



NatWest Markets Group 2022 Annual Results

Financial review

NWM Group reported a loss for the year ended 31 December 2022 of £264 million compared with a loss of £491 million for the year ended 31 December 2021. Higher income largely reflected stronger performance across the product suite in 2022 compared with the prior year. Operating expenses for the current year were slightly lower than in 2021, as an increase in litigation and conduct costs was offset by a decrease in other operating expenses.

Highlights

Financial performance

- Income of £689 million in 2022 was up by £288 million compared with £401 million in 2021. The increase was largely driven by Fixed Income performance, which continued to be impacted by challenging market conditions but improved compared with the prior year, and stronger performances in Currencies, as FX volatility heightened during the current year, and in Capital Markets.
- Operating expenses of £1,128 million were £22 million lower compared with £1,150 million in 2021. Litigation and conduct costs of £80 million reflected ongoing progress in closing legacy matters, and were up by £97 million compared with £17 million credit in 2021. Other operating expenses of £1,048 million were £119 million lower than £1,167 million in 2021, largely reflecting higher costs recognised in the prior year in relation to technology investment and the refocusing of NWM Group.
- Impairment losses were £8 million in 2022, compared with releases of £35 million in 2021 which were largely driven by credit improvements and releases on individual exposures.
- NWM Group's total assets and liabilities decreased by £13.2 billion and £12.4 billion to £189.8 billion and £183.2 billion respectively at 31 December 2022, compared with the prior year. The decreases were primarily driven by reductions in trading assets and liabilities, largely reflecting risk management activity undertaken in the current year, in addition to lower derivative fair values, largely driven by market volatility in 2022 including increases in interest rates across major currencies and the strengthening of USD.
- Total dividends paid to NatWest Group plc during the year ended 31 December 2022 amounted to £430 million.

Capital and leverage

- Total NWM Plc RWAs were £21.4 billion at 31 December 2022, compared with £22.7 billion at 31 December 2021. The decrease in the year reflected lower levels of counterparty credit and operational risk, offset partially by increases in credit and market risk.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 17.2% at 31 December 2022, compared with 17.9% at 31 December 2021. The decrease in the year was largely driven by dividends paid to NatWest Group plc and other reserve movements, partially offset by the decrease in RWAs.
- NWM Plc's leverage ratio, calculated in accordance with changes to the UK's leverage ratio framework introduced by the PRA which came into effect from 1 January 2022, was 5.4% at 31 December 2022. As at 31 December 2021, the UK leverage ratio was 4.8%, which was calculated under the prior year's UK leverage methodology.
- Total MREL for NWM Plc at 31 December 2022 was £8.7 billion, or 40.4% of RWAs, compared with £9.6 billion or 42.1% of RWAs at 31 December 2021. The decrease in the year was largely due to the redemption of two internal instruments issued to NatWest Group plc of £1.1 billion and £1.0 billion respectively, offset by a new internal instrument issued to NatWest Group plc of \$1.1 billion.

Liquidity and funding

- NWM Plc's liquidity portfolio at 31 December 2022 was £18.6 billion with an LCR of 253%, compared with £16.1 billion and an LCR of 205% at 31 December 2021. Stressed coverage ratio was 199% at 31 December 2022, compared with 146% at 31 December 2021.
- NWM Plc issued £4.6 billion of public benchmark transactions during 2022 against guidance of £4-5 billion of public benchmark issuance in full year 2022. Transactions included a benchmark transaction under the US MTN programme of \$1.5 billion of notes, five benchmark transactions under the EMTN programme across EUR, CHF and our inaugural GBP benchmark amounting to £3.1 billion of notes, and an inaugural transaction under the AUD debt issuance programme of AUD 0.6 billion of notes. NWM Plc also raised funding in other formats throughout the year such as private placements and secured note transactions.
- On 13 January 2023, NWM Plc issued a total of £1.5 billion of notes under the EMTN programme in benchmark transactions.

Outlook ^(1,2)

We aim to generate sustainable and attractive returns over the medium term, with efficient capital usage.

Medium-term outlook

| Metric ⁽³⁾ | Estimate |
|---------------------------|----------|
| CET1 ratio | ~14% |
| MREL ratio ⁽⁴⁾ | >30% |
| Leverage ratio | >4% |

NWM Plc 2023 funding plan targets £3–5 billion of public benchmark issuance.

(1) This supersedes all prior guidance.

(2) The guidance, targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" section on pages 173 to 193 of NatWest Markets Plc 2022 Annual Report and Accounts. These statements constitute forward-looking statements. Refer to 'Forward-looking statements' in this announcement.

(3) All metrics presented relate to NWM Plc.

(4) Includes total regulatory capital, non-eligible capital and down streamed internal MREL.

Chief Executive's statement

2022 has been another challenging year and I am proud of the way we have supported our customers and managed risk in an uncertain economic environment.

Delivering on our strategy of sustainable growth

Our total income was £689 million and the operating loss before tax for the year was £447 million. This reflected a stronger current year performance compared to 2021, largely driven by improved performance in Fixed Income against volatile market conditions, in addition to stronger performance in both Currencies and Capital Markets. We continued to reduce operating costs and progressed in closing legacy matters. We returned £430 million of capital to NatWest Group via dividends during the year up to 31 December 2022. We maintained a robust capital position and reported a strong CET1 ratio of 17.2% and leverage of 5.4%, with our risk-weighted assets (RWAs) reducing slightly to £21.4 billion reflecting lower levels of counterparty credit and operational risk, offset partially by increases in credit and market risk.

Building closer customer relationships

The creation by NatWest Group of the Commercial & Institutional segment has enhanced our ability to work across NatWest Group to deliver on opportunities including revenue growth. We've onboarded approximately 650 additional NatWest Holdings Commercial customers to NatWest Markets for foreign exchange services and are working closely with our colleagues in the Wealth segment on further foreign exchange growth opportunities. We have developed our Capital Markets business through private financing and continued to support the growth of our funds business.

Supporting climate transition

We've continued to support our customers' transition to net zero as well as their broader ESG ambitions and targets. In 2022, we completed £12.2 billion of climate and sustainable funding and financing, contributing to the NatWest Group target of £100 billion aimed to be delivered between 1 July 2021 and the end of 2025.

Our progress has also been recognised externally with multiple awards including at the Environmental Finance Bond Awards and the Global Capital Covered Bond Awards. NatWest Group was an active contributor at COP27 and I was pleased to support discussions with customers, other financial institutions and industry groups on how banks can help finance the transition to net zero.

Progressing our digital agenda

Responding to and anticipating our customers' digital needs will be important if we're to differentiate ourselves in the industry. Financial markets are increasingly embracing distributed ledger technology and the creation of our Digital Capital Markets team is helping us to innovate in this exciting growth area. For example, we delivered two successful pilots of a cross-ledger debt issuance during the year. We're also continuing to digitise and automate processes to enhance the customer experience.

Creating an inclusive, purpose-led culture

I'm pleased with the progress we've made on instilling a positive attitude to progress, change and improvement across the business. One of the ways we've done this is by establishing a Diversity, Equity and Inclusion Action Committee to share best practice and agree and drive an action-orientated approach to how we attract, develop and retain colleagues.

