NatWest Markets Plc
Q3 2022 Pillar 3 Supplement

Contents

Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NWM Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWM Group in respect of, but not limited to: its economic and political risks (including due to high inflation, supply chain disruption and the Russian invasion of Ukraine), the impact of the COVID-19 pandemic, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), NWM Group's strategic and structural change and implementation of NatWest Group's purpose-led strategy, its ESG and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, the transition of LIBOR and IBOR rates to alternative risk free rates and NWM Group's exposure to operational risk, conduct risk, cyber, data and IT risk, financial crime risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions, the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NWM Group's actual results are discussed in NWM Plc's 2021 Annual Report and Accounts (ARA), NWM Plc's Interim Results for the six months ended 30 June 2022 (H1 Report), NWM Plc's Registration Document and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NWM Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

Presentation of information

This document presents the consolidated Pillar 3 disclosures for NatWest Markets Plc (NWM Plc) at 30 September 2022.

NWM 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.

NWM 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 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.

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. Where applicable, comparatives have not been provided for first-time disclosures.

Capital, liquidity and funding
Key points

CET1 ratio

Q3 2022 14.9%

Q4 2021 17.9%

The CET1 ratio decreased by 300 basis points to 14.9%. The decrease is due to a £2.2 billion increase in RWAs and a decrease in CET1 capital driven by dividends paid to NatWest Group plc and other reserve movements.

MREL

Q3 2022 £8.8bn

Q4 2021 £9.6bn

Total MREL for NWM Plc at Q3 2022 was £8.8 billion, or 35.3% of RWAs, down from £9.6 billion or 42.1% of RWAs at 31 December 2021. The reduction in the period was largely due to the redemption of a €1.1 billion internal instrument issued to NatWest Group plc.

RWA

Q3 2022 £24.9bn

Q4 2021 £22.7bn

Total RWAs increased by £2.2 billion to £24.9 billion reflecting:

– An increase in market risk RWAs of £1.2 billion, primarily driven by an increase in the capital multiplier affecting VaR and SVaR calculations. In addition, a prospective adjustment to make the VaR model more sensitive to recent market conditions is currently being capitalised as a new RNIV.
– An increase in counterparty credit risk RWAs of £0.7 billion, mainly driven by the implementation of SA-CCR affecting the RWA calculation for the non-internally modelled exposure, in addition to increased exposure following market volatility.
– An increase to credit risk RWAs of £0.9 billion primarily driven by new syndicates and loans.
– A decrease in operational risk RWAs of £0.5 billion following the annual recalculation.

UK Leverage ratio

Q3 2022 4.4%

Q4 2021 4.8%

The Leverage ratio at Q3 2022 is 4.4% 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 4.8%, which was calculated under the prior year's UK Leverage methodology. The key driver of the decrease in the period is a reduction 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 and therefore include permissible adjustments for the remaining IFRS 9 relief. NWM 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.

		NatWest Markets				
		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	**3,714**	3,837	4,005	4,072	4,553
2	Tier 1 capital	**4,393**	4,514	4,686	4,755	5,231
3	Total capital	**5,538**	5,597	5,764	5,870	6,463
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	**24,873**	23,456	24,063	22,686	24,582
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common equity tier 1 ratio (%)	**14.9**	16.4	16.6	17.9	19.4
6	Tier 1 ratio (%)	**17.7**	19.2	19.5	21.0	22.3
7	Total capital ratio (%)	**22.3**	23.9	24.0	25.9	27.6
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	**3.1**	3.3	3.2	3.4	4.4
UK 7b	Additional AT1 SREP requirements (%)	**1.0**	1.1	1.1	1.1	1.5
UK 7c	Additional Tier 2 SREP requirements (%)	**1.4**	1.4	1.4	1.5	1.9
UK 7d	Total SREP own funds requirements (%)	**13.5**	13.8	13.7	14.0	15.8
	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 (%)	**16.0**	16.3	16.2	16.5	18.3
12	CET1 available after meeting the total SREP own funds requirements (%) (4)	**7.3**	8.6	8.9	10.0	10.5
	Leverage ratio (5)					
13	Total exposure measure excluding claims on central banks	**99,515**	102,238	100,712		
14	Leverage ratio excluding claims on central banks (%)	**4.4**	4.4	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					
15	Total high-quality liquid assets (HQLA) (weighted value-average)	**17,422**	16,815	16,705	17,357	18,274
UK 16a	Cash outflows - Total weighted value	**12,655**	11,908	11,743	11,435	11,324
UK 16b	Cash inflows - Total weighted value	**4,557**	4,125	4,029	3,614	3,556
16	Total net cash outflows (adjusted value)	**8,098**	7,783	7,714	7,821	7,768
17	Liquidity coverage ratio (%) (7)	**216**	218	219	224	238

(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) NWM 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) NWM Plc is not a LREQ firm therefore not subject to the additional leverage disclosure requirements.
(7) 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.
(8) As of 2023, NSFR disclosures will be added to UK KM1 for NWM Plc and will be based on PRA rules that came into effect on 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. NWM 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.

