash-based Shares or equivalent interests | — | — | — | — | — | — | — | — |
| Share-linked or equivalent non-cash instruments | 0.17 | 0.07 | 0.10 | — | — | 0.02 | 0.07 | 0.07 |
| Other instruments or forms | — | — | — | — | — | — | — | — |
| Total amount | 2.85 | 0.68 | 2.16 | — | — | 0.33 | 0.68 | 0.68 |

*i.e. Changes of value of deferred remuneration due to the changes of prices of instruments.

- (1) Deferred remuneration reduced during the year relates to long term incentives that lapsed when performance conditions were not met, long term incentives and deferred awards forfeited on leaving and malus adjustments of prior year deferred awards and long-term incentives.

UK REM4 - Total remuneration by band for all colleagues earning >€1million

| Total remuneration by band for employees earning >€1 million for 2022 | Number of MRTs |
|---|----------------|
| €1.0 million to below €1.5 million | — |
| €1.5 million to below €2.0 million | 2 |
| €2.0 million to below €2.5 million | — |
| €2.5 million to below €3.0 million | — |
| €3.0 million to below €3.5 million | — |
| €3.5 million to below €4.0 million | — |
| More than €4.0 million | — |
| Total | 2 |

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay (including severance, where applicable).
(2) Where applicable, the table is based on an average exchange rate of €1.1731748 to £1 for 2022.

RBS International Depository Services S.A. Remuneration Disclosures

Remuneration of Material Risk Takers (MRTs)

The quantitative disclosures below are made in accordance with regulatory requirements in relation to 59 individuals who have been identified as MRTs for RBS International Depository Services S.A. (RBSI DS).

We have excluded 54 individuals from the tables below on the basis that, although they have been identified as an MRT in relation to a role within RBSI DS, they do not receive any remuneration for this role and they perform their primary role for another entity within the Group. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. Note the numbers in the tables all agree to the underlying source data, but when presented to two decimal places and aggregated, this can result in small rounding differences.

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

RBSI DS has a Board which oversees remuneration matters (RBSI DS Board). The RBSI DS Board is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for RBSI DS.

The key areas of focus for the RBSI DS Board include:

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

The RBSI DS Board must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The RBSI DS Board met 6 times in 2022, with remuneration matters discussed at 4 of the meetings.

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

| | RBSI DS | | Other senior mngt. | Other senior management and other MRTs split by business area | | | | | Total |
|--|--------------|-------------|--------------------|---|----------|-----------------------|---------------------|-------------------|-------------|
| | RBSI DS NEDs | RBSI DS EDs | | Other Institutional MRTs | Banking | Other Customer Facing | Corporate functions | Control functions | |
| | £m | £m | | £m | £m | £m | £m | £m | |
| Fixed remuneration | | | | | | | | | |
| Total number of MRTs | 1 | 2 | 1 | 1 | | | | | 5 |
| Other senior management - split by business area | | | | | — | — | — | 1 | |
| Other MRTs - split by business area | | | | | — | — | — | 1 | |
| Total fixed remuneration of MRTs | 0.02 | 0.35 | 0.13 | 0.02 | — | — | — | 0.15 | 0.52 |
| Cash-based | 0.02 | 0.35 | 0.13 | 0.02 | — | — | — | 0.15 | 0.52 |
| Share-based | — | — | — | — | — | — | — | — | — |
| Other instruments or forms | — | — | — | — | — | — | — | — | — |
| Variable remuneration | | | | | | | | | |
| Total number of MRTs | — | 2 | 1 | — | | | | | 3 |
| Other senior management - split by business area | | | | | — | — | — | 1 | |
| Other MRTs - split by business area | | | | | — | — | — | — | |
| Total variable remuneration of MRTs | — | 0.16 | 0.02 | — | — | — | — | 0.02 | 0.18 |
| Cash-based | — | 0.08 | 0.02 | — | — | — | — | 0.02 | 0.10 |
| Of which: deferred cash | — | 0.03 | — | — | — | — | — | — | 0.03 |
| Share-based (annual bonus) | — | 0.08 | — | — | — | — | — | — | 0.08 |
| Of which: deferred shares | — | 0.03 | — | — | — | — | — | — | 0.03 |
| Share-based (RSP awards) | — | — | — | — | — | — | — | — | — |
| Of which: deferred shares | — | — | — | — | — | — | — | — | — |
| Other instruments or forms | — | — | — | — | — | — | — | — | — |
| Total remuneration of MRTs | 0.02 | 0.51 | 0.15 | 0.02 | — | — | — | 0.17 | 0.70 |