I believe that in 2023 we will be in a strong position to support the Commercial & Institutional segment by delivering our products and capabilities to more customers. This will help generate the sustainable growth we are targeting and ultimately drive value for all our stakeholders.

Robert Begbie
Chief Executive Officer

Business performance summary

The table below presents a segmental analysis of key lines of NWM Group's income statement for the quarter ended 31 December 2022. Commentary refers to the table below as well as the consolidated income statement shown on page 7.

| | Q4 2022 | | | Q3 2022 | | | Q4 2021 | | |
|--|--------------------------|-----------------------------------|--------------|--------------------------|-----------------------------------|--------------|--------------------------|-----------------------------------|--------------|
| | NatWest Markets £m | Central items & other £m | Total £m | NatWest Markets £m | Central items & other £m | Total £m | NatWest Markets £m | Central items & other £m | Total £m |
| Income statement | | | | | | | | | |
| Net interest income | 29 | - | 29 | 33 | - | 33 | 13 | - | 13 |
| Non-interest income | 74 | 4 | 78 | 109 | 2 | 111 | 11 | (11) | - |
| Total income | 103 | 4 | 107 | 142 | 2 | 144 | 24 | (11) | 13 |
| Litigation and conduct costs | (10) | (37) | (47) | (6) | (7) | (13) | - | (24) | (24) |
| Other operating expenses (1) | (271) | 17 | (254) | (257) | (17) | (274) | (347) | (2) | (349) |
| Operating expenses | (281) | (20) | (301) | (263) | (24) | (287) | (347) | (26) | (373) |
| Operating loss before impairment releases/losses | (178) | (16) | (194) | (121) | (22) | (143) | (323) | (37) | (360) |
| Impairment releases/(losses) | 2 | - | 2 | (5) | - | (5) | 16 | - | 16 |
| Operating loss before tax | (176) | (16) | (192) | (126) | (22) | (148) | (307) | (37) | (344) |
| Tax credit | | | 147 | | | 15 | | | 136 |
| Loss for the period | | | (45) | | | (133) | | | (208) |
| Income (2) | | | | | | | | | |
| Fixed Income | 5 | - | 5 | 12 | - | 12 | (69) | - | (69) |
| Currencies | 119 | - | 119 | 114 | - | 114 | 121 | - | 121 |
| Capital Markets | 93 | - | 93 | 88 | - | 88 | 80 | - | 80 |
| Capital Management Unit & other (3) | (31) | 4 | (27) | (25) | 2 | (23) | (55) | (11) | (66) |
| Income including shared revenue, before asset disposals and OCA | 186 | 4 | 190 | 189 | 2 | 191 | 77 | (11) | 66 |
| Revenue shared with or paid to fellow NatWest Group subsidiaries | (51) | - | (51) | (53) | - | (53) | (44) | - | (44) |
| Income excluding Asset disposals and OCA | 135 | 4 | 139 | 136 | 2 | 138 | 33 | (11) | 22 |
| Asset disposals/Strategic risk reduction (4) | (14) | - | (14) | (2) | - | (2) | (12) | - | (12) |
| Own credit adjustments (OCA) | (18) | - | (18) | 8 | - | 8 | 3 | - | 3 |
| Total income | 103 | 4 | 107 | 142 | 2 | 144 | 24 | (11) | 13 |

(1) A presentational change was made in Q1 2022 whereby strategic costs are included within Other operating expenses and not reported separately.

(2) Product performance includes gross income earned on a NatWest group-wide basis, including amounts contributed to other NatWest Group subsidiaries. Income including shared revenue, before asset disposals and OCA includes revenue share from other NatWest Group subsidiaries but before revenue share is paid to or contributed to those subsidiaries.

(3) Capital Management Unit was set up in Q3 2020 to manage the capital usage and optimisation across all parts of NatWest Markets. The income shown here materially relates to legacy positions. Other relates to income booked to the Central items & other operating segment.

(4) Asset disposals/Strategic risk reduction relates to the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into as part of the optimisation of the entity's capital usage.

- **Net interest income** was £29 million in Q4 2022 compared with £33 million in Q3 2022 and £13 million in Q4 2021. Net interest income largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The movement compared with Q4 2021 largely reflects growth in lending activity during 2022.
- **Non-interest income** of £78 million in Q4 2022 decreased by £33 million compared with £111 million in Q3 2022, largely due to own credit adjustments of £(18) million in the current quarter which reflected the tightening of credit spreads, and increased by £78 million compared with nil in Q4 2021, largely reflecting weaker performance in Fixed Income in the comparative period.
- **Operating expenses** of £301 million in Q4 2022 were up by £14 million compared with £287 million in Q3 2022 and down by £72 million compared with £373 million in Q4 2021. Litigation and conduct costs of £47 million in Q4 2022 reflected ongoing progress in closing legacy matters, and were up by £34 million and £23 million respectively compared with Q3 2022 and Q4 2021. Other operating expenses of £254 million decreased by £20 million compared with Q3 2022, largely due to one-off costs recognised in the prior quarter, and decreased by £95 million compared with Q4 2021, largely reflecting higher costs recognised in the comparative period in relation to technology investment and the refocusing of NWM Group.
- **Tax credit** of £147 million in Q4 2022 on operating loss before tax of £192 million is higher than the expected tax credit based on the UK corporation tax rate of 19%. There is non-taxable income from the RPI uplift on UK Government index linked gilts and a tax credit for the banking surcharge, partially offset by a decrease in the carrying value of the deferred tax asset in respect of losses.
- **NatWest Markets operating loss before tax** was £176 million in Q4 2022, compared with £126 million in Q3 2022 and £307 million in Q4 2021. Income excluding asset disposals and own credit adjustments of £135 million was down by £1 million compared with £136 million in Q3 2022, and up by £102 million compared with £33 million in Q4 2021, largely reflecting weaker performance in Fixed Income in the comparative period. Operating expenses of £281 million in Q4 2022 were £18 million higher than £263 million in Q3 2022, largely due to a transfer in the current quarter of certain year-to-date costs previously recorded in Central items, and £66 million lower than £347 million in Q4 2021, largely reflecting higher costs recognised in the comparative period in relation to technology investment and the refocusing of NWM Group.
- **Central items & other operating loss before tax** was £16 million, compared with £22 million in Q3 2022 and £37 million in Q4 2021. Litigation and conduct costs of £37 million in Q4 2022 reflected ongoing progress in closing legacy matters, and were up by £30 million compared with £7 million in Q3 2022 and up by £13 million compared with £24 million in Q4 2021. Other operating expenses of £17 million credit in Q4 2022 primarily reflected the transfer to NatWest Markets described above.