		NWM Plc				
		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	**3,714**	3,837	4,005	4,072	4,553
2	Common equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**3,714**	3,837	4,005	4,071	4,549
3	Tier 1 capital	**4,393**	4,514	4,686	4,755	5,231
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**4,393**	4,514	4,686	4,754	5,227
5	Total capital	**5,538**	5,597	5,764	5,870	6,463
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**5,538**	5,597	5,764	5,869	6,459
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	**24,873**	23,456	24,063	22,686	23,445
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**24,873**	23,456	24,063	22,685	23,441
	Capital ratios		%	%	%	%
9	Common equity Tier 1 ratio	**14.9**	16.4	16.6	17.9	19.4
10	Common equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**14.9**	16.4	16.6	17.9	19.4
11	Tier 1 ratio	**17.7**	19.2	19.5	21.0	22.3
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**17.7**	19.2	19.5	21.0	22.3
13	Total capital ratio	**22.3**	23.9	24.0	25.9	27.6
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**22.3**	23.9	24.0	25.9	27.6
	Leverage ratio (2)					
15	Leverage ratio exposure measure (£m)	**99,515**	102,238	100,712	110,603	122,124
16	Leverage ratio (%)	**4.4**	4.4	4.7	4.3	4.3
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	**4.4**	4.4	4.7	4.3	4.3

(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 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 NWM Plc. 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.

		NWM Plc							
		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)					**17,422**	16,815	16,705	17,357
	Cash - outflows								
2	Retail deposits and deposits from small business customers, of which:	**13**	—	—	—	**1**	—	—	—
3	*Stable deposits*	**4**	—	—	—	**—**	—	—	—
4	*Less stable deposits*	**4**	—	—	—	**1**	—	—	—
5	Unsecured wholesale funding	**1,911**	1,735	1,577	1,315	**1,536**	1,412	1,285	1,070
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	**—**	—	—	—			—	—
7	*Non-operational deposits (all counterparties)*	**940**	879	803	707	**565**	555	511	462
8	*Unsecured debt*	**971**	856	774	608	**971**	857	774	608
9	*Secured wholesale funding*					**875**	832	702	624
10	Additional requirements	**10,928**	10,143	10,000	10,157	**7,618**	7,191	7,336	7,534
11	*Outflows related to derivative exposures and other collateral requirements*	**4,976**	4,745	5,010	5,275	**4,698**	4,565	4,884	5,185
12	*Outflows related to loss of funding on debt products*	**—**	—	—	—	**—**	—	—	—
13	*Credit and liquidity facilities*	**5,952**	5,398	4,990	4,882	**2,920**	2,626	2,452	2,349
14	Other contractual funding obligations	**22,787**	25,188	25,388	25,810	**2,615**	2,463	2,409	2,196
15	Other contingent funding obligations	**2,081**	2,187	2,243	2,265	**10**	10	11	11
16	Total cash outflows					**12,655**	11,908	11,743	11,435
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	**27,105**	31,069	32,260	33,356	**409**	332	287	237
18	Inflows from fully performing exposures	**1,014**	996	898	769	**1,003**	986	888	763
19	Other cash inflows	**3,138**	2,808	2,853	2,614	**3,145**	2,807	2,854	2,614
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	**31,257**	34,873	36,011	36,739	**4,557**	4,125	4,029	3,614
UK-20a	*Fully exempt inflows*	**—**	—	—	—	**—**	—	—	—
UK-20b	*Inflows subject to 90% cap*	**—**	—	—	—	**—**	—	—	—
UK-20c	*Inflows subject to 75% cap*	***27,320***	*30,245*	*30,794*	*31,878*	***4,557***	*4,125*	*4,029*	*3,614*
	Total adjusted value								
UK-21	Liquidity buffer					**17,422**	16,815	16,705	17,357
22	Total net cash outflows					**8,098**	7,783	7,714	7,821
23	Liquidity coverage ratio (%)					**216**	218	219	224

