NatWest Group plc
Q3 2023 Pillar 3

Contents

Forward-looking statements

This document may include forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words ‘expect’, ‘estimate’, ‘project’, ‘anticipate’, ‘commit’, ‘believe’, ‘should’, ‘intend’, ‘will’, ‘plan’, ‘could’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘may’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NatWest Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NatWest Group plc in respect of, but not limited to: its economic and political risks, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of its purpose-led strategy, its environmental, social and governance and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, the transition of LIBOR and IBOR rates to replacement risk free rates and NatWest Group’s exposure to operational risk, conduct risk, cyber, data and IT risk, financial crime risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions and the impact of climate-related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Group plc's actual results are discussed in NatWest Group plc's 2022 Annual Report on Form 20-F, NatWest Group plc’s Interim Results for H1 2023 on Form 6-K, Natwest Group plc’s Interim Management Statement for Q1 and Q3 2023 on Form 6-K, and its other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NatWest Group plc does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

Presentation of information

This document presents the consolidated Pillar 3 disclosures for NatWest Group, which complement those in the NatWest Group Q3 2023 Interim Management Statement (IMS).

As at the date of this report, NatWest Group plc is regulated under the UK Capital Requirements Regulation (CRR) and the associated onshored binding technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by a number of statutory instruments and is split across primary legislation and the PRA rulebook.

NatWest Group's consolidated disclosures in this document are presented in accordance with the Disclosure (CRR) part of the PRA rulebook.

The Pillar 3 disclosures required for NatWest Group's ring-fenced body sub-group (NWH Group) and those required for NatWest Group's large subsidiaries (National Westminster Bank Plc, The Royal Bank of Scotland plc, Ulster Bank Ireland Designated Activity Company, NatWest Markets Plc, Coutts & Company and The Royal Bank of Scotland International Limited) will be published separately on 13 November 2023. They will be available on the NatWest Group website, located at investors.natwestgroup.com/results.

Within this document, 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. Any rows or columns that are not applicable have not been shown.

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

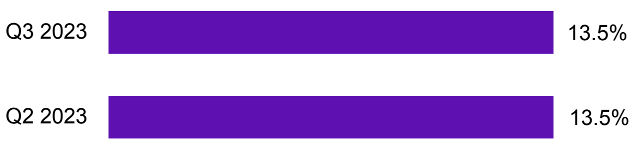
The Pillar 3 disclosures are presented in pounds sterling ('£') and have not been subject to external audit.

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

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

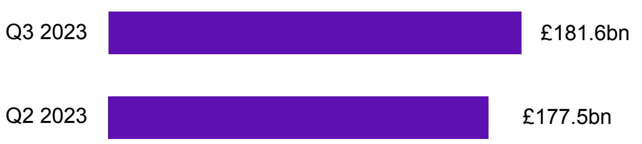
NatWest Group - key points

CET1 ratio



CET1 ratio of 13.5% remained unchanged from the position at 30 June 2023 principally reflecting the attributable profit of £0.9 billion offset by a £0.4 billion increase in the ordinary dividend accrual and a £4.0 billion increase in RWAs.

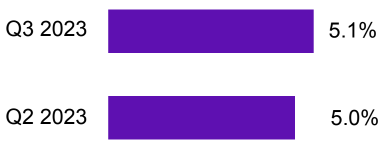
RWAs



Total RWAs increased by £4.0 billion to £181.6 billion mainly reflecting:

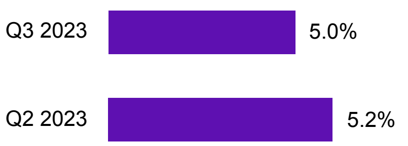
- an increase in market risk RWAs of £2.4 billion, primarily due to increased interest rate risk following market volatility.
- an increase in credit risk RWAs of £1.3 billion, primarily due to increased exposures within Commercial & Institutional and Treasury, in addition to £0.2 billion of IRB model adjustments. This was partially offset by reduced exposures within Ulster Bank RoI as a result of the phased withdrawal from the Republic of Ireland.
- an increase in counterparty credit risk RWAs of £0.3 billion, reflecting increased trades.

