



NatWest
Group

Our readiness for resolution NatWest Group

2024

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At NatWest Group, our priority is to deliver more value for our customers and shareholders by being a **simple, safe and smart bank.**

2023 was a challenging year for some of our customers, with inflation remaining high and a series of successive interest rate rises. This environment had implications for the stability of a number of banks in Europe and in the United States and demonstrated the importance of having a credible resolution regime and authorities' readiness and willingness to act quickly to apply their legal powers.

It was reassuring to see little evidence of significant contagion into the UK financial system. NatWest Group has significantly simplified its business and organisation over the past decade and a half and built a robust balance sheet with strong capital and liquidity, a largely secured retail loan book and well-diversified commercial lending. But authorities and banks like us have learned much from recent bank failures, like the need for flexible resolution capabilities that can be deployed quickly, and we continue to enhance our planning.

Our resolution planning capabilities play a key role in how we make NatWest Group more secure for its customers and other stakeholders. Our Board believes NatWest Group has in place the capabilities needed to meet the Bank of England's resolvability outcomes and to support them in implementing their resolution strategy for the Group if the worst were to happen. Through ongoing maintenance, testing and enhancement of our capabilities, we strive to ensure that our preparations remain up-to-date, flexible and operationally ready to be put to use rapidly should the need ever arise.

This report is a summary of our second resolvability self-assessment and provides an overview of how our Board believes preparations achieve the Bank of England's resolvability outcomes, some of the enhancements we have made since our last self-assessment, and the testing we have carried out to make those preparations operationally ready. This report is published alongside the Bank of England's public statement on its assessment of NatWest Group, which we are pleased to note identifies no material issues with our ability to achieve the three resolvability outcomes and confirms that the enhancements we have made have addressed the two areas for enhancement identified during the 2022 assessment.

Katie Murray
Group Chief Financial Officer

1 Introduction

This report summarises NatWest Group's (collectively, 'NWG', 'we', 'us' and '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. The Bank of England ('BoE') has also assessed that NatWest Group has no material issues to achieving the resolvability outcomes.

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 assess our preparations for resolution and publish a summary every two years. This report summarises our most recent assessment and should be read in conjunction with the NatWest Group 2023 Annual Report and Accounts¹ to fully understand the circumstances in which we operate and the Group's associated risks.

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, it 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 this report, we provide an overview of the UK's resolution framework, the powers the BoE could use to resolve a bank or banking group like ours and the preparations we have in place to support the BoE in doing this. The BoE has identified a single point of entry ('SPE') bail-in as the preferred resolution strategy for NatWest Group, and in this report, 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 section 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.

Since the 2008/9 financial crisis, we have invested significant time and resources in seeking to ensure that our structure, internal and external funding, counterparty arrangements, and relationship with third-party vendors and service providers are reasonable in the context of our business model 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.

As part of our day-to-day operating model, we continue to invest in and monitor our resolution planning capabilities, management information systems and related governance structures. NatWest Group's Chief Financial Officer and the NatWest Group Board oversee all of the Group's resolution preparations, as described in section 6 of this report.

The BoE has published its public statement concerning the resolvability of firms within the scope of the Resolution Assessment Part² of the PRA Rulebook, including for NatWest Group. The BoE has assessed that there are no material issues associated with our ability to achieve resolvability outcomes. We look forward to continuing to work 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/16022024/nwg-annual-report-and-accounts-2023.pdf

² Available at: <https://www.bankofengland.co.uk/financial-stability/resolution/resolvability-assessment-framework>

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, large, systemically important financial institutions, including domestic systemically important institutions such as NatWest Group, are required to improve their recovery plans for restoring their capital, liquidity and balance sheet positions during times of severe stress. In addition to these recovery plans, institutions are required to have capabilities to support their resolution in the event that recovery plans are unsuccessful, and the institution fails.

Resolution is the process by which the BoE would manage the orderly failure of an institution and minimise the impact on depositors, the financial system and public finances.

As the UK's resolution authority, the BoE describes 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 finances³.

The high-profile bank failures in 2023 highlighted the importance of institutions and authorities having plans in place to act quickly to manage the failure and minimise the impact on customers and the wider financial system.

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;
- The sale of all or part of the entity to a private sector purchaser, an asset management vehicle or a publicly owned "bridge company"; and
- As a last resort, temporary public ownership of the entity or the banking 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 resolution⁴.

