
WRITTEN NOTICE: IRB PERMISSION

To: NatWest Group Plc (FRN: 228174)
(The “company”)

Of: Gogarburn,
PO Box 1000,
Edinburgh
EH12 1HQ

Date: 23 December 2021

DECISIONS

1. On 1 January 2008, The Royal Bank of Scotland plc (formerly Adam & Company plc) (FRN: 114724), National Westminster Bank plc (FRN: 121878), NatWest Markets plc (formerly the Royal Bank of Scotland plc) (FRN: 121882), Ulster Bank Limited (FRN:122315) and The Royal Bank of Scotland International Limited (FRN: 760675) (each a “firm” and together the “firms”) were granted an IRB waiver under s138A of the Financial Services and Markets Act 2000 (the “Act”). In accordance with Waivers Transitional Provisions 2.1(2) of the PRA Rulebook the firm’s IRB waiver took effect on 1 January 2014 as permissions granted by the PRA under Chapter 3, Title II, Part Three of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms. That permission applied on the consolidated basis of The Royal Bank of Scotland plc (formerly Adam & Company plc), National Westminster Bank plc, NatWest Markets plc (formerly the Royal Bank of Scotland plc), Ulster Bank Limited, and The Royal Bank of Scotland International Limited. The company has been granted the permission on a consolidated basis to calculate its risk weighted exposure amounts using the Internal Ratings Based Approach (“IRB Approach”) on the terms and conditions set out in Annex 1 and Annex 2 (the “IRB Permission”).
 2. If the company ceases to comply with the conditions for granting of this IRB Permission set out in Chapter 3, Title II, Part Three of the CRR, or the terms and conditions of the IRB Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the IRB Permission and the requirements relevant to it, including a revocation of the IRB Permission in whole or in part.
3. The IRB Permission takes effect on 20 December 2021.



4. Details of the IRB Permission will be published. The full text of this Written Notice will not be published.

This decision was taken by SRPC

ANNEX 1

THE INTERNAL RATINGS BASED PERMISSION

Legal Entities

1. The IRB Permission means that the company may apply the internal ratings based approach to the legal entities in its calculation of own funds requirements on the following basis:

- a. **on its consolidated situation in respect of:**

The Royal Bank of Scotland Group plc

The Royal Bank of Scotland plc (formerly Adam & Company plc)

Adam & Company Investment Management Limited

NatWest Markets plc (formerly the Royal Bank of Scotland plc)

Coutts & Co

The Royal Bank of Scotland International Limited

Coutts Finance Company

National Westminster Bank plc

National Westminster Home Loans Limited

RBS Asset Management (ACD) Limited

RBS Collective Investment Funds Limited

The Royal Bank of Scotland Group Independent Financial Services Limited

RBS HG (UK) Ltd

Ulster Bank Limited

RFS Holdings BV

RBS Holdings NV

The Royal Bank of Scotland NV

RBS Hollandsche NV

RBS Bank (Polska) S.A.

RBS (Deutschland) GmbH

Lombard Ireland Limited

RBS Asset Management (Dublin) Limited

Ulster Bank Ireland Designated Activity Company

and any other firm authorised by the PRA or FCA within the RBS Group consolidation in accordance with Part One, Title II, Chapter 2.

2. The company must calculate its risk-weighted exposure amounts for the categories of exposure identified in Table 1 of Schedule 1 (with the exception of the permanent exemptions and any exposures still subject to sequential implementation) using the IRB Approach, to the extent, in the manner and subject to the conditions set out in this IRB Permission, and in accordance with Table 1 in Schedule 1.

Ratings Systems

3. The company is permitted to use the ratings systems and internal models approaches to equity exposures (together the “Ratings Systems”) as specified in the documentation contained in the firm’s IRB case file (reference ACTS 30571) comprising its IRB application documentation, as modified by all changes and specifications notified to the firm and the company by the PRA, including those specified in this IRB Permission Notice, all changes and extensions notified by the firm and the company and accepted by the PRA, and all material changes and extensions for which permission has been granted by the PRA noted in Annex 2.

Permanent partial use

4. The company is permitted to apply the Standardised Approach for the exposures listed in Table 2 in Schedule 1 in accordance with art 150 of the CRR.

Reversion to the Standardised Approach under art 149

5. The company is permitted to revert to the use the Standardised Approach for the calculation of risk-weighted exposure amounts for the exposure classes or types of exposure listed in Table 3 in Schedule 1.

Reversion to CRR art 151(8) LGD/Conversion factors under CRR art 149

6. This paragraph does not apply to this IRB permission.

Sequential implementation

7. The company is permitted to implement the IRB Approach sequentially in accordance with Table 4 in Schedule 1 in accordance with art 148 of the CRR.

Treatment by exposure class

8. The company is permitted to use the approaches in Article 155(3) and (4) for equity exposures as set out in Table 1 of Schedule 1.
9. The company is permitted to use its own estimates of LGDs and conversion factors for the exposure classes as set out in Table 1 of Schedule 1.