UK leverage



The leverage ratio increased by 10 basis points to 5.1%. The increase was due to a £0.6 billion increase in Tier 1 capital partially offset by a £10.9 billion increase in leverage exposure. The key driver in the leverage exposure was primarily due to an increase in other financial assets offset by a decrease in net central bank exposures.

UK leverage average



The average leverage ratio decreased by 20 basis points to 5.0%. The decrease was due to a £9.9 billion increase in average leverage exposure and a £0.4 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.

Annex I: Key metrics and overview of risk-weighted assets continued
NatWest Group - key points continued

LCR average

The average liquidity coverage ratio (LCR) has decreased 3% compared to Q2 2023 from 145% to 142%. The main drivers include a reduction in customer deposits (wholesale and retail) and an increase in customer lending offset by UBIDAC asset sale.

NSFR average

The average net stable funding ratio (NSFR) was 140% compared to 143% at Q2 2023. The decrease was due to lower deposits combined with higher lending.

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. The capital and leverage ratios and measures are presented on a transitional basis for the remaining IFRS 9 relief. NatWest Group has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transition amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024. 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
1	Common equity tier 1 (CET1) capital	**24,585**	24,013	25,650	24,992	25,556
2	Tier 1 capital	**28,460**	27,888	29,525	28,867	29,431
3	Total capital	**33,945**	33,325	35,002	33,920	34,230
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	**181,553**	177,544	178,135	176,101	178,494
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	**13.5**	13.5	14.4	14.2	14.3
6	Tier 1 ratio (%)	**15.7**	15.7	16.6	16.4	16.5
7	Total capital ratio (%)	**18.7**	18.8	19.6	19.3	19.2
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	**1.7**	1.7	1.7	1.7	1.8
UK 7b	Additional AT1 SREP requirements (%)	**0.6**	0.6	0.6	0.6	0.5
UK 7c	Additional Tier 2 SREP requirements (%)	**0.7**	0.7	0.7	0.7	0.8
UK 7d	Total SREP own funds requirements (%)	**11.0**	11.0	11.0	11.0	11.1
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)	**1.7**	0.9	0.8	0.8	0.0
11	Combined buffer requirement (%)	**4.2**	3.4	3.3	3.3	2.5
UK 11a	Overall capital requirements (%)	**15.2**	14.4	14.3	14.3	13.6
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	**7.3**	7.3	8.2	8.0	8.0
Leverage ratio						
13	Total exposure measure excluding claims on central banks	**563,481**	552,595	543,513	534,613	564,866
14	Leverage ratio excluding claims on central banks (%)	**5.1**	5.0	5.4	5.4	5.2
Additional leverage ratio disclosure requirements						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.0**	5.0	5.4	5.3	5.2
UK 14b	Leverage ratio including claims on central banks (%)	**4.2**	4.2	4.5	4.3	4.1
UK 14c	Average leverage ratio excluding claims on central banks (%)	**5.0**	5.2	5.4	5.6	5.3
UK 14d	Average leverage ratio including claims on central banks (%)	**4.2**	4.3	4.4	4.3	4.1
UK 14e	Countercyclical leverage ratio buffer (%) (1)	**0.6**	0.3	0.3	0.3	0.0
Liquidity coverage ratio						
15	Total high-quality liquid assets (HQLA) (weighted value-average)	**160,287**	168,676	182,133	193,872	204,269
UK 16a	Cash outflows - Total weighted value	**126,100**	130,566	135,309	138,594	139,646
UK 16b	Cash inflows - Total weighted value	**13,056**	14,168	14,592	15,421	14,989
16	Total net cash outflows (adjusted value)	**113,044**	116,398	120,717	123,173	124,657
17	Liquidity coverage ratio (%) (3)	**142**	145	151	157	164
Net stable funding ratio						
18	Total available stable funding	**411,008**	416,023	423,884	429,703	
19	Total required stable funding	**292,545**	290,684	288,904	287,375	
20	NSFR ratio (%) (4)	**140**	143	147	150	

(1) The institution-specific Countercyclical Capital buffer (CCyB) 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 NatWest Group plc CCyB.
(2) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
(3) The Liquidity coverage ratio (LCR) is calculated as the average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.
(4) The Net stable funding ratio (NSFR) is calculated as the average of the preceding 4 quarters reflecting PRA's guidance which came in effect last year. The prior period ratios have not been restated.
(5) The following rows are not presented in the table above because they are not applicable: UK8a, UK9a, 10 and UK10a.

