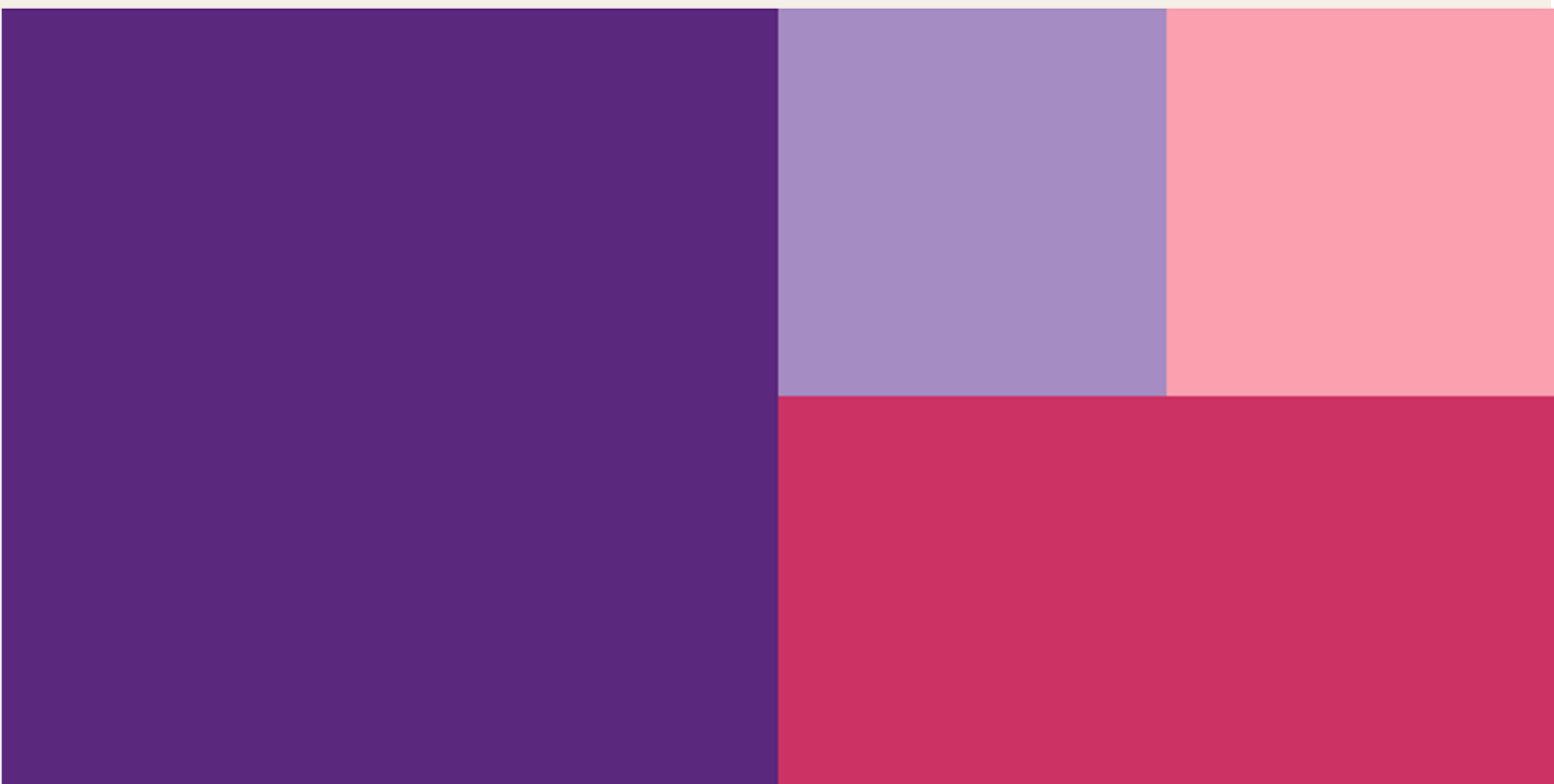


Our readiness for resolution NatWest Group



2022



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We champion potential, helping people, families, and businesses to thrive.

Our future is built on this one, clear purpose. It's what drives us, defines us, and guides us. Because getting this right means success – for ourselves and for everyone we serve.

Katie Murray
Group Chief Financial Officer

We are a purpose-led company with clear strategic priorities, strong market positions and capacity to grow. In delivering our purpose, we need to be prepared to deal with circumstances as they change.

As we learnt from the financial crisis of 2008/9, we need to be able to support our customers, and society more generally, through even the worst events. Much has changed since that period. Globally, governments, regulators and banks have instituted wide-ranging reform to strengthen the financial position of banks and other financial institutions and develop plans to be ready to manage unforeseen severe stress events.

As part of these reforms, the Bank of England has drawn up plans to manage the failure of banks in the UK in an orderly way that aims to allow banks to maintain their critical banking services, protect taxpayers and the financial stability of the UK. This is referred to as 'resolution'.

We take our responsibilities to be prepared for resolution very seriously. Over a number of years, we have dedicated significant resources to be able to support the Bank of England in executing its resolution plan for NatWest Group, should it ever become necessary. We continue to dedicate resources to maintain and improve our resolution preparations.

I am delighted to present this first report on our readiness for resolution. This report summarises what we are doing to be prepared for resolution and how we are maintaining and improving those preparations.

Katie Murray
Group Chief Financial Officer

1 Introduction

This is the first Natwest Group (collectively, ‘NWG’, ‘we’, ‘us’ and ‘our’) report summarising our resolution readiness. It describes our preparations for resolution and how we plan to be ready to continue to provide critical banking services to our customers. We consider that our preparations to achieve resolvability outcomes are reasonable in the context of our business model and considering the nature of risks to resolvability.

We are pleased to present this summary of how we have prepared to support the Bank of England (‘BoE’) in executing a resolution of the NatWest Group, should the BoE consider it necessary to place the NatWest Group in resolution. This report is published in compliance with the requirements, expectations and guidelines of the UK Prudential Regulation Authority (‘PRA’) and should be read in conjunction with the NatWest Group 2021 Annual Report and Accounts¹ to fully understand the circumstances in which we operate and the associated risks.

As part of the commitment by the BoE to protect financial stability and ensure that all banks are resolvable in the event they experience financial distress, we are required to publish a summary of our preparations for resolution. The UK resolution framework was put in place after the 2008/9 financial crisis and is intended to ensure that, if a bank or banking group fails or is likely to fail, they can be recapitalised and restructured in a way that provides for the continued operation of important banking services to protect financial stability but without exposing public funds to loss.

In chapter 2, we provide more information on the UK’s resolution framework and the powers the BoE could use to resolve a bank or banking group like ours. In chapter 3, we set out an overview of the NWG structure. The BoE has identified the single point-of-entry (‘SPE’) bail-in as the resolution strategy for NatWest Group. In chapter 4, we describe how we could be resolved using this strategy if the BoE believes it becomes necessary to do so.

While the identification of our resolution strategy and the execution of any resolution are at the discretion of the BoE, there is much that we can do and have done, to enable an orderly resolution were we to become severely financially distressed. In chapter 5, we provide detail on some of the steps we have taken since the 2008/9 financial crisis to enhance our resolvability and outline some of the risks that we are looking to mitigate. In chapter 7, we describe the further activities we are undertaking to enhance our preparations.

Since the 2008/9 financial crisis, we have invested significant time and resources into ensuring that our structure, internal and external funding, counterparty arrangements, and relationship with third-party vendors and service providers are robust and can facilitate a resolution if the BoE decided that our banking group was about to fail or likely to fail, without recourse to taxpayer funding.

We have also invested in resolution planning capabilities, management information systems and related governance structures. All of these efforts, and the publication of this report, are overseen by NatWest Group’s Chief Financial Officer and the NatWest Group Board, as described in chapter 6.

The BoE has published its public statement concerning the resolvability of firms within the scope of the Resolution Assessment Part of the PRA Rulebook, including for NatWest Group, and covers areas that it considers we should further enhance, described in chapter 7. The BoE has not identified any shortcomings, deficiencies or substantive impediments associated with our ability to achieve resolvability outcomes. We look forward to working with the BoE in its efforts to further enhance the stability and soundness of the UK financial system.

¹ Available at <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/natwest-group-annual-report-accounts-2021.pdf>.

2 About the UK resolution framework

2.1 The purpose of resolution

The 2008/9 financial crisis highlighted the importance of both firms and regulators being prepared to respond effectively to unforeseen severe stress events, and the disruptive and costly nature of disorderly bank failure.

