Ulster Bank Ireland (DAC)
Q3 2022 Pillar 3 Supplement

Contents

Presentation of information

This document presents the consolidated Pillar 3 disclosures for Ulster Bank Ireland Designated Activity Company (UBIDAC) at 30 September 2022.

UBIDAC is incorporated in the Republic of Ireland 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.

UBIDAC being a large subsidiary of NatWest Group (which is a UK parent institution) 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 non-UK entities are calculated in accordance with the regulatory requirements in the countries in which they are incorporated. However, they are presented using the prescribed disclosure templates in the PRA rulebook.

A subset of the Pillar 3 templates that are required to be disclosed on a quarterly basis were not applicable to UBIDAC 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 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
IFRS9-FL	Comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL	As of July 2022, UBIDAC no longer applies the transitional arrangements for IFRS 9 specified in Article 473a.

Any tables, rows or columns that are not applicable have not been shown.

The Pillar 3 disclosures in this document are presented in Euros which is the local reporting currency for UBIDAC.

Capital, liquidity and funding

Key points

CET1 ratio

Q3 2022	31.2%
Q4 2021	27.8%

The CET1 ratio increased by 340 basis points to 31.2% in the period, due to a €4.5 billion decrease in RWAs offset by a €0.9 billion decrease in CET1 capital. The CET1 decrease is primarily due to the €0.7 billion attributable loss in the period, removal of the IFRS9 transitional adjustment and movements in other regulatory deductions.

RWA

Q3 2022	€9.4bn
Q4 2021	€13.8bn

Total RWAs decreased by €4.5 billion to €9.4 billion primarily driven by reduced exposures as a result of the phased withdrawal from the Irish market. Included in this is €1.5 billion in disposals of commercial loans to Allied Irish Banks p.l.c.

This is in addition to the reversion to the standardised approach for calculating capital requirements, which went live during Q3 and reduced Credit Risk RWAs by €1.6 billion. In line with CRR article 149 requirements, UBIDAC cannot reduce own funds requirements following a reversion to standardised methodology and has taken additional Pillar II capital requirement through ICAAP in order to ensure there is no capital benefit as a result of this change.

Leverage ratio

Q3 2022	14.0%
Q4 2021	16.3%

The Leverage ratio at 30 September 2022 has decreased to 14.0% from 16.3%. This is the result of a €0.9 billion decrease in Tier 1 capital. There is a €2.8 billion decrease in Leverage exposure due to reduced balance sheet exposures offset by the expiry of COVID measure which gave permission to exclude central bank balances.

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 for the extended CRR2 grandfathering provisions. As of July 2022, UBIDAC no longer takes advantage of the IFRS 9 transitional capital rules in respect of ECL provisions therefore own funds, capital and leverage ratios reflect the full impact of IFRS 9. Disclosures up to the 30 June 2022 included permissible adjustments for the IFRS 9 transitional relief.

		UBIDAC				
		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	**2,922**	3,667	3,751	3,841	3,986
2	Tier 1 capital	**2,922**	3,667	3,751	3,841	3,986
3	Total capital	**3,007**	3,829	3,939	4,055	4,231
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	**9,363**	13,180	13,748	13,815	14,982
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	**31.2**	27.8	27.3	27.8	26.6
6	Tier 1 ratio (%)	**31.2**	27.8	27.3	27.8	26.6
7	Total capital ratio (%)	**32.1**	29.1	28.7	29.4	28.2
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	**2.0**	2.0	2.0	2.0	2.0
UK 7b	Additional AT1 SREP requirements (%)	**0.7**	0.7	0.7	0.6	0.6
UK 7c	Additional Tier 2 SREP requirements (%)	**0.9**	0.9	0.9	0.9	0.9
UK 7d	Total SREP own funds requirements (%)	**11.6**	11.6	11.6	11.5	11.5
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 (%)	**0.5**	0.5	0.5	0.5	0.5
11	Combined buffer requirement (%)	**3.0**	3.0	3.0	3.0	3.0
UK 11a	Overall capital requirements (%)	**14.6**	14.6	14.6	14.5	14.5
12	CET1 available after meeting the total SREP own funds requirements (%) (3)	**24.7**	21.3	20.8	21.3	20.1
Leverage ratio (4)						
13	Total exposure measure excluding claims on central banks			22,681	23,563	24,902
14	Leverage ratio excluding claims on central banks (%)			16.5	16.3	16.0
	Total exposure measure including claims on central banks	**20,804**	26,638			
	Leverage ratio including claims on central banks (%)	**14.0**	13.8			
Additional leverage ratio disclosure requirements (5)						
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)	**7,182**	8,050	8,525	8,886	8,861
UK 16a	Cash outflows - Total weighted value	**4,719**	4,595	4,452	4,330	4,254
UK 16b	Cash inflows - Total weighted value	**1,160**	700	626	646	570
16	Total net cash outflows (adjusted value)	**3,674**	3,896	3,827	3,684	3,684
17	Liquidity coverage ratio (%) (6)	**206**	213	228	244	241
Net stable funding ratio						
18	Total available stable funding	**12,429**	17,517	19,440	20,954	22,835
19	Total required stable funding	**9,188**	10,490	11,865	12,158	13,622
20	NSFR (%) (7)	**135**	167	164	172	168