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

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 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 NWM Plc 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 NWM Plc was 199% or £10 billion of excess over the regulatory minimum of 100%. This compares to 209% as at 31 October 2021 or £8 billion of excess over the regulatory minimum of 100%. The increase in the quarter 3 LCR excess is driven by activity in the debt issuance programme, increased deposits offset by increased facilities to our customers and shareholder distributions (dividends). The average LCR ratio for the 12 months to 30 September 2022 has decreased by 2% over the previous quarter, from 218% to 216%.
Explanations on the actual concentration of funding sources	NWM Plc covers its funding requirements with secured and unsecured wholesale funding from a wide depositor and investor base. Repo, short positions and derivative cash collateral provide approximately half of the balance sheet funding with the remainder funded by capital & MREL-eligible bonds (issued to NatWest Group plc), term unsecured, short term unsecured and secured funding. Wholesale unsecured funding includes a range of products including but not limited to bank deposits, commercial paper (CP), certificates of deposit (CD) and medium term notes (MTN). Deposits, CP and CD have tenors typically less than a year and are accepted from various corporate counterparties and financial institutions. MTN issuance is through both public benchmark transactions and smaller private placements, and typically has a tenor beyond a year. The primary risk to funding stability is refinancing, the ability to replace maturing funding with new or rolled transactions. The risk is mitigated through diversification to prevent concentrations and mismatches in the funding profile. NWM monitors and manages funding concentration risk across tenors, counterparties, currencies, products and markets.
High-level description of the composition of the institution`s liquidity buffer	HQLA is primarily held in Level 1 cash and central bank reserves (58%) and Level 1 high quality securities (42%).
Derivative exposures and potential collateral calls	NWM Plc actively manages its derivative exposures and potential calls, including both due collateral and excess collateral with derivative outflows under stress are captured under the Historical Look Back Approach which considers the impact of an adverse market scenario on derivatives. Potential collateral calls under a three notch downgrade of the NWM Plc credit rating 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). NWM Plc 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.

		NWM Plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		30 September 2022 £m	30 June 2022 £m	30 September 2022 £m
1	Credit risk (excluding counterparty credit risk)	6,338	6,416	507
2	*Of which: standardised approach*	2,689	2,442	215
3	*Of which: the foundation IRB (FIRB) approach*	—	—	—
4	*Of which: slotting approach*	480	483	38
UK 4a	*Of which: equities under the simple risk-weighted approach*	—	—	—
5	*Of which: the advanced IRB (AIRB) approach* (1)	3,169	3,491	254
6	Counterparty credit risk	7,432	6,850	595
7	*Of which: standardised approach*	1,157	1,035	93
8	*Of which: internal model method (IMM)*	4,546	3,777	364
UK 8a	*Of which: exposures to a CCP*	54	84	4
UK 8b	*Of which: credit valuation adjustment (CVA)*	1,123	1,429	90
9	*Of which: other counterparty credit risk*	552	525	44
15	Settlement risk	1	1	—
16	Securitisation exposures in the non-trading book (after the cap)	1,503	1,364	120
17	*Of which: SEC-IRBA approach*	—	—	—
18	*Of which: SEC-ERBA (including IAA)*	50	105	4
19	*Of which: SEC-SA approach*	1,399	1,198	112
UK 19a	*Of which: 1,250%/deduction*	54	61	4
20	*Position, foreign exchange and commodities risk (market risk)*	8,121	7,347	650
21	*Of which: standardised approach*	473	388	38
22	*Of which: IMA*	7,648	6,959	612
UK 22a	Large exposures	—	—	—
23	Operational risk	1,478	1,478	118
UK 23a	*Of which: basic indicator approach*	—	—	—
UK 23b	*Of which: standardised approach*	1,478	1,478	118
UK 23c	*Of which: advanced measurement approach*	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	1,405	1,402	112
29	Total	24,873	23,456	1,990

(1) Of which £17 million RWAs (30 June 2022 - £16 million) relate to equity IRB under the probability of default/loss given default approach.
(2) The amount is shown for information only as these exposures are already included in rows 1 and 2.

RWA movement tables

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.

		NWM Plc a RWAs £m
1	At 31 December 2021	3,258
2	Asset size	737
3	Asset quality	(81)
7	Foreign exchange movements	36
9	**At 31 March 2022**	3,950
2	Asset size	(200)
3	Asset quality	2
7	Foreign exchange movements	149
9	**At 30 June 2022**	3,901
2	Asset size	(247)
3	Asset quality	(82)
4	Model updates	(120)
7	Foreign exchange movements	137
9	**At 30 September 2022**	3,589

(1) The following rows are not presented in the table because they had zero values for the period: row (5) methodology and policy, row (6) acquisitions and disposals, and row (8) other.

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- Overall, credit risk RWAs under the IRB approach decreased in the quarter.
- The decrease in asset size was mainly attributable to settled syndicates and expired facilities during the period.
- The decrease in model updates was primarily due to the approval of new models and the subsequent removal of the temporary model adjustment. There were further decreases as a result of models moving to the standardised approach in low default portfolios.
- The increase in foreign exchange movements was mainly a result of sterling weakening against the US dollar and euro during the period.

UK CCR7: RWA flow statement of counterparty credit risk exposures under the IMM

The table below shows movements in RWAs for derivatives under the internal model method (IMM). It excludes the CVA capital charge, exposures to central counterparties and securitisations.