As part of the subsequent global regulatory reforms, regulators have called on large, systemically important financial institutions, such as NatWest Group, to improve their recovery plans for restoring their capital, liquidity and balance sheet positions during times of severe stress. In addition, and if recovery plans fail, regulators require such institutions to ensure they have capabilities to support their resolution.

The BoE describes the purpose of resolution in the following way:

Resolution imposes losses on failed banks' shareholders and investors, not taxpayers. It ensures larger firms' services can continue to operate for a sufficient period, allowing authorities or new management to restructure them or wind them down. By ensuring losses will fall on a failed bank's investors, resolution can reduce the risk of bank failures by encouraging more responsible risk-taking. This can limit the impact of bank failures when they do occur, by placing the cost of failure on shareholders and investors, not public finances².

2.2 The UK resolution framework

The BoE, as the regulatory authority with responsibility for resolution of banking groups and building societies in the UK, has at its disposal several 'stabilisation options' provided for under the Banking Act 2009. These include:

- The bail-in of liabilities (including issued debt) to recapitalise the entity or banking group;
- A sale of the entity either to a private sector purchaser, most likely another banking group, or a publicly owned 'bridge company';
- A sale of some, or all, of the group's business to another industry participant; and
- As a last resort, temporary public ownership of the entity or the group.

These powers can be exercised individually or in combination, and with respect to operating companies in the UK, such as banks or investment firms, or with respect to their UK organised holding companies. On the resolution section of their website, the BoE has published a range of materials which discuss the UK's resolution framework and how the BoE might conduct a resolution³.

2.3 A commitment to resolvability

In April 2017, the BoE committed to UK parliament that the BoE would work to try to ensure that the major UK banking groups would be resolvable by 2022. Since that time, the BoE has developed its views on what it means for a bank to be resolvable, identified a number of potential barriers to resolution of banking groups and has developed policy expectations aimed to ensure such barriers are removed, or substantially mitigated, ahead of 2022.

For a bank to be resolvable, in the view of the BoE, it must be able to achieve the following three outcomes ('resolvability outcomes'):

1. Have adequate financial resources available to absorb losses and recapitalise the institution, without recourse to public funds, in a resolution context;
2. Be able to continue to do business and serve its customers through resolution; and
3. Be able to coordinate and communicate effectively within the firm and with the authorities and markets so that resolution and subsequent restructuring are orderly.

The BoE believes that, historically, there have been a number of features of banking groups, or the regulatory environment in which they operate, which might, if not adequately addressed, act as potential barriers to these

² Bank of England (2018) 'Introduction to the Resolvability Assessment Framework', page 2.

³ Available at: <https://www.bankofengland.co.uk/financial-stability/resolution>.

resolvability outcomes. In particular, the BoE has identified the following key factors that should be considered as part of the resolution planning process:

- Adequacy of minimum requirements for eligible liabilities ('MREL');
- Capability to conduct accurate and timely valuations of assets and liabilities in resolution ('ViR');
- Access to funding in resolution ('FiR');
- The risk of early termination of financial contracts ('ETR');
- Ensuring operational continuity in resolution ('OCiR');
- Ensuring continuity of access to financial market infrastructures ('FMIs');
- Identification, development and execution of post-stabilisation restructuring options; and
- Effectiveness and timeliness of management, governance and communications in resolution ('MGC').

2.4 Resolution planning and this report

Resolution planning is the process of analysing information about a banking group, developing a resolution strategy and creating systems, controls and structures within the banking group that support the resolution strategy. A resolution strategy identifies the stabilisation options and other resolution powers that are likely to be best suited to stabilise and restructure a particular bank were it to become severely financially distressed; planning to support that strategy involves identifying how the potential barriers identified above could be addressed. The strategy for a banking group is determined by the BoE based on reports and analysis provided by that banking group.

The BoE has developed a resolvability assessment framework ('RAF') to support this process. The RAF defines the information banking groups need to provide to the BoE, how the BoE will determine the extent to which the strategy for a particular group and the group's preparations have adequately prepared it for resolution. As part of this process, we are publishing this report to describe our preparations for resolution. The BoE has also communicated publicly its assessment of our resolvability and the resolvability of other banking groups. As the RAF is a new framework, it is expected that there will be further work for the industry, including NatWest Group, to do in the coming years.

3 NatWest Group structure

3.1 Overview of NatWest Group

We are the UK’s largest business bank, and we serve 19 million customers across every region of the UK. As a relationship bank for the digital world, we are helping to break down barriers that hold back our customers and we are helping to build their financial confidence. Our purpose is to champion potential, helping people, families and businesses to thrive.

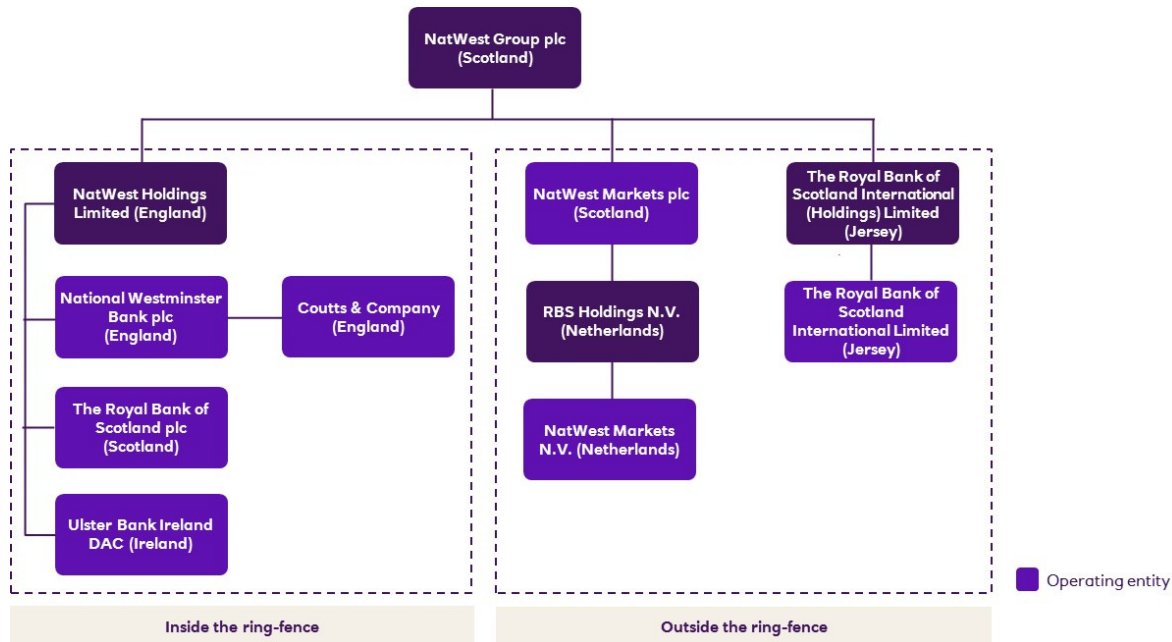
We serve our customers through a number of legal entities, businesses and brands, details of which are set out in the NatWest Group 2021 Annual Report and Accounts⁴. We operate in a number of jurisdictions, the key geographies⁵ being principally the UK but also India, Republic of Ireland, United States of America, Jersey, the Netherlands, Poland, Germany, Switzerland and Singapore.

Significant simplification and rationalisation of our structure, business and legal entities has taken place over a number of years making our resolution materially more straightforward than it would have been in the past. We have also re-organised our legal entity and operational structure to meet ring-fencing requirements⁶ in a manner which would support a more straightforward resolution of NatWest Group.

3.2 Our legal entities

NatWest Group plc (‘NWG plc’) is NatWest Group’s parent company, incorporated in Scotland, and if a resolution was deemed necessary and appropriate, it would be the legal entity on which the BoE would exercise the bail-in tool, as described in chapter 4. It is the primary entity within NatWest Group that issues capital and other senior liabilities capable of absorbing losses to investors external to NatWest Group.

The following figure sets out certain of our legal entities, including a number of our operating entities, that are further described below.



⁴ Available at <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/natwest-group-annual-report-accounts-2021.pdf>.

⁵ A key geography is a jurisdiction that represents material revenues, profits or activity and is defined as a jurisdiction that (1) represents more than 5% of total NatWest Group revenues or profits; or (2) any jurisdiction that provides material support to NatWest Group; or (3) a jurisdiction in which a significant legal entity (‘SLE’) is based. An SLE is a legal entity that is (1) a regulated entity already reported to authorities as material from a capital or funding perspective; or (2) an entity which provides material support for the delivery of economic functions; or (3) an entity with the ability to divert, shelter or freeze funds; or (4) an entity which is material with regards to debt issuance (including an off-balance sheet entity).