2.3 A commitment to resolvability

Since the 2008/09 financial crisis the BoE has developed its Resolvability Assessment Framework ('RAF') which lays out its views on what it means for a bank to be resolvable and identifies potential barriers to the resolution of banks. The RAF includes policy expectations aimed at removing these barriers, or substantially mitigating them. The BoE's RAF came into force in 2022 and the preparations NWG put in place to remove and mitigate the barriers to resolution are now embedded in our day-to-day operating model and are regularly reviewed and tested to make sure that they remain fit for purpose and continue to address all regulatory requirements.

For a bank to be considered resolvable by the BoE, it must be able to achieve the three resolvability outcomes which the BoE have identified and have capabilities in place to address the potential barriers to achieving these. In particular, the BoE has identified eight key factors that should be considered as part of the resolution planning process. See the table below for more information on these.

³ Bank of England (2018) 'Introduction to the Resolvability Assessment Framework', page 2.

⁴ Available at: <https://www.bankofengland.co.uk/financial-stability/resolution>

Resolvability Outcome	Key Factors to be Considered
1. Adequate financial resources: Ensure that the firm has the resolution-ready financial resources to absorb losses and recapitalise without exposing public funds to loss. This includes resources to meet its financial obligations in resolution. This is necessary to allow authorities to keep the firm operating.	
Minimum Requirement for Own Funds and Eligible Liabilities ('MREL')	A firm should maintain sufficient financial resources that can credibly and feasibly be used to absorb losses and recapitalise them to a level that enables them to continue to comply with the conditions for regulatory authorisation and sustain market confidence.
Valuations in Resolution ('ViR')	A firm's valuation capabilities should enable a valuer to carry out sufficiently timely and robust valuations to support effective resolution.
Funding in Resolution ('FiR')	A firm should be able to estimate, anticipate, and monitor its potential liquidity resources and needs and mobilise liquidity resources in the approach to and throughout resolution.
2. Continuity and Restructuring: Ensure that the firm's activities can continue while the authorities take charge and begin to restructure the firm in such a way that the business can be reshaped, including any parts of it being sold or wound down (as appropriate).	
Continuity of Financial Contracts ('CoFC')	A firm should suitably address the risk of early termination of financial contracts upon entry into resolution, to limit any impact on its stability and the wider financial system that may otherwise occur as a result of resolution.
Operational Continuity in Resolution ('OCiR')	A firm's operational continuity arrangements should ensure continuity at the point of entry into resolution and permit any post-stabilisation restructuring, to ensure the continuity of banking services and critical functions.
Financial Markets Infrastructure ('FMIs')	A firm in resolution must ensure continued access to FMIs, such as payment, settlement and clearing systems, for as long as it meets its obligations to the FMI.
Restructuring	A firm should be able to plan and execute restructuring effectively and on a timely basis in the event of resolution, taking into account the objectives applicable to that firm's preferred resolution strategy.
3. Co-ordination and Communication: Be able to co-ordinate and communicate effectively within the firm and with the authorities and markets so that resolution and subsequent restructuring are orderly.	
Management, Governance and Communications in Resolution ('MGC')	A firm in resolution should ensure that their key roles are suitably staffed and incentivised, that their governance arrangements provide effective oversight and timely decision-making, and that they deliver timely and effective communications to staff, authorities and other external stakeholders.

2.4 The Resolvability Assessment Framework and this report

As part of the BoE's RAF, institutions must demonstrate that they have adequate preparations in place to be resolvable and have identified potential risks or impediments to their resolvability. This is done through a self-assessment carried out by each institution every two years which includes a detailed assessment of the institutions' resolution capabilities and preparations, to identify any potential impediments to resolvability. A report on this self-assessment is submitted to the PRA and used by the PRA and the BoE to support their ongoing assessment of whether firms in the UK are prepared for resolution. In 2022, the BoE and all UK in-scope entities completed this assessment for the first time.

Our most recent self-assessment considered the ongoing effectiveness of our resolvability preparations and operating model, now fully embedded into business-as-usual processes. Our self-assessment reflects on findings from the testing and assurance of these preparations.

The self-assessment was conducted by subject matter experts and resolution experts across the Group, co-ordinated and challenged centrally, with an independent assurance opinion provided to the Group's Board by Risk and Internal Audit. Our Board believes that the Group has capabilities in place that enable us to meet the BoE's resolution outcomes.

This report is a summary of NatWest Group's most recent resolvability self-assessment to provide our shareholders, investors and customers an overview of our readiness for resolution.

3 NatWest Group Structure

3.1 Our view of NatWest Group

NWG believes its leading positions across our three customer businesses, and 19 million customer base, provide strong foundations on which to create further long-term value for shareholders. At NWG we want to make it easier for customers to do business with us and are investing in technology and partnerships to be a simple, safe, and smart bank. We focus on delivering long-term value for our shareholders by putting our customers at the heart of our strategy and deepening our relationships with them to better meet their needs.

