



National Westminster Bank Plc

Q3 2022 Pillar 3 Supplement

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Presentation of information

This document presents the Pillar 3 disclosures for National Westminster Bank Plc (NWB Plc) at 30 September 2022.

NWB Plc is incorporated in the United Kingdom and is a large, listed subsidiary of NatWest Group. 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.

NWB Plc 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.

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 completed 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 NWH Group Pillar 3 document. The UK DoLSub waiver allows NWB Plc, RBS plc and Coutts & Co to manage liquidity as a single sub-group rather than at an entity level. The NWH Group Pillar 3 document is available on the NatWest Group website, located at natwestgroup.com/results.

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.

A subset of the Pillar 3 templates that are required to be disclosed on a quarterly basis were not applicable to NWB Plc at 30 September and have therefore not been included in the document. These excluded templates are listed below, together with a summary of the reason for their exclusion.

PRA template reference	Template name	Reasons for exclusion
UK CRR7	RWEA flow statements of CCR exposures under the IMM	No reportable exposures
UK MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures

Capital, liquidity and funding

Key points

CET1 ratio

Q3 2022 11.6%

Q4 2021 16.1%

The CET1 ratio decreased by 450 basis points to 11.6%. The decrease was due to a £20.9 billion increase in RWAs and a £1.5 billion decrease in CET1 capital. The CET1 decrease was mainly driven by:

- Attributable profit, in the nine-month period, of £2.1 billion was offset by
- dividend payment of £2.3 billion;
 - foreseeable charges of £0.3 billion;
 - a £0.2 billion decrease in the IFRS 9 transitional adjustment;
 - the removal of adjustment for prudential amortisation on software development costs of £0.4 billion; and
 - other reserve movements.

RWAs

Q3 2022 £107.2 bn

Q4 2021 £86.2 bn

Total RWAs increased by £20.9 billion to £107.2 billion, mainly reflecting:

- An increase in credit risk RWAs of £21.1 billion, due to model adjustments applied because of the new regulations applicable to IRB models from 1 January 2022. This was partially offset by improved risk metrics in Commercial & Institutional and Retail Banking.
- An increase in operational risk RWAs of £0.1 billion due to the annual recalculation.
- A decrease in counterparty credit risk RWAs of £0.2 billion, driven by a reduction in exposure within Treasury.

UK Leverage ratio

Q3 2022 4.3%

Q4 2021 4.8%

The Leverage ratio at 30 September 2022 was 4.3% and was 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 4.8%, which was calculated under the prior year's UK Leverage methodology. The key driver of the decrease is a £1.4 billion decrease in Tier 1 capital.

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. NWB Plc 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.

		NWB Plc				
		30 September 2022 £m	30 June 2022 £m	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m
Available own funds (amounts)						
1	Common equity tier 1 (CET1) capital	12,437	12,335	13,802	13,924	14,862
2	Tier 1 capital	14,680	14,591	15,917	16,039	16,977
3	Total capital	17,719	17,503	18,709	18,945	19,888
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	107,157	106,211	103,987	86,217	85,674
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	11.6	11.6	13.3	16.1	17.3
6	Tier 1 ratio (%)	13.7	13.7	15.3	18.6	19.8
7	Total capital ratio (%)	16.5	16.5	18.0	22.0	23.2
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	1.2	1.2	1.3	1.5	1.4
UK 7b	Additional AT1 SREP requirements (%)	0.4	0.5	0.4	0.5	0.5
UK 7c	Additional Tier 2 SREP requirements (%)	0.6	0.5	0.6	0.7	0.6
UK 7d	Total SREP own funds requirements (%)	10.2	10.2	10.3	10.7	10.5
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
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 (%)	12.7	12.7	12.8	13.2	13.0
12	CET1 available after meeting the total SREP own funds requirements (%) (4)	5.9	5.9	7.5	10.1	11.4
Leverage ratio (5)						
13	Total exposure measure excluding claims on central banks	343,343	340,086	338,123		
14	Leverage ratio excluding claims on central banks (%)	4.3	4.3	4.7		
Additional leverage ratio disclosure requirements (6)						
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 (%)					
Liquidity coverage ratio (7)						
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) NWB Plc 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) NWB Plc is not a LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.

(7) Under the UK DoLS waiver NWB plc liquidity is managed and disclosed at the sub-group level rather entity level.

IFRS 9-FL⁽¹⁾: 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. NWB Plc has elected to take advantage of 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.