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

IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL

The table below shows key prudential regulation ratios and measures with and without the application of IFRS 9 transitional relief. NatWest Group has elected to take advantage of the 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	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Available capital (amounts) - transitional		**£m**	£m	£m	£m	£m
1	Common equity tier 1	**24,585**	24,013	25,650	24,992	25,556
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**24,362**	23,790	25,430	24,631	25,198
3	Tier 1 capital	**28,460**	27,888	29,525	28,867	29,431
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**28,237**	27,665	29,305	28,506	29,073
5	Total capital	**33,945**	33,325	35,002	33,920	34,230
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**33,993**	33,360	35,031	33,956	34,253
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	**181,553**	177,544	178,135	176,101	178,494
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**181,525**	177,507	178,098	176,030	178,414
Capital ratios		**%**	%	%	%	%
9	Common equity tier 1 ratio	**13.5**	13.5	14.4	14.2	14.3
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**13.4**	13.4	14.3	14.0	14.1
11	Tier 1 ratio	**15.7**	15.7	16.6	16.4	16.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**15.6**	15.6	16.5	16.2	16.3
13	Total capital ratio	**18.7**	18.8	19.6	19.3	19.2
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**18.7**	18.8	19.7	19.3	19.2
Leverage ratio						
15	Leverage ratio exposure measure (£m)	**563,481**	552,595	543,513	534,613	564,866
16	Leverage ratio (%)	**5.1**	5.0	5.4	5.4	5.2
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	**5.0**	5.0	5.4	5.3	5.2

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

UK OV1: Overview of risk-weighted exposure amounts

The table below shows RWAs and total own funds requirements by risk type. Total own funds requirements are calculated as 8% of RWAs.

		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		30 September 2023 £m	30 June 2023 £m	30 September 2023 £m
1	Credit risk (excluding counterparty credit risk)	**140,937**	140,042	**11,275**
2	*Of which: standardised approach*	***19,812***	*22,019*	***1,585***
3	*Of which: the foundation IRB (FIRB) approach*	—	—	—
4	*Of which: slotting approach*	***12,092***	*12,195*	***967***
UK 4a	*Of which: equities under the simple risk-weighted approach*	***1,264***	*1,293*	***101***
5	*Of which: the advanced IRB (AIRB) approach (1)*	***107,769***	*104,535*	***8,622***
5a	*Of which: non-credit obligation assets*	***4,234***	*4,212*	***339***
6	Counterparty credit risk	**7,924**	7,598	**634**
7	*Of which: standardised approach*	***1,328***	*1,378*	***106***
8	*Of which: internal model method (IMM)*	***4,112***	*3,869*	***329***
UK 8a	*Of which: exposures to a CCP*	***169***	*149*	***14***
UK 8b	*Of which: credit valuation adjustment (CVA)*	***1,139***	*1,167*	***91***
9	*Of which: other counterparty credit risk*	***1,176***	*1,035*	***94***
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	**3,114**	2,744	**249**
17	*Of which: SEC-IRBA approach*	***619***	*656*	***50***
18	*Of which: SEC-ERBA (including IAA)*	***221***	*145*	***18***
19	*Of which: SEC-SA approach*	***2,227***	*1,895*	***177***
UK 19a	*Of which: 1,250%/deduction*	***47***	*48*	***4***
20	*Position, foreign exchange and commodities risk (market risk)*	***9,380***	*6,962*	***750***
21	*Of which: standardised approach*	***1,402***	*1,346*	***112***
22	*Of which: IMA*	***7,978***	*5,616*	***638***
UK 22a	Large exposures	—	—	—
23	Operational risk	**20,198**	20,198	**1,616**
UK 23a	*Of which: basic indicator approach*	—	—	—
UK 23b	*Of which: standardised approach*	***20,198***	*20,198*	***1,616***
UK 23c	*Of which: advanced measurement approach*	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	**2,551**	2,552	**204**
29	Total	**181,553**	177,544	**14,524**