⁶ Ring-fencing legislation requires the separation of essential banking services from investment banking services.

National Westminster Bank plc ('NWB plc')

NWB plc is 100% owned within NatWest Group and is incorporated in England and Wales. It is part of the ring-fenced bank sub-group. It is the largest booking entity servicing personal, business and commercial customers domiciled in the United Kingdom. The majority of internal operational services are provided through the entity.

The Royal Bank of Scotland plc ('RBS plc')

RBS plc is 100% owned within NatWest Group and is incorporated in Scotland. It is part of the ring-fenced bank sub-group. It is NatWest Group's main Scottish legal entity, servicing personal, business and commercial customers predominantly domiciled in Scotland.

Coutts & Company

Coutts & Company is a 100% owned subsidiary of NWB plc and is incorporated in England and Wales. It is part of the ring-fenced bank sub-group. It provides private banking and wealth management services to clients in the United Kingdom and internationally. Coutts is certified as a B Corp, making binding commitments to focus as much attention on its social and environmental impact as it does on profit and performance.

Ulster Bank Ireland Designated Activity Company ('UBIDAC')

UBIDAC is 100% owned within NatWest Group and is incorporated in the Republic of Ireland. It is part of the ring-fenced bank sub-group. It is a full-service retail and commercial bank, focused on serving the needs of customers in the Republic of Ireland. On 19 February 2021, we announced our intention to begin a phased withdrawal from the Republic of Ireland market and since the end of July 2021, (apart from the UBIDAC asset finance business), commercial banking has been closed to new customers, remaining open for existing customers only. Since the end of October 2021, UBIDAC stopped accepting applications from new personal customers.

UBIDAC has currently entered into three transactions as part of its withdrawal: (i) in June 2021 an asset sale to Allied Irish Banks plc ('AIB') of UBIDAC's commercial lending portfolio was agreed and has since received approval from the Irish competition authority; (ii) in December 2021, a proposed business and asset sale to Permanent TSB plc ('PTSB') of UBIDAC's performing non-tracker mortgages, performing micro-SME loans, asset finance business and a subset of its branch locations was agreed but remains subject to competition, regulatory and other approvals, including PTSB's holding company shareholder approval, and other conditions being satisfied and (iii) in June 2022, a proposed asset sale to AIB of UBIDAC's performing tracker and linked mortgage portfolio.

NatWest Markets Plc ('NWM plc')

NWM plc is 100% owned by NWG plc and is incorporated in Scotland with branches in Frankfurt, Singapore and Hong Kong. It is a non-ring-fenced bank entity. Services offered include debt financing, risk management and trading solutions to financial institutions and UK and European corporate customers. NWM plc and its subsidiary companies are centred in the United Kingdom with trading hubs in Amsterdam, London, Singapore and Stamford (United States) with sales offices across key locations in the United Kingdom, European Union, the United States and Asia.

NatWest Markets N.V. ('NWM NV')

NWM NV is 100% owned within NatWest Group and is incorporated in the Netherlands and is a direct subsidiary of NWM plc that is a non-ring-fenced bank entity. This entity services NatWest Group's corporate and financial institutional customers within the European market.

The Royal Bank of Scotland International Limited ('RBSI Ltd')

RBSI Ltd is 100% owned within NatWest Group and is incorporated in Jersey. It is outside the ring-fenced bank. This entity services retail, commercial and fund customers in the Channel Islands, UK, Gibraltar, Isle of Man and Luxembourg.

In addition to these operating entities, NatWest Holdings Ltd ('NWH Ltd') is the intermediate holding company for the ring-fenced bank. It is 100% owned within NatWest Group and is a direct subsidiary of NWG plc.

4 The Bank of England’s resolution strategy for NatWest Group

4.1 Resolution strategy

The BoE has identified the single point of entry (‘SPE’) bail-in as the strategy for our resolution, if the BoE considered it necessary to place NatWest Group in resolution. Under this strategy, a bail-in would be conducted at the level of our ultimate parent, NWG plc. This means that:

- a) If one of our operating banks or other subsidiaries were to experience extreme stress or potential failure, mechanisms are in place that enable the losses incurred by these entities to be ‘up-streamed’⁷ and borne by NWG plc.
- b) If these losses were to exceed the ordinary ability of NWG plc to provide support to and absorb the losses of its subsidiaries, and cause the NWG plc to be under extreme stress or to potentially fail, the BoE (as the public authority responsible for any resolution of the UK’s banks) may ‘bail-in’ the shares and certain of the debt issued by NWG plc.

A bail-in imposes losses on the shareholders and certain creditors of NWG plc according to the order of their priority in the creditor hierarchy⁸. That means that losses should first be imposed on holders of ordinary shares and other equity instruments, generally by cancellation or significant dilution. Any remaining losses would be imposed on creditors of NWG plc in a process that would potentially involve capital instruments and other debt instruments issued by NWG plc being written down or written off. Creditors whose debt obligations were written down (and potentially creditors whose debt obligations were written off) would receive ordinary shares in NWG plc or ‘certificates of entitlement’ exchangeable for ordinary shares in NWG plc in due course⁹. The certificates of entitlement mechanism is untested in practice or in the courts in the UK.

Our non-UK entities may be subject to resolution or other processes in the jurisdictions where they are located. The BoE anticipates that there will be close cooperation between the BoE and overseas regulators to enable the effective management of the resolution process so that we would not expect any other entities in NatWest Group to be placed into separate insolvency, administration or resolution proceedings. On that basis, we expect that our operating subsidiaries are expected to continue to operate as normal through a resolution of NatWest Group, including both honouring all existing obligations and standing ready to engage in new transactions.

Further, under this strategy, there is no expectation that any of our businesses, assets or operating subsidiaries will be sold or transferred as part of the bail-in process. It is possible that certain of our businesses, assets or operating subsidiaries may be sold prior to resolution as part of the implementation of our recovery plans, or once NatWest Group has been stabilised through bail-in as part of any restructuring. In each of these cases, we plan to negotiate with key suppliers, financial counterparties and other stakeholders to ensure continuity or services and business as is required by or appropriate for the benefit of the acquirer. As described in the BoE’s Operational Guide to Executing a Bail-in, it is expected that a Bail-in Administrator (‘BIA’) would be appointed to be responsible for certain strategic decisions and to carry out certain senior roles within the firm during the bail-in period.

⁷ To support the passing of losses onto NWG plc, the operating companies within NatWest Group have issued eligible liability instruments to NWG plc (or to intermediate parent entities that have in turn issued eligible liability instruments to NWG plc) (referred to as internal MREL). In the event that an operating company incurs losses, such internal MREL may be written off or written down, thereby recapitalising the operating company and putting the losses on to the balance sheet of NWG plc.

⁸ The creditor hierarchy is described in the BoE’s approach to resolution: <https://www.bankofengland.co.uk/-/media/boe/files/news/2017/october/the-bank-of-england-approach-to-resolution.pdf>

⁹ The precise value of ordinary shares to be allocated to MREL holders may not be known for some time after a firm is placed into resolution. It is also recognised that some investors may be restricted from holding ordinary shares and may wish to trade out of the position before such shares are allocated. Accordingly, the BoE has developed an approach whereby so-called ‘certificates of entitlement’ might be issued in the first instance. This approach is further described in the BoE’s Operational Guide to Executing a Bail-in, available at: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/executing-bail-in-an-operational-guide-from-the-bank-of-england.pdf>.

4.2 Conducting a resolution

4.2.1 BoE approach to conducting a resolution

The BoE has explained how it might conduct a resolution in part 2 of its ‘Approach to resolution’ document¹⁰. To complement this, the BoE provides an illustration of how it anticipates a resolution may be conducted in Annex 1 of its ‘Approach to Assessing Resolvability’ statement of policy¹¹ through a stylised resolution timeline designed around the bail-in tool.

This stylised resolution timeline consists of three phases: (i) pre-resolution contingency planning, (ii) the ‘resolution weekend’ and (iii) the bail-in period. The BoE has stated that it will endeavour to ensure that the duration of each of these phases is sufficient to make resolution effective. However, the duration of each phase cannot be known in advance and will depend on the circumstances of the financial failure at hand.