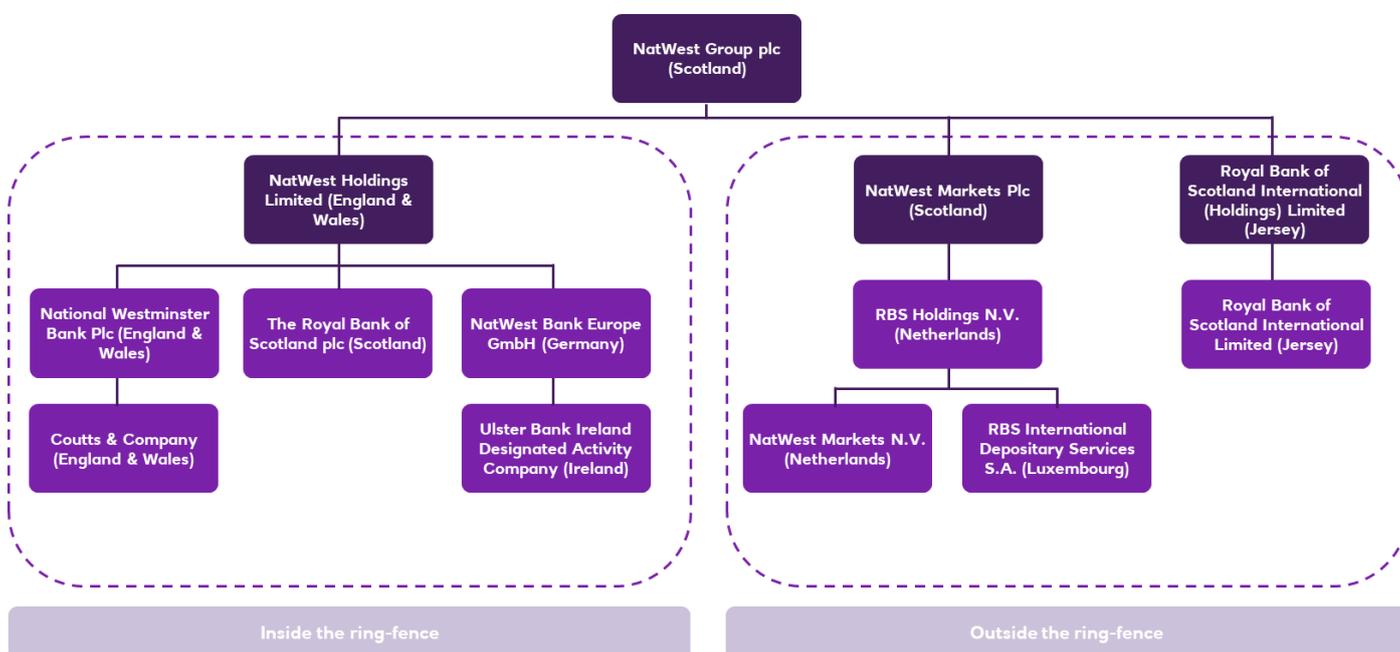
We serve our customers through a number of legal entities, businesses and brands, details of which are set out in the NatWest Group 2023 Annual Report and Accounts⁵. We operate in a number of jurisdictions, the key geographies⁶ being principally the UK but also India, Republic of Ireland, United States of America, Jersey, the Netherlands, Poland, Germany, Switzerland and Singapore.

Significant simplification, reorganisation and rationalisation of our structure, business and legal entities has taken place over a number of years to make our business safer and stronger, which also makes our resolution more straightforward than it would have been in the past.

3.2 Our legal entities

NatWest Group plc ('NWG plc') is NatWest Group's ultimate 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 section 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.



⁵ Available at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/16022024/nwg-annual-report-and-accounts-2023.pdf>

⁶ A key geography is a jurisdiction that represent 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. A 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).

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.

NatWest Bank Europe GmbH (Germany)

NatWest Bank Europe GmbH is 100% owned within NatWest Group and is incorporated in Germany. It is part of the ring-fenced bank sub-group. It serves sponsors and sponsor-owned corporates established in the European Economic Area ('EEA') and Switzerland, as well as the subsidiaries of UK corporates in these regions.

Ulster Bank Ireland Designated Activity Company ('UBIDAC')

UBIDAC is 100% owned subsidiary of NatWest Bank Europe GmbH and is incorporated in the Republic of Ireland. It is part of the ring-fenced bank sub-group. It was 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 the bank is now at an advanced stage of its withdrawal from the market.