Business performance summary continued

The table below presents a segmental analysis of key lines of NWM Group's income statement for the year ended 31 December 2022. Commentary refers to the table below as well as the consolidated income statement shown on page 7.

| | Year ended | | | | | |
|--|--------------------------|-----------------------------------|----------------|--------------------------|-----------------------------------|----------------|
| | 31 December 2022 | | | 31 December 2021 | | |
| | NatWest Markets £m | Central items & other £m | Total £m | NatWest Markets £m | Central items & other £m | Total £m |
| Income statement | | | | | | |
| Net interest income | 91 | - | 91 | 8 | - | 8 |
| Non-interest income | 601 | (3) | 598 | 401 | (8) | 393 |
| Total income | 692 | (3) | 689 | 409 | (8) | 401 |
| Litigation and conduct costs | (22) | (58) | (80) | - | 17 | 17 |
| Other operating expenses (1) | (1,033) | (15) | (1,048) | (1,157) | (10) | (1,167) |
| Operating expenses | (1,055) | (73) | (1,128) | (1,157) | 7 | (1,150) |
| Operating loss before impairment losses/releases | (363) | (76) | (439) | (748) | (1) | (749) |
| Impairment (losses)/releases | (8) | - | (8) | 35 | - | 35 |
| Operating loss before tax | (371) | (76) | (447) | (713) | (1) | (714) |
| Tax credit | | | 183 | | | 223 |
| Loss for the year | | | (264) | | | (491) |
| Income (2) | | | | | | |
| Fixed Income | 40 | - | 40 | (64) | - | (64) |
| Currencies | 513 | - | 513 | 427 | - | 427 |
| Capital Markets | 398 | - | 398 | 336 | - | 336 |
| Capital Management Unit & other (3) | (62) | (3) | (65) | (35) | (8) | (43) |
| Income including shared revenue, before asset disposals and OCA | 889 | (3) | 886 | 664 | (8) | 656 |
| Revenue shared with or paid to fellow NatWest Group subsidiaries | (191) | - | (191) | (197) | - | (197) |
| Income excluding Asset disposals and OCA | 698 | (3) | 695 | 467 | (8) | 459 |
| Asset disposals/Strategic risk reduction (4) | (48) | - | (48) | (64) | - | (64) |
| Own credit adjustments (OCA) | 42 | - | 42 | 6 | - | 6 |
| Total income | 692 | (3) | 689 | 409 | (8) | 401 |

(1) A presentational change was made in Q1 2022 whereby strategic costs are included within Other operating expenses and not reported separately.

(2) Product performance includes gross income earned on a NatWest group-wide basis, including amounts contributed to other NatWest Group subsidiaries. Income including shared revenue, before asset disposals and OCA includes revenue share from other NatWest Group subsidiaries but before revenue share is paid to or contributed to those subsidiaries.

(3) Capital Management Unit was set up in Q3 2020 to manage the capital usage and optimisation across all parts of NatWest Markets. The income shown here materially relates to legacy positions. Other relates to income booked to the Central items & other operating segment.

(4) Asset disposals/Strategic risk reduction relates to the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into as part of the optimisation of the entity's capital usage.

- **Net interest income** was £91 million for 2022, compared with £8 million in 2021. Net interest income largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The movement compared with the prior year largely reflected growth in lending and reduced funding costs for the business driven by the ongoing repayment of legacy debt.
- **Non-interest income** increased by £205 million to £598 million, compared with £393 million in 2021. The increase was largely driven by Fixed Income performance, which continued to be impacted by challenging market conditions but improved compared with the prior year, and stronger performances in Currencies, as FX volatility heightened during the current year, and in Capital Markets. Own credit adjustments were £42 million for 2022, reflecting the widening of credit spreads, compared with £6 million in 2021.
- **Operating expenses** of £1,128 million in the current year were £22 million lower than £1,150 million in 2021. Litigation and conduct costs of £80 million reflected ongoing progress in closing legacy matters, and were up by £97 million compared with £17 million credit in 2021. Other operating expenses of £1,048 million were £119 million lower than £1,167 million in 2021, largely reflecting higher costs recognised in the prior year in relation to technology investment and the refocusing of NWM Group.
- **Impairment losses** were £8 million in 2022, compared with releases of £35 million in 2021 which were largely driven by credit improvements and releases on individual exposures.
- **Tax credit** of £183 million on operating loss before tax of £447 million is higher than the expected tax credit based on the UK corporation tax rate of 19%. There is non-taxable income from the RPI uplift on UK Government index linked gilts and a tax credit for the banking surcharge, partially offset by a decrease in the carrying value of the deferred tax asset in respect of losses.
- **NatWest Markets** operating loss before tax was £371 million compared with a loss of £713 million in 2021. Income excluding asset disposals and own credit adjustments of £698 million was £231 million higher than £467 million in 2021, largely reflecting stronger performance across the product suite in the current year. Operating expenses of £1,055 million were £102 million lower than £1,157 million in 2021, largely reflecting higher costs recognised in the prior year in relation to technology investment and the refocusing of NWM Group.
- **Central items & other** operating loss before tax was £76 million compared with a loss of £1 million in 2021. Litigation and conduct costs of £58 million reflected ongoing progress in closing legacy matters, and were up by £75 million from £17 million credit in 2021.

Business performance summary continued

Balance sheet profile as at 31 December 2022

NWM Group's balance sheet profile is summarised below. Commentary refers to the tables below as well as the consolidated balance sheet on page 8.

| Assets | | | Liabilities | | |
|--|-------|-------|-------------|-------|--|
| | 2022 | 2021 | 2022 | 2021 | |
| | £bn | £bn | £bn | £bn | |
| Cash and balances at central banks | 17.0 | 16.6 | | | |
| Securities | 9.9 | 25.0 | 9.5 | 25.0 | Short positions |
| Reverse repos (1) | 21.5 | 20.7 | 23.7 | 19.4 | Repos (2) |
| Derivative cash collateral posted (3) | 12.7 | 12.0 | 17.7 | 17.6 | Derivative cash collateral received (4) |
| Other trading assets | 1.2 | 1.4 | 1.9 | 2.5 | Other trading liabilities |
| Total trading assets | 45.3 | 59.1 | 52.8 | 64.5 | Total trading liabilities |
| Loans - amortised cost | 11.3 | 8.4 | 6.7 | 4.1 | Deposits - amortised cost |
| Settlement balances | 2.6 | 2.1 | 2.0 | 2.1 | Settlement balances |
| Amounts due from holding company and fellow subsidiaries | 0.7 | 1.5 | 6.2 | 6.1 | Amounts due to holding company and fellow subsidiaries |
| Other financial assets | 11.9 | 8.8 | 21.1 | 19.3 | Other financial liabilities |
| Other assets | 0.8 | 0.9 | 0.8 | 1.0 | Other liabilities |
| Funded assets | 89.6 | 97.4 | 89.6 | 97.1 | Liabilities excluding derivatives |
| Derivative assets | 100.2 | 105.6 | 93.6 | 98.5 | Derivative liabilities |
| Total assets | 189.8 | 203.0 | 183.2 | 195.6 | Total liabilities |
| | | | | | of which: |
| | | | 23.5 | 21.1 | wholesale funding (5) |
| | | | 7.7 | 9.2 | short-term wholesale funding (5) |
| Net derivative assets | 3.5 | 3.6 | 5.6 | 2.9 | Net derivative liabilities |

(1) Comprises bank reverse repos of £4.6 billion (2021 - £3.9 billion) and customer reverse repos of £16.9 billion (2021 - £16.8 billion).

(2) Comprises bank repos of £1.6 billion (2021 - £0.8 billion) and customer repos of £22.1 billion (2021 - £18.6 billion).

(3) Comprises derivative cash collateral posted relating to banks of £4.6 billion (2021 - £4.3 billion) and customers of £8.1 billion (2021 - £7.7 billion).