Maturity under art 162 of the CRR

10. This paragraph does not apply to this IRB permission.

Definition of default

11. This paragraph does not apply to this IRB permission.

Unfunded credit protection

12. The company may recognise unfunded credit protection by adjusting LGD.

Eligible collateral

13. The company may use as eligible collateral types of physical collateral other than those indicated in paragraphs 2, 3 and 4 of Article 199 of the CRR where permission is or has been granted in accordance with paragraph 6 of Article 199.

Further specifications

14. This paragraph does not apply to this IRB permission.

Material, significant and other changes

15. In accordance with Article 143(3), (4) of the CRR and the Delegated Regulation (EU) No 529/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for assessing the materiality of extensions and changes of the Internal Ratings Based Approach and the Advanced Measurement (as amended),

(1) the company will require a further permission from the PRA in respect of the following changes to the IRB Permission:

- (a) material changes to the range of application of a ratings system or an internal models approach to equity exposures; or
- (b) material changes to a ratings system or an internal models approach to equity exposures; and

(2) the company must notify the PRA of all changes to ratings systems and internal models approaches to equity exposures subject to the IRB Permission.

16. In accordance with Article 143(3) of the CRR, the PRA has granted permission for material changes as set out in Annex 2.

SCHEDULE 1

High level scope and coverage of IRB permission.

The PRA has granted the IRB permission for the categories and types of exposures identified in Table 1 below with the exception of the permanent exemptions in Table 2. Exposure classes that are not applicable to the company are marked N/A.

Table 1

<i>IRB exposure classes</i>	<i>Sub-classes (& art 155 approach, if applicable)</i>	<i>Country</i>	<i>Own estimates of LGDs and Conversion Factors (tick if apply)</i>	<i>Additional provisions/</i>
Exposures to central governments and central banks		All Countries	✓	
Exposures to institutions		All Countries	✓	
Exposures to corporates	Secured/ Development and investment lending on real estate	All Countries	N/A	Income Producing Real Estate which is subject to the slotting approach
	Other Corporate	All Countries	✓	Subject to individual model approval conditions
Retail exposures	Exposures fully and completely secured by mortgages on residential property	All Countries	✓	
	Qualifying revolving retail exposure	All Countries	✓	
	Retail SME	All Countries	✓	
	Other Retail	All Countries	✓	
Equity exposures	N/A			For equity exposures where RBS also hold a debt against the same entity, RBS may apply the PD of the entity and the appropriate LGD and conversion

				factors for the equity exposure class. In the event where RBS only hold an equity exposure for a client the simple risk weight approach is applied.
Securitisation positions	N/A			Treated according to hierarchy of methods in Article 259 including the use of the Internal Assessment Approach for ABCP.
Non credit-obligation assets	N/A			

ANNEX 2

VERSION CONTROL SCHEDULE

Version	Comments	Authorisation – effective date	Approval date
1.0	IRB Permission granted	1 st January 2008	8 th November 2007
2.0	RBS was given permission to make a material change to the permission.	30 th June 2010	30 th June 2010
3.0	RBS given permission to make a material change to the permission.	4 th October 2010	May 2010
4.0	RBS was given permission to make a material change to the permission.	23 rd May 2011	31 st December 2010
5.0	Joint Decision notice amended and restated as CRR Permission notice.	20 th December 2013	20 th December 2013
6.0	Joint Decision and waiver grandfathered as CRR Permission under the PRA Rulebook: Waivers Transitional Provisions	1 st January 2014	1 st January 2014
7.0	RBS was given permission to make a material change to the permission.	16 th February 2015	16 th February 2015
8.0	RBS was given permission to make a material change to the permission.	23 rd February 2015	20 th February 2015
9.0	RBS was given permission to make a material change to the permission.	23 rd February 2015	23 rd February 2015
10.0	RBS was given permission to make a material change to the permission.	22 nd June 2017	22 nd June 2017
11.0	RBS was given permission to make a material change to the permission.	24 th July 2017	24 th July 2017
12.0	RBS was given permission to make a	24 th July 2017	24 th July 2017

	material change to the permission.		
13.0	RBS was given permission to make a material change to the permission.	22 nd January 2018	22 nd January 2018
14.0	Repapering	30 th April 2018	27 th April 2018
15.0	RBS was given permission to make a material change to the permission.	21 st December 2018	21 st December 2018
16.0	IRB Permission varied as follows: Application to the sub-consolidated situation of National Westminster Bank plc	17 th December 2019	17 th December 2019
17.0	RBS was given permission to make a material change to the permission.	17 th December 2019	17 th December 2019
18.0	RBS was given permission to make a material change to the permission.	18 th December 2019	18 th December 2019
19.0	Permission granted to the Holding Company on a consolidated basis.	20 th December 2021	20 th December 2021