(1) The breakdown by business areas required in template EU REM5 has been combined with EU REM1 above, as permitted under regulatory guidance for the templates.

(2) Fixed remuneration consists of salaries, allowances, pension and benefit funding.

(3) Variable remuneration consists of a combination of annual bonus and RSP awards, deferred over a four to seven year period in accordance with regulatory requirements; and (where applicable) severance payments. Under the NatWest Group bonus deferral structure, immediate cash awards are limited to £2,000 per person, with a further payment of cash and shares within Year 0.

(4) RSP awards vest subject to the extent to which performance conditions are met and can result in zero payment.

(5) Under the regulations, a national discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2022 performance year.

EU REMA - Derogations

The regulations allow some flexibility not to apply certain requirements that would normally apply to MRTs where an individual's annual variable remuneration does not exceed €50,000 and does not represent more than one third of the individual's total annual remuneration (derogations permitted under point (b) of Article 94(3) of CRD V). We have used this flexibility to disapply MRT rules relating to deferral and delivery of awards in shares for 1 MRT in respect of performance year 2022. Total remuneration for this individual in 2022 was €0.16 million (£0.13 million), of which €0.14 million (£0.12 million) was fixed pay and €0.02 million (£0.02 million) was variable pay.

EU REMA - Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at NatWest Group shall not exceed 100% of the fixed component (except where local jurisdictions apply a lower maximum ratio for variable pay). The average ratio between fixed and variable remuneration for 2022 was approximately 1 to 0.34. The majority of MRTs were based in Luxembourg.

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

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

- (1) This table reports details of new hire guarantees and severance. The disclosures do not include buy-outs or retention bonuses (where these have been granted).
(2) No severance payments in excess of contractual payments, local policies, standards or statutory amounts were made to MRTs during the year.

EU REM3 - Outstanding deferred remuneration

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

| Deferred and retained remuneration | Total amount of deferred remuneration awarded for previous performance periods | Of which: due to vest in the financial year | Of which: subsequent vesting in financial years | Amount of performance adjustment to deferred remuneration that was due to vest in the financial year | Amount of performance adjustment to deferred remuneration due to vest in future financial years | Total amount of adjustment during the financial year due to ex post implicit adjustments* | Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year | Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention |
|---|--|---|---|--|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| RBSI DS NEDs - No deferred or retained remuneration held | | | | | | | | |
| RBSI DS EDs | | | | | | | | |
| Cash-based Shares or equivalent interests | 0.02 | 0.01 | 0.01 | — | — | — | 0.01 | 0.01 |
| Share-linked or equivalent non-cash instruments | — | — | — | — | — | — | — | — |
| Other instruments or forms | — | — | — | — | — | — | — | — |
| Other senior management | | | | | | | | |
| Cash-based Shares or equivalent interests | — | — | — | — | — | — | — | — |
| Share-linked or equivalent non-cash instruments | — | — | — | — | — | — | — | — |
| Other instruments or forms | — | — | — | — | — | — | — | — |
| Other MRTs | | | | | | | | |
| Cash-based Shares or equivalent interests | — | — | — | — | — | — | — | — |
| Share-linked or equivalent non-cash instruments | — | — | — | — | — | — | — | — |
| Other instruments or forms | — | — | — | — | — | — | — | — |
| Total amount | 0.02 | 0.01 | 0.01 | — | — | — | 0.01 | 0.01 |

*I.e. Changes of value of deferred remuneration due to the changes of prices of instruments.

