NatWest Holdings Group
Q3 2022 Pillar 3 Supplement

Contents

Presentation of information

This document presents the consolidated Pillar 3 disclosures for NatWest Holdings Group (NWH Group) at 30 September 2022.

As at the date of this report, NWH Ltd is regulated under the UK Capital Requirements Regulation (CRR) and the associated onshored binding technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by a number of statutory instruments and is split across primary legislation and the PRA rulebook.

NWH Group's consolidated disclosures presented in this document were 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.

Where applicable, the liquidity disclosures in this supplement are completed for the consolidated NWH Group and the UK Domestic Liquidity Subgroup (UK DoLSub). 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. Ulster Bank Limited was a member of the UK DoLSub until its removal on 1 January 2022, following the transfer of its business to NWB Plc during 2021. Historical numbers have not been restated. The Pillar 3 disclosures for NWB Plc, RBS plc and Coutts & Co are disclosed in separate reports which are published on the NatWest Group website, located at investors.natwestgroup.com.

A subset of the Pillar 3 templates that are required to be disclosed on a quarterly basis were not applicable to NWH Group at 30 September 2022 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 CCR7	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

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

Capital, liquidity and funding

Key points

CET1 ratio

Q3 2022	13.3%
Q4 2021	15.9%

The CET1 ratio decreased by 260 basis points to 13.3%. The decrease was due to an £18.6 billion increase in RWAs and a £0.8 billion decrease in CET1 capital.

The CET1 decrease was mainly driven by:

Attributable profit in the nine month period of £2.4 billion, offset by

- dividend paid of £1.7 billion;
- foreseeable charges of £0.3 billion;
- a £0.3 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 and an increase in regulatory deductions.

RWAs

Q3 2022	£142.6bn
Q4 2021	£124.1bn

Total RWAs increased by £18.6 billion to £142.6 billion, mainly reflecting:

- An increase in credit risk RWAs of £19.5 billion, primarily due to model adjustments applied as a result of the new regulations applicable to IRB models from 1 January 2022.
- A decrease in operational risk RWAs of £0.7 billion following the annual recalculation.

UK leverage ratio

Q3 2022	5.4%
Q4 2021	5.6%

The leverage ratio at 30 September 2022 was 5.4% 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 5.6%, which was calculated under the prior year's UK Leverage methodology. The key driver was a £0.8 billion decrease in Tier 1 capital.

LCR (average)

Q3 2022	163%
Q4 2021	159%

The average liquidity coverage ratio (LCR) has increased 4% compared to Q4 2021. The increase is due to higher customer deposits in H1 2022, partially offset by an increase in customer lending, shareholder distributions, redemption of Senior debt and maturing commercial papers and certificates of deposit.

NSFR

Q3 2022	148%
Q4 2021	155%

The net stable funding ratio (NSFR) for Q3 2022 was 148% compared to 155% at Q4 2021. The decrease is mainly due to shareholder distributions, redemption of Senior debt and maturing commercial papers and certificates of deposit, coupled with a reduction in customers deposits and increased lending to our customers.

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, and therefore include permissible adjustments for the extended CRR2 grandfathering provisions and remaining IFRS 9 relief. NWH Group 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.