(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) Presented on an EU CRR basis. Claims on central banks were eligible to be excluded from the leverage exposure until 31 March 2022 under temporary COVID measures therefore Claims on central banks are included after that date.
(5) UBIDAC is not a LREQ firm under the PRA framework therefore not subject to the additional leverage ratio disclosure requirements.
(6) 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.
(7) The NSFR is presented on a spot basis in line with EU CRR requirements.

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 UBIDAC. 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).

		UBIDAC							
		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)	**7,209**	8,078	8,553	8,915	**7,182**	8,050	8,525	8,886
	Cash - outflows								
2	Retail deposits and deposits from small business customers, of which:	**11,392**	12,749	13,369	13,627	**934**	1,018	1,044	1,048
3	*Stable deposits*	**5,900**	6,743	7,129	7,312	**295**	337	356	366
4	*Less stable deposits*	**5,278**	5,643	5,716	5,691	**639**	681	687	682
5	Unsecured wholesale funding	**7,422**	7,368	7,181	6,921	**3,388**	3,207	3,082	2,926
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	**1,814**	1,844	1,809	1,740	**454**	461	452	435
7	*Non-operational deposits (all counterparties)*	**5,608**	5,524	5,372	5,181	**2,934**	2,746	2,630	2,491
8	*Unsecured debt*	**—**	—	—	—	**—**	—	—	—
9	*Secured wholesale funding*	**—**	—	—	—	**—**	—	—	—
10	Additional requirements	**2,327**	2,686	2,951	3,225	**216**	254	282	311
11	*Outflows related to derivative exposures and other collateral requirements*	**2**	2	2	2	**2**	2	2	2
12	*Outflows related to loss of funding on debt products*	**—**	—	—	—	**—**	—	—	—
13	*Credit and liquidity facilities*	**2,325**	2,684	2,949	3,223	**214**	252	280	309
14	Other contractual funding obligations	**230**	160	81	74	**164**	99	26	26
15	Other contingent funding obligations	**332**	352	371	374	**17**	17	18	19
16	Total cash outflows	**21,703**	23,315	23,953	24,221	**4,719**	4,595	4,452	4,330
	Cash - inflows								
17	Secured lending (e.g., reverse repos)	**—**	—	—	—	**—**	—	—	—
18	Inflows from fully performing exposures	**499**	605	649	683	**425**	533	575	615
19	Other cash inflows	**830**	266	153	136	**735**	167	51	31
20	Total cash inflows	**1,329**	871	802	819	**1,160**	700	626	646
UK-20c	*Inflows subject to 75% cap*	**1,329**	871	802	819	**1,043**	700	626	646
	Total adjusted value								
UK-21	Liquidity buffer	**7,182**	8,050	8,525	8,886	**7,182**	8,050	8,525	8,886
22	Total net cash outflows	**3,674**	3,896	3,827	3,684	**3,674**	3,896	3,827	3,684
23	Liquidity coverage ratio (%)	**206**	213	228	244	**206**	213	228	244

(1) The following rows are not presented in the table because they had zero values for the period: rows 19a, 19b, 20a, 20b.

