



NatWest
Group

National Westminster Bank Plc

Q3 2023 Pillar 3

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Forward-looking statements

This document may include 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 NWB Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWB Group in respect of, but not limited to: its economic and political risks, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of NatWest Group's purpose-led strategy, its environmental, social and governance 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 replacement risk free rates and NWB 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, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), 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, and general economic and political conditions and 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 the NWB Group's actual results are discussed in the NWB Plc's UK 2022 Annual Report and Accounts (ARA), NWB Plc's Interim Results for H1 2023, and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NWB Plc 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 Pillar 3 disclosures for National Westminster Bank Plc (NWB Plc) at 30 September 2023. It should be read in conjunction with the Q3 2023 NatWest Holdings Group Pillar 3 report, published in the same location at: investors.natwestgroup.com/reports-archive/2023.

NWB Plc is incorporated in the United Kingdom and is a wholly-owned subsidiary of NatWest Holdings Limited ('NWH Ltd'). NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

Based on the criteria set out in the UK CRR, NatWest Group primarily defines its large subsidiaries in scope for PRA Pillar 3 disclosures as those designated as an Other Systemically Important Institution (O-SII) by the PRA or those with total assets equal to or greater than €30 billion.

The disclosures for NWB Plc 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.

NWB Plc as a large, listed subsidiary of NatWest Group, is subject to a reduced number of disclosures as set out in the PRA Rulebook.

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 and funding as a single sub-group rather than at an entity level.

Row and column references are based on those prescribed in the PRA templates. The IFRS 9-FL disclosures have been prepared using the uniform format published by the EBA.

A subset of the Pillar 3 templates that are required to be disclosed on a semi-annual 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 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

In this report, in line with the regulatory framework, the term credit risk excludes counterparty credit risk, unless specifically indicated otherwise.

The Pillar 3 disclosures are presented in pounds sterling (£) and have not been subject to external audit.

Annex I: Key metrics and overview of risk-weighted assets

NatWest Bank Plc - Key points

<p>CET1 ratio</p> <p>Q3 2023  12.2%</p> <p>Q2 2023  11.7%</p>	<p>CET1 ratio increased by 50 basis points to 12.2% at 30 September 2023, compared with 11.7% at 30 June 2023. The increase is primarily due to a £0.7 billion increase in CET1 capital, driven by profit in the period.</p>
<p>RWAs</p> <p>Q3 2023  £117.7bn</p> <p>Q2 2023  £116.8bn</p>	<p>Total RWAs increased by £0.9 billion to £117.7 billion mainly reflecting:</p> <ul style="list-style-type: none"> – an increase in credit risk RWAs of £0.8 billion, primarily due to increased exposures within Commercial & Institutional and Treasury, in addition to £0.2 billion of IRB model adjustments. – an increase in counterparty credit risk RWAs of £0.1 billion, due to increased trades.
<p>UK leverage ratio</p> <p>Q3 2023  4.6%</p> <p>Q2 2023  4.4%</p>	<p>The leverage ratio increased to 4.6% at 30 September 2023 compared with 4.4% at 30 June 2023. This was driven by a £0.7 billion increase in Tier 1 capital and a £0.6 billion reduction in leverage exposure primarily due to a decrease in net central bank items partially offset by an increase in other financial assets.</p>
<p>UK leverage average</p> <p>Q3 2023  4.4%</p> <p>Q2 2023  4.4%</p>	<p>The average leverage ratio remained static at 4.4%. A £12.1 billion increase in average leverage exposure was offset by a £0.3 billion increase in 3 month average Tier 1 capital. The key driver in the average leverage exposure was primarily an increase in other financial assets, off balance sheet items and other assets.</p>