		NWH Group				
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Available own funds (amounts)		**£m**	£m	£m	£m	£m
1	Common equity tier 1 (CET1) capital	**18,949**	18,769	19,721	19,715	21,371
2	Tier 1 capital	**22,631**	22,451	23,403	23,397	25,053
3	Total capital	**28,003**	27,655	28,450	28,541	30,123
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	**142,637**	144,465	142,021	124,076	125,036
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	**13.3**	13.0	13.9	15.9	17.1
6	Tier 1 ratio (%)	**15.9**	15.5	16.5	18.9	20.0
7	Total capital ratio (%)	**19.6**	19.1	20.0	23.0	24.1
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	**1.5**	1.4	1.5	1.7	1.7
UK 7b	Additional AT1 SREP requirements (%)	**0.5**	0.5	0.5	0.6	0.6
UK 7c	Additional Tier 2 SREP requirements (%)	**0.6**	0.7	0.6	0.7	0.7
UK 7d	Total SREP own funds requirements (%)	**10.6**	10.6	10.6	11.0	11.0
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 (%)	**1.5**	1.5	1.5	1.5	1.5
11	Combined buffer requirement (%)	**4.0**	4.0	4.0	4.0	4.0
UK 11a	Overall capital requirements (%)	**14.6**	14.6	14.6	15.0	15.0
12	CET1 available after meeting the total SREP own funds requirements (%) (3)	**7.3**	7.1	7.9	9.7	10.9
Leverage ratio						
13	Total exposure measure excluding claims on central banks	**417,683**	420,093	420,304	418,306	417,670
14	Leverage ratio excluding claims on central banks (%)	**5.4**	5.3	5.6	5.6	6.0
Additional leverage ratio disclosure requirements (4)						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.3**	5.3	5.5		
UK 14b	Leverage ratio including claims on central banks (%)	**4.2**	4.0	4.2		
UK 14c	Average leverage ratio excluding claims on central banks (%)	**5.4**	5.5	5.5		
UK 14d	Average leverage ratio including claims on central banks (%)	**4.1**	4.2	4.1		
UK 14e	Countercyclical leverage ratio buffer (%)	**0.0**	0.0	0.0		
Liquidity coverage ratio						
15	Total high-quality liquid assets (HQLA) (weighted value-average)	**160,257**	160,810	156,754	149,315	140,048
UK 16a	Cash outflows - Total weighted value	**107,012**	106,045	103,529	101,011	98,619
UK 16b	Cash inflows - Total weighted value	**8,431**	8,120	7,908	7,194	7,319
16	Total net cash outflows (adjusted value)	**98,581**	97,925	95,621	93,817	91,300
17	Liquidity coverage ratio (%) (5)	**163**	164	164	159	153
Net stable funding ratio						
18	Total available stable funding	**375,829**	385,100	381,097	383,859	373,052
19	Total required stable funding	**254,485**	253,279	250,433	247,248	245,981
20	NSFR ratio (%) (6)	**148**	152	152	155	152

(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) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
(4) Additional disclosure requirements for LREQ firms from 1 January 2022 therefore comparatives were not presented.
(5) The liquidity coverage ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.
(6) The NSFR ratio is presented on a spot basis in line with historic disclosures in the NWH Group document. As of 2023, NSFR disclosures in UK KM1 will be calculated as an average of four quarter ends reflecting PRA rules as of 1 January 2022.

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. NWH Group 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.

		NWH Group				
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Available capital (amounts) - transitional		**£m**	£m	£m	£m	£m
1	Common equity tier 1	**18,949**	18,769	19,721	19,715	21,371
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**18,571**	18,453	19,294	19,066	20,404
3	Tier 1 capital	**22,631**	22,451	23,403	23,397	25,053
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**22,253**	22,135	22,976	22,748	24,086
5	Total capital	**28,003**	27,655	28,450	28,541	30,123
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**28,034**	27,726	28,347	27,996	29,347
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	**142,637**	144,465	142,021	124,076	125,036
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**142,557**	144,432	141,992	124,038	124,980
Capital ratios		**%**	%	%	%	%
9	Common equity tier 1 ratio	**13.3**	13.0	13.9	15.9	17.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**13.0**	12.8	13.6	15.4	16.3
11	Tier 1 ratio	**15.9**	15.5	16.5	18.9	20.0
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**15.6**	15.3	16.2	18.3	19.3
13	Total capital ratio	**19.6**	19.1	20.0	23.0	24.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**19.7**	19.2	20.0	22.6	23.5
Leverage ratio (2)						
15	Leverage ratio exposure measure (£m)	**417,683**	420,093	420,304	566,064	554,311
16	Leverage ratio (%)	**5.4**	5.3	5.6	4.1	4.5
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	**5.3**	5.3	5.5	4.0	4.4

(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 (CRR) part of the PRA Rulebook.

UK LR2 - LRCom: Leverage ratio common disclosure

The table below shows an abridged version of the disclosure template UK LR2 - LRCom for NWH Group[(1)]. The leverage metrics for UK entities are calculated in accordance with the Leverage ratio (CRR) part of the PRA Rulebook.

