Ulster Bank Ireland Designated Activity Company

Q3 2023 Pillar 3 Report

Contents

Forward-looking statements

This document may contain 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 Ulster Bank Ireland DAC’s future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to Ulster Bank Ireland DAC in respect of, but not limited to: risks arising from Ulster Bank Ireland DAC’s withdrawal from the market; the potential adverse impact of continued economic uncertainties on Ulster Bank Ireland DAC’s phased withdrawal implementation; risks arising from customer remediation in respect of legacy issues; risks arising from the implementation of EU Intermediate Parent Undertaking requirements; and risks arising from the external economic environment including persistent weakness in the global economy; escalation in global trade disputes; inflation risks; global financial market volatility; the impact of future epidemics or pandemics and climate change; unfavourable political, military or diplomatic events including armed conflict, state and privately sponsored cyber and terrorist acts or threats, and the responses to them by governments and markets. 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 Ulster Bank Ireland DAC’s actual results are discussed in Ulster Bank Ireland DAC’s 2022 Annual Report and Accounts (ARA), and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and Ulster Bank Ireland DAC 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 Ulster Bank Ireland Designated Activity Company (UBIDAC) at 30 September 2023.

UBIDAC is incorporated in the Republic of Ireland and is a wholly owned subsidiary of NatWest Holdings Limited. The ultimate holding company is NatWest Group plc. Based on the criteria set out in the UK Capital Requirements Regulation, NatWest Group plc primarily defines its large subsidiaries in scope of its 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.

UBIDAC's asset size is currently substantially below €30 billion. However, the entity continues to be designated as an O-SII firm by its EU supervisors. On that basis, UBIDAC, being a large subsidiary of NatWest Group plc (which is a UK parent institution), is subject to the disclosure requirements set out in Article 13 and Part Eight of the EU Capital Requirements Regulation.

The disclosures for UBIDAC are calculated in accordance with the EU Capital Requirements Regulation.

Row and column references are based on those prescribed in the EBA disclosure templates.

A subset of the Pillar 3 templates that is required to be disclosed was not applicable to UBIDAC at 30 September 2023 and has therefore not been included in this document. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

PRA template reference	Template name	Reasons for exclusion
IFRS 9-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.
EU CR8	RWA flow statements of credit risk exposures under the IRB approach	No reportable exposures
EU CCR7	RWEA flow statements of CCR exposures under the IMM	No reportable exposures
EU MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures

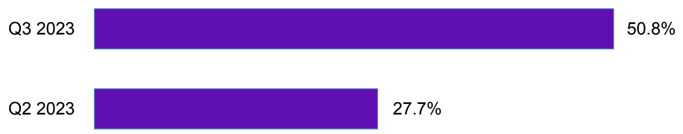
In this report, in line with the regulatory framework, the term credit risk excludes counterparty credit risk, unless specifically indicated otherwise.

The Pillar 3 disclosures are presented in euros and have not been subject to external audit.

For definitions of terms, refer to the Glossary available on natwestgroup.com.

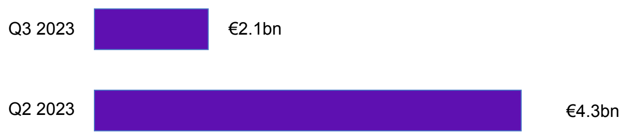
Annex I: Key metrics and overview of risk-weighted exposure amounts
UBIDAC - Key points

CET1 ratio



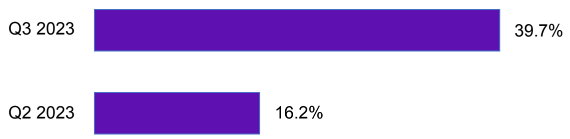
CET1 ratio increased to 50.8% at 30 September 2023, compared with 27.7% at 30 June 2023. The increase is due to a €2.2 billion decrease in RWAs and partially offset by a €0.1 billion decrease in CET1 capital, driven by a loss in the period.

RWAs



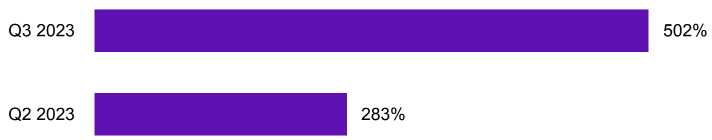
Total RWAs decreased by €2.2 billion to €2.1 billion reflecting a decrease in credit risk RWAs, primarily driven by reduced exposures because of the phased withdrawal from the Republic of Ireland. Included in this is disposal of performing tracker mortgages, commercial loans, and invoice financing facilities to Allied Irish Banks p.l.c (€1.5 billion RWAs), in addition to the sale of Lombard (Ireland) to Permanent TSB Group Holdings plc (€0.5 billion RWAs).