This description of the resolution timeline focuses on the key actions and decisions that would need to be taken during the resolution process. It does not include every decision or action that may need to be taken. Throughout the process the BoE has stated that it would expect to engage with supervisors, advisers and other relevant authorities around these actions and decisions as appropriate.

When implementing a resolution, the BoE must pursue the statutory special resolution objectives¹² and is empowered to do so without the consent of shareholders, creditors or the senior management of the firm. The Special Resolution Regime is designed to ensure that action can be taken quickly and effectively to protect financial stability. Where the bail-in tool is used, the BoE has stated that its direct involvement as resolution authority will end following the return of a sufficient majority of the equity of the resolved firm to the new shareholders or after a set period has elapsed.

4.2.2 We have documented plans to support execution of resolution activities

We have developed documented plans to help us achieve resolvability outcomes through effective execution of resolution activities. These ‘resolution playbooks’ set out what needs to happen, when, how, and by whom, across the resolution timeline including preparatory activities that need to be undertaken should there be a heightened risk of us being placed into resolution.

Our resolution playbooks are practical handbooks that can be easily used to identify the activities needed to support resolution. This is facilitated by simple instructions, clear signposts to dependencies from or to other activities/playbooks and focuses on what needs to be done rather than why.

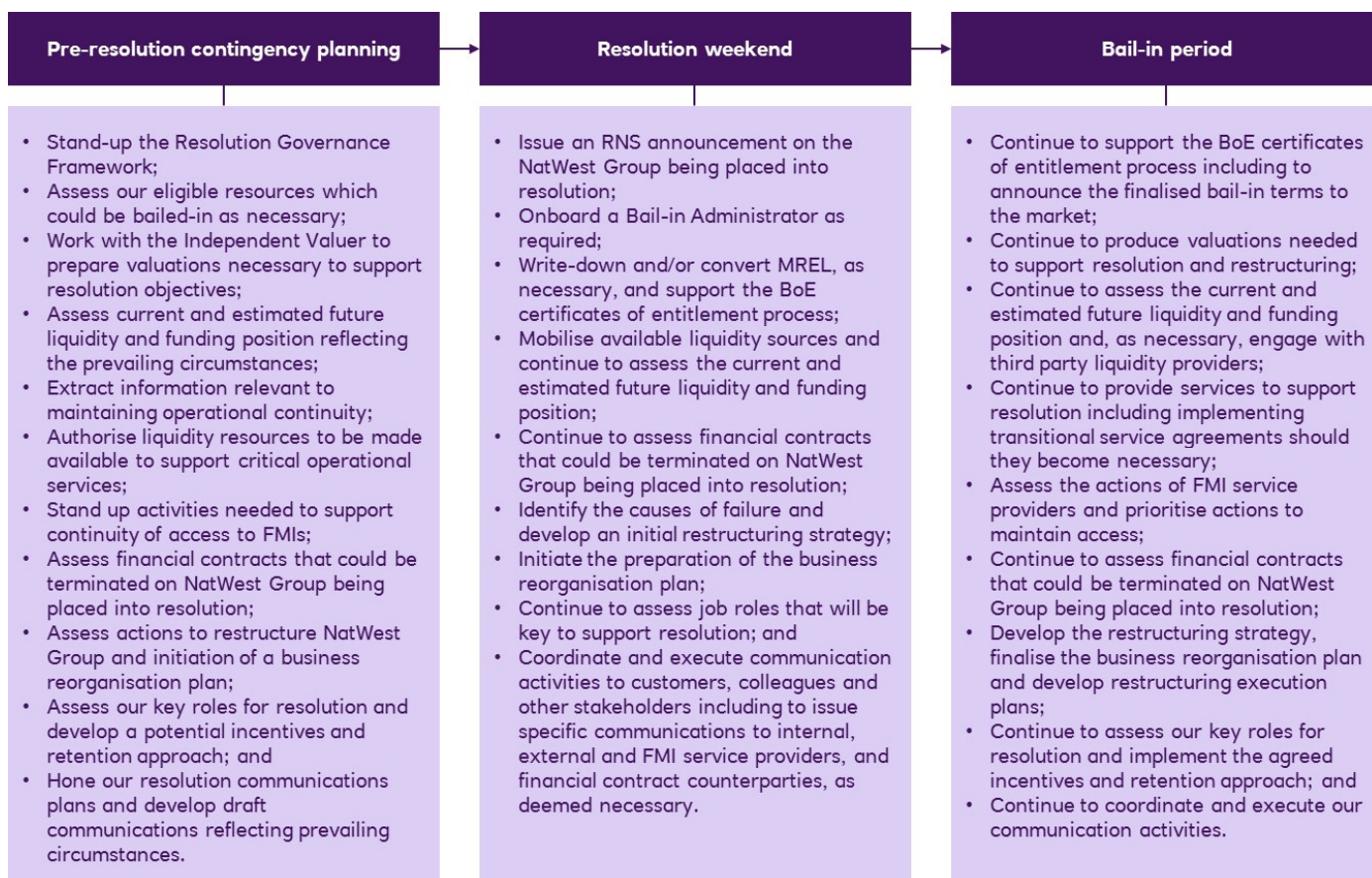
A key element of our resolution playbooks is the documentation of dependencies between activities across resolution playbooks. This is considered critical to managing the size and complexity of all the activities needed to support resolution. Each resolution playbook includes clear descriptions of handovers including responsibilities, timing and output requirements.

Our resolution playbooks describe the activities we plan to execute to support the BoE in conducting a resolution across the resolution timeline. These planned activities include:

¹⁰ The Bank of England’s approach to resolution, October 2017, available at: <https://www.bankofengland.co.uk/-/media/boe/files/news/2017/october/the-bank-of-england-approach-to-resolution>.

¹¹ The Bank of England’s Approach to Assessing Resolvability Statement of Policy, May 2021, is available at: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-englands-approach-to-assessing-resolvability-sop-may-2021.pdf?la=en&hash=5CFFB4F3A931C33E79FAC9C5DA4A7F6D5A1F7A14>.

¹² See section 4 of the Banking Act 2009.



We have developed capabilities, arrangements and resources that underpin these activities, and these are summarised in chapter 5.

4.3 Bail-in and our stakeholders

4.3.1 UK Government

The UK Government, through UK Government Investments, holds ordinary shares in NatWest Group; this shareholding stood at 48.21% as at 29 April 2022. As previously noted, the creditor hierarchy provides that in a bail-in resolution, ordinary shareholders would be the first to assume losses and thus public funds, through the UK Government shareholding in NatWest Group, may be subject to loss in resolution. This would be a consequence of a NatWest Group bail-in only whilst the UK Government retains its shareholding in NatWest Group.

In the 2021 HM Treasury budget, the UK Government stated that it intended to fully dispose of its NatWest shareholding, subject to market conditions and achieving value for money for taxpayers, and expected the programme of sale to be completed by 2025-26.

4.3.2 Other investors

A bail-in imposes losses on the holders of shares and debt issued by NWG plc according to the order of their priority, as described in section 4.1. Losses are imposed on ordinary shareholders and holders of other equity instruments through share dilution or cancellation. Losses are imposed on holders of debt instruments through write-down or write-off and, where applicable, these investors would receive new ordinary shares in NWG plc or 'certificates of entitlement' exchangeable for ordinary shares in NWG plc in due course.

4.3.3 Creditors

The SPE resolution strategy is designed to avoid any defaults by subsidiaries of NWG plc or any impairment of liabilities owed to other creditors. The resolution strategy is designed to ensure that such operating subsidiaries can continue to meet all of their other payment and performance obligations to all of their counterparties, vendors and

other creditors. Likewise, such parties generally are prevented from terminating their agreements as a result of the resolution proceedings for NWG plc.

Notwithstanding that, under bail-in, losses would first be imposed on ordinary shareholders and holders of other capital instruments and debt instruments issued by NWG plc according to the order of their priority in the creditor hierarchy, it is possible that a bail-in may additionally result in the write down or conversion of other, more senior-ranking liabilities of NatWest Group. In these circumstances, certain creditors would be protected by the express exclusions from bail-in provided for under section 48B of the Banking Act 2009 including:

- Customer deposits eligible for protection under the UK Financial Services Compensation Scheme up to £85,000;
- Liabilities to employees in relation to remuneration (other than certain types of variable remuneration);
- Liabilities owed to a pension scheme (other than certain types of variable remuneration);
- Liabilities by virtue of holding client assets;
- Liabilities, to the extent that they are secured; and
- Liabilities owed to creditors arising from the provision to the bank of goods or services (other than financial services) that are critical to the daily functioning of the bank's operations.

