



# Coutts & Company

## Q3 2022 Pillar 3 Supplement

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## Presentation of information

This document presents the consolidated Pillar 3 disclosures for Coutts & Company (Coutts & Co) at 30 September 2022.

Coutts & Co is incorporated in the United Kingdom and is a large non-listed subsidiary of NatWest Group plc. Based on the criteria set out in the CRR, NatWest Group primarily defines its large subsidiaries as those designated as an Other Systemically Important Institution (O-SII) by the national competent authority or those with total assets equal to or greater than €30 billion.

Coutts & Co being a large subsidiary of NatWest Group is subject to the disclosure requirements set out in the Level of Application part of the PRA Rulebook. In accordance with the PRA's Level of Application, large subsidiaries which are non-listed entities are permitted to reduce the scope of the disclosures which are presented, and Coutts & Co has prepared these disclosures to comply with the reduced requirements.

Disclosures for large subsidiaries of NatWest Group that are UK entities are calculated in accordance with the UK CRR (split across primary legislation and the PRA rulebook) and presented in accordance with the Disclosure (CRR) part of the PRA rulebook. The disclosures required under the PRA framework are substantially equivalent to those required by Part Eight of the EU CRR.

The liquidity disclosures completed at UK Domestic Liquidity Subgroup (UK DoLSub) level are published in the NatWest Holdings Group Pillar 3 document. The UK DoLSub waiver allows NWB Plc, RBS plc and Coutts & Co to manage liquidity as a single subgroup rather than at an entity level. The NWH Group Pillar 3 document is published on the NatWest Group website, located at [investors.natwestgroup.com](https://investors.natwestgroup.com).

Within this document, row and column references are based on those prescribed in the PRA templates. Any rows or columns that are not applicable have not been shown.

## Key points

### CET1 ratio

**Q3 2022** **11.8%**

**Q4 2021** **11.9%**

The CET1 ratio decreased by 10 basis points to 11.8% driven by a £0.4 billion increase in RWAs and a £32 million increase in CET1 capital. The CET1 capital increase was mainly driven by recognition of prior year profits, offset by the removal of prudential amortisation for software development costs deduction and other regulatory deductions. The attributable profit for the year has been offset by ordinary dividends paid and the remaining profit removed as unverified.

### RWA

**Q3 2022** **£10.7bn**

**Q4 2021** **£10.3bn**

Total RWAs increased by £0.4 billion to £10.7 billion, primarily reflecting an increase in credit risk RWAs due to increased lending.

### UK Leverage ratio

**Q3 2022** **7.7%**

**Q4 2021** **7.7%**

The Leverage ratio at 30 September 2022 is 7.7% and has been calculated in accordance with changes to the UK's Leverage ratio framework which were introduced by the PRA and came into effect from 1 January 2022. As at 31 December 2021, the UK Leverage ratio was 7.7%, which was calculated under the prior year's UK Leverage methodology. The ratio has remained static in the year due to a £0.1 billion increase in Tier 1 capital which is being offset by a £1.3 billion increase in Leverage exposure due to increased balance sheet exposures.

## UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. Capital ratios and measures are presented on a transitional basis, therefore include permissible adjustments for the remaining IFRS 9 relief. Coutts & Co has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