		NWB Plc				
		30 September 2022 £m	30 June 2022 £m	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m
Available capital (amounts) - transitional						
1	Common equity tier 1	12,437	12,335	13,802	13,924	14,862
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,183	12,127	13,541	13,495	14,255
3	Tier 1 capital	14,680	14,591	15,917	16,039	16,977
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	14,426	14,383	15,656	15,610	16,370
5	Total capital	17,719	17,503	18,709	18,945	19,888
6	Total capital as if IFRS 9 transitional arrangements had not been applied	17,764	17,537	18,775	18,770	19,529
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	107,157	106,211	103,987	86,217	85,674
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	107,124	106,180	103,965	86,190	85,637
Capital ratios		%	%	%	%	%
9	Common equity tier 1 ratio	11.6	11.6	13.3	16.1	17.3
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	11.4	11.4	13.0	15.7	16.6
11	Tier 1 ratio	13.7	13.7	15.3	18.6	19.8
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	13.5	13.5	15.1	18.1	19.1
13	Total capital ratio	16.5	16.5	18.0	22.0	23.2
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	16.6	16.5	18.1	21.8	22.8
Leverage ratio (2)						
15	Leverage ratio exposure measure (£m)	343,343	340,086	338,123	426,681	412,246
16	Leverage ratio (%)	4.3	4.3	4.7	3.8	4.1
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.2	4.2	4.6	3.7	4.0

(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 on shored 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.

UK OV1: Overview of risk-weighted exposure amounts

The table below shows RWAs and total own funds requirements by risk type. Total own funds requirements are calculated as 8% of RWAs.

		NWB Plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		30 September 2022	30 June 2022	30 September 2022
		£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	93,660	92,245	7,493
2	Of which: standardised approach	12,388	12,348	991
3	Of which: the foundation IRB (FIRB) approach	—	—	—
4	Of which: slotting approach	7,591	7,129	607
UK 4a	Of which: equities under the simple risk-weighted approach	—	—	—
5	Of which: the advanced IRB (AIRB) approach	73,681	72,768	5,895
6	Counterparty credit risk	379	839	31
7	Of which: standardised approach	232	329	19
8	Of which: internal model method (IMM)	—	—	—
UK 8a	Of which: exposures to a CCP	33	50	3
UK 8b	Of which: credit valuation adjustment (CVA)	76	88	6
9	Of which: other counterparty credit risk	38	372	3
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	111	121	9
17	Of which: SEC-IRBA approach	—	—	—
18	Of which: SEC-ERBA (including IAA)	—	—	—
19	Of which: SEC-SA approach	111	121	9
UK 19a	Of which: 1,250%/deduction	—	—	—
20	Position, foreign exchange and commodities risk (market risk)	15	14	1
21	Of which: standardised approach	15	14	1
22	Of which: IMA	—	—	—
UK 22a	Large exposures	—	—	—
23	Operational risk	12,992	12,992	1,039
UK 23a	Of which: basic indicator approach	—	—	—
UK 23b	Of which: standardised approach	12,992	12,992	1,039
UK 23c	Of which: advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) ⁽¹⁾	4,663	4,626	373
29	Total	107,157	106,211	8,573

(1) The amount is shown for information only, as these exposures are already included in rows 1 and 2.

RWA movement table

UK CR8: RWA flow statement of credit risk exposures under the IRB approach

The table below shows movements in RWAs for credit risk exposures under the internal ratings based (IRB) approach. It excludes counterparty credit risk, securitisations and non-credit obligation assets.

		NWB Plc
		a
		RWAs £m
1	At 31 December 2021	57,852
2	Asset size	590
3	Asset quality	(127)
4	Model updates	15,948
7	Foreign exchange movements	106
9	At 31 March 2022	74,369
2	Asset size	1,725
3	Asset quality	(1,398)
4	Model updates	(26)
7	Foreign exchange movements	326
8	Other	2,109
9	At 30 June 2022	77,105
2	Asset size	1,553
3	Asset quality	(244)
4	Model updates	(346)
7	Foreign exchange movements	435
9	At 30 September 2022	78,503

(1) The following rows are not presented in the table because they had zero values for the period: row (5) methodology and policy, and row (6) acquisitions and disposals.

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- Overall, credit risk RWAs under the IRB approach increased in the quarter.
- The uplift in asset size primarily related to increases in Commercial & Institutional as a result of drawdowns and new facilities. These movements were offset by a decrease within Group Treasury following maturity/disposal of bond positions.
- The increase in foreign exchange movements was mainly a result of sterling weakening against the US dollar and euro during the period.
- The decrease in model updates reflected the internal approval of new models and the subsequent reduction of associated temporary model adjustments.
- The reduction in asset quality was primarily due to improved risk metrics in Retail Banking as well as customers moving into default.