



NatWest
Group

NatWest Markets Plc

Q3 2023 Pillar 3

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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), its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), implementation of NWM Group's strategy and NatWest Group's purpose-led strategy and NatWest Group's recent creation of its Commercial & Institutional franchise (of which NWM Group forms part), 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 other IBOR rates to replacement risk free rates and NWM Group's exposure to operational risk, conduct risk, financial crime risk, cyber, data and IT 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 2022 Annual Report and Accounts (ARA), NWM Group's Interim Management Statement for Q1 and Q3 2023, NWM Group'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 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 interim Pillar 3 disclosures for NatWest Markets Plc (NWM Plc) as at 30 September 2023 which complement those in the NWM Group Q3 2023 Interim Management Statement (IMS), which is published in the same location at: investors.natwestgroup.com/reports-archive/2023

NWM Plc is incorporated in the United Kingdom and is a subsidiary of NatWest Group plc. 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.

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

The disclosures for NWM Plc 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.













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.

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 Markets Plc - Key points

<p>CET1 ratio</p> <p>Q3 2023  15.1%</p> <p>Q2 2023  17.6%</p>	<p>CET1 ratio decreased by 250 basis points to 15.1% at 30 September 2023, compared with 17.6% at 30 June 2023. The decrease in the period is driven by a £3.2 billion increase in RWAs.</p>
<p>RWAs</p> <p>Q3 2023  £23.4bn</p> <p>Q2 2023  £20.2bn</p>	<p>Total RWAs increased by £3.2 billion to £23.4 billion reflecting:</p> <ul style="list-style-type: none"> – an increase in market risk RWAs of £2.4 billion, primarily due to increased interest rate risk following market volatility. – an increase in credit risk RWAs of £0.6 billion, reflecting increased exposures. – an increase in counterparty credit risk RWAs of £0.2 billion, primarily due to increased trades.
<p>UK leverage ratio</p> <p>Q3 2023  4.9%</p> <p>Q2 2023  5.4%</p>	<p>The leverage ratio decreased to 4.9% at September 2023 compared with 5.4% at 30 June 2023, driven by a £7.6 billion increase in the leverage exposure. The increase in leverage exposure is mainly driven by an increase in trading and other financial assets, net derivative exposures and off balance sheet items.</p>
<p>UK leverage average</p> <p>Q3 2023  5.2%</p> <p>Q2 2023  5.4%</p>	<p>The average leverage ratio decreased by 20 basis points to 5.2%. The decrease was due to a £1.4 billion increase in average leverage exposure and a £0.1 billion decrease in 3 month average Tier 1 capital. The key driver in the average leverage exposure was primarily due to an increase in other financial assets and off balance sheet items partially offset by a decrease in net SFTs.</p>
<p>LCR average</p> <p>Q3 2023  255%</p> <p>Q2 2023  253%</p>	<p>The average liquidity coverage ratio (LCR) increased 2% compared to Q2 2023. The LCR has remained robust over the quarter.</p>
<p>NSFR average</p> <p>Q3 2023  135%</p> <p>Q2 2023  137%</p>	<p>The net stable funding ratio (NSFR) was 135% compared to 137% in Q2 2023.</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. NWM plc has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