- (1) Deferred remuneration reduced during the year relates to long term incentives that lapsed when performance conditions were not met, long term incentives and deferred awards forfeited on leaving and malus adjustments of prior year deferred awards and long-term incentives.

EU REM4 - Total remuneration by band for all colleagues earning >€1million

| Total remuneration by band for employees earning >€1 million for 2022 | Number of MRTs |
|---|----------------|
| €1.0 million to below €1.5 million | — |
| €1.5 million to below €2.0 million | — |
| €2.0 million to below €2.5 million | — |
| €2.5 million to below €3.0 million | — |
| €3.0 million to below €3.5 million | — |
| €3.5 million to below €4.0 million | — |
| More than €4.0 million | — |
| Total | — |

- (1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay (including severance, where applicable).
(2) Where applicable, the table is based on an average exchange rate of €1.1731748 to £1 for 2022.

NatWest Trustee and Depositary Services Limited Remuneration Disclosures

This section contains disclosures which are required in accordance with MIFIDPRU 8.6 (in the FCA Handbook) in relation to remuneration policy and practices for NatWest Trustee & Depositary Services Limited (NWTDS). It should be read in conjunction with the description of the key features of the remuneration policy described on pages 38 to 40 of this document.

NWTDS complies with the NatWest Group remuneration policy (described on pages 38 to 40 of this document). In order to comply with the MIFIDPRU Remuneration Code, the following elements are specific to the NWTDS entity:

- The criteria used for identifying Material Risk Takers (MRTs) for NWTDS are aligned to the criteria set out in SYSC 19G.5.3 and include: staff within the management body; senior management; other staff with key functional or managerial responsibilities including for risk management and regulated activities; and staff who have authority to approve new business products.
- In all standard circumstances, the maximum ratio of variable to fixed pay will be 1:1 (in line with the Group's policy for all MRTs). However, in certain limited circumstances, when a new hire guarantee, buy-out, retention award or severance are granted, and are counted towards the ratio of variable to fixed pay in the year of grant, an exceptional maximum pay ratio of 8:1 applies.

NWTDS does not operate a remuneration committee (RemCo) at the entity level. The NWTDS Board has oversight of remuneration matters for the entity, and certain senior colleagues within NWTDS are also subject to oversight from the RBS International (Holdings) Limited (RBSIH) RemCo (in its capacity as the RemCo for the immediate parent holding company of NWTDS). Performance and risk adjustments to the bonus pool are also performed at the RBSIH level, with the NWTDS bonus pool allocated from the RBSIH pool in line with RBSIH management's view of entity performance.

The NWTDS Board is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for NWTDS. The key areas of focus for the NWTDS Board on remuneration matters include:

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

The NWTDS Board must be able to act independently and the non-executive directors serving on it are supported by the necessary entity-specific management information in order to carry out their duties. The NWTDS Board discussed remuneration-related agenda items 4 times in 2022.

No quantitative disclosures are made in respect of aggregated remuneration for NWTDS colleagues. 18 colleagues have been identified as MRTs for NWTDS during PY 2022. However, in line with our practice for all other Group entities, we exclude individuals from quantitative disclosures when their remuneration is reported in the disclosures for another Group entity (for which the individual is also identified as an MRT). As all NWTDS MRTs are also MRTs of other Group entities, the quantitative disclosures for NWTDS are all nil. You can find details of remuneration paid to MRTs in our Pillar 3 reporting for other entities within NatWest Group, at a consolidated, sub-consolidated and solo entity level, at natwestgroup.com. Disclosures in respect of other entities within the RBSIH sub-group are reported on pages 41 and 44 of this document.

Staff costs will be disclosed in the MIFIDPRU disclosures for NWTDS which will be published at <https://www.rbsinternational.com/global/about-us/results-centre.html> in Q2 2023.