		NWH Group	
		30 September 2022	30 June 2022
Capital and total exposure measure		£m	£m
UK-24b	Total exposure measure excluding claims on central banks	**417,683**	420,093
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.4**	5.3
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.3**	5.3
UK-25c	Leverage ratio including claims on central banks (%)	**4.2**	4.0
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**0.525**	0.525
UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.0**	0.0
Additional leverage ratio disclosure requirements - disclosure of mean values			
UK-31	Average total exposure measure excluding claims on central banks	**414,974**	420,604
UK-32	Average total exposure measure including claims on central banks	**544,019**	555,170
UK-33	Average leverage ratio excluding claims on central banks (%)	**5.4**	5.5
UK-34	Average leverage ratio including claims on central banks (%)	**4.1**	4.2

(1) NWH Group is an LREQ firm therefore subject to the additional quarterly disclosures for averaging and countercyclical leverage ratio buffer.

Q3 2022

- The NWH Group average leverage ratio decreased to 5.4% in the quarter. This was predominantly due to a decrease in 3-month average Tier 1 capital offset by a decrease in average leverage exposure due to a decrease in average balance sheet exposures.

UK LIQ1: Quantitative information of LCR

The tables below show the breakdown of high-quality liquid assets, cash inflows and cash outflows, on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio for NWH Group and UK DoLSub. The weightings applied reflect the stress factors applicable under the UK LCR rules. The values presented are the simple average of the preceding monthly periods ending on the quarterly reporting date as specified in the table. LCR outflows do not capture all liquidity risks (e.g. intra-day liquidity). NatWest Group assesses these risks as part of its Individual Liquidity Adequacy Assessment Process and maintains appropriate levels of liquidity.

		NWH Group							
		Total unweighted value (average)				Total weighted value (average)			
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	**30 September 2022**	30 June 2022	31 March 2022	31 December 2021
	Number of data points used in the calculation of averages	**12**	12	12	12	**12**	12	12	12
		£m	£m	£m	£m	**£m**	£m	£m	£m
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					**160,257**	160,810	156,754	149,315
	Cash - outflows								
2	Retail deposits and deposits from small business customers, of which:	**262,096**	259,692	256,359	251,637	**20,534**	20,333	20,018	19,572
3	*Stable deposits*	***160,422***	*161,045*	*160,979*	*160,187*	***8,021***	*8,052*	*8,049*	*8,009*
4	*Less stable deposits*	***97,249***	*95,905*	*94,051*	*91,304*	***12,254***	*12,065*	*11,807*	*11,416*
5	Unsecured wholesale funding	**165,424**	165,857	162,996	158,912	**72,803**	72,568	70,707	68,830
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	***65,902***	*66,537*	*66,178*	*64,655*	***16,163***	*16,321*	*16,232*	*15,852*
7	*Non-operational deposits (all counterparties)*	***98,999***	*98,773*	*96,247*	*93,739*	***56,117***	*55,700*	*53,904*	*52,460*
8	*Unsecured debt*	***523***	*547*	*571*	*518*	***523***	*547*	*571*	*518*
9	Secured wholesale funding					**5**	—	—	—
10	Additional requirements	**53,985**	54,339	54,692	55,302	**8,606**	8,551	8,559	8,540
11	*Outflows related to derivative exposures and other collateral requirements*	***2,072***	*2,182*	*2,302*	*2,368*	***1,868***	*1,851*	*1,859*	*1,856*
12	*Outflows related to loss of funding on debt products*	**—**	—	—	—				
13	*Credit and liquidity facilities*	***51,913***	*52,157*	*52,390*	*52,934*	***6,738***	*6,700*	*6,700*	*6,684*
14	Other contractual funding obligations	**540**	524	496	1,178	**9**	9	8	5
15	Other contingent funding obligations	**46,622**	45,256	44,480	44,387	**5,055**	4,584	4,237	4,064
16	Total cash outflows					**107,012**	106,045	103,529	101,011
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	**9,682**	10,426	11,376	12,121	**—**	—	—	—
18	Inflows from fully performing exposures	**7,707**	7,373	7,233	6,412	**6,177**	5,818	5,692	4,893
19	Other cash inflows	**10,404**	10,478	10,404	10,473	**2,254**	2,302	2,216	2,301
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	**—**	—	—	—	**—**	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)	**—**	—	—	—	**—**	—	—	—
20	Total cash inflows	**27,793**	28,277	29,013	29,006	**8,431**	8,120	7,908	7,194
UK-20a	*Fully exempt inflows*	**—**	—	—	—	**—**	—	—	—
UK-20b	*Inflows subject to 90% cap*	**—**	—	—	—	**—**	—	—	—
UK-20c	*Inflows subject to 75% cap*	***27,793***	*28,277*	*29,013*	*29,006*	***8,431***	*8,120*	*7,908*	*7,194*
	Total adjusted value								
UK-21	Liquidity buffer					**160,257**	160,810	156,754	149,315
22	Total net cash outflows					**98,581**	97,925	95,621	93,817
23	Liquidity coverage ratio (%)					**163**	164	164	159