Leverage ratio



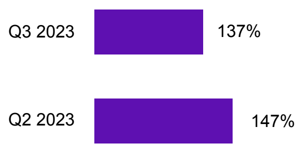
The leverage ratio increased to 39.7% at 30 September 2023. The increase was due to a €4.6 billion decrease in leverage exposure and a €0.1 billion decrease in Tier 1 capital. The leverage exposure has decreased due to a reduction in held for sale assets driven by disposal of performing tracker mortgages, commercial loans and invoice financing facilities to Allied Irish Banks p.l.c. in addition to the sale of Lombard (Ireland) to Permanent TSB Group Holdings plc.

LCR



The Bank's 12 month average liquidity coverage ratio (LCR) increased from 283% as at June 2023 to 502% as at September 2023. The phased withdrawal strategy for UBIDAC has seen a material drop in deposit volumes and sale of loan portfolios during 2022 and 2023. During Q3 UBIDAC repaid all funding drawn from an intragroup committed unsecured funding line provided by NatWest Bank (a subsidiary of NatWest Group plc) to support its LCR position.

NSFR



The Bank's spot Net Stable Funding Ratio (NSFR) decreased from 147% as at June 2023 to 137% as at September 2023. In Q3 2023 UBIDAC materially reduced loan volumes as it executed loan asset sales. Additionally in Q3, UBIDAC repaid all funding drawn from an intragroup committed unsecured funding line provided by NatWest Bank to support its NSFR position.

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

EU KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. The remaining Tier 2 instruments subject to CRR2 grandfathering provisions were derecognised during Q3 2023 following regulatory approvals.

		30 September 2023 €m	30 June 2023 €m	31 March 2023 €m	31 December 2022 €m	30 September 2022 €m
Availabe own funds (amounts)						
1	Common equity tier 1 (CET1) capital	**1,076**	1,192	2,356	2,466	2,922
2	Tier 1 capital	**1,076**	1,192	2,356	2,466	2,922
3	Total capital	**1,076**	1,278	2,441	2,551	3,007
Risk-weighted exposure amounts						
4	Total risk exposure amount	**2,120**	4,312	6,101	6,390	9,363
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	**50.8**	27.7	38.6	38.6	31.2
6	Tier 1 ratio (%)	**50.8**	27.7	38.6	38.6	31.2
7	Total capital ratio (%)	**50.8**	29.6	40.0	39.9	32.1
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	**3.6**	3.6	3.6	3.6	3.6
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	**2.0**	2.0	2.0	2.0	2.0
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	**2.7**	2.7	2.7	2.7	2.7
EU 7d	Total SREP own funds requirements (%)	**11.6**	11.6	11.6	11.6	11.6
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	**2.5**	2.5	2.5	2.5	2.5
	identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%) (1)	**0.5**	0.5	0.0	0.0	0.0
EU 10a	Other Systemically Important Institution buffer (%)	**0.5**	0.5	0.5	0.5	0.5
11	Combined buffer requirement (%)	**3.5**	3.5	3.0	3.0	3.0
EU 11a	Overall capital requirements (%)	**15.1**	15.1	14.6	14.6	14.6
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	**39.2**	18.0	32.1	32.1	24.7
Leverage ratio						
13	Total exposure measure	**2,713**	7,345	10,742	14,103	20,804
14	Leverage ratio (%)	**39.7**	16.2	21.9	17.5	14.0
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	**—**	—	—	—	—
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	**—**	—	—	—	—
EU 14c	Total SREP leverage ratio requirements (%)	**3.0**	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirements (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	**0.0**	0.0	0.0	0.0	0.0
EU 14e	Overall leverage ratio requirement (%)	**3.0**	3.0	3.0	3.0	3.0
Liquidity coverage ratio (3)						
15	Total high-quality liquid assets (HQLA) (weighted value-average)	**1,570**	2,878	4,550	6,035	7,182
EU 16a	Cash outflows - Total weighted value	**1,450**	2,609	3,715	4,545	4,718
EU 16b	Cash inflows - Total weighted value (4)	**810**	1,343	1,455	1,352	1,044
16	Total net cash outflows (adjusted value)	**640**	1,266	2,260	3,193	3,674
17	Liquidity coverage ratio (%)	**502**	283	213	203	206
Net stable funding ratio (5)						
18	Total available stable funding	**1,748**	5,366	7,447	8,807	12,429
19	Total required stable funding	**1,278**	3,638	5,070	5,790	9,188
20	NSFR ratio (%)	**137**	147	147	152	135