		NWM Plc a RWAs £m
1	At 31 December 2021	3,735
2	Asset size	(49)
3	Credit quality of counterparties	(5)
7	Foreign exchange movements	41
9	**At 31 March 2022**	3,722
2	Asset size	(55)
3	Credit quality of counterparties	(20)
7	Foreign exchange movements	130
9	**At 30 June 2022**	3,777
2	Asset size	615
3	Credit quality of counterparties	(48)
7	Foreign exchange movements	202
9	**At 30 September 2022**	4,546

(1) The following rows are not presented in the table because they had zero values for the period: row (4) model updates, row (5) methodology and policy, row (6) acquisitions and disposals, and row (8) other.

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- The increase in IMM RWAs mainly reflected the weakening of sterling over the period, notably against the US dollar, as well as the increase in market volatility at the end of the quarter.

UK MR2-B: RWA flow statement of market risk exposures under the IMA

The table below shows movements in RWAs and own funds requirements for market risk exposures under the internal model approach (IMA).

		NWM Plc					
		a	b	c	e	f	g
		Value-at-risk (VaR) £m	Stressed value-at-risk (SVaR) £m	Incremental risk charge £m	Other (Risks Not In VaR) (RNIV) £m	Total RWAs £m	Total own funds requirements £m
1	**At 31 December 2021**	**1,314**	**2,345**	**1,277**	**1,554**	**6,490**	**519**
1a	*Regulatory adjustment (1)*	*(976)*	*(1,748)*	*(104)*	—	*(2,828)*	*(226)*
1b	*RWAs at 31 December 2021 (end of day)*	*338*	*597*	*1,173*	*1,554*	*3,662*	*293*
2	Movement in risk levels	(52)	73	(491)	(102)	(572)	(46)
3	Model updates/changes	1	—	—	(322)	(321)	(26)
8a	*RWAs at 31 March 2022 (end of day)*	*287*	*670*	*682*	*1,130*	*2,769*	*221*
8b	*Regulatory adjustment (1)*	*1,460*	*2,429*	*222*	—	*4,111*	*329*
8	**At 31 March 2022**	**1,747**	**3,099**	**904**	**1,130**	**6,880**	**550**
1a	*Regulatory adjustment (1)*	*(1,460)*	*(2,429)*	*(222)*	—	*(4,111)*	*(329)*
1b	*RWAs at 31 March 2022 (end of day)*	*287*	*670*	*682*	*1,130*	*2,769*	*221*
2	Movement in risk levels	76	(58)	357	(39)	336	27
3	Model updates/changes	—	—	—	—	—	—
8a	*RWAs at 30 June 2022 (end of day)*	*363*	*612*	*1,039*	*1,091*	*3,105*	*248*
8b	*Regulatory adjustment (1)*	*993*	*2,861*	—	—	*3,854*	*309*
8	**At 30 June 2022**	**1,356**	**3,473**	**1,039**	**1,091**	**6,959**	**557**
1a	*Regulatory adjustment (1)*	*(993)*	*(2,861)*	—	—	*(3,854)*	*(309)*
1b	*RWAs at 30 June 2022 (end of day)*	*363*	*612*	*1,039*	*1,091*	*3,105*	*248*
2	Movement in risk levels	*37*	*317*	*(427)*	*124*	*51*	*5*
3	Model updates/changes	—	—	—	*479*	*479*	*38*
8a	*RWAs at 30 September 2022 (end of day)*	*400*	*929*	*612*	*1,694*	*3,635*	*291*
8b	*Regulatory adjustment (1)*	*1,399*	*2,365*	*249*	—	*4,013*	*321*
8	**At 30 September 2022**	**1,799**	**3,294**	**861**	**1,694**	**7,648**	**612**

(1) Regulatory adjustments in rows 1a and 8b represent the difference in RWA terms between the risk spot measure at the end of the reporting period and the 60-day average of that measure, multiplied by the multiplication factor.
(2) The following rows and/or columns are not presented in the table because they had zero values for the period or are not used by NWM plc: column (d) comprehensive risk measure, row (4) methodology and policy, row (5) acquisitions and disposals, and row (7) other. In addition, row (6) foreign exchange movements is not presented. This is because changes in market risk arising from foreign currency retranslation are included within row (2) movement in risk levels as they are managed together with portfolio changes.

Q3 2022

- Overall, market risk RWAs under the internal model approach increased in the quarter.
- The increase in VaR-based RWAs mainly reflected increased interest rate and inflation risk.
- A prospective adjustment to make the VaR model more sensitive to recent market conditions is in development. The impact of this VaR model change is currently being capitalised as an RNIV, which accounts for the increase in RNIV-based RWAs.
- SVaR-based RWAs decreased moderately, mainly reflecting lower foreign exchange risk.
- The decrease in the incremental risk charge was driven by lower corporate and government bond positions.