(1) Of which £427 million RWAs (30 June 2023 – £415 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.

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, equity and non-credit obligation assets.

		a RWAs £m
1	**At 31 December 2022**	**111,331**
2	Asset size	**2,985**
3	Asset quality	**(316)**
4	Model updates	**(345)**
7	Foreign exchange movements	**(342)**
9	**At 31 March 2023**	**113,313**
2	Asset size	**646**
3	Asset quality	**(840)**
4	Model updates	**864**
5	Methodology and policy	**450**
7	Foreign exchange movements	**(449)**
8	Other	**(1,612)**
9	**At 30 June 2023**	**112,372**
2	Asset size	**2,437**
3	Asset quality	**(292)**
4	Model updates	**244**
7	Foreign exchange movements	**440**
9	**At 30 September 2023**	**115,201**

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

Q3 2023

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

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

UK CCR7: RWA flow statement of counterparty credit risk exposures under the IMM

The table below shows movements in RWAs for counterparty credit risk exposures 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**	**3,479**
2	Asset size	**(65)**
3	Credit quality of counterparties	**17**
7	Foreign exchange movements	**(63)**
9	**At 31 March 2023**	**3,368**
2	Asset size	**(359)**
3	Credit quality of counterparties	**(6)**
7	Foreign exchange movements	**(79)**
8	Other (1)	**945**
9	**At 30 June 2023**	**3,869**
2	Asset size	**217**
3	Credit quality of counterparties	**(35)**
7	Foreign exchange movements	**61**
9	**At 30 September 2023**	**4,112**

(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; and (6) acquisitions and disposals.

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**	**1,883**	**2,664**	**681**	**1,953**	**7,181**	**575**
1a	*Regulatory adjustment (1)*	*(1,500)*	*(2,155)*	*(2)*	*—*	*(3,657)*	*(293)*
1b	*RWAs at 31 December 2022 (end of day)*	*383*	*509*	*679*	*1,953*	*3,524*	*282*
2	Movement in risk levels	(154)	29	165	(608)	(568)	(46)
3	Model updates/changes	—	5	—	18	23	2
8a	*RWAs at 31 March 2023 (end of day)*	*229*	*543*	*844*	*1,363*	*2,979*	*238*
8b	*Regulatory adjustment (1)*	*1,370*	*1,850*	*1*	*—*	*3,221*	*258*
8	**At 31 March 2023**	**1,599**	**2,393**	**845**	**1,363**	**6,200**	**496**
1a	*Regulatory adjustment (1)*	*(1,372)*	*(1,849)*	*—*	*—*	*(3,221)*	*(258)*
1b	*RWAs at 31 March 2023 (end of day)*	*227*	*544*	*845*	*1,363*	*2,979*	*238*
2	Movement in risk levels	455	252	155	(45)	817	65
3	Model updates/changes	—	—	—	—	—	—
8a	*RWAs at 30 June 2023 (end of day)*	*682*	*796*	*1,000*	*1,318*	*3,796*	*303*
8b	*Regulatory adjustment (1)*	*778*	*986*	*56*	*—*	*1,820*	*146*
8	**At 30 June 2023**	**1,460**	**1,782**	**1,056**	**1,318**	**5,616**	**449**
1a	*Regulatory adjustment (1)*	*(778)*	*(986)*	*(56)*	*—*	*(1,820)*	*(146)*
1b	*RWAs at 30 June 2023 (end of day)*	*682*	*796*	*1,000*	*1,318*	*3,796*	*303*
2	Movement in risk levels	283	563	27	46	919	74
3	Model updates/changes	90	—	—	(106)	(16)	(1)
8a	*RWAs at 30 September 2023 (end of day)*	*1,055*	*1,359*	*1,027*	*1,258*	*4,699*	*376*
8b	*Regulatory adjustment (1)*	*1,438*	*1,818*	*23*	*—*	*3,279*	*262*
8	**At 30 September 2023**	**2,493**	**3,177**	**1,050**	**1,258**	**7,978**	**638**