4.3.4 Depositors

Under a SPE resolution strategy, the aim is to ensure that depositors continue to have uninterrupted access to their deposits and related banking services throughout the entire resolution process.

Part of the resolution planning process involves assessing the likely sources and modelling the likely uses of liquidity in resolution, including that required to meet any potential withdrawals made by depositors as they arise. We have a variety of sources of liquidity available to us, including central bank facilities that may be made available by the BoE and other central banks and third-party facilities.

In resolution, the UK Financial Services Compensation Scheme will continue to operate, providing protection on deposit balances of up to £85,000.

As noted in section 5.2.2, we have capabilities and arrangements to manage our liquidity in resolution including that required to meet any deposit withdrawals should they occur.

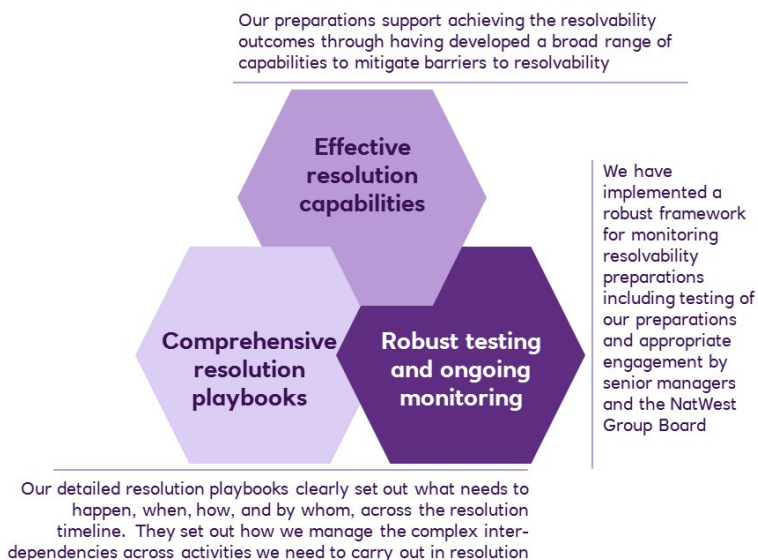
4.3.5 Supplier, vendors and service providers

The UK resolution framework recognises the critical importance of preserving relationships with key vendors and service providers, as referenced in section 4.3.3. Liabilities to key vendors and service providers are generally excluded from the scope of liabilities that could be affected by a bail-in. The majority of these relationships are entered into by our operating entities, as opposed to NWG plc, with the aim of the SPE resolution strategy being that such operating subsidiaries are able to continue to operate throughout the resolution period.

5 Achieving the resolvability outcomes

5.1 Our approach to resolution readiness

We take our responsibility to support the UK resolution framework seriously and have dedicated significant resources to being ready to facilitate resolution in the unlikely event this were to occur. Our approach combines capabilities that we believe are effective in supporting resolution, resolution playbooks that are our plans to execute our resolution preparations and ongoing testing and monitoring:



5.2 Our preparations to achieve the financial resources resolvability outcome

5.2.1 We meet the Bank of England's minimum standards for issuing MREL

The BoE has set a minimum standard for the amount, type and eligibility of instruments to be treated as MREL, described in their Statement of Policy 'The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities'¹³. This supports the objective of credibly and feasibly absorbing losses and recapitalising firms to a level that enables them to continue to comply with the conditions for regulatory authorisation and sustain market confidence.

As at 31 December 2021, we met these minimum standards. For more information about our external MREL issuance, please see our 2021 Pillar 3 Report¹⁴ and our 2021 Annual Report and Accounts¹⁵. We have arrangements to enable us to continue to meet these minimum standards:

- We develop MREL issuance plans, approved at NWG Board level, that guide us on what we need to issue; our knowledge and understanding of financial markets help us optimise the timing and pricing of such issuance. We monitor and assess our issuance levels against current and projected views of our business on a regular basis;
- We regularly assess our business on hypothetical future adverse conditions to determine the sufficiency of our capital and MREL issuance and develop contingency plans in the case that future conditions are different to our expectations;
- We utilise internal and external legal counsel to ensure that the terms and conditions of our externally issued MREL and internal MREL meet with the requisite regulatory requirements to be effective in resolution, including

¹³ See <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/mrel-statement-of-policy-december-2021-updating-2018.pdf?la=en&hash=513F77100E9424C7F4019928FEFA42AC2C025AA0>.

¹⁴ See pages 39 and 43 of the NatWest Group 2021 Pillar 3 Report, available at https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/results-center/18022022/nwg-pillar-3-supplement-2021.pdf and the Annex to the NatWest Group 2021 Pillar 3 Report available at https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/results-center/18022022/nwg-pillar-3-appendix-2021.pdf.

¹⁵ See pages 257 and 258 of the NatWest Group plc 2021 Annual Report and Accounts, available at https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/results-center/18022022/natwest-group-annual-report-accounts-2021.pdf.

Bank of England eligibility requirements and, where applicable, relevant regulatory requirements of overseas jurisdictions; and

- We monitor any historic instruments that do not meet the Bank of England's eligibility criteria and manage such liabilities appropriately.

We expect our MREL should be sufficient to support bail-in needs. If the amount of our MREL was in fact insufficient, the BoE could look to bail-in liabilities other than MREL, taking into account that certain liabilities are expressly excluded from bail in (see section 4.3.3). We have established a process for identifying liabilities that are eligible for bail-in under the Banking Act 2009 and would work with the BoE to support the bail-in mechanism.

5.2.2 We are able to monetise and mobilise liquidity in resolution

We have arrangements to enable us to estimate, anticipate and monitor potential liquidity needs and resources in the approach to and throughout resolution and mobilise those resources to support the continued payment of obligations as they fall due:

- We have access to assets that can be monetised in the approach to and during resolution. This includes:
 - A pool of managed high quality, liquid assets set aside to support us in times of significant stress, including resolution. This liquid asset buffer amounted to £208.6bn as at 31 December 2021¹⁶; and
 - We have access to central bank facilities, notably with the Bank of England, with whom we have pre-positioned a significant quantity of loans (£77.8bn liquidity value as at 31 December 2021)¹⁶, providing access to contingent liquidity if we were to experience significant stress or in resolution. To support this, we regularly monitor and assess our unencumbered collateral available to access secure funding or be placed with central banks.
- We leverage our existing, well-established liquidity reporting and management infrastructure to enable us to assess, monitor and report on our funding and liquidity position before and during resolution including for individual material operating entities; and
- We have capabilities to assess our funding and liquidity position based on estimated and hypothetical future conditions, allowing us to deal with changing circumstances in the approach to and during resolution. For resolution, these capabilities have been enhanced through the development of a new tool that provides for a quicker and more flexible approach to assessing the impact of various estimated and hypothetical future conditions on liquidity needs. This tool has been subject to extensive testing during its implementation to ensure it operated as expected.

We recognise that there is a possibility that, in resolution, actual cash flows may vary as compared to our estimates, for example through market behaviour differing to modelled assumptions. Our forecasting capabilities aim to minimise this risk, although, as with any forecasts, they are based on assumptions and judgements about things that are inherently uncertain and difficult to predict with certainty. We also recognise that there may be additional pressure in managing funding in resolution if circumstances were changing rapidly as a result of production and people constraints.

Moreover, in the event of resolution, losses incurred by our defined benefit pension schemes, or a material deterioration in either the perception of the sponsor's strength, or detriment arising from corporate activity in resolution, may lead to a requirement to provide additional funding to NatWest Group's pension arrangements. The main risk arises from the Main Section of the NatWest Group Pension Fund¹⁷. Our ongoing pension management arrangements are designed to mitigate this risk, including through adhering to NWG Board-approved risk appetite and continued de-risking of pension schemes.

Details of our funding and liquidity position as at 31 December 2021 can be found in our 2021 Annual Report¹⁸ and Accounts and Pillar 3 Report¹⁹.

¹⁶ See page 260 of the NatWest Group plc 2021 Annual Report and Accounts, available at

<https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/natwest-group-annual-report-accounts-2021.pdf>.

¹⁷ See page 278 of the NatWest Group plc 2021 Annual Report and Accounts for more detail on pension risk, available at

<https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/natwest-group-annual-report-accounts-2021.pdf>.

¹⁸ See pages 256, 260 and 261 of the NatWest Group plc 2021 Annual Report and Accounts, available at

<https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/natwest-group-annual-report-accounts-2021.pdf>.