(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) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A). Q2 2023 has been updated in line with recent guidance from the EBA.
(3) 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.
(4) Cash inflows – Total weighted value includes adjustments for instances when cash inflows were capped at 75% of cash outflows.
(5) The NSFR is presented on a spot basis.
(6) The following rows are not presented in the table above because they are not applicable: EU8a, EU9a and 10.

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

EU OV1: Overview of total risk 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
		Total risk exposure amounts (TREAs)		Total own funds requirements
		30 September 2023 €m	30 June 2023 €m	**30 September 2023 €m**
1	Credit risk (excluding counterparty credit risk)	**1,327**	3,523	**106**
2	*Of which: standardised approach*	***1,327***	*3,523*	***106***
3	*Of which: the foundation IRB (FIRB) approach*	—	—	—
4	*Of which: slotting approach*	—	—	—
EU 4a	*Of which: equities under the simple risk-weighted approach*	—	—	—
5	*Of which: the advanced IRB (AIRB) approach*	—	—	—
6	Counterparty credit risk	**40**	36	**4**
7	*Of which: standardised approach*	***20***	*17*	***2***
8	*Of which: internal model method (IMM)*	—	—	—
EU 8a	*Of which: exposures to a CCP*	—	—	—
EU 8b	*Of which: credit valuation adjustment (CVA)*	***20***	*19*	***2***
9	*Of which: other counterparty credit risk*	—	—	—
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*	—	—	—
EU 19a	*Of which: 1,250%/deduction*	—	—	—
20	*Position, foreign exchange and commodities risk (market risk)*	**40**	40	**3**
21	*Of which: standardised approach*	***40***	*40*	***3***
22	*Of which: IMA*	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	**713**	713	**57**
EU 23a	*Of which: basic indicator approach*	—	—	—
EU 23b	*Of which: standardised approach*	***713***	*713*	***57***
EU 23c	*Of which: advanced measurement approach*	—	—	—
24	*Amounts below the thresholds for deduction (subject to 250% risk-weight)* (1)	—	—	—
29	Total	**2,120**	4,312	**170**

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

Annex XIII: Liquidity requirements

EU 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)			
EU 1a		**30 September 2023**	30 June 2023	31 March 2023	31 December 2022	**30 September 2023**	30 June 2023	31 March 2023	31 December 2022
EU 1b	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)					**1,570**	2,878	4,550	6,035
Cash - outflows									
2	Retail deposits and deposits from small business customers of which:	**1,437**	3,445	6,151	9,000	**306**	456	637	793
3	*Stable deposits*	***443***	*1,413*	*2,864*	*4,480*	***21***	*70*	*144*	*224*
4	*Less stable deposits*	***994***	*2,032*	*3,286*	*4,406*	***284***	*386*	*493*	*534*
5	Unsecured wholesale funding	**1,901**	3,695	5,524	6,952	**997**	1,907	2,722	3,367
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	***492***	*893*	*1,328*	*1,678*	***123***	*223*	*332*	*419*
7	*Non-operational deposits (all counterparties)*	***1,409***	*2,802*	*4,196*	*5,274*	***874***	*1,684*	*2,390*	*2,948*
8	*Unsecured debt*	**—**	—	—	—	**—**	—	—	—
9	*Secured wholesale funding*					***4***	*4*	*4*	—
10	Additional requirements	**458**	841	1,375	1,851	**43**	77	125	169
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*	***456***	*839*	*1,373*	*1,849*	***40***	*75*	*123*	*167*
14	Other contractual funding obligations	**149**	216	282	274	**94**	155	215	201
15	Other contingent funding obligations	**161**	222	264	301	**7**	10	12	15
16	Total cash outflows					**1,450**	2,609	3,715	4,545
Cash - inflows									
17	Secured lending (e.g. reverse repos)	**4**	4	4	—	**4**	4	4	—
18	Inflows from fully performing exposures	**839**	831	708	423	**769**	745	624	350
19	Other cash inflows	**521**	1,108	1,241	1,274	**468**	1,040	1,160	1,184
EU-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)					**—**	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)					**—**	—	—	—
20	Total cash inflows	**1,364**	1,943	1,953	1,697	**1,241**	1,789	1,788	1,534
EU-20a	*Fully exempt inflows*	**—**	—	—	—	**—**	—	—	—
EU-20b	*Inflows subject to 90% cap*	**—**	—	—	—	**—**	—	—	—
EU-20c	*Inflows subject to 75% cap* (2)	***1,364***	*1,943*	*1,953*	*1,697*	***810***	*1,343*	*1,455*	*1,352*
Total adjusted value									
EU-21	Liquidity buffer					**1,570**	2,878	4,550	6,035
22	Total net cash outflows					**640**	1,266	2,260	3,193
23	Liquidity coverage ratio (%)					**502%**	283%	213%	203%