NatWest Markets Plc ('NWM Plc')

NWM Plc is 100% owned by NWG plc and is incorporated in Scotland. It is a non-ring-fenced bank. 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 in 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. It is outside the ring-fenced bank sub-group. This entity services NatWest Group's corporate and financial institutional customers within the European market.

RBS International Depository Services S.A. ('RBSI DS')

RBSI DS is 100% owned within NatWest Group and is incorporated in Luxembourg. It is outside the ring-fenced bank sub-group. This entity provides depository services to alternative investment funds in Luxembourg and 'depository lite' services to non-EU funds.

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 sub-group. 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, the group has three intermediate holding companies which are 100% owned. These are NatWest Holdings Ltd, RBS Holdings N.V., and Royal Bank of Scotland International (Holdings) Limited.

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 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 impose losses on shareholders and "bail-in" certain debt instruments 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 of 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.

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

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 operational guide to executing a bail-in:

<https://www.bankofengland.co.uk/paper/2021/executing-bail-in-an-operational-guide-from-the-boe>

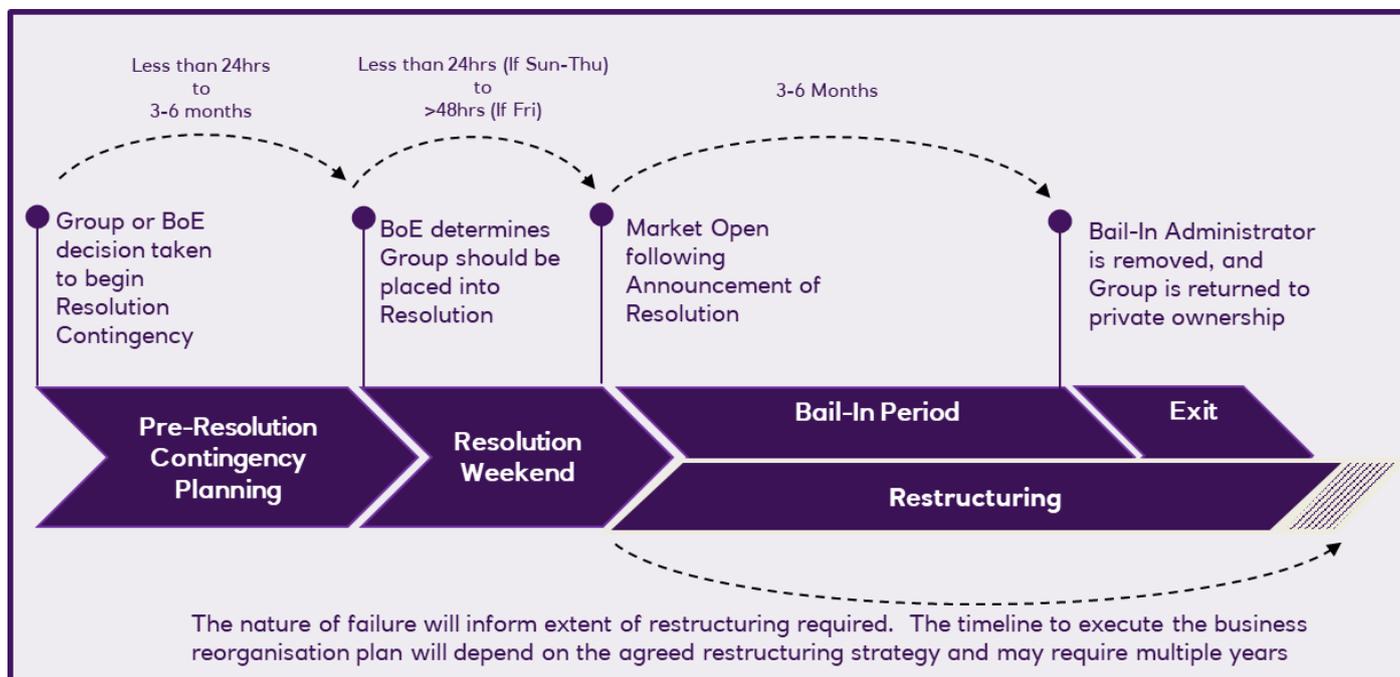
⁹ The precise value of ordinary shares to be allocated to MREL holders may not be known for some time after a firm is placed into resolution. It is also recognised that some investors may be restricted from holding ordinary shares and may wish to trade out of the position before such shares are allocated. 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/paper/2021/executing-bail-in-an-operational-guide-from-the-boe>

¹⁰ The Bank of England's approach to resolution, December 2023, available at: <https://www.bankofengland.co.uk/Paper/2023/the-bank-of-englands-approach-to-resolution>

its ‘Approach to Assessing Resolvability’ statement of policy¹¹ through a stylised resolution timeline designed around the bail-in tool.