	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	3,523	3,542	3,676	3,682	3,714
2 Tier 1 capital	4,202	4,221	4,355	4,361	4,393
3 Total capital	4,828	4,841	5,475	5,502	5,538
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	23,392	20,159	20,173	21,422	24,873
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common equity tier 1 ratio (%)	15.1	17.6	18.2	17.2	14.9
6 Tier 1 ratio (%)	18.0	20.9	21.6	20.4	17.7
7 Total capital ratio (%)	20.6	24.0	27.1	25.7	22.3
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a Additional CET1 SREP requirements (%)	2.6	2.6	2.6	2.6	3.1
UK 7b Additional AT1 SREP requirements (%)	0.9	0.9	0.9	0.9	1.0
UK 7c Additional Tier 2 SREP requirements (%)	1.2	1.2	1.2	1.2	1.4
UK 7d Total SREP own funds requirements (%)	12.7	12.7	12.7	12.7	13.5
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)	1.1	0.6	0.6	0.5	0.0
11 Combined buffer requirement (%)	3.6	3.1	3.1	3.0	2.5
UK 11a Overall capital requirements (%)	16.3	15.8	15.8	15.7	16.0
12 CET1 available after meeting the total SREP own funds requirements (%) (2)	8.0	10.5	11.1	10.1	7.3
Leverage ratio					
13 Total exposure measure excluding claims on central banks	85,706	78,064	77,259	81,083	99,515
14 Leverage ratio excluding claims on central banks (%)	4.9	5.4	5.6	5.4	4.4
Additional leverage ratio disclosure requirements (3)					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.9	5.4	5.6		
UK 14b Leverage ratio including claims on central banks (%)	4.2	4.6	4.7		
UK 14c Average leverage ratio excluding claims on central banks (%)	5.2	5.4	5.5		
UK 14d Average leverage ratio including claims on central banks (%)	4.5	4.6	4.6		
UK 14e Countercyclical leverage ratio buffer (%) (1)	0.4	0.2	0.2		
Liquidity coverage ratio (4)					
15 Total high-quality liquid assets (HQLA) (weighted value-average)	19,781	19,671	19,112	17,896	17,422
UK 16a Cash outflows - Total weighted value	11,876	12,245	12,165	12,699	12,655
UK 16b Cash inflows - Total weighted value	4,012	4,336	4,268	4,682	4,557
16 Total net cash outflows (adjusted value)	7,864	7,909	7,897	8,017	8,098
17 Liquidity coverage ratio (%)	255	253	247	226	216
Net stable funding ratio (5)					
18 Total available stable funding	31,923	31,783	31,479	30,428	
19 Total required stable funding	23,604	23,117	22,911	22,814	
20 NSFR ratio (%)	135	137	137	133	

(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 NWM Plc CCyB.

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

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

(4) 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.

(5) The Net stable funding ratio (NSFR) is calculated as the average of the preceding four quarters reflecting PRA's guidance which came into effect last year. The prior period ratios have not been restated.

(6) The following rows are not presented in the table above as 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. 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. 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	3,523	3,542	3,676	3,682	3,714
2 Common equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	3,522	3,541	3,674	3,681	3,714
3 Tier 1 capital	4,202	4,221	4,355	4,361	4,393
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	4,201	4,220	4,353	4,360	4,393
5 Total capital	4,828	4,841	5,475	5,502	5,538
6 Total capital as if IFRS 9 transitional arrangements had not been applied	4,827	4,840	5,473	5,501	5,538
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	23,392	20,159	20,173	21,422	24,873
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	23,390	20,158	20,171	21,421	24,873
Capital ratios					
9 Common equity Tier 1 ratio	15.1	17.6	18.2	17.2	14.9
10 Common equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.1	17.6	18.2	17.2	14.9
11 Tier 1 ratio	18.0	20.9	21.6	20.4	17.7
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.0	20.9	21.6	20.4	17.7
13 Total capital ratio	20.6	24.0	27.1	25.7	22.3
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	20.6	24.0	27.1	25.7	22.3
Leverage ratio					
15 Leverage ratio exposure measure (£m)	85,706	78,064	77,259	81,083	99,515
16 Leverage ratio (%)	4.9	5.4	5.6	5.4	4.4
17 Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.9	5.4	5.6	5.4	4.4

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)	5,521	5,228	441	
2	Of which: standardised approach	2,256	2,268	180	
3	Of which: the foundation IRB (FIRB) approach	—	—	—	
4	Of which: slotting approach	161	255	13	
UK 4a	Of which: equities under the simple risk-weighted approach	—	—	—	
5	Of which: the advanced IRB (AIRB) approach (1)	3,104	2,705	248	
5a	Of which: non-credit obligation assets	111	103	9	
6	Counterparty credit risk	6,452	6,207	516	
7	Of which: standardised approach	1,098	1,198	88	
8	Of which: internal model method (IMM)	3,796	3,534	304	
UK 8a	Of which: exposures to a CCP	81	62	6	
UK 8b	Of which: credit valuation adjustment (CVA)	880	870	70	
9	Of which: other counterparty credit risk	597	543	48	
15	Settlement risk	—	—	—	
16	Securitisation exposures in the non-trading book (after the cap)	1,999	1,716	160	
17	Of which: SEC-IRBA approach	—	—	—	
18	Of which: SEC-ERBA (including IAA)	80	82	6	
19	Of which: SEC-SA approach	1,872	1,586	150	
UK 19a	Of which: 1,250%/deduction	47	48	4	
20	Position, foreign exchange and commodities risk (market risk)	8,098	5,686	648	
21	Of which: standardised approach	442	387	35	
22	Of which: IMA	7,656	5,299	613	
UK 22a	Large exposures	—	—	—	
23	Operational risk	1,322	1,322	106	
UK 23a	Of which: basic indicator approach	—	—	—	
UK 23b	Of which: standardised approach	1,322	1,322	106	
UK 23c	Of which: advanced measurement approach	—	—	—	
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	1,321	1,320	106	
29	Total	23,392	20,159	1,871	

(1) Of which £12 million RWAs (30 June 2023 - £11 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.