Annex I: Key metrics and overview of risk-weighted assets continued

UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. NWB Plc has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transition amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m
Available own funds (amounts)					
1 Common equity tier 1 (CET1) capital	14,320	13,609	13,640	12,713	12,437
2 Tier 1 capital	16,563	15,852	15,883	14,956	14,680
3 Total capital	20,011	19,235	19,343	17,877	17,719
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	117,745	116,811	116,122	112,428	107,157
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common equity tier 1 ratio (%)	12.2	11.7	11.7	11.3	11.6
6 Tier 1 ratio (%)	14.1	13.6	13.7	13.3	13.7
7 Total capital ratio (%)	17.0	16.5	16.7	15.9	16.5
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a Additional CET1 SREP requirements (%)	1.4	1.4	1.4	1.4	1.2
UK 7b Additional AT1 SREP requirements (%)	0.5	0.5	0.5	0.5	0.4
UK 7c Additional Tier 2 SREP requirements (%)	0.7	0.7	0.7	0.7	0.6
UK 7d Total SREP own funds requirements (%)	10.6	10.6	10.6	10.6	10.2
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)	1.8	0.9	0.9	0.9	0.0
11 Combined buffer requirement (%)	4.3	3.4	3.4	3.4	2.5
UK 11a Overall capital requirements (%)	14.9	14.0	14.0	14.0	12.7
12 CET1 available after meeting the total SREP own funds requirements (%) (2)	6.3	5.8	5.8	5.4	5.9
Leverage ratio					
13 Total exposure measure excluding claims on central banks	362,422	363,052	349,719	341,308	343,343
14 Leverage ratio excluding claims on central banks (%)	4.6	4.4	4.5	4.4	4.3
Additional leverage ratio disclosure requirements (3)					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.5	4.3	4.5		
UK 14b Leverage ratio including claims on central banks (%)	4.1	3.9	4.1		
UK 14c Average leverage ratio excluding claims on central banks (%)	4.4	4.4	4.5		
UK 14d Average leverage ratio including claims on central banks (%)	4.0	4.0	4.0		
UK 14e Countercyclical leverage ratio buffer (%) (1)	0.6	0.3	0.3		
Liquidity coverage ratio (4)					
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 (%)					
Net stable funding ratio (4)					
18 Total available stable funding					
19 Total required stable funding					
20 NSFR 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. The UK CCyB buffer increased from 1% to 2% from 5 July 2023. The countercyclical leverage ratio buffer is set at 35% of NWB Plc CCyB.

(2) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).

(3) From 1 January 2023, NWB Plc is subject to additional disclosure requirements for LREQ firms therefore 2022 comparatives are not available.

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

(5) The following rows are not presented in the table above because they are not applicable: UK8a, UK9a, 10 and UK10a.

Annex I: Key metrics and overview of risk-weighted assets continued

IFRS 9-FL: 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. Capital measures in this table are presented in line with table UK KM1.

	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m
Available capital (amounts) - transitional					
1 Common equity tier 1	14,320	13,609	13,640	12,713	12,437
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	14,145	13,441	13,466	12,432	12,183
3 Tier 1 capital	16,563	15,852	15,883	14,956	14,680
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	16,388	15,684	15,709	14,675	14,426
5 Total capital	20,011	19,235	19,343	17,877	17,719
6 Total capital as if IFRS 9 transitional arrangements had not been applied	20,049	19,267	19,368	17,830	17,764
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	117,745	116,811	116,122	112,428	107,157
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	117,723	116,787	116,094	112,380	107,124
Capital ratios					
	%	%	%	%	%
9 Common equity tier 1 ratio	12.2	11.7	11.7	11.3	11.6
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	12.0	11.5	11.6	11.1	11.4
11 Tier 1 ratio	14.1	13.6	13.7	13.3	13.7
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	13.9	13.4	13.5	13.1	13.5
13 Total capital ratio	17.0	16.5	16.7	15.9	16.5
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	17.0	16.5	16.7	15.9	16.6
Leverage ratio					
15 Leverage ratio exposure measure (£m)	362,422	363,052	349,719	341,308	343,343
16 Leverage ratio (%)	4.6	4.4	4.5	4.4	4.3
17 Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.5	4.3	4.5	4.3	4.2

Annex I: Key metrics and overview of risk-weighted assets continued

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.