¹⁹ See page 35 of the NatWest Group 2021 Pillar 3 Report, available at <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/nwg-pillar-3-supplement-2021.pdf>.

5.2.3 We can produce timely and robust valuations of our businesses, legal entities and portfolios to support resolution

We believe that our valuation capabilities would support an Independent Valuer to carry out sufficiently timely and robust valuations to support effective resolution including informing on the assessment of conditions for use of resolution tools, assessing the extent of losses that need to be addressed in resolution, informing restructuring plans through scenario analysis, informing the allocation of equity to bailed-in creditors and determining ‘no creditor worse off’ compensation.

We have a range of valuation models, that have been tested and validated by model specialists, that provide for the valuations needed to support resolution, providing sufficiently granular outputs to facilitate effective decision-making in resolution. We performed extensive testing on our valuations in resolution capabilities, including dry runs on individual valuation types and end-to-end time-simulated tests, incorporating valuation models and data capabilities. Testing results were reviewed by Risk and Internal Audit teams and presented to senior governance committees. These models continue to be subject to ongoing review through our standard model risk management framework.

All of our resolution valuation models allow for timely changes to inputs and assumptions to reflect specific circumstances, supporting the ability to run multiple scenarios across different valuation types. We have flexibility to produce valuations in shorter timeframes to support decision-making in the approach to and during resolution if warranted under the circumstances; however, this increased speed may reduce the robustness of valuation outputs as more reliance on assumptions and judgements is necessary.

The availability and reliability of data underpins modelling of valuations. We have a rigorous approach to managing data and transparency is facilitated through comprehensive documentation of data sources, flows and controls.

5.2.4 We have access to experienced legal counsel that can help to manage any resolution-related litigation

In addition to the barriers set out by the BoE in its RAF, we recognise that it is possible that proceedings could be brought during the resolution process with the objective of preventing or delaying the implementation of all or part of the resolvability outcomes including recapitalisation and restructuring.

It is possible that we may become involved in disputes and legal proceedings in connection with the pre-resolution, resolution, restructuring and recapitalisation of NatWest Group as is common when complex institutions are in distress. Various different stakeholders may seek to bring claims or challenge in court to stop or delay the resolution restructuring or recapitalisation or challenge its legitimacy or fairness. The likelihood of these proceedings occurring, and their outcome, cannot be predicted with any certainty. For example, there is a potential risk that holders of New York law governed MREL could challenge and attempt to frustrate the effective bail-in in New York courts.

We have well-established capabilities, policies and procedures in place to deal with litigious matters including a litigation and disputes team of lawyers well versed in complex litigation and disputes. This team manages litigation brought or threatened against any NatWest Group company anywhere in the world. The team also works with business units across NatWest Group to resolve legal disputes before they escalate into litigation and supports the NWG Board and Group Executive Committee to manage legal risk and respond appropriately to any regulatory action. In a resolution scenario, we foresee that we would supplement the then existing internal capabilities with external counsel, specialist restructuring advisers and other advisers and consultants as required.

5.3 Our preparations to achieve the continuity and restructuring resolvability outcome

5.3.1 We have arrangements to maintain operational services in resolution

Operational services are activities, functions or services performed for one or more businesses that support the banking services and functions we provide to our customers. Critical operational services are those operational services, the failure of which would lead to the collapse of or present a serious impediment to the performance of our critical banking services and functions²⁰. We have a range of measures that can support continued provision of

²⁰ ‘Critical banking services and functions’ is formally defined as critical functions under sections 3(1) and (2) of the Banking Act 2009.

our critical operational services in resolution, covering those provided within NatWest Group and those provided by external suppliers. These measures include:

- Third-party contracts supporting resolution critical services allow for continuity of service in resolution through the removal of explicit clauses that could result in termination and, in some cases, reference the powers set out under section 48Z of the Banking Act 2009. Our service contract templates have this as standard and, subject to legal, operational, business or similar constraints, these have been in use for new or amended contracts since June 2020;
- All of our operational services provided internally, from one NatWest Group legal entity to another, are subject to legally binding agreements that detail the services provided, based on standardised terms and conditions that do not allow for termination of the agreement purely on NatWest Group being placed into resolution;
- Our internal operational service contracts have been designed to facilitate timely transition to another provider, should this become necessary in resolution, supported by a comprehensive framework to identify costs associated with operational service provision;
- We have set aside liquid assets, segregated for the sole purpose of supporting our critical internal operational service providers in severe stress or resolution. The composition of these assets facilitates timely monetisation and can be readily accessed by our critical internal operational service providers if the need arises. The amount and quality of these liquid assets meet the minimum expectations set out under the PRA Supervisory Statement SS9/16 'Ensuring operational continuity in resolution'; and
- We leverage our existing operational contingency arrangements that are designed to ensure continuity of our businesses in the event of a partial or full loss of key business processes or supporting assets.

There are some inefficiencies in our existing implementation of OCiR that increase the challenge of achieving OCiR outcomes. These are reflected in our internal audit findings. During 2021, we delivered actions to improve processes, controls, reporting and governance which has resulted in greater transparency and effectiveness of our OCiR capabilities. The migration to new tooling in H1 2022 will further provide a strategic and flexible platform to manage the internal service catalogue and supporting processes. We have instituted a programme of enhancement to address these inefficiencies, described in chapter 7. The work of this programme aims to address both the remaining open internal audit findings and the specific areas identified by the BoE that require further enhancements in relation to OCiR to meet regulatory expectations.

5.3.2 We have arrangements to maintain access to Financial Market Infrastructures ('FMIs') that are critical to continuing our banking services in resolution

A number of our banking services rely upon continued access to services provided by FMIs in order to keep functioning in resolution. This includes services provided by payment systems, clearing houses, settlement systems and central counterparties. We have arrangements to support continued access to the services provided by FMIs in resolution that include:

- We monitor and assess the membership requirements needed to maintain our access to services provided by our critical FMIs including estimated collateral and liquidity requirements in resolution; this assessment can be performed across a range of assumed outcomes. This information forms part of the inputs into our funding in resolution capabilities, described in section 5.2.2;
- We regularly assess the FMIs that provide services to us in order to determine whether they are critical to the provision of our banking services and functions; we have mapped critical FMI services to our internal operational services to provide us with a reliable understanding of how changes to FMI services could impact the provision of critical banking services and functions;
- We have prepared specific communication plans to engage with our FMI service providers before and during resolution; these plans form part of the broader resolution communication preparation described in section 5.4.3; and
- We have prepared contingency plans across our critical FMI service providers that set out actions we can take in resolution to manage the relationship with these FMI service providers and to address changes in the level of service provision if this were to occur.

FMIs have access to a broad range of actions that they can continue to use during resolution. It is therefore possible for certain FMIs that are critical to supporting some of NatWest Group's core banking services to be able to suspend or withdraw access to their services, impacting the ability of NatWest Group to continue to provide those core banking services to customers during resolution.

5.3.3 We leverage statutory and contractual law to maintain financial contracts in resolution

The BoE has powers to suspend the right of counterparties to terminate financial contracts on the basis of a firm being placed into resolution, so long as the obligations under a financial contract continue to be settled as they fall due²¹.

The majority of our financial contracts are transacted under English or Scottish law by legal entities that are UK banks and fall under the scope of these BoE powers to suspend the right of counterparties to terminate financial contracts. For the small proportion of financial contracts that fall outside of these statutory powers, we have arrangements to manage and mitigate the risk that counterparties may terminate those contracts in the case that NatWest Group is placed into resolution, including:

- We have well-established legal processes to ensure the insertion of Stays clauses for financial contracts that fall under the scope of the Stay in Resolution part of the PRA Rulebook;
- We regularly monitor and assess the small proportion of financial contracts where we have assessed that counterparties retain the express right to terminate those contracts in the case that NatWest Group was placed into resolution;
- We also monitor those financial contracts where we have assessed that counterparties do not have an express right to terminate those contracts in the case that NatWest Group was placed into resolution but do not fall in scope of the BoE powers to suspend the right of counterparties to terminate financial contracts on the basis of a firm being placed into resolution
- We have prepared specific communication plans to engage with our financial contract counterparties in the approach to and during resolution; these plans form part of the broader resolution communication preparation described in section 5.4.3; and
- Our funding in resolution preparations, described in section 5.2.2, support our continued settlement of obligations as they fall due, including those under our financial contracts.