This stylised resolution timeline, a simplified version of which is set out below, consists of three phases: (i) pre-resolution contingency planning, (ii) the ‘resolution weekend’ and (iii) the bail-in period, followed by the exit from resolution and the return of the Group to private ownership.



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 documented plans, which are reviewed, updated and tested regularly, 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 are intended to 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

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>

¹² See section 4 of the Banking Act 2009.

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:

The Bank of England's stylised resolution timeline

	Pre-resolution Contingency Planning	Resolution "Weekend"	Bail-in Period
MREL	<ul style="list-style-type: none"> Assess current eligible resources which could be bailed-in as necessary 	<ul style="list-style-type: none"> Write-down and/or convert MREL and support the BoE Certificates of Entitlement process 	<ul style="list-style-type: none"> Continue to support the BoE Certificates of Entitlement process including announcement of bail-in terms to the market
Valuations in Resolution	<ul style="list-style-type: none"> Support an Independent Valuer and initiate valuations 	N/A	<ul style="list-style-type: none"> Continue to produce valuations required to support resolution and restructuring
Funding in Resolution	<ul style="list-style-type: none"> Assess current and projected liquidity and funding requirements 	<ul style="list-style-type: none"> Mobilise available liquidity sources and continue to assess current and projected liquidity and funding requirements 	<ul style="list-style-type: none"> Continue to assess the current and projected liquidity and funding requirements and engage with third party liquidity providers as necessary
CoFC	<ul style="list-style-type: none"> Assess financial contract data and risk of termination 	<ul style="list-style-type: none"> Continue to assess financial contracts and risk of termination 	<ul style="list-style-type: none"> Continue to assess financial contracts and risk of termination
OCiR	<ul style="list-style-type: none"> Assess services critical to operational continuity; Authorise monetisation of liquidity resources to support critical services 	<ul style="list-style-type: none"> Communicate with third parties 	<ul style="list-style-type: none"> Continue to provide critical services and implement transitional service agreements where required
FMI s	<ul style="list-style-type: none"> Stand up activities needed to support continuity of access to FMIs 	<ul style="list-style-type: none"> Communicate with third parties 	<ul style="list-style-type: none"> Assess the actions of FMI service providers and prioritise actions to maintain access
Restructuring	<ul style="list-style-type: none"> Assess available options to restructure NatWest Group and initiate plans 	<ul style="list-style-type: none"> Identify the causes of failure and refine restructuring strategy Initiate preparation of the business reorganisation plan 	<ul style="list-style-type: none"> Develop the restructuring strategy Finalise the business reorganisation plan Develop restructuring execution plans
Management, Governance and Communications	<ul style="list-style-type: none"> Stand up the Resolution Governance Framework Assess key roles for resolution and agree incentives and retention requirements Review resolution communications plans and develop scenario specific communications 	<ul style="list-style-type: none"> Make relevant announcement about NatWest Group being placed into resolution Onboard a Bail-in Administrator as required Coordinate and execute communication activities including specific internal and external communications with third parties 	<ul style="list-style-type: none"> Continue to assess key roles for resolution and implement agreed incentives and retention approach plans Continue to coordinate and execute communication activities

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

4.3 How a resolution could impact our shareholders and creditors

4.3.1 Shareholders and holders of other debt issued by NWG plc

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.

4.3.2 UK Government

The UK Government, through UK Government Investments, holds ordinary shares in NatWest Group; this shareholding stood at 18.99% as at 5 August 2024. As noted above, the creditor hierarchy means that in a bail-in resolution, ordinary shareholders would be the first to absorb losses and, through the UK Government shareholding in NatWest Group, public funds may be subject to loss or cancellation in resolution. This would be a consequence of a NatWest Group bail-in only whilst the UK Government retains its shareholding in NatWest Group.