		a		b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements	
		30 September 2023	30 June 2023	30 September 2023	
		£m	£m	£m	
1	Credit risk (excluding counterparty credit risk)	101,880	101,062	8,150	
2	Of which: standardised approach	11,489	13,322	919	
3	Of which: the foundation IRB (FIRB) approach	—	—	—	
4	Of which: slotting approach	8,362	8,338	669	
UK 4a	Of which: equities under the simple risk-weighted approach	—	—	—	
5	Of which: the advanced IRB (AIRB) approach	82,029	79,402	6,562	
5a	Of which: non-credit obligation assets	2,963	2,679	237	
6	Counterparty credit risk	757	674	60	
7	Of which: standardised approach	236	211	19	
8	Of which: internal model method (IMM)	—	—	—	
UK 8a	Of which: exposures to a CCP	59	58	5	
UK 8b	Of which: credit valuation adjustment (CVA)	120	158	9	
9	Of which: other counterparty credit risk	342	247	27	
15	Settlement risk	—	—	—	
16	Securitisation exposures in the non-trading book (after the cap)	772	741	62	
17	Of which: SEC-IRBA approach	544	549	44	
18	Of which: SEC-ERBA (including IAA)	14	4	1	
19	Of which: SEC-SA approach	214	188	17	
UK 19a	Of which: 1,250%/deduction	—	—	—	
20	Position, foreign exchange and commodities risk (market risk)	17	15	1	
21	Of which: standardised approach	17	15	1	
22	Of which: IMA	—	—	—	
UK 22a	Large exposures	—	—	—	
23	Operational risk	14,319	14,319	1,146	
UK 23a	Of which: basic indicator approach	—	—	—	
UK 23b	Of which: standardised approach	14,319	14,319	1,146	
UK 23c	Of which: advanced measurement approach	—	—	—	
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (1)	4,940	4,805	395	
29	Total	117,745	116,811	9,419	

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

Annex I: Key metrics and overview of risk-weighted assets continued

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.

	a
	RWAs £m
1 At 31 December 2022	83,005
2 Asset size	2,664
3 Asset quality	(303)
4 Model updates	(120)
7 Foreign exchange movements	(227)
9 At 31 March 2023	85,019
2 Asset size	1,119
3 Asset quality	(714)
4 Model updates	792
5 Methodology and policy	450
7 Foreign exchange movements	(167)
8 Other	(1,438)
9 At 30 June 2023	85,061
2 Asset size	2,137
3 Asset quality	(283)
4 Model updates	252
7 Foreign exchange movements	260
9 At 30 September 2023	87,427

(1) The following row is not presented because it had zero values: (6) acquisitions and disposals.

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- The increase in asset size RWAs was primarily driven by drawdowns and new facilities within Commercial & Institutional. There were also increased bonds within Group Treasury and a rise in lending within Retail Banking.
- The reduction in RWAs for asset quality primarily reflected customers moving into default and improved risk metrics within Commercial & Institutional.
- The increase in RWAs relating to model updates was due to post model adjustments, mainly within Retail Banking.
- The increase in foreign exchange movement RWAs was mainly a result of sterling weakening against the US dollar and euro during the period.

Annex XI: Leverage

UK LR2 – LRCom: Leverage ratio common disclosure

The table below shows an abridged version of the disclosure template UK LR2 – LRCom for NWB Plc. The leverage metrics are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

		30 September 2023 £m	30 June 2023 £m
Capital and total exposure measure			
UK-24b	Total exposure measure excluding claims on central banks	362,422	363,052
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	4.6	4.4
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.5	4.3
UK-25c	Leverage ratio including claims on central banks (%)	4.1	3.9
Additional leverage ratio disclosure requirements - leverage ratio buffers (1)			
27	Leverage ratio buffer (%)	0.6	0.3
UK-27b	<i>Of which: countercyclical leverage ratio buffer (%)</i>	0.6	0.3
Additional leverage ratio disclosure requirements - disclosure of mean values (1)			
UK-31	Average total exposure measure excluding claims on central banks	367,838	355,750
UK-32	Average total exposure measure including claims on central banks	402,119	389,901
UK-33	Average leverage ratio excluding claims on central banks (%)	4.4	4.4
UK-34	Average leverage ratio including claims on central banks (%)	4.0	4.0

(1) As of 1 January 2023, NWB Plc is subject to additional disclosure requirements for LREQ firms for averaging and the countercyclical leverage ratio buffer.