(4) Comprises derivative cash collateral received relating to banks of £7.5 billion (2021 - £8.1 billion) and customers of £10.2 billion (2021 - £9.5 billion).

(5) Predominantly comprises bank deposits (excluding repos), debt securities in issue and third-party subordinated liabilities.

- **Total assets and liabilities** decreased by £13.2 billion and £12.4 billion to £189.8 billion and £183.2 billion respectively at 31 December 2022, compared with £203.0 billion and £195.6 billion at 31 December 2021. The decreases were primarily driven by reductions in trading assets and liabilities, largely reflecting risk management activity undertaken in the current year, in addition to lower derivative fair values, largely driven by market volatility in 2022 including increases in interest rates across major currencies and the strengthening of USD.
- **Trading assets** which primarily relate to client-led activity as well as derivative cash collateral posted, decreased by £13.8 billion to £45.3 billion at 31 December 2022 from £59.1 billion at 31 December 2021, mainly driven by a reduction in securities reflecting risk management activity undertaken in the current year, partially offset by increases in derivative cash collateral posted and reverse repos. **Trading liabilities** decreased by £11.7 billion to £52.8 billion at 31 December 2022 from £64.5 billion at 31 December 2021, mainly driven by a reduction in short positions reflecting risk management activity undertaken in the current year, partially offset by an increase in repos.
- **Derivative assets and derivative liabilities** were down by £5.4 billion to £100.2 billion and by £4.9 billion to £93.6 billion respectively compared with year end 2021. The decreases in mark-to-market values were largely driven by market volatility in 2022 including increases in interest rates across major currencies and the strengthening of USD.
- **Loans to customers – amortised cost** increased by £2.7 billion to £10.2 billion at 31 December 2022, mainly driven by new lending in the current year.
- **Other financial assets** increased by £3.1 billion to £11.9 billion, largely reflecting an increase in held-to-collect securities purchased to support customer primary issuance.
- **Other financial liabilities** increased to £21.1 billion from £19.3 billion at 31 December 2021, driven by new issuance partially offset by maturities, and includes £16.4 billion of medium-term notes issued.

Capital, liquidity and funding risk

Capital, RWAs and leverage

Capital resources, RWAs and leverage based on the PRA transitional arrangements for NWM Plc are set out below. Regulatory capital is monitored and reported at legal entity level for large subsidiaries of NatWest Group.

| | 31 December 2022 | 30 September 2022 | 31 December 2021 |
|--------------------------------|---------------------|----------------------|---------------------|
| | % | % | % |
| Capital adequacy ratios | | | |
| CET1 | 17.2 | 14.9 | 17.9 |
| Tier 1 | 20.4 | 17.7 | 21.0 |
| Total | 25.7 | 22.3 | 25.9 |
| Total MREL | 40.4 | 35.3 | 42.1 |
| Capital (1) | £m | £m | £m |
| CET1 (2) | 3,682 | 3,714 | 4,072 |
| Tier 1 | 4,361 | 4,393 | 4,755 |
| Total | 5,502 | 5,538 | 5,870 |
| Total MREL (3) | 8,652 | 8,787 | 9,555 |
| Risk-weighted assets | | | |
| Credit risk | 7,110 | 7,736 | 6,878 |
| Counterparty credit risk | 5,682 | 7,538 | 6,854 |
| Market risk | 7,152 | 8,121 | 6,934 |
| Operational risk | 1,478 | 1,478 | 2,020 |
| Total RWAs | 21,422 | 24,873 | 22,686 |

- (1) NWM Plc's total capital ratio requirement is 11%, comprising the minimum capital requirement of 8%, supplemented with the capital conservation buffer of 2.5% and the institution specific countercyclical buffer ('CCyB') of 0.5%. The minimum CET1 ratio is 7.5%, including the minimum capital requirement of 4.5%. The CCyB is based on the weighted average of NWM Plc's geographical exposures.
- (2) CET1 includes £250 million foreseeable ordinary dividend deduction in December 2021. There is no foreseeable ordinary dividend deduction in December 2022 or September 2022.
- (3) Includes senior debt instruments issued to NatWest Group plc with a regulatory value of £3.2 billion (30 September 2022 - £3.2 billion, 31 December 2021 - £3.7 billion).

Leverage

The leverage ratio for December and September 2022 has been calculated in accordance with the Leverage Ratio (CRR) part of the PRA rulebook. The prior year comparative reflects the previous CRR framework which was applicable prior to 1 January 2022.

| | 31 December 2022 | 30 September 2022 | 31 December 2021 |
|-----------------------------------|---------------------|----------------------|---------------------|
| Leverage exposure (£m) (4) | 81,083 | 99,515 | 110,603 |
| Tier 1 capital (£m) | 4,361 | 4,393 | 4,755 |
| Leverage ratio (%) (5) | 5.4 | 4.4 | 4.3 |

- (4) Leverage exposure is broadly aligned to the accounting value of on and off-balance sheet exposures albeit subject to specific adjustments for derivatives, securities financing positions and off-balance sheet exposures.
- (5) Following the Financial Policy Committee's planned review of the UK's leverage ratio framework, the PRA has introduced changes to the framework from 1 January 2022. The leverage ratio for 31 December 2022 and 30 September 2022 in the above table reflects the UK leverage ratio for NWM Plc, as per the new framework. As at 31 December 2021, the UK leverage ratio was 4.8%, which was calculated under the prior year's PRA UK leverage methodology.

Liquidity and funding

| | 31 December 2022 | 30 September 2022 | 31 December 2021 |
|---|---------------------|----------------------|---------------------|
| Liquidity coverage ratio (LCR) (%) | 253 | 199 | 205 |
| Liquidity portfolio (£bn) | 18.6 | 18.0 | 16.1 |
| Total wholesale funding (£bn) (1) | 23.5 | 22.9 | 21.1 |
| Total funding including repo (£bn) | 77.0 | 84.2 | 68.8 |

- (1) Predominantly comprises bank deposits (excluding repos), debt securities in issue and third-party subordinated liabilities.

Consolidated income statement for the period ended 31 December 2022

| | Year ended | | Quarter ended | | |
|---|----------------|----------------|---------------|--------------|--------------|
| | 31 December | 31 December | 31 December | 30 September | 31 December |
| | 2022 | 2021 | 2022 | 2022 | 2021 |
| | £m | £m | £m | £m | £m |
| Interest receivable | 745 | 343 | 270 | 232 | 85 |
| Interest payable | (654) | (335) | (241) | (199) | (72) |
| Net interest income | 91 | 8 | 29 | 33 | 13 |
| Fees and commissions receivable | 349 | 262 | 89 | 80 | 68 |
| Fees and commissions payable | (158) | (104) | (32) | (49) | (23) |
| Income from trading activities | 389 | 263 | 37 | 56 | (37) |
| Other operating income | 18 | (28) | (16) | 24 | (8) |
| Non-interest income | 598 | 393 | 78 | 111 | - |
| Total income | 689 | 401 | 107 | 144 | 13 |
| Staff costs | (400) | (498) | (92) | (95) | (128) |
| Premises and equipment | (60) | (110) | (19) | (16) | (51) |
| Other administrative expenses | (652) | (522) | (187) | (174) | (189) |
| Depreciation and amortisation | (16) | (20) | (3) | (2) | (5) |
| Operating expenses | (1,128) | (1,150) | (301) | (287) | (373) |
| Operating loss before impairment losses/releases | (439) | (749) | (194) | (143) | (360) |
| Impairment (losses)/releases | (8) | 35 | 2 | (5) | 16 |
| Operating loss before tax | (447) | (714) | (192) | (148) | (344) |
| Tax credit | 183 | 223 | 147 | 15 | 136 |
| Loss for the period | (264) | (491) | (45) | (133) | (208) |
| Attributable to: | | | | | |
| Ordinary shareholders | (335) | (593) | (64) | (151) | (224) |
| Paid-in equity holders | 70 | 63 | 18 | 19 | 16 |
| Non-controlling interests | 1 | 39 | 1 | (1) | - |
| | (264) | (491) | (45) | (133) | (208) |