UK LIQ1: Quantitative information of LCR continued

		UK DoLSub							
		Total unweighted value (average)				Total weighted value (average)			
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2022	30 June 2022	31 March 2022	31 December 2021
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
		£m	£m	£m	£m	£m	£m	£m	£m
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					**154,616**	154,519	150,007	141,469
	Cash - outflows								
2	Retail deposits and deposits from small business customers, of which:	**252,957**	249,528	245,763	240,793	**19,934**	19,664	19,315	18,845
3	*Stable deposits*	***154,462***	*154,343*	*153,920*	*152,892*	***7,723***	*7,717*	*7,696*	*7,645*
4	*Less stable deposits*	***94,279***	*92,614*	*90,617*	*87,755*	***11,950***	*11,728*	*11,456*	*11,054*
5	Unsecured wholesale funding	**160,629**	161,040	158,208	154,288	**71,657**	71,506	69,640	67,803
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	***64,326***	*64,946*	*64,637*	*63,201*	***15,769***	*15,924*	*15,847*	*15,488*
7	*Non-operational deposits (all counterparties)*	***95,780***	*95,547*	*93,000*	*90,569*	***55,365***	*55,035*	*53,222*	*51,797*
8	*Unsecured debt*	***523***	*547*	*571*	*518*	***523***	*547*	*571*	*518*
9	Secured wholesale funding					**5**	—	—	—
10	Additional requirements	**56,242**	54,895	53,453	52,740	**10,454**	9,754	9,089	8,589
11	*Outflows related to derivative exposures and other collateral requirements*	***2,112***	*2,239*	*2,375*	*2,447*	***1,908***	*1,908*	*1,932*	*1,934*
12	*Outflows related to loss of funding on debt products*	—	—	—	—	—	—	—	—
13	*Credit and liquidity facilities*	***54,130***	*52,656*	*51,078*	*50,293*	***8,546***	*7,846*	*7,157*	*6,655*
14	Other contractual funding obligations	**739**	666	546	1,199	**212**	155	58	26
15	Other contingent funding obligations	**45,825**	44,490	43,571	43,311	**5,022**	4,538	4,176	3,989
16	Total cash outflows					**107,284**	105,617	102,278	99,252
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	**9,867**	10,555	11,314	12,058	**118**	62	—	—
18	Inflows from fully performing exposures	**7,764**	7,721	7,690	7,797	**6,419**	6,360	6,356	6,482
19	Other cash inflows	**10,505**	10,578	10,504	10,574	**2,366**	2,414	2,329	2,413
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—	—	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)	—	—	—	—	—	—	—	—
20	Total cash inflows	**28,136**	28,854	29,508	30,429	**8,903**	8,836	8,685	8,895
UK-20a	*Fully exempt inflows*	—	—	—	—	—	—	—	—
UK-20b	*Inflows subject to 90% cap*	—	—	—	—	—	—	—	—
UK-20c	*Inflows subject to 75% cap*	***28,136***	*28,854*	*29,508*	*30,429*	***8,903***	*8,836*	*8,685*	*8,895*
	Total adjusted value								
UK-21	Liquidity buffer					**154,616**	154,519	150,007	141,469
22	Total net cash outflows					**98,381**	96,781	93,593	90,357
23	Liquidity coverage ratio (%)					**157**	160	160	156