5.3.4 We have arrangements to support reorganisation of NatWest Group in resolution

In order to address the causes of a bank failure and restore its long-term viability, it may be necessary for some of our businesses to be restructured. The BoE expects that firms should be able to plan and execute restructuring effectively and on a timely basis in the event of resolution to be supported by a business reorganisation plan.

We have a framework for identifying, evaluating and documenting potential options for restructuring businesses that is an extension of the existing, established recovery option assessment process and involves collaboration from across NatWest Group including from members of the Group Executive Committee. We regularly review our recovery and restructuring options and assess their credibility, completeness and the potential financial impact, benchmarked against defined criteria linked to recovery and restructuring regulatory requirements. We also consider the operational capability needed to execute those actions and, where necessary, document execution plans.

As described in section 3.1, we have taken actions that have resulted in a smaller, simpler balance sheet which lowers the risk of further business failure. This means that we have a narrower range of options to restructure than would have been previously available which may impact the flexibility in developing a restructuring strategy. We also recognise that there is inherent risk that actual outcomes from realising restructuring options may vary from estimates. Our valuation and forecasting capabilities aim to minimise this risk.

We have a clear approach to creating a business reorganisation plan and for evaluating restructuring strategies that are supported by documented plans. We leverage our expertise in resolution valuations, liquidity analysis and capital forecasting to assess the potential financial impact of management actions and utilise our operational continuity in resolution capability to inform on execution.

²¹ These powers are set out under sections 48Z and 70C of the Banking Act 2009. For contracts governed under laws other than those of any part of the United Kingdom, under the Stay in Resolution part of the PRA Rulebook, clauses may be required to be included in our financial contracts that enable the powers set out under sections 48Z and 70C of the Banking Act 2009 to apply to those contracts. Certain financial contracts are excluded from the scope of the powers set out under sections 48Z and 70C of the Banking Act 2009 and the requirement to insert legal clauses under the Stay in Resolution part of the PRA Rulebook ('Stays clauses').

5.4 Our preparations to achieve the coordination and communication resolvability outcome

5.4.1 We have created a dedicated governance approach to provide oversight and decision-making in resolution

Effective governance provides the oversight and decision-making necessary to support resolution. In resolution, we have plans to leverage our existing, well-established Corporate Governance and Incident Management frameworks that have demonstrated their effectiveness at managing NatWest Group during major incidents or times of stress.

We also plan to deploy a resolution-specific framework to operate in conjunction with the existing frameworks; we have plans to use the resolution-specific framework to manage the execution of resolution playbooks and associated resolution specific activities. There are defined escalation points from the resolution-specific framework into both the incident management and corporate governance frameworks intended to provide effective integration into broader NatWest Group governance.

We believe our governance forums are sufficiently flexible to adapt to the changing circumstances that may occur during resolution including, if necessary, the accommodation of a Bail-in Administrator, if appointed by the Bank of England.

5.4.2 We have identified, and regularly monitor, roles that are key to resolution and have arrangements to maintain these roles in resolution

The ability to support resolution relies upon certain job roles within NatWest Group being maintained in resolution. We have arrangements to support continuation of these key job roles in resolution including through:

- Regularly identifying which job roles would be key in resolution with timely reporting of such roles through our business-as-usual human resources system;
- Retention of staff is achieved through employment contracts that cannot be terminated purely as a result of NatWest Group entering into resolution in conjunction with mechanisms to incentivise and retain colleagues performing key job roles in resolution, utilising our existing flexible incentivisation framework, the application of which could be tailored to the specific circumstances; and
- A clear approach to managing succession in the case that a key job role became vacant.

5.4.3 We have prepared resolution-specific communication plans to engage with our stakeholders across resolution

Timely and effective engagement with NatWest Group's stakeholders is an essential element of resolution. We have plans to utilise our existing, well-established communication and disclosure arrangements to support the communication with our stakeholders before and during resolution.

We have prepared a resolution-specific communication plan to form the basis of our resolution communications. This plan would be used to develop and tailor a communication strategy and narrative relevant to the specific circumstances of a resolution event.

We have also prepared specific resolution communication plans for certain of our key stakeholders to support resolvability readiness addressing operational continuity, access to FMIs and continuity of financial contracts.

Notwithstanding these preparations, we recognise that it is possible, in the approach to and during resolution, for customer and other stakeholder behaviour to be affected by the opinions, commentary or other narrative of parties other than NatWest Group, which could adversely impact the ability to achieve resolvability outcomes.

6 NatWest Group's resolution accountability and assurance

6.1 Our approach to ownership and accountability of resolvability readiness

We understand the importance of our preparations to achieve the resolvability outcomes and support the BoE in the resolution of NatWest Group in the unlikely event that this should occur. In recognition of this, we have developed a clear ownership and accountability framework for resolvability preparations, underpinned by ongoing engagement by NatWest Group's Board of Directors and senior managers.

The NatWest Group Chief Financial Officer has overall responsibility for our resolvability preparations and resolution assessment. A number of senior managers across NatWest Group have formal accountability for aspects of NatWest Group's resolvability preparations.

NatWest Group's Board of Directors has oversight and responsibility for our self-assessment of resolvability preparations, formally reflected in its terms of reference.

In addition to the day-to-day responsibility for maintaining our resolvability preparations, which are embedded into business-as-usual roles, we have documented clear roles and responsibilities for activities needed to support resolution should this eventuality occur. This includes clear ownership for implementing our resolution playbooks.

6.2 Our operating model for monitoring resolvability preparations are embedded into business-as-usual processes

Our approach to ongoing monitoring and managing resolvability preparations recognises that we are responsible for our resolvability and that adequate resources and time are required to maintain and improve its preparations to be resolvable. Our operating model to monitor resolvability preparations consists of three broad components:

- Appropriate engagement by the NWG Board and senior managers (described in section 6.1);
- A dedicated team that provides for central coordination of resolvability monitoring activities, reporting of management information to senior managers and continuous improvements to resolution preparations; and
- Embedding of activities to monitor resolvability preparations within the business-as-usual teams in businesses, functions and services that are responsible for those preparations.

Ongoing activities to monitor resolvability preparations includes a formal programme of testing and assurance to assess whether our resolvability preparations operate as we expect. The results of testing and assurance provide information that help us to continually improve our resolution preparations.

6.2.1 We test our resolvability preparations

Our testing framework provides the basis for assessing whether resolvability preparations operate as expected and identify opportunities to enhance these preparations. Our testing demonstrates whether:

- Individual resolvability capabilities, systems and processes operate as expected;
- Resolution playbooks are fit for purpose including that intra-barrier dependencies are identified, appropriately captured and execute as expected;
- Specific aspects of our resolvability preparations operate as expected; and
- Our preparations continue to operate as expected following substantive systems or process enhancement.

Testing is carried out both on a regular, scheduled basis and on an ad hoc basis should the need arise, for example as a result of organisational, regulatory or market change impacting our resolvability preparations. We also conduct thematic-based testing that may cover multiple elements of our preparations.

In addition to providing assurance on our resolvability preparations, we use the results from testing to help us identify potential areas of remediation and improvement. Decisions on actions resulting from testing are made by appropriately senior, formally empowered and qualified stakeholders through the resolution planning governance framework, described in section 6.2.2.

6.2.2 We have resolution planning specific governance arrangements

The NatWest Group Treasurer has been delegated responsibility for resolution planning. To support this, we have governance forums dedicated to providing oversight and decision-making on resolvability preparations. Responsibilities include consideration and direction on the testing of resolvability preparations, consideration of internal and external changes impacting resolvability preparations and consideration of the schedule of activities covering the maintaining, testing and delivery of resolvability preparation-related matters.

6.2.3 Our resolvability preparations are independently considered

Within NatWest Group, Risk and Internal Audit provide independent assurance on our resolvability capabilities, key risks, controls, regulatory compliance and governance. This includes providing opinions on NatWest Group's self-assessment of its resolvability preparations. Risk and Internal Audit participate in senior governance forums to monitor progress of key RSA activities.

6.3 We have conducted assurance on our resolvability preparations

As part of our 2021 self-assessment of our resolvability preparations, a range of internal assurance activities have been undertaken to demonstrate that our capabilities operated as expected, including:

- Testing of our resolvability capabilities and associated systems and processes, including testing the implementation of new and enhanced capabilities;
- Testing of our resolution playbooks and the inter-dependencies of activities described in the playbooks;
- NatWest Group Board of Director review of the assessment, including of the testing and other assurance activities, supported by review by other senior governance forums, senior managers and a range of subject matter experts; and
- Provision of a formal opinion by Risk and Internal Audit on the self-assessment to the Group Board Risk Committee.