Consolidated statement of comprehensive income for the year ended 31 December 2022

| | Year ended | | Quarter ended | | |
|---|--------------|--------------|---------------|--------------|--------------|
| | 31 December | 31 December | 31 December | 30 September | 31 December |
| | 2022 | 2021 | 2022 | 2022 | 2021 |
| | £m | £m | £m | £m | £m |
| Loss for the period | (264) | (491) | (45) | (133) | (208) |
| Items that do not qualify for reclassification | | | | | |
| Remeasurement of retirement benefit schemes | (68) | 36 | (67) | - | 36 |
| Change in fair value of credit in financial liabilities designated at FVTPL | 50 | (29) | (52) | 11 | - |
| FVOCI financial assets | (2) | 2 | 1 | (4) | 4 |
| Tax | 32 | (10) | 42 | (1) | (15) |
| | 12 | (1) | (76) | 6 | 25 |
| Items that do qualify for reclassification | | | | | |
| FVOCI financial assets | (31) | (2) | 4 | (18) | 1 |
| Cash flow hedges | (475) | (206) | 100 | (321) | (49) |
| Currency translation | 245 | (124) | (91) | 166 | (31) |
| Tax | 142 | 45 | (32) | 96 | 24 |
| | (119) | (287) | (19) | (77) | (55) |
| Other comprehensive loss after tax | (107) | (288) | (95) | (71) | (30) |
| Total comprehensive loss for the period | (371) | (779) | (140) | (204) | (238) |
| Attributable to: | | | | | |
| Ordinary shareholders | (442) | (885) | (159) | (223) | (254) |
| Paid-in equity holders | 70 | 63 | 18 | 19 | 16 |
| Non-controlling interests | 1 | 43 | 1 | - | - |
| | (371) | (779) | (140) | (204) | (238) |

Consolidated balance sheet as at 31 December 2022

| | 31 December 2022 £m | 30 September 2022 £m | 31 December 2021 £m |
|--|---------------------------|----------------------------|---------------------------|
| Assets | | | |
| Cash and balances at central banks | 17,007 | 15,581 | 16,645 |
| Trading assets | 45,291 | 57,725 | 59,101 |
| Derivatives | 100,154 | 141,636 | 105,550 |
| Settlement balances | 2,558 | 7,429 | 2,139 |
| Loans to banks - amortised cost | 1,146 | 2,004 | 962 |
| Loans to customers - amortised cost | 10,171 | 10,082 | 7,471 |
| Amounts due from holding companies and fellow subsidiaries | 740 | 863 | 1,479 |
| Other financial assets | 11,870 | 11,818 | 8,786 |
| Other assets | 832 | 887 | 878 |
| Total assets | 189,769 | 248,025 | 203,011 |
| Liabilities | | | |
| Bank deposits | 3,069 | 3,904 | 1,808 |
| Customer deposits | 3,614 | 4,146 | 2,268 |
| Amounts due to holding companies and fellow subsidiaries | 6,217 | 6,422 | 6,126 |
| Settlement balances | 2,010 | 6,930 | 2,068 |
| Trading liabilities | 52,792 | 64,481 | 64,482 |
| Derivatives | 93,585 | 134,950 | 98,497 |
| Other financial liabilities | 21,103 | 19,686 | 19,255 |
| Other liabilities | 816 | 793 | 1,055 |
| Total liabilities | 183,206 | 241,312 | 195,559 |
| Equity | | | |
| Owners' equity | 6,565 | 6,716 | 7,455 |
| Non-controlling interests | (2) | (3) | (3) |
| Total equity | 6,563 | 6,713 | 7,452 |
| Total liabilities and equity | 189,769 | 248,025 | 203,011 |

Consolidated statement of changes in equity for the year ended 31 December 2022

| | Year ended | | Quarter ended | | |
|--|-------------|-------------|---------------|--------------|-------------|
| | 31 December | 31 December | 31 December | 30 September | 31 December |
| | 2022 | 2021 | 2022 | 2022 | 2021 |
| | £m | £m | £m | £m | £m |
| Called up share capital - at 1 January and 31 December | 400 | 400 | 400 | 400 | 400 |
| Share premium account - at 1 January | 1,946 | 1,759 | 1,946 | 1,946 | 1,946 |
| Redemption of Preference Shares | - | 187 | - | - | - |
| At 31 December | 1,946 | 1,946 | 1,946 | 1,946 | 1,946 |
| Paid-in equity - at 1 January and 31 December | 904 | 904 | 904 | 904 | 904 |
| FVOCI reserve - at 1 January | 33 | 34 | - | 15 | 29 |
| Unrealised (losses)/gains | (44) | (1) | 1 | (22) | 5 |
| Realised losses | 5 | 1 | 4 | - | - |
| Tax | 9 | (1) | (2) | 7 | (1) |
| At 31 December | 3 | 33 | 3 | - | 33 |
| Cash flow hedging reserve - at 1 January | 47 | 201 | (363) | (133) | 71 |
| Amount recognised in equity | (424) | (207) | 120 | (306) | (45) |
| Amount transferred from equity to earnings | (51) | 1 | (20) | (15) | (4) |
| Tax | 134 | 52 | (31) | 91 | 25 |
| At 31 December | (294) | 47 | (294) | (363) | 47 |
| Foreign exchange reserve - at 1 January | (13) | 121 | 323 | 158 | 18 |
| Retranslation of net assets | 325 | (158) | (97) | 209 | (49) |
| Foreign currency (losses)/gains on hedges of net assets | (75) | 20 | 7 | (40) | 8 |
| Tax | - | (6) | - | - | - |
| Recycled to profit or loss on disposal of businesses | (5) | 10 | (1) | (4) | 10 |
| At 31 December | 232 | (13) | 232 | 323 | (13) |
| Retained earnings - at 1 January | 4,138 | 5,969 | 3,506 | 3,828 | 4,583 |
| Loss attributable to ordinary shareholders and other equity owners | (265) | (530) | (46) | (132) | (208) |
| Ordinary dividends paid | (430) | (1,000) | - | (180) | (250) |
| Paid-in equity dividends paid | (70) | (63) | (18) | (19) | (16) |
| Redemption of preference shares | - | (188) | - | - | - |
| Remeasurement of retirement benefit schemes | - | - | - | - | - |
| - gross | (68) | 36 | (67) | - | 36 |
| - tax | 23 | (13) | 23 | - | (15) |
| Realised gains/(losses) on FVOCI equity shares | - | - | - | - | - |
| - gross | 6 | - | - | - | - |
| - tax | 10 | - | 12 | (2) | - |
| Changes in fair value of credit in financial liabilities designated at FVTPL | - | - | - | - | - |
| - gross | 50 | (29) | (52) | 11 | - |
| - tax | (2) | 3 | 8 | (1) | - |
| Share-based payments | - | - | - | - | - |
| - gross | (18) | (51) | 7 | 1 | 5 |
| - tax | - | 4 | 1 | - | 3 |
| At 31 December | 3,374 | 4,138 | 3,374 | 3,506 | 4,138 |