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 are generally 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-

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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 our 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:

NatWest Group's preparations support the ability to achieve the resolvability outcomes through a broad range of capabilities which mitigate barriers to resolvability supported by detailed resolution playbooks that set out what needs to happen, when, how, and by whom, across the resolution timeline



Since the global financial crisis, NatWest Group has created a more focussed business, underpinned by financial strength, with a simplified legal entity structure

This offers reduced risk of failure and lower complexity in resolution

As part of NatWest Group's responsibility for its resolvability, a robust framework for monitoring resolvability preparations has been developed including testing of preparations and appropriate engagement by senior managers and the NatWest Group Board

A calendar of review and testing of capabilities and playbooks, including BAU testing and a resolution fire drill monitor effectiveness for the NatWest Group's preparations

Whilst we consider that we have taken appropriate steps to prepare for the possibility of resolution and endeavour to meet the resolvability expectations of BoE, we continuously work on strengthening and enhancing our preparations. We continue to assess the potential for enhancements across all of our resolution preparations, as described in section 6.2, and through ongoing monitoring, testing, strengthening and enhancement, we are able to ensure that our resolvability preparations remain reasonable.

As part of this second RAF assessment, in addition to providing our self-assessment report to the BoE, NWG has worked with the BoE to carry out additional assessment activities and provide additional information. Through reviewing this, the BoE has assessed that NWG has no material issues to achieving the three resolvability outcomes described below and that the areas for enhancement identified in the 2022 self-assessment have been addressed.

5.2 Our preparations to achieve the financial resources resolvability outcome

5.2.1 We meet the Bank of England's standards for 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.

¹³ See <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/mrel-statement-of-policy-december-2021-updating-2018.pdf>

As at 30 June 2024, we met these minimum standards. For more information about our external MREL issuance, please see our H1 2024 Pillar 3 Report¹⁴ and our Interim Results 2024¹⁵. 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 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 continue to manage and reduce these liabilities.

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 cash and assets that can be monetised in the approach to and during resolution. This includes:
 - A pool of high-quality liquid assets set aside to support us in times of significant stress, including resolution. This liquid asset buffer amounted to £160.4bn as at 30 June 2024¹⁶; and
 - Access to central bank facilities, notably with the Bank of England, with whom we have pre-positioned a significant quantity of loans (£66.6bn liquidity value as at 30 June 2024), providing access to contingent liquidity if we were to experience significant stress. To support this, we regularly monitor and assess our unencumbered collateral available to access secured funding.
- In addition to the pool of high-quality liquid assets and pre-positioned loans, the vast majority of our Retail mortgage book has been enabled as potential collateral and we have an ongoing programme of work to further expand the range of potential collateral;
- 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 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 is subject to regular use and, as part of the structured approach to testing noted in section 6.2, is regularly tested to ensure it operates 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.

The potential for faster and more severe deposit runs in the age of digital banking and social media were demonstrated in events leading to bank failures in the US and Europe in 2023. Our well-established liquidity forecasting capabilities help provide flexibility to rapidly apply changes in assumptions to our forecasts to reflect

¹⁴ See page 8 of the NatWest Group H1 2024 Pillar 3 Report, available at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/26072024/nwg-pillar3-report.pdf>

¹⁵ See pages 66 and 67 of the NatWest Group Plc 2024 Interim Results, available at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/26072024/nwg-h1-results.pdf>

¹⁶ See page 70 of the NatWest Group Plc 2024 Interim Results, available at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/26072024/nwg-h1-results.pdf>

market and economic changes. We perform regular sensitivity analysis to provide a range of stress assumptions, such as a rapid digital deposit run, which can be applied to our liquidity forecasting. Regular stress testing ensures that our capabilities continue to provide the required information even under extreme, improbable and rapidly changing scenarios.

Details of our funding and liquidity position as at 30 June 2024 can be found in our H1 Pillar 3 Report¹⁷ and Interim Results 2024¹⁸.

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, which provide for the valuations needed to support resolution, providing sufficiently granular outputs to facilitate effective decision-making in resolution. We perform routine 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 are 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 aim to have a rigorous approach to managing data, and transparency is facilitated through comprehensive documentation of data sources, flows and controls.

The bank failures of 2023 highlighted the need to be able to produce valuations in a short timeframe to support rapid decision making on the restructuring or sale of banks. The resolution capabilities we have in place allow us to produce valuations for different scenarios, including rapidly changing or volatile market conditions and “fast fail” scenarios. Our ability to produce valuations for different scenarios is tested regularly through the structured testing approach we apply to all of our resolvability preparations, summarised in section 6.2, though is of course untested in practice.