We have continued to conduct assurance activities, in line with the arrangements described in this chapter.

7 Enhancing our resolution preparations

Whilst we consider that we have taken appropriate steps to prepare for the possibility of resolution, and have endeavoured to meet the expectations of BoE for the first cycle of resolvability assessments, we continue to work on strengthening our preparations.

We also acknowledge the areas of enhancement that the BoE has identified, where we have not fully met regulatory expectations on our OCiR preparations, regarding some aspects of record keeping for critical services and contracts, and on our Funding in Resolution (FiR) preparations, regarding the assurance of newly developed capabilities and we continue to engage with the BoE on these points. We further note that the BoE has not identified any material issues regarding our ability to achieve the coordination and communication resolvability outcome.

We continue to assess the potential for enhancements across all of our resolution preparations, as described in section 6.2. This chapter highlights some of the areas where we are strengthening our preparations.

7.1 We are strengthening record keeping to better support operational continuity in resolution

On 1 January 2023, new requirements and expectations set by the PRA on operational continuity in resolution will come into force. We have a dedicated programme of work in place, underpinned by robust programme management and governance protocols, to enhance our operational continuity in resolution capabilities to meet those new requirements and expectations to be delivered by the end of 2022.

Included in the OCiR programme of work are enhancements to improve the efficiency of a number of our preparations to support operational continuity in resolution. These enhancements aim to address the internal audit findings, as described in section 5.3.1, as well as the areas of further enhancement identified by the BoE. In particular:

- During 2021 and Q1 2022, actions have been taken that have enhanced the robustness and accuracy of record keeping with regards to documenting our resolution critical services. The focus of enhancements under the OCiR programme for the remainder of 2022 is on streamlining the mapping between operational assets and resolution critical services with the aim of improving the efficiency and accuracy of the process. We plan to implement an improved technical solution and associated operating model along with the completion of the mapping process by the end of 2022;
- We have incomplete information on the status of termination rights in some of the contracts that do not support resolution critical services, and have a small number of contracts that need the termination rights updating. As a result, we are conducting a more detailed review of our material third-party contracts, to ensure accurate recording of the status of the termination rights relating to NatWest Group entering into resolution, which we expect to complete in Q3 2022. Moreover, over the same period, we expect to operationalise a more robust end-to-end process to better maintain record keeping on an ongoing basis;
- We are seeking to improve the OCiR framework so that there is a more cohesive approach to assurance and compliance monitoring across the different business and service hubs, where there has been no formalised process for business and service hub testing, by migrating the monitoring of controls and their testing to a newly implemented solution. The improved management information will enable oversight of whether OCiR objectives and associated requirements are met on an ongoing basis. We expect to complete this work by the end of 2022.

7.2 New FiR capabilities continue to be subject to appropriate assurance

In 2021, we added new functionality to our business-as-usual liquidity stress testing framework that enhances the efficiency with which we can support funding in resolution. In line with established NatWest Group protocols, comprehensive testing was conducted at all stages of development, with testing determining that this new functionality operated as expected.

In line with the operating model for monitoring resolvability preparations described in section 6.2, this new functionality is subject to regular testing to check that it continues to operate as expected. Moreover, further assurance is being gained through successfully using the new functionality as part of the business-as-usual liquidity management framework, which includes review and challenge by senior management.

8 Glossary of terms

Term	Definition
Bail-in	Bail-in is one of the stabilisation tools used in resolution. It imposes losses on shareholders and certain unsecured creditors (through the write-down or conversion into equity of the claims of those creditors)
Bail-in administrator ('BIA')	A person or persons appointed by the Bank of England to assist in overseeing the firm in resolution, acting under the Bank of England's direction and may include overseeing the management of the business of the firm and supporting the preparation of a business restructuring plan
Banking Act 2009	The Banking Act 2009 is an Act of the Parliament of the United Kingdom that establishes a permanent statutory regime for dealing with failing banks, providing authorities with tools to deal with banks that get into financial difficulties
Banking services	Services offered by the NatWest Group to its customers including the provision of retail and commercial current accounts, provision of credit cards and loans and provision of interest rate derivative products
Critical banking service	Activities, services or operations (wherever carried out), the discontinuance of which is likely to lead to a disruption of services that are essential to the United Kingdom or to disrupt financial stability
Critical FMI	Critical FMIs are FMIs, the discontinuation of which could lead to the collapse or serious impediment to the performance of one or more of our critical banking services
Financial Markets Infrastructures ('FMIs')	Financial markets infrastructures allow the clearing, settlement and recording of financial transactions
Financial Services Compensation Scheme ('FSCS')	The United Kingdom Financial Services Compensation Scheme is the statutory deposit insurance and investors compensation scheme for customers of authorised financial services firms
Liquid asset buffer ('LAB')	A stock of high-quality liquid assets that can be used settle obligations as they fall due set aside to be used to raise liquidity in short timeframes when normal funding sources are no longer available
Minimum Requirement for Own Funds and Eligible Liabilities ('MREL')	The Minimum Requirement for Own Funds and Eligible Liabilities is a minimum requirement, set by the Bank of England, with the goal that individual institutions and groups can be resolved consistently with the resolution objectives under a preferred resolution strategy
Operational service	Activities, functions or services provided for one or more business units of a Group entity or for the entity and another member of NatWest Group, whether by the entity itself, any other member of NatWest Group or a person outside NatWest Group
Operating entity	A legal entity of NatWest Group that provides banking services
Resolution	Resolution is a way to manage the failure of a bank in an orderly way, maintaining its critical functions, and aims to minimise the impact on depositors, the financial system and public finances
Resolution Assessment Framework ('RAF')	A framework that sets out how the Bank of England assesses firms' resolvability, set out in its statement of policy found here: https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-englands-approach-to-assessing-resolvability-sop-may-2021.pdf?la=en&hash=5CFFB4F3A931C33E79FAC9C5DA4A7F6D5A1F7A14
Resolvability outcomes	Outcomes that a bank must achieve to be considered resolvable by the BoE. There are three resolvability outcomes: financial resources; continuity and

Term	Definition
	restructuring; and coordination and communication, defined under its Resolvability Assessment Framework.
Resolvability self-assessment ('RSA')	A biennial exercise, required to be conducted by certain banks under the PRA rulebook, to assess how preparations for resolution would enable the resolvability outcomes to be achieved
Single point of entry ('SPE')	Single point of entry is where the bail-in tool is used on a single entity within a group (as opposed to across multiple entities within a group). This is the entity that has issued shares and loss-absorbing debt instruments externally to the market. The single point of entry for NatWest Group is NWG plc
Stabilisation options	Actions that can be taken by the Bank of England, as specified in the Banking Act 2009, to resolve a bank

Important notes

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NatWest Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NatWest Group plc in respect of, but not limited to: the operation of the UK resolution framework, the expectation of close cooperation between the Bank of England and overseas regulators in resolution, the expectation that NatWest Group operating subsidiaries continue to operate as normal through a resolution of NatWest Group, the possibility that some of NatWest's businesses may require restructuring, the timing and value of net liquidity inflows, the amount and timing of executing and realising benefits from restructuring options, the ability to managing funding in resolution in rapidly changing circumstances, the ability to support an Independent Valuer to support effective resolution, the expectation that MREL is sufficient to support bail-in needs, the ability to provide additional funding to the pension scheme during resolution, actions available to Financial Markets Infrastructure during resolution, opinions, commentary or other narrative of parties other than NatWest Group, the potential for various stakeholders to bring claims or challenge resolution, restructuring or recapitalisation in court, and the delivery of enhancements to resolution preparations, including the delivery of enhancements to operational continuity in resolution capabilities by the end of 2022. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to: the availability of financial resources to address resolution, the provision of operational services, including from financial markets infrastructures, the capacity to coordinate resolution in an orderly manner, the availability of actions to restructure NatWest Group, the implementation of resolution actions and stabilisation tools by the Bank of England and overseas regulators, the availability of external counsel, specialist restructuring advisers and other advisers and consultants through resolution, the actions and behaviours of stakeholders and other third parties, and delivery risks associated with enhancements to resolution preparations.

The above risks and uncertainties should be read together with the risks and uncertainties discussed in NatWest Group plc's UK 2021 Annual Report and Accounts and NatWest Group plc's filings with the US Securities and Exchange Commission, including, but not limited to, NatWest Group plc's most recent Annual Report on Form 20-F and Reports on Form 6-K. The forward-looking statements contained in this document speak only as of the date of this document and NatWest Group plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.