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	3,031
2 Asset size	132
3 Asset quality	2
4 Model updates	(8)
7 Foreign exchange movements	(40)
9 At 31 March 2023	3,117
2 Asset size	(197)
3 Asset quality	(16)
4 Model updates	16
7 Foreign exchange movements	(74)
9 At 30 June 2023	2,846
2 Asset size	239
4 Model updates	(13)
7 Foreign exchange movements	70
9 At 30 September 2023	3,142

(1) The following rows are not presented because they had zero values: (5) methodology and policy; (6) acquisitions and disposals; and (8) other.

Q3 2023

- The increase in RWAs in Q3 2023 was driven mainly by an increase in asset size primarily due to new facilities combined with a foreign exchange rate effect due to sterling weakening against the US dollar and the 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.

	a
	RWAs
	£m
1 At 31 December 2022	3,105
2 Asset size	(37)
3 Credit quality of counterparties	19
7 Foreign exchange movements	(55)
9 At 31 March 2023	3,032
2 Asset size	(377)
3 Credit quality of counterparties	2
7 Foreign exchange movements	(68)
8 Other (1)	945
9 At 30 June 2023	3,534
2 Asset size	211
3 Credit quality of counterparties	(3)
7 Foreign exchange movements	54
9 At 30 September 2023	3,796

(1) Reflects the call of a portfolio credit default swap.

(2) The following rows are not presented because they had zero values: (4) model updates; (5) methodology and policy; (6) acquisitions and disposals; and (8) other.

Q3 2023

- The increase in IMM RWAs mainly reflected an increase in asset size and the weakening of sterling against the US dollar during the period.

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

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).

	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 2022	1,754	2,405	662	1,944	6,765	541
1a <i>Regulatory adjustment (1)</i>	(1,405)	(1,977)	—	—	(3,382)	(271)
1b <i>RWAs at 31 December 2022 (end of day)</i>	349	428	662	1,944	3,383	270
2 Movement in risk levels	(148)	50	159	(615)	(554)	(44)
3 Model updates/changes	—	5	—	28	33	3
8a <i>RWAs at 31 March 2023 (end of day)</i>	202	483	821	1,357	2,863	229
8b <i>Regulatory adjustment (1)</i>	1,290	1,721	—	—	3,011	241
8 At 31 March 2023	1,492	2,204	821	1,357	5,874	470
1a <i>Regulatory adjustment (1)</i>	(1,290)	(1,721)	—	—	(3,011)	(242)
1b <i>RWAs at 31 March 2023 (end of day)</i>	202	483	821	1,357	2,863	228
2 Movement in risk levels	445	265	144	(47)	807	65
3 Model updates/changes	—	—	—	—	—	—
8a <i>RWAs at 30 June 2023 (end of day)</i>	647	748	965	1,310	3,670	293
8b <i>Regulatory adjustment (1)</i>	716	857	56	—	1,629	131
8 At 30 June 2023	1,363	1,605	1,021	1,310	5,299	424
1a <i>Regulatory adjustment (1)</i>	(716)	(857)	(56)	—	(1,629)	(131)
1b <i>RWAs at 30 June 2023 (end of day)</i>	647	748	965	1,310	3,670	293
2 Movement in risk levels	305	545	52	38	940	74
3 Model updates/changes	82	—	—	(106)	(24)	(2)
8a <i>RWAs at 30 September 2023 (end of day)</i>	1,034	1,293	1,017	1,242	4,586	365
8b <i>Regulatory adjustment (1)</i>	1,367	1,679	24	—	3,070	248
8 At 30 September 2023	2,401	2,972	1,041	1,242	7,656	613

(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 because they had zero values 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 2023

- Overall, market risk RWAs under the IMA increased in Q3 2023.
- The increases in VaR and SVaR based RWAs were mainly due to increased average interest rate risk through the quarter following heightened market volatility.
- An update was made to the VaR model to make this more sensitive to recent market conditions, following approval from the PRA. This led to the decrease in RNIV-based RWAs in the quarter.