		Coutts & Co				
		30 September	30 June	31 March	31 December	30 September
		2022	2022	2022	2021	2021
		£m	£m	£m	£m	£m
<b>Available own funds (amounts)</b>						
1	Common equity tier 1 (CET1) capital	1,267	1,193	1,269	1,235	1,249
2	Tier 1 capital	1,542	1,395	1,471	1,437	1,451
3	Total capital	1,808	1,661	1,737	1,703	1,717
<b>Risk-weighted exposure amounts</b>						
4	Total risk-weighted exposure amount	10,745	10,518	10,559	10,367	10,433
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common equity tier 1 ratio (%)	11.8	11.3	12.0	11.9	12.0
6	Tier 1 ratio (%)	14.4	13.3	13.9	13.9	13.9
7	Total capital ratio (%)	16.8	15.8	16.4	16.4	16.5
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>						
UK 7a	Additional CET1 SREP requirements (%)	1.4	1.5	1.5	1.5	1.3
UK 7b	Additional AT1 SREP requirements (%)	0.5	0.5	0.5	0.5	0.5
UK 7c	Additional Tier 2 SREP requirements (%)	0.6	0.6	0.6	0.6	0.6
UK 7d	Total SREP own funds requirements (%)	10.5	10.6	10.6	10.6	10.4
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%) (1)	0.0	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer (%) (2)					
UK 10a	Other Systemically Important Institution buffer (%) (3)					
11	Combined buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	13.0	13.1	13.1	13.1	12.9
12	CET1 available after meeting the total SREP own funds requirements (%) (4)	5.9	5.3	6.0	5.9	6.2
<b>Leverage ratio (5)</b>						
13	Total exposure measure excluding claims on central banks	20,138	19,432	19,174		
14	Leverage ratio excluding claims on central banks (%)	7.7	7.2	7.7		
<b>Additional leverage ratio disclosure requirements (6)</b>						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
UK 14b	Leverage ratio including claims on central banks (%)					
UK 14c	Average leverage ratio excluding claims on central banks (%)					
UK 14d	Average leverage ratio including claims on central banks (%)					
UK 14e	Countercyclical leverage ratio buffer (%)					
<b>Liquidity coverage ratio (7)</b>						
15	Total high-quality liquid assets (HQLA) (weighted value-average)					
UK 16a	Cash outflows - Total weighted value					
UK 16b	Cash inflows - Total weighted value					
16	Total net cash outflows (adjusted value)					
17	Liquidity coverage ratio (%)					

- (1) The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures.
- (2) NatWest Group entities are not subject to a G-SII buffer.
- (3) Coutts & Co is not designated as an Other Systemically Important Institution (O-SII).
- (4) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
- (5) As of 1 January 2022, changes to the UK's Leverage ratio framework which were introduced by the PRA allowing claims on central banks to be excluded. Comparatives for September 2021 and December 2021 were not restated.
- (6) Coutts & Co is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.
- (7) Under the UK DoLS waiver Coutts & Co liquidity is managed and disclosed at the sub-group level rather than entity level.

## IFRS 9-FL<sup>(1)</sup>: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL

The table below shows key prudential regulation ratios and measures with and without the application of IFRS 9 transitional relief. Coutts & Co has elected to take advantage of the transitional capital rules in respect of ECL provisions. Following the adoption of IFRS 9 from 1 January 2018, the CRR introduced transitional rules to phase in the full CET1 effect over a five-year period. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024. Capital measures in this table are presented in line with table UK KM1.

		Coutts & Co				
		30 September 2022 £m	30 June 2022 £m	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m
<b>Available capital (amounts) - transitional</b>						
1	Common equity tier 1	<b>1,267</b>	1,193	1,269	1,235	1,249
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>1,243</b>	1,174	1,250	1,206	1,208
3	Tier 1 capital	<b>1,542</b>	1,395	1,471	1,437	1,451
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	<b>1,518</b>	1,376	1,452	1,408	1,410
5	Total capital	<b>1,808</b>	1,661	1,737	1,703	1,717
6	Total capital as if IFRS 9 transitional arrangements had not been applied	<b>1,784</b>	1,642	1,718	1,674	1,676
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	<b>10,745</b>	10,518	10,559	10,367	10,433
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	<b>10,721</b>	10,498	10,540	10,340	10,391
<b>Capital ratios</b>		%	%	%	%	%
9	Common equity tier 1 ratio	<b>11.8</b>	11.3	12.0	11.9	12.0
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>11.6</b>	11.2	11.9	11.7	11.6
11	Tier 1 ratio	<b>14.4</b>	13.3	13.9	13.9	13.9
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	<b>14.2</b>	13.1	13.8	13.6	13.6
13	Total capital ratio	<b>16.8</b>	15.8	16.4	16.4	16.5
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	<b>16.6</b>	15.6	16.3	16.2	16.1
<b>Leverage ratio (2)</b>						
15	Leverage ratio exposure measure (£m)	<b>20,138</b>	19,432	19,174	18,796	18,734
16	Leverage ratio (%)	<b>7.7</b>	7.2	7.7	7.6	7.7
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	<b>7.5</b>	7.1	7.6	7.5	7.5

(1) The requirement to complete this table until the end of transitional period is based on EBA guidelines (EBA/GL/2018/01) and has been onshored in the UK disclosure framework via a joint Statement of Policy by the Bank of England and PRA.

(2) From 1 January 2022, the leverage metrics for UK entities are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.