UK LIQB: Qualitative information on LCR, which complements template UK LIQ1

	NWH Group
Qualitative information	30 September 2022
Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	The LCR aims to ensure that Banks and Banking Groups hold a sufficient reserve of High-Quality Liquid Assets (HQLA) to survive a period of liquidity stress lasting 30 calendar days. The LCR is prepared in accordance with the Liquidity Coverage Ratio (CRR) part of the PRA Rulebook, subject to modification of Article 10(1)(c)(i), (ii) and (iv), Article 10(1)(d)(i) and Article 11(1)(b) effective from 1 January 2022, as per Directive given by PRA under section 138A of FSMA. Following the UK exit from the European Union the relevant BCBS liquidity standards have been incorporated into the UK regulatory framework by inclusion in the Prudential Regulatory Authority (PRA) Rulebook. The UK liquidity rules came into effect on 1 January 2022, prior to this NWH Group was subject to similar rules due to the onshoring of the Capital Requirements Regulation (575/2013) (CRR). All figures included in the table represent a 12 month rolling average for the period October 2021 - September 2022.
Explanations on the changes in the LCR over time	As at 30 September 2022 the LCR ratio for NWH Group was 152% or £50 billion of excess over the regulatory minimum of 100%. This compares to 173% as at 31 October 2021 or £70 billion of excess over the regulatory minimum of 100%. The reduction in the quarter 3 LCR is driven by £2 billion of shareholder distributions, £3 billion redemption of Senior debt and maturing commercial papers and certificates of deposit, coupled with a reduction of £14 billion customers deposits and £10 billion increased lending to our customers. The average LCR ratio for the 12 months to 30 September 2022 has decreased 1% over the previous quarter, from 164% to 163%.
Explanations on the actual concentration of funding sources	NWH Group maintains a diversified set of funding sources of which retail, SME and corporate deposits are the biggest contributors. Other sources include wholesale unsecured funding, capital (including equity and MREL-eligible bonds), central banks (TFSME), repos and covered bonds. Wholesale unsecured funding includes a range of products including deposits, commercial paper and certificates of deposit, and is accepted from various corporate counterparties and financial institutions.
High-level description of the composition of the institution`s liquidity buffer	HQLA is primarily held in Level 1 Cash and Central Bank Reserves (85%) and Level 1 high quality securities (15%).
Derivative exposures and potential collateral calls	NWH Group actively manages its derivative exposures and potential calls with derivative outflows under stress captured within the Historical Look Back Approach which considers the impact of an adverse market scenario on derivatives. Potential collateral calls under a 3 notch downgrade of the credit ratings of the entities within NWH Group are also captured.
Currency mismatch in the LCR	The LCR is calculated for EUR, USD and GBP which have been identified as significant currencies (having liabilities > 5 % of total group liabilities excluding regulatory capital and off balance sheet liabilities) in accordance with the Liquidity Coverage Ratio (CRR) part of the PRA Rulebook (subject to modification). NWH Group manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	We do not consider anything else of material relevance for disclosure.

UK LIQB: Qualitative information on LCR, which complements template UK LIQ1 continued