5.3 Our preparations to achieve the continuity and restructuring resolvability outcome

5.3.1 We have arrangements to maintain operational continuity in resolution

The banking services we provide to our customers are supported by operations and activities performed by one or more of our internal businesses, which, in some cases, are also supported by third-party suppliers. Some of these services are critical to the provision of our critical banking services and functions¹⁹. We have arrangements in place which support the continued provision of our critical services in resolution, including those provided within NatWest Group and those provided by third-party suppliers. To align with the PRA's revised OCiR requirements which came into force on 1 January 2023 in Supervisory Statement SS4/21²⁰, we have further enhanced our arrangements. These arrangements ensure that:

- Service contracts with third-party suppliers, which support resolution critical services, include clauses which ensure the continuity of the service provision throughout resolution, as long as NatWest Group continue to pay for the service;

¹⁷ See page 28 of the NatWest Group H1 2024 Pillar 3 Report, available at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/26072024/nwg-pillar3-report.pdf>

¹⁸ See pages 63, 69 and 70 of the NatWest Group Plc 2024 Interim Results, available at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/26072024/nwg-h1-results.pdf>

¹⁹ ‘Critical banking services and functions’ is formally defined as critical functions under sections 3(1) and (2) of the Banking Act 2009.

²⁰ The PRA's Supervisory Statement SS4/21 ‘Ensuring operational continuity in resolution’ is available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/ensuring-operational-continuity-in-resolution-ss>

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- All of our 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 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 service provision;
- We have set aside liquid assets, which can be monetised and accessed quickly for the sole purpose of supporting our critical internal service providers in severe stress or resolution; and
- We leverage our existing operational contingency arrangements designed to ensure continuity of our businesses in the event of a partial or full loss of key business processes or supporting assets.

As part of our 2021 self-assessment, some inefficiencies were identified in our OCiR arrangements. The programme of work we undertook to implement the changes required to address the new PRA Supervisory Statement SS4/21 requirements for OCiR, incorporated the changes and enhancements to address these inefficiencies. A compliance exercise was conducted in Q4 2022, which included testing, and was overseen by the three lines of defence, verified that the enhanced arrangements were fit for purpose and met all regulatory requirements. (See section 5.5)

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 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 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 take 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:

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').

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- 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, 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.

5.4 Our preparations to achieve the communication and coordination 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. The bank failures of 2023 highlighted the need for robust, yet flexible governance which can respond rapidly and effectively depending on circumstances as they arise. The frameworks NWG has in place offer a high level of flexibility to quickly adapt to specific circumstances, for example, they were put into practice through the COVID-19 pandemic.

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.

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

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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.

The bank failures of 2023 highlighted the increased relevance and impact of digital communications and social media and that we must be prepared to respond rapidly and effectively in these circumstances. NatWest Group continues to review, update and test our communications model to ensure that it remains flexible enough to respond rapidly as situations unfold.

5.5 We have addressed regulatory feedback received following our 2022 resolvability self-assessment

During the 2022 RAF cycle the BoE identified two areas for enhancement in our resolvability preparations, where we did not fully meet regulatory expectations on our FiR and OCiR preparations. Since 2022, we have made improvements to our FiR and OCiR capabilities which have addressed these areas for enhancement.

- **Funding in Resolution**

The BoE identified that enhancements were needed in the assurance of newly completed capabilities which delivered additional functionality to our business-as-usual ('BAU') stress testing framework. A plan of work to deliver enhancements to the review, challenge and governance of the additional functionality has been completed and is now fully embedded into our BAU operating model. As part of our BAU activity, this is subject to routine testing, ongoing training, and review by all three lines of defence.

- **Operational Continuity in Resolution**

The BoE identified areas for enhancement regarding aspects of record keeping for critical services and contracts. The programme of work we undertook to implement the changes required to address the new PRA Supervisory Statement SS4/21 requirements for OCiR incorporated the changes and enhancements to address these inefficiencies. A compliance exercise conducted in Q4 2022, which included testing and was overseen by the three lines of defence, verified that the enhanced arrangements were fit for purpose and met all regulatory requirements.

As part of our Resolution Assurance Framework, we perform ongoing monitoring, maintenance and testing of our resolvability preparations. This framework, along with our continual monitoring of and learnings from the wider banking sector, has supported us in identifying and delivering further enhancements to our resolution capabilities in addition to those noted above, to further strengthen our resolvability preparations.

