NatWest Group Pension Fund

Our 2023 summary funding statement

For the NatWest Group Pension Fund (the Fund)

We review our financial health regularly. The last actuarial valuation was as at 31 December 2020 but we also receive statutory updates from the scheme actuary annually, plus informal updates throughout the year.

- The funding level remains strong,
- The Fund was well positioned to withstand the volatility which affected LDI markets in September 2022,
- Your benefits remain financially secure.

Why this matters to you

The Fund needs to have enough assets to pay the benefits promised to all members. The value of **your benefits** depends broadly on how long you work/previously worked with the bank and the salary that counts towards your pension when you stop work. Monitoring the Fund's financial health means that over time we can ensure the Fund remains strong.

If you're not yet receiving a monthly income from the Fund, check the value of your benefits built up to date and what they mean for your future. Log in to your pension record at **natwestgrouppensionfund.co.uk** or if you're a current employee, you can log in from the **bank's network**.

Contents

Results based on the annual funding update as at 31 December 2022

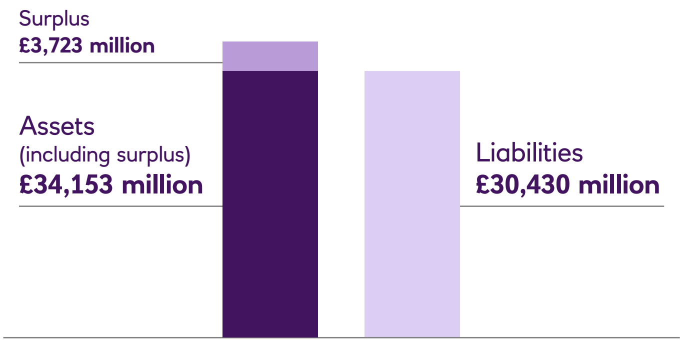
Here are the funding positions for each section of the Fund as at 31 December 2022. The funding positions are calculated by the scheme actuary using the same 'technical provisions' assumptions as were used for the last actuarial valuation.

The funding levels for all Sections of the Fund have improved over the year to 31 December 2022. Both the assets and liabilities have significantly decreased, driven primarily by increases in government bond yields.

Unsure which Section you're in?
Log in to your pension record at **natwestgrouppensionfund.co.uk** or if you're a current employee, you can log in from the **bank's network**.

1 Main Section

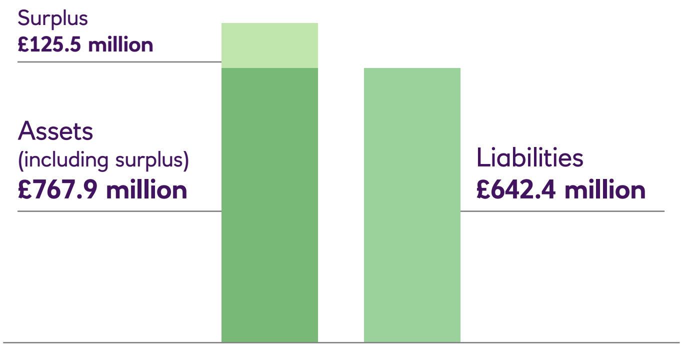
Funding level 112%



This compares to a funding level of 104% at the last full actuarial valuation (31 December 2020)

2 AA Section

Funding level 120%



This compares to a funding level of 108% at the last full actuarial valuation (31 December 2020)

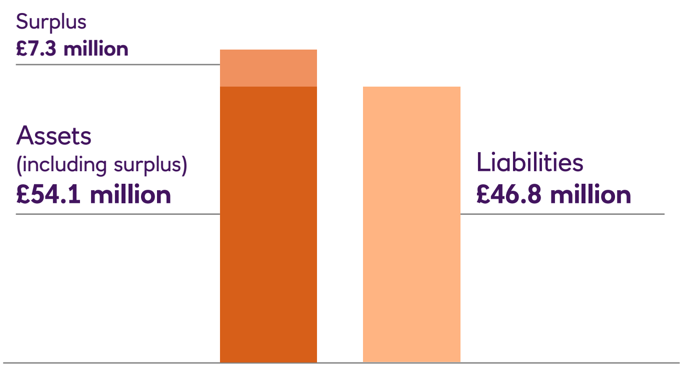
3 NWM Section

Funding level 118%

This compares to a funding level of 111% at the last full actuarial valuation (31 December 2020)

4 RBSI Section

Funding level 116%



This compares to a funding level of 109% at the last full actuarial valuation (31 December 2020)

Funding level

The funding level is the difference between the assets held by the Fund and how much it needs to pay the benefits promised to all members (i.e. its financial obligations – otherwise known as liabilities). At each valuation, the Actuary calculates the liabilities using a set of assumptions for things like members' life expectancies and future investment returns. The Trustee monitors the health of the Fund closely and reviews this quarterly.

Why does the funding level matter to me?

The better the funding position, the more secure member benefits are. Together, the bank and Trustee are committed to ensuring the Fund is fully funded over time and work together to agree any funding arrangements after every full actuarial valuation.

More about liabilities

The liability values shown are on a 'technical provisions' basis. This represents the amount of money required to meet all the benefits which have been promised to members and uses a cautious set of assumptions for future investment returns, life expectancies and other variables which affect the liabilities. The valuation reports produced by the scheme actuary provide more information about the valuation of each section of the Fund.