Consolidated statement of changes in equity for the period ended 31 December 2022

| | Year ended | | Quarter ended | | |
|---|-------------|-------------|---------------|--------------|-------------|
| | 31 December | 31 December | 31 December | 30 September | 31 December |
| | 2022 | 2021 | 2022 | 2022 | 2021 |
| | £m | £m | £m | £m | £m |
| Owners' equity at 31 December | 6,565 | 7,455 | 6,565 | 6,716 | 7,455 |
| Non-controlling interests - at 1 January | (3) | (46) | (3) | (3) | (3) |
| Currency translation adjustments and other movements | - | 4 | - | 1 | - |
| Profit/(loss) attributable to non-controlling interests | 1 | 39 | 1 | (1) | - |
| At 31 December | (2) | (3) | (2) | (3) | (3) |
| Total equity at 31 December | 6,563 | 7,452 | 6,563 | 6,713 | 7,452 |
| Attributable to: | | | | | |
| Ordinary shareholders | 5,661 | 6,551 | 5,661 | 5,812 | 6,551 |
| Paid-in equity holders | 904 | 904 | 904 | 904 | 904 |
| Non-controlling interests | (2) | (3) | (2) | (3) | (3) |
| | 6,563 | 7,452 | 6,563 | 6,713 | 7,452 |

Consolidated cash flow statement for the year ended 31 December 2022

| | 31 December | 31 December |
|---|-------------|-------------|
| | 2022 | 2021 |
| | £m | £m |
| Operating activities | | |
| Operating loss before tax | (447) | (714) |
| Adjustments for non-cash items | (488) | 725 |
| Net cash flows from trading activities | (935) | 11 |
| Changes in operating assets and liabilities | 6,293 | 2,460 |
| Net cash flows from operating activities before tax | 5,358 | 2,471 |
| Income taxes received | 135 | 28 |
| Net cash flows from operating activities | 5,493 | 2,499 |
| Net cash flows from investing activities | (2,905) | 40 |
| Net cash flows from financing activities | (2,100) | (2,675) |
| Effects of exchange rate on cash and cash equivalents | 1,090 | (994) |
| Net increase/(decrease) in cash and cash equivalents | 1,578 | (1,130) |
| Cash and cash equivalents at 1 January | 25,250 | 26,380 |
| Cash and cash equivalents at 31 December | 26,828 | 25,250 |

Notes

1. Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Markets Plc's 2022 Annual Report and Accounts. The critical and significant accounting policies are the same as those applied in the consolidated financial statements.

The directors have prepared the condensed consolidated financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date they are approved.

2. Critical accounting policies and key sources of estimation uncertainty

The critical accounting policies and judgements are noted in NatWest Markets Plc's 2022 Annual Report and Accounts.

Information used for significant estimates

Key financial estimates are based on management's latest five-year revenue and cost forecasts. Measurement of deferred tax and expected credit losses are highly sensitive to reasonably possible changes in those anticipated conditions. Changes in judgements and assumptions could result in a material adjustment to those estimates in future reporting periods. (Refer to the Risk factors in NatWest Markets Plc's 2022 Annual Report and Accounts).

Notes

3. Trading assets and liabilities

Trading assets and liabilities comprise assets and liabilities held at fair value in trading portfolios.

| | 31 December 2022 £m | 31 December 2021 £m |
|--------------------------------------|---------------------------|---------------------------|
| Assets | | |
| Loans | | |
| - Reverse repos | 21,537 | 20,742 |
| - Collateral given | 12,719 | 11,990 |
| - other loans | 1,113 | 1,414 |
| Total loans | 35,369 | 34,146 |
| Securities | | |
| Central and local government | | |
| - UK | 2,205 | 6,919 |
| - US | 2,345 | 3,329 |
| - other | 2,799 | 10,929 |
| Financial institutions and Corporate | 2,573 | 3,778 |
| Total securities | 9,922 | 24,955 |
| Total | 45,291 | 59,101 |
| Liabilities | | |
| Deposits | | |
| - Repos | 23,740 | 19,389 |
| - Collateral received | 17,663 | 17,619 |
| - other deposits | 1,068 | 1,536 |
| Total deposits | 42,471 | 38,544 |
| Debt securities in issue | 797 | 974 |
| Short positions | 9,524 | 24,964 |
| Total | 52,792 | 64,482 |

4. Other financial liabilities

| | 31 December 2022 £m | 31 December 2021 £m |
|--|---------------------------|---------------------------|
| Customer deposits - designated as at fair value through profit or loss | 1,050 | 568 |
| Debt securities in issue | | |
| - Medium term notes | 16,418 | 12,430 |
| - Commercial paper and certificates of deposit | 3,169 | 5,294 |
| Subordinated liabilities | | |
| - Designated as at fair value through profit or loss | 345 | 703 |
| - Amortised cost | 121 | 260 |
| Total | 21,103 | 19,255 |

5. Amounts due to holding company and fellow subsidiaries

| | 31 December 2022 £m | 31 December 2021 £m |
|--|---------------------------|---------------------------|
| Liabilities | | |
| Bank deposits - amortised cost | 108 | 120 |
| Customer deposits - amortised cost | 51 | 155 |
| Trading liabilities | 1,129 | 348 |
| Settlement balances | 26 | - |
| Other financial liabilities - subordinated liabilities | 1,519 | 1,464 |
| MREL instruments issued to NatWest Group plc | 3,173 | 3,858 |
| Other liabilities | 211 | 181 |
| Total | 6,217 | 6,126 |

Notes

6. Related parties

UK Government

The UK Government, bodies controlled or jointly controlled by the UK Government and bodies over which it has significant influence are related parties of NWM Group. NWM Group enters into transactions with many of these bodies. NWM Group's other transactions with the UK Government include the payment of taxes, principally UK corporation tax and value added tax; national insurance contributions; local authority rates; and regulatory fees and levies (including the bank levy and FSCS levies).

Bank of England facilities

In the ordinary course of business, NWM Group may from time-to-time access market-wide facilities provided by the Bank of England.

Other related parties

- (a) In their roles as providers of finance, NWM Group companies provide development and other types of capital support to businesses. In some instances, the investment may extend to ownership or control over 20% or more of the voting rights of the investee company.
- (b) In accordance with IAS 24, transactions or balances between NWM Group entities that have been eliminated on consolidation are not reported.
- (c) NWM Group is recharged from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.
- (d) The primary financial statements include transactions and balances with its subsidiaries which have been further disclosed in the relevant parent company notes.

Full details of NWM Group's related party transactions for year ended 31 December 2022 are included in NatWest Markets Plc 2022 Annual Report and Accounts.