(1) The LIQ1 disclosure reflects the 12 month average of all the quoted LCR data points.
(2) Includes adjustments for instances when cash inflows were capped at 75% of cash outflows.

Annex XIII: Liquidity requirements continued

EU LIQB: Qualitative information on LCR

LCR inputs and results over time

The LCR aims to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to meet its liquidity needs for a 30-calendar day liquidity stress scenario. The LCR remained above the regulatory minimum requirements of 100% and internal risk appetite limits throughout the year. The LCR is prepared in accordance with the Commission Delegated Regulation (EU) 2015/61. All figures included in the table represent a 12-month rolling average for each quarter.

In Q1 2021, UBIDAC announced its intention to commence a phased withdrawal from the Republic of Ireland. In Q2 2022, UBIDAC commenced communication with all depositors, requesting they find an alternate banking provider and to close their current and deposit accounts. As a result, UBIDAC experienced material deposit outflows in 2022 and 2023.

As at Q3 2023, UBIDAC had an unsecured committed liquidity facility with NatWest Bank (NWB) to fund mismatches between inflows from loan sales and outflows from deposit migrations and so ensure continued compliance with regulatory and internal risk appetite requirements. During Q3 all drawings were repaid and the facility was appropriately resized to €1 billion (from €5 billion at H1 2023) and was fully unutilised at the end of Q3. The facility matures in Dec 2024. At 2021, and prior to the commencement of the customer deposit exit communications, UBIDAC had total customer deposits of €21 billion. As at Q3 2023, UBIDAC had residual customer deposits of €0.3 billion. At year end 2021 and prior to the commencement of loan sales, UBIDAC had total customer loans of €18.7 billion. As of Q3 2023, UBIDAC had residual loan assets (including loan assets held for disposal) of €1.6 billion.

Changes to net outflows driven by: Deposit outflows (due to the phased withdrawal) and an increase in inflows driven by loan asset sales and intragroup loans.

Concentration of funding sources

As at Q3 2023, UBIDAC was funded by €0.3 billion of deposits as well as capital and reserves.

Liquidity buffer composition

All UBIDAC HQLA is categorised as level 1. As at Q3 2023, the balance of the bonds was €0.4 billion.

In February 2023, the CBI formally notified UBIDAC that it was categorised as a wind down entity with respect to Monetary Operations. In reaching this decision, the CBI advised that its determination of UBIDAC as a wind down entity was made in the context of UBIDAC's 'main purpose is the gradual divestment of its assets and the cessation of its business'. As a result of this UBIDAC no longer has access to Eurosystem Monetary Policy Operations which are defined as open market operations and standing facilities. Most notably was the loss of access to the ECB Overnight Deposit facility where UBIDAC placed its surplus cash reserves.

UBIDAC now places its surplus cash overnight with NWB. The change in the management of UBIDAC surplus cash has impacted the calculation of the LCR. When the funds were placed with the ECB, they were considered HQLA, while now as a placement with NWB they are treated as a cash inflow. Noting cash inflows are restricted to 75% of cash outflows in LCR.

Derivative exposures and potential collateral calls

As at Q3 2023, UBIDAC had a non-material number of swaps/collateral calls.

Currency mismatch in the LCR

As at Q3 2023, the Bank's balance sheet was >95% euro denominated.