Why do liabilities matter to me?

You have promised benefits from the Fund which are taken into account when calculating the Fund's liabilities.

Reminder: to see the value of your benefits in the Fund now and what they mean for your future, log in to your pension record at **natwestgrouppensionfund.co.uk** or if you're a current employee, you can log in from the **bank's network**.

The next valuation

The next actuarial valuation of all four sections is expected to be as at 31 December 2023.

How the bank supports the Fund

The bank pays a lot of money into the Fund to pay member benefits.

Additional contributions

To address any funding shortfalls, the bank pays additional contributions. Read more below to see a summary of the latest contributions.

Main Section	As there was no shortfall in funding at the 31 December 2020 valuation, no deficit contributions were required. However, in 2018 the bank agreed to pay additional contributions of up to £1.5 billion to the Main Section, based on the Fund receiving an amount equal to shareholder distributions, such as dividends. The additional contributions were subject to a cap of £500 million per year. Additional contributions totalling £1.0 billion were paid in 2021 and 2022. Since 2018, the funding level of the Main Section improved faster than expected because of the financial support provided by the bank combined with strong Fund performance. This meant that, based on circumstances at the end of 2022, the Main Section was likely to have enough assets to meet all of the liabilities due to members. The Trustee and the bank therefore agreed an alternative arrangement for the final payment: • The final payment of up to £500 million which was due to be paid directly to the Main Section in 2023 was instead paid into a standalone external trust where it will be held securely. • Money will be paid from the external trust into the Main Section if the funding level of the Main Section falls below pre-agreed levels. • If the Main Section funding level remains strong, and not all the money in the external trust is needed to secure the benefits, then the remainder of the money can be returned from the external trust to the bank at a future point in time. This alternative arrangement was only possible because the funding position of the Main Section had improved faster than expected as a result of favourable movements in the value of assets relative to the liabilities since 2018. The Trustee and the bank agreed this alternative arrangement in February 2023 following consideration of detailed legal and actuarial advice.
AA Section	As there was no shortfall in funding at the 31 December 2020 valuation, no deficit contributions were required.
NWM Section	As there was no shortfall in funding at the 31 December 2020 valuation, no deficit contributions were required.
RBSI Section	As there was no shortfall in funding at the 31 December 2020 valuation, no deficit contributions were required.

Ongoing contributions

The bank pays contributions to each Section for active members who are still building up benefits in the Fund. The contribution rates are agreed between the Trustee and the bank as part of the actuarial valuation based on advice from the Actuary. The bank contribution rates, before allowing for any member contributions, are as follows:

Main Section	AA Section	NWM Section	RBSI Section
47.2% **of Contribution Salary**	**72.9%** **of Pensionable Salary**	**44.9%** **of Contribution Salary**	**49.5%** **of Contribution Salary**

Additionally, the bank pays further contributions to meet the cost of other running expenses such as administration and legal expenses.

Your questions answered

What if the Fund closes ('winds up')?

The law requires us to provide information on the Fund's financial position in the event of a 'wind up' – where a pension arrangement closes. In this event, no further benefits are built up by active members.

- In this unlikely event, the Fund's assets would be used to buy the equivalent benefits from an insurance company.
- At the date of the last actuarial valuation, the assets would have secured the proportion of benefits as set out in the table below with an insurance company.
- These percentages are lower than the funding levels shown above. This is because insurance companies add on administration charges and profit margin.

The funding position on a wind up basis is calculated at each actuarial valuation, the last being as at 31 December 2020.

Please note that there are no plans to close or 'wind up' the Fund; we have to provide you with this information.

Main Section	AA Section	NWM Section	RBSI Section
Full actuarial valuation date: **31 December 2020**	Full actuarial valuation date: **31 December 2020**	Full actuarial valuation date: **31 December 2020**	Full actuarial valuation date: **31 December 2020**
Funding level using winding up (solvency) assumptions **80.0%**	Funding level using winding up (solvency) assumptions **89.0%**	Funding level using winding up (solvency) assumptions **79.0%**	Funding level using winding up (solvency) assumptions **80.0%**
with a shortfall of **£12,852 million**	with a shortfall of **£140.6 million**	with a shortfall of **£78.3 million**	with a shortfall of **£23.2 million**

What is the Pension Protection Fund (PPF) and how would it be involved in my benefits?

The PPF acts as a safety net and provides compensation to pension scheme members where a scheme is wound up (closed) because the sponsoring employer becomes insolvent and there is not enough money to cover the cost of securing members' benefits with an insurance company.

The PPF does not provide full protection, so in most cases members would see a reduction in their benefits.

Has the Fund paid money to the bank?

There have been no payments from the Fund to the bank over the year.

When does The Pensions Regulator intervene?

In certain circumstances, The Pensions Regulator has powers to intervene in the running of a pension arrangement – for example changing the way future benefits build up, setting the level of the funding target, setting the terms of any possible recovery plan and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to any Section of the Fund.

Where to find out more if you want to

Explore more information about the health of the Fund under Useful Documents on the Fund website **natwestgrouppensionfund.co.uk**. Here you'll find:

1. More details in the **valuation reports** for each section.
2. The Fund's income and expenditure for the latest year in the **Annual Report and Accounts**.
3. The Trustee's investment policies in the **Statement of Investment Principles**.
4. The Trustee's approach to assessing, monitoring and mitigating climate-related risks in their **TCFD report**.