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	Reduction in Liquid Asset Buffer driven by deposit outflows related to the phased withdrawal of UBIDAC and the repayment of ECB TLTRO funding. In 2022 Ulster Bank Ireland DAC commenced communication with all depositors requesting they close their account and find an alternate banking provider. Note Ulster Bank Ireland DAC has access to an unsecured committed liquidity facility with NatWest Bank to support it during the phased withdrawal.
Explanations on the changes in the LCR over time	Reduction in Liquid Asset Buffer driven by deposit outflows related to the phased withdrawal of UBIDAC and the repayment of ECB TLTRO funding. In 2022 Ulster Bank Ireland DAC commenced communication with all depositors requesting they close their account and find an alternate banking provider. Note Ulster Bank Ireland DAC has access to an unsecured committed liquidity facility with NatWest Bank to support it during the phased withdrawal.
Explanations on the actual concentration of funding sources	UBIDAC is predominantly deposit funded. UBIDAC previously had TLTRO funding which it repaid in December 2021. In 2022 Ulster Bank Ireland DAC commenced communication with all depositors requesting they close their account and find an alternate banking provider. Note Ulster Bank Ireland DAC has access to an unsecured committed liquidity facility with NatWest Bank to support it during the phased withdrawal.
High-level description of the composition of the institution`s liquidity buffer	As at Q3 2022 ~85% cash the residual being HQLA level 1 bonds. The change reflects a reduction in bonds as UBIDAC's withdrawal from the Republic of Ireland develops.
Derivative exposures and potential collateral calls	N/a, UBIDAC has non material amount of swaps / collateral calls.
Currency mismatch in the LCR	The Bank's balance sheet is c98% euro denominated.
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	Ulster Bank Ireland DAC's phased withdrawal from the Republic of Ireland (announced in Q1 2021). In Q2 2022 Ulster Bank Ireland DAC commenced communication with all depositors requesting they close their account and find an alternate banking provider. Ulster Bank Ireland DAC has access to an unsecured committed liquidity facility with NatWest Bank to support it during the phased withdrawal.

UK OV1: Overview of risk-weighted exposure amounts

The table below shows RWAs and total own funds requirements by risk type. As of July 2022, UBIDAC no longer takes advantage of the IFRS 9 transitional capital rules in respect of ECL provisions therefore current period own funds reflect the full impact of IFRS 9. The 30 June 2022 comparative values included permissible adjustments with respect to the IFRS 9 transitional relief. Total own funds requirements are calculated as 8% of RWAs.

		UBIDAC		
		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)	**8,144**	11,975	**651**
2	*of which: standardised approach*	***8,144***	*1,143*	***651***
3	*of which: the foundation IRB (FIRB) approach*	—	—	—
4	*of which: slotting approach*	—	*656*	—
UK 4a	*of which: equities under the simple risk-weighted approach*	—	—	—
5	*of which: the advanced IRB (AIRB) approach*	—	*10,176*	—
6	Counterparty credit risk	**240**	221	**19**
7	*of which: standardised approach*	***64***	*53*	***5***
8	*of which: internal model method (IMM)*	—	—	—
UK 8a	*of which: exposures to a CCP*	—	—	—
UK 8b	*of which: credit valuation adjustment (CVA)*	***81***	*66*	***6***
9	*of which: other counterparty credit risk*	***95***	*102*	***8***
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	—	—	—
17	*of which: SEC-IRBA approach*	—	—	—
18	*of which: SEC-ERBA (including IAA)*	—	—	—
19	*of which: SEC-SA approach*	—	—	—
UK 19a	*of which: 1,250%/deduction*	—	—	—
20	*Position, foreign exchange and commodities risk (market risk)*	**20**	25	**2**
21	*of which: standardised approach*	***20***	*25*	***2***
22	*of which: IMA*	—	—	—
UK 22a	Large exposures	—	—	—
23	Operational risk	**959**	959	**77**
UK 23a	*of which: basic indicator approach*	—	—	—
UK 23b	*of which: standardised approach*	***959***	*959*	***77***
UK 23c	*of which: advanced measurement approach*	—	—	—
24	*Amounts below the thresholds for deduction (subject to 250% risk-weight)* (1)	**1**	1	—
29	Total	**9,363**	13,180	**749**

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

Q3 2022

- 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 increase post reversion is partially offset by portfolio reductions within Ulster Bank RoI.

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.

		UBIDAC
		a
		RWAs
		€m
1	At 31 December 2021	**11,180**
2	Asset size	**(380)**
3	Asset quality	**206**
5	Methodology and policy	**200**
9	**At 31 March 2022**	**11,206**
2	Asset size	**(379)**
3	Asset quality	**(37)**
6	Acquisitions and disposals	**(124)**
7	Foreign exchange movements	**(1)**
9	**At 30 June 2022**	**10,665**
4	Model updates	**(10,665)**
9	**At 30 September 2022**	**—**

(1) For Q3 2022 the following rows are not presented in the table because they had zero values for the period: row (2) asset size, row (3) asset quality, row (5) methodology and policy, row (6) acquisitions and disposals, row (7) foreign exchange movements and row (8) other.

Q3 2022

- As of 1 July 2022, all UBIDAC portfolios now report under the standardised calculation approach for capital reporting requirements.