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 NWM 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	85,706	78,064
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	4.9	5.4
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.9	5.4
UK-25c	Leverage ratio including claims on central banks (%)	4.2	4.6
Additional leverage ratio disclosure requirements - leverage ratio buffers (1)			
27	Leverage ratio buffer (%)	0.4	0.2
UK-27b	Of which: countercyclical leverage ratio buffer (%)	0.4	0.2
Additional leverage ratio disclosure requirements - disclosure of mean values (1)			
UK-31	Average total exposure measure excluding claims on central banks	80,620	79,266
UK-32	Average total exposure measure including claims on central banks	94,268	93,315
UK-33	Average leverage ratio excluding claims on central banks (%)	5.2	5.4
UK-34	Average leverage ratio including claims on central banks (%)	4.5	4.6

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

Annex XIII: Liquidity

UK LIQ1: Quantitative information on LCR

The table below shows 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.

		Total unweighted value (average)				Total weighted value (average)			
		30 September 2023	30 June 2023	31 March 2023	31 December 2022	30 September 2023	30 June 2023	31 March 2023	31 December 2022
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)					19,781	19,671	19,112	17,896
Cash - outflows									
2	Retail deposits and deposits from small business customers of which:	60	60	46	26	1	2	2	1
3	Stable deposits	6	10	9	6	—	—	—	—
4	Less stable deposits	7	10	10	6	1	1	1	1
5	Unsecured wholesale funding	2,329	2,072	1,816	2,062	1,833	1,614	1,387	1,638
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—	—	—	—	—
7	Non-operational deposits (all counterparties)	1,295	1,187	1,074	1,073	799	729	645	649
8	Unsecured debt	1,034	885	742	989	1,034	885	742	989
9	Secured wholesale funding					808	768	851	930
10	Additional requirements	11,287	11,727	11,499	11,254	7,773	8,114	7,898	7,800
11	Outflows related to derivative exposures and other collateral requirements	4,940	5,333	5,157	5,114	4,698	5,014	4,826	4,787
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	6,347	6,394	6,342	6,140	3,075	3,100	3,072	3,013
14	Other contractual funding obligations	9,392	10,739	14,764	18,847	1,452	1,738	2,018	2,320
15	Other contingent funding obligations	1,965	1,900	1,892	2,008	9	9	9	10
16	Total cash outflows					11,876	12,245	12,165	12,699
Cash - inflows									
17	Secured lending (e.g., reverse repos)	15,531	16,924	20,745	24,028	899	803	627	561
18	Inflows from fully performing exposures	724	788	889	1,013	718	782	882	1,003
19	Other cash inflows	2,396	2,746	2,752	3,112	2,395	2,751	2,759	3,118
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there is transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	Total cash inflows	18,651	20,458	24,386	28,153	4,012	4,336	4,268	4,682
UK-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	16,318	17,903	21,515	24,854	4,012	4,336	4,268	4,682
Total adjusted value									
UK-21	Liquidity buffer					19,781	19,671	19,112	17,896
22	Total net cash outflows					7,864	7,909	7,897	8,017
23	Liquidity coverage ratio (%)					255%	253%	247%	226%

Annex XIII: Liquidity continued

UK LIQB: Qualitative information on LCR

LCR inputs & results 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.

All figures included in the table represent a 12 month rolling average.

The average LCR ratio for the 12 months to 30 September 2023 has increased by 2% over the previous quarter, from 253% to 255%. The LCR has remained robust over the quarter.

Concentration of funding sources

NWM Plc covers its funding requirements with secured and unsecured wholesale funding from a wide depositor and investor base. Repos, short positions, and derivative cash collateral provide approximately half of the balance sheet funding with the remainder funded by capital and MREL-eligible bonds (issued and down streamed by 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 (CDs) and medium-term notes (MTNs). Deposits, CP and CDs 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 Plc monitors and manages funding concentration risk across tenors, counterparties, currencies, products and markets.

Liquidity buffer composition

HQLA is primarily held in Level 1 cash and central bank reserves (70%) and Level 1 high quality securities (27%), Level 2 securities account for (3%).

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 captured under 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 NWM Plc credit rating are also captured.

Currency mismatch in the LCR

The LCR is calculated for the euro, the US dollar and sterling, which have been identified as significant currencies (having liabilities greater than, or equal to, 5% of total group liabilities excluding regulatory capital and off-balance sheet liabilities) in accordance with the Liquidity Coverage Ratio (LCR) part of the PRA Rulebook. NWM Plc manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.