	UK DoLSub
Qualitative information	**30 September 2022**
Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	The LCR aims to ensure that Banks and Banking Groups hold a sufficient reserve of High-Quality Liquid Assets (HQLA) to survive a period of liquidity stress lasting 30 calendar days. The LCR is prepared in accordance with the Liquidity Coverage Ratio (CRR) part of the PRA Rulebook, subject to modification of Article 10(1)(c)(i), (ii) and (iv), Article 10(1)(d)(i) and Article 11(1)(b) effective from 1 January 2022, as per Directive given by PRA under section 138A of FSMA. Following the UK exit from the European Union the relevant BCBS liquidity standards have been incorporated into the UK regulatory framework by inclusion in the Prudential Regulatory Authority (PRA) Rulebook. The UK liquidity rules came into effect on 1 January 2022, prior to this the DoLSub was subject to similar rules due to the onshoring of the Capital Requirements Regulation (575/2013) (CRR). All figures included in the table represent a 12 month rolling average for the period October 2021 - September 2022.
Explanations on the changes in the LCR over time	As at 30 September 2022 the LCR ratio for the DoLSub was 142% or £42 billion of excess over the regulatory minimum of 100%. This compares to 168% as at 31 October 2021 or £64 billion of excess over the regulatory minimum of 100%. The reduction in the quarter 3 LCR is driven by £2 billion of shareholder distributions, £3 billion redemption of Senior debt and maturing commercial papers and certificates of deposit, coupled with a reduction of £14 billion customers deposits and £10 billion increased lending to our customers. The average LCR ratio for the 12 months to 30 September 2022 has decreased 3% over the previous quarter, from 160% to 157%.
Explanations on the actual concentration of funding sources	The DoLSub maintains a diversified set of funding sources of which retail, SME and corporate deposits are the biggest contributors. Other sources include wholesale unsecured funding, capital (including equity and MREL-eligible bonds), central banks (TFSME), repos and covered bonds. Wholesale unsecured funding includes a range of products including deposits, commercial paper and certificates of deposit, and is accepted from various corporate counterparties and financial institutions.
High-level description of the composition of the institution`s liquidity buffer	HQLA is primarily held in Level 1 cash and central bank Reserves (85%) and Level 1 high quality securities (15%).
Derivative exposures and potential collateral calls	The DoLSub actively manages its derivative exposures and potential calls with derivative outflows under stress captured within the Historical Look Back Approach which considers the impact of an adverse market scenario on derivatives. Potential collateral calls under a 3 notch downgrade of the credit ratings of the entities within the DoLSub are also captured.
Currency mismatch in the LCR	The LCR is calculated for EUR, USD and GBP which have been identified as significant currencies (having liabilities > 5 % of total group liabilities excluding regulatory capital and off balance sheet liabilities) in accordance with the Liquidity Coverage Ratio (CRR) part of the PRA Rulebook (subject to modification). The DoLSub manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	We do not consider anything else of material relevance for disclosure.

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.

		NWH Group		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		30 Spetember 2022 £m	30 June 2022 £m	30 September 2022 £m
1	Credit risk (excluding counterparty credit risk)	124,659	126,174	9,973
2	*Of which: standardised approach*	22,858	16,659	1,829
3	*Of which: the foundation IRB (FIRB) approach*	—	—	—
4	*Of which: slotting approach*	10,294	10,508	824
UK 4a	*Of which: equities under the simple risk-weighted approach*	—	—	—
5	*Of which: the advanced IRB (AIRB) approach*	91,507	99,007	7,320
6	Counterparty credit risk	429	750	34
7	*Of which: standardised approach*	217	210	17
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)*	142	121	11
9	*Of which: other counterparty credit risk*	37	369	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)*	216	198	17
21	*Of which: standardised approach*	216	198	17
22	*Of which: IMA*	—	—	—
UK 22a	Large exposures	—	—	—
23	Operational risk	17,222	17,222	1,378
UK 23a	*Of which: basic indicator approach*	—	—	—
UK 23b	*Of which: standardised approach*	17,222	17,222	1,378
UK 23c	*Of which: advanced measurement approach*	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (1)	1,531	1,516	122
29	Total	142,637	144,465	11,411

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

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- The reduction of credit risk under the advanced IRB approach reflects Ulster Bank RoI reverting to the standardised approach for calculating capital requirements as of July 2022, relating to the phased withdrawal from the Republic of Ireland. The standardised credit risk number is partially offset by reduced portfolio within Ulster Bank RoI and decreased bond positions within Group Treasury.

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.

		NWH Group
		a
		RWAs
		£m
1	At 31 December 2021	83,846
2	Asset size	769
3	Asset quality	(1,137)
4	Model updates	19,066
5	Methodology and policy	167
7	Foreign exchange movements	185
9	**At 31 March 2022**	102,896
2	Asset size	1,123
3	Asset quality	(1,703)
4	Model updates	170
6	Acquisitions and disposals	(106)
7	Foreign exchange movements	611
8	Other	2,726
9	**At 30 June 2022**	105,717
2	Asset size	1,211
3	Asset quality	(457)
4	Model updates	(8,854)
7	Foreign exchange movements	561
9	**At 30 September 2022**	98,178

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- Overall, credit risk RWAs under the IRB approach decreased in the quarter.
- The decrease in model updates was primarily due to Ulster Bank RoI no longer calculating RWAs under the IRB approach, relating to the phased withdrawal from the Republic of Ireland.
- 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 reduction in asset quality was primarily due to improved risk metrics in Commercial & Institutional and Retail Banking as well as customers moving into default.