6 How we achieve the resolution outcomes

6.1 Our approach to ownership and accountability of resolution 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 We monitor and test our resolvability preparations on an ongoing basis

We recognise and take seriously our responsibility to monitor and manage the Group's resolvability preparations and ensure that adequate resources are in place to oversee, maintain and continue enhancing these on an ongoing basis. Through ongoing monitoring, testing, strengthening and enhancement, we are able to ensure that our resolvability preparations remain reasonable. Our business as usual operating model to monitor our resolvability preparations consists of three broad components:

- Engagement by the NWG Board and senior managers in relevant testing and monitoring of our resolvability preparations (described in section 6.1);
- A dedicated central team that provides co-ordination and oversight of the Group's resolvability preparations on a day-to-day basis, including:
 - Co-ordination of a structured programme of testing and assurance activities;
 - Provision of management information to senior governance committees, including Group Asset and Liability Management Committee and Group Board Risk Committee, to support them in their resolution responsibilities;
 - Facilitate and co-ordinate a programme of continuous improvement and testing across all of our resolution preparations;
 - Delivery of ongoing resolution training to colleagues with resolution responsibilities, including NWG Board and senior managers;
- Activities to monitor resolvability preparations are embedded in business-as-usual teams across the Group which have responsibility for these preparations.

Ongoing activities to monitor resolvability preparations are supported by a formal programme of testing and assurance to ensure our resolvability preparations continue to operate as we expect. Subject matter experts and our three lines of defence are key to this activity to provide both detailed knowledge and independent challenge. The results of this testing and assurance provide information that help us to continue to improve our resolution preparations.

6.2.1 We test our resolvability preparations

Our testing framework provides a structured approach for testing that our resolvability preparations continue to operate as expected and identify opportunities to enhance these preparations. This framework complements the Group's operational risk framework, leveraging existing, well-established, practices. A range of testing methodologies are applied across a broad spectrum of the organisation's resolvability preparations including:

- Group-wide resolution fire drill**
 - Biennial testing, simulating specific resolution scenarios, to test responses and effectiveness across the overall process.

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| Barrier specific testing | <ul style="list-style-type: none">• Testing of specific themes or capabilities within barrier playbooks (including end-to-end testing as appropriate). This may include testing of cross-barrier dependencies.• Themed testing to test related and dependent capabilities across multiple playbooks or within a single playbook.• Themed testing driven by internal or external events and triggers but may be periodic i.e. themed fire drill. |
| Controls testing | <ul style="list-style-type: none">• Annual testing of key control activity as part of the established Group-wide control testing activity. |

Our testing is used to demonstrate that:

- 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 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 oversight and assurance on our resolvability capabilities, key risks, controls, regulatory compliance and governance. As summarised in section **6.3** below, Risk and Internal Audit provide ongoing assurance on our resolvability preparations, which includes the oversight, review and challenge of testing, controls, risks and participation in business-as-usual governance forums to monitor the ongoing effectiveness of the Group's resolvability preparations. Risk and Internal Audit also provide independent opinions on NatWest Group's self-assessment of its resolvability preparations.

6.3 We conduct assurance on our resolvability preparations on a regular basis

A key part of the Group's BAU resolution operating model is our Resolution Assurance Framework, which provides a documented and approved approach to the ongoing monitoring and regular review and challenge of our resolution preparations to ensure they remain up to date, fit for purpose and continue to meet requirements.

The framework lays out the component activities to be carried out to ensure that the Group's resolvability preparations continue to meet requirements and receive the appropriate level of focus from subject matter experts ('SMEs') and senior management across the Group, including:

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| Governance structure | <ul style="list-style-type: none">• A structure which supports the appropriate level of senior oversight, engagement and decision making, including NatWest Group Board• Leverages the Group's existing, well-established and tested governance structure both in BAU and in stress and crisis |
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- Training and communication** • Ongoing training and communication on resolution to maintain awareness and understanding, including to NatWest Group Board and senior management
- Testing** • A co-ordinated and structured approach to testing of our resolvability preparations and the BAU management of these preparations
- Risk and Internal Audit assurance** • A clear engagement model to support the ongoing integration of Risk and Internal Audit into the Group's resolution operating model to provide independent assurance on our preparations, including formal opinions on the resolvability self-assessment
- Monitoring and measuring performance** • Regular review and challenge of key performance indicators and metrics on our resolvability preparations
- Central oversight and coordination** • Central oversight, coordination and monitoring of the Group's preparations
• Monitoring the macro resolution environment to assess potential risks to achieving the BoE's resolvability outcomes
- Continuous enhancement** • Monitoring and assessing feedback received from the regulator and internal testing and assurance to identify opportunities to enhance our preparations
• Monitoring the macro resolution environment to identify and learn from industry best practice

7 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 to 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 manner, 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/financial-stability/resolution/resolvability-assessment-framework
Resolvability outcomes	Outcomes that a bank must achieve to be considered resolvable by the BoE. There are three resolvability outcomes: financial resources; continuity and 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. 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 co-ordinate 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 2023 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.