7. Litigation and regulatory matters

NWM Plc and certain members of NWM Group are party to legal proceedings and involved in regulatory matters, including as the subject of investigations and other regulatory and governmental action (Matters) in the United Kingdom (UK), the United States (US), the European Union (EU) and other jurisdictions. Note 25 in the NatWest Markets Plc 2022 Annual Report and Accounts, issued on 17 February 2023 and available at nwm.com (Note 25), discusses the Matters in which NWM Group is currently involved and material developments. Other than the Matters discussed in Note 25, no member of NWM Group is or has been involved in governmental, legal, or regulatory proceedings (including those which are pending or threatened) that are expected to be material, individually or in aggregate. Recent developments in the Matters identified in Note 25 that have occurred since the Q3 2022 Interim Management Statement was issued on 28 October 2022, include, but are not limited to, those set out below.

Litigation

FX litigation

Following the 2015 settlement of the primary foreign exchange (FX) class action in the United States, some members of the settlement class opted out of the settlement and, in 2018, filed their own non-class complaint in the United States District Court for the Southern District of New York (SDNY), against NWM Plc, NatWest Markets Securities Inc. and other banks, asserting antitrust claims. In April 2019, some of the claimants in that opt-out case, as well as others, served proceedings in the High Court of Justice of England and Wales, asserting competition claims against NWM Plc and several other banks. The claim was transferred from the High Court of Justice of England and Wales in December 2021 and registered in the UK Competition Appeal Tribunal (CAT) in January 2022. In December 2022, NWM Plc reached an agreement in principle, subject to documentation, to resolve both the SDNY and CAT cases. The settlement amount to be paid by NWM Plc is covered by an existing provision.

US Anti-Terrorism Act litigation

On 5 January 2023, the United States Court of Appeals for the Second Circuit affirmed the United States District Court for the Eastern District of New York's (EDNY) 2019 dismissal of the US Anti-Terrorism Act case filed in November 2014 against NWM N.V. and certain other financial institutions. The case concerns an alleged conspiracy to assist Iran in transferring money to Hezbollah and Iraqi terror cells that committed attacks in Iraq between 2003 and 2011. Similar cases, filed after the 2014 case that was the subject of the appeal, remain pending in the EDNY and the SDNY.

1MDB litigation

A Malaysian court claim was served in Switzerland in November 2022 by 1MDB, a Sovereign Wealth Fund, in which Coutts & Co Ltd was named, along with six others, as a defendant in respect of losses allegedly incurred by 1MDB. It is claimed that Coutts & Co Ltd is liable as a constructive trustee for having dishonestly assisted the directors of 1MDB in the breach of their fiduciary duties by failing (amongst other alleged claims) to undertake due diligence in relation to a customer of Coutts & Co Ltd, through which funds totalling c.US\$1 billion were received and paid out between 2009 and 2011. The claimant seeks the return of that amount plus interest. Coutts & Co Ltd filed an application in January 2023 challenging the validity of service and the Malaysian court's jurisdiction to hear the claim. Coutts & Co Ltd is a company registered in Switzerland and is in wind-down following the announced sale of its business assets in 2015.

Notes

8. Post balance sheet events

On 13 January 2023, NWM Plc issued a total of €1.5 billion of notes under the EMTN programme in benchmark transactions maturing in 2026 and 2028. There has been no adjustment to the 31 December 2022 statutory financial statements.

Other than as disclosed in the accounts, there have been no other significant events between 31 December 2022 and the date of approval of these accounts which would require a change to or additional disclosure.

Non-IFRS financial measures

NWM Group prepares its financial statements in accordance with IFRS as issued by the IASB which constitutes a body of generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP or non-IFRS performance measures. These measures are adjusted for certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. These non-IFRS measures are not measures within the scope of IFRS and are not a substitute for IFRS measures. These measures include:

- Management analysis of operating expenses shows litigation and conduct costs on a separate line on page 3 and 4. These amounts are included within staff costs and other administrative expenses in the statutory analysis. Other operating expenses excludes litigation and conduct costs which are more volatile and may distort comparisons with prior periods.
- Funded assets are defined as total assets less derivative assets. This measure allows review of balance sheet trends exclusive of the volatility associated with derivative fair values.
- Management view of income by business including shared revenue and before asset disposals/strategic risk reduction and own credit adjustments. This measure is used to show underlying income generation in NatWest Markets excluding the impact of disposal losses and own credit adjustments.
- Revenue share refers to income generated by NatWest Markets products from customers that have their primary relationship with other NatWest Group subsidiaries, a proportion of which is shared between NatWest Markets and those subsidiaries.
- Asset disposals/strategic risk reduction includes the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into as part of the optimisation of the entity's capital usage.
- Own credit adjustments are applied to positions where it is believed that the counterparties would consider NWM Group's creditworthiness when pricing trades. The fair value of certain issued debt securities, including structured notes, is adjusted to reflect the changes in own credit spreads and the resulting gain or loss recognised in income.

Operating expenses analysis

| | Year ended | | | | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|------------------------------|--------------------------|------------------------------|
| | 31 December 2022 | | | 31 December 2021 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| Operating expenses | | | | | | |
| Staff costs | 5 | 395 | 400 | - | 498 | 498 |
| Premises and equipment | - | 60 | 60 | - | 110 | 110 |
| Depreciation and amortisation | - | 16 | 16 | - | 20 | 20 |
| Other administrative expenses | 75 | 577 | 652 | (17) | 539 | 522 |
| Total | 80 | 1,048 | 1,128 | (17) | 1,167 | 1,150 |

| | Quarter ended | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|
| | 31 December 2022 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| Operating expenses | | | |
| Staff costs | 2 | 90 | 92 |
| Premises and equipment | - | 19 | 19 |
| Depreciation and amortisation | - | 3 | 3 |
| Other administrative expenses | 45 | 142 | 187 |
| Total | 47 | 254 | 301 |

| | Quarter ended | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|
| | 30 September 2022 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| Operating expenses | | | |
| Staff costs | - | 95 | 95 |
| Premises and equipment | - | 16 | 16 |
| Depreciation and amortisation | - | 2 | 2 |
| Other administrative expenses | 13 | 161 | 174 |
| Total | 13 | 274 | 287 |

| | Quarter ended | | |
|-------------------------------|------------------------------|--------------------------|------------------------------|
| | 31 December 2021 | | |
| | Litigation and conduct costs | Other operating expenses | Statutory operating expenses |
| Operating expenses | | | |
| Staff costs | - | 128 | 128 |
| Premises and equipment | - | 51 | 51 |
| Depreciation and amortisation | - | 5 | 5 |
| Other administrative expenses | 24 | 165 | 189 |
| Total | 24 | 349 | 373 |

Statement of directors' responsibilities

The responsibility statement below has been prepared in connection with NWM Group's full Annual Report and Accounts for the year ended 31 December 2022.

We, the directors listed below, confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with UK adopted International Accounting Standards, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of NWM Plc and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report and Report of the directors (incorporating the Financial review) include a fair review of the development and performance of the business and the position of NWM Plc, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Frank Dangeard
Chairman

Robert Begbie
Chief Executive Officer

Simon Lowe
Chief Financial Officer

16 February 2023

Board of directors
Chairman
Frank Dangeard

Executive directors
Robert Begbie
Simon Lowe

Non-executive directors
Vivek Ahuja
Tamsin Rowe
Anne Simpson

Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly owned subsidiary of NatWest Group plc or 'the ultimate holding company'. The NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' or 'we' refers to NatWest Group plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NatWest Holdings Limited ('NWH') and its subsidiary and associated undertakings. The term 'NatWest Bank Plc' or 'NWB Plc' refers to National Westminster Bank Plc.

NWM Plc publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling ('GBP'), respectively, and references to 'pence' represent pence in the United Kingdom ('UK'). Reference to 'dollars' or '\$' are to United States of America ('US') dollars. The abbreviations '\$m' and '\$bn' represent millions and thousands of millions of dollars, respectively, and references to 'cents' represent cents in the US. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively, and references to 'cents' represent cents in the European Union ('EU').

NatWest Markets Group legal entity disclosures

There is a distinction between the disclosure of the NatWest Markets operating segment performance in the NatWest Group's Annual Report and Accounts and the NatWest Markets Group's results presented in this document, with differences primarily as follows:

- NatWest Markets Group's results include its part of the Central items & other segment.
- NatWest Group's 2022 results reports the NatWest Markets segment excluding Central items & other.

MAR – Inside Information

This announcement contains information that qualified or may have qualified as inside information for NatWest Markets Plc, for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 for NatWest Markets Plc. This announcement is made by Paul Pybus, Head of Investor Relations for NatWest Markets Plc.

Statutory results

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2022 will be filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

Contact

Paul Pybus

NatWest Group Investor Relations

+44 (0) 7769161183

Forward-looking statements

Cautionary statement regarding forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include 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. In particular, this document includes forward-looking targets and guidance relating to financial performance measures, such as income growth, operating expense, cost reductions, impairment loss rates, balance sheet reduction, including the reduction of RWAs, CET1 ratio (and key drivers of the CET1 ratio, including timing, impact and details), Pillar 2 and other regulatory buffer requirements and MREL and non-financial performance measures, such as climate and ESG-related performance ambitions, targets and metrics, including in relation to initiatives to transition to a net zero economy, Climate and Sustainable Funding and Financing (CSFF) and financed emissions. In addition, this document includes forward-looking statements relating, but not limited to: planned cost reductions, disposal losses and strategic costs; implementation of NatWest Group's, NWM Group's strategy and other strategic priorities (including in relation to investment programmes relating to digital transformation of their operations and services and inorganic opportunities); the timing and outcome of litigation and government and regulatory investigations; funding plans and credit risk profile; managing its capital position; liquidity ratio; portfolios; net interest margin; and drivers related thereto; lending and income growth, product share and growth in target segments; impairments and write-downs; restructuring and remediation costs and charges; NWM Group's exposure to political risk, economic assumptions and risk, climate, environmental and sustainability risk, operational risk, conduct risk, financial crime risk, cyber, data and IT risk and credit rating risk and to various types of market risk, including interest rate risk, foreign exchange rate risk and commodity and equity price risk; customer experience, including our Net Promoter Score (NPS); employee engagement and gender balance in leadership positions.

Limitations inherent to forward-looking statements

These statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's and NWM Group's strategy or operations, which may result in NWM Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future results, gains or losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein, whether to reflect any change in our expectations with regard thereto, any change in events, conditions or circumstances on which any such statement is based, or otherwise, except to the extent legally required.

Important factors that could affect the actual outcome of the forward-looking statements

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements described in this document. These factors include, but are not limited to, those set forth in the risk factors and the other uncertainties described in NatWest Markets Plc's Annual Report and its other public filings. The principal risks and uncertainties that could adversely affect NWM Group's future results, its financial condition and/or prospects and cause them to be materially different from what is forecast or expected, include, but are not limited to: economic and political risk (including in respect of: economic and political risks and uncertainties in the UK and global markets, including as a result of high inflation and rising interest rates, supply chain disruption, and the Russian invasion of Ukraine; uncertainty regarding the effects of Brexit; changes in interest rates and foreign currency exchange rates; and HM Treasury's ownership of NatWest Group plc); strategic risk (including in respect of: NatWest Group's purpose-led strategy and NatWest Group's recent creation of its Commercial & Institutional business segment (of which NWM Group forms part); financial resilience risk (including in respect of: NWM Group's ability to meet targets; prudential regulatory requirements for capital and MREL; funding and liquidity risk; changes in the credit ratings; the competitive environment; the requirements of regulatory stress tests; counterparty risk; model risk; sensitivity to accounting policies, judgments, assumptions and estimates; changes in applicable accounting standards; the application of UK statutory stabilisation or resolution powers; and the adequacy of NatWest Group's resolution plans); climate and sustainability risk (including in respect of: risks relating to climate change and the transitioning to a net zero economy; the implementation of NatWest Group's and NWM Group's climate change strategy and climate change resilient systems, controls and procedures; climate-related data and model risk; the failure to adapt to emerging climate, environmental and sustainability risks and opportunities; changes in ESG ratings; increasing levels of climate, environmental and sustainability related regulation and oversight; and climate, environmental and sustainability related litigation, enforcement proceedings and investigations); operational and IT resilience risk (including in respect of: operational risks (including reliance on third party suppliers); cyberattacks; the accuracy and effective use of data; complex IT systems; attracting, retaining and developing senior management and skilled personnel; NWM Group's risk management framework; and reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; compliance with regulatory requirements; the outcome of legal, regulatory and governmental actions and investigations; the transition of LIBOR other IBOR rates to replacement risk-free rates; and changes in tax legislation or failure to generate future taxable profits).

Forward-looking statements continued

Climate and ESG disclosures

Climate and ESG disclosures in this document are not measures within the scope of International Financial Reporting Standards ('IFRS'), use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities, than our reporting of historical financial information in accordance with IFRS. These judgements, assumptions and estimates are highly likely to change over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. In addition, our climate risk analysis, net zero strategy, including the implementation of our climate transition plan, remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. The process we have adopted to define, gather and report data on our performance on climate and ESG measures is not subject to the formal processes adopted for financial reporting in accordance with IFRS and there are currently limited industry standards or globally recognised established practices for measuring and defining climate and ESG related metrics. As a result, we expect that certain climate and ESG disclosures made in this document are likely to be amended, updated, recalculated or restated in the future. Please also refer to the cautionary statement in the section entitled 'Climate-related and other forward-looking statements and metrics' of the NatWest Group 2022 Climate-related Disclosures Report.

Cautionary statement regarding Non-IFRS financial measures and APMs

NWM Group prepares its financial statements in accordance with generally accepted accounting principles (GAAP). This document may contain financial measures and ratios not specifically defined under GAAP or IFRS ('Non-IFRS') and/or alternative performance measures ('APMs') as defined in European Securities and Markets Authority ('ESMA') guidelines. APMs are adjusted for notable and other defined items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. Non-IFRS measures provide users of the financial statements with a consistent basis for comparing business performance between financial periods and information on elements of performance that are one-off in nature. Any Non-IFRS measures and/or APMs included in this document, are not measures within the scope of IFRS, are based on a number of assumptions that are subject to uncertainties and change, and are not a substitute for IFRS measures.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or a solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

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