(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 NatWest Group: 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 NatWest Group. The leverage metrics are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

	Capital and total exposure measure	30 September 2023 £m	30 June 2023 £m
UK-24b	Total exposure measure excluding claims on central banks	**563,481**	552,595
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.1**	5.0
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.0**	5.0
UK-25c	Leverage ratio including claims on central banks (%)	**4.2**	4.2
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**0.6**	0.3
UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.6**	0.3
Additional leverage ratio disclosure requirements - disclosure of mean values			
UK-31	Average total exposure measure excluding claims on central banks	**561,302**	551,434
UK-32	Average total exposure measure including claims on central banks	**667,042**	662,031
UK-33	Average leverage ratio excluding claims on central banks (%)	**5.0**	5.2
UK-34	Average leverage ratio including claims on central banks (%)	**4.2**	4.3

(1) NatWest Group is a LREQ firm and is therefore subject to the additional quarterly disclosures for averaging and the countercyclical leverage ratio buffer.

Annex XIII: Liquidity
UK LIQ1: Quantitative information of LCR

The tables below show the breakdown of high-quality liquid assets, cash inflows and cash outflows, on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio for NatWest Group. 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)					**160,287**	168,676	182,133	193,872
	Cash - outflows								
2	Retail deposits and deposits from small business customers, of which:	**257,908**	261,985	266,538	269,923	**19,680**	20,352	20,960	21,352
3	*Stable deposits*	***150,798***	*154,221*	*157,333*	*159,675*	***7,540***	*7,711*	*7,867*	*7,984*
4	*Less stable deposits*	***92,413***	*96,787*	*100,512*	*102,783*	***11,660***	*12,219*	*12,699*	*12,997*
5	Unsecured wholesale funding	**162,434**	169,609	178,384	185,732	**75,511**	78,324	82,298	86,024
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**65,537**	67,984	70,454	72,101	**16,065**	16,676	17,294	17,706
7	*Non-operational deposits (all counterparties)*	***93,533***	*99,108*	*105,799*	*111,529*	***56,082***	*59,131*	*62,873*	*66,216*
8	*Unsecured debt*	***3,364***	*2,517*	*2,131*	*2,102*	***3,364***	*2,517*	*2,131*	*2,102*
9	Secured wholesale funding					**893**	875	943	999
10	Additional requirements	**81,559**	81,530	80,829	79,414	**22,949**	23,040	22,613	21,948
11	*Outflows related to derivative exposures and other collateral requirements*	***7,455***	*7,678*	*7,316*	*7,109*	***7,147***	*7,287*	*6,888*	*6,611*
12	*Outflows related to loss of funding on debt products*	***63***	*63*	*63*	—	***63***	*63*	*63*	—
13	*Credit and liquidity facilities*	***74,041***	*73,789*	*73,450*	*72,305*	***15,739***	*15,690*	*15,662*	*15,337*
14	Other contractual funding obligations	**10,836**	12,082	15,860	19,348	**2,321**	2,639	2,812	2,629
15	Other contingent funding obligations	**51,569**	51,525	51,850	51,177	**4,746**	5,336	5,683	5,642
16	Total cash outflows					**126,100**	130,566	135,309	138,594
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	**45,065**	44,328	46,380	49,872	**820**	780	624	598
18	Inflows from fully performing exposures	**8,190**	8,999	9,666	10,814	**6,726**	7,520	8,126	9,222
19	Other cash inflows	**13,138**	13,602	13,809	13,728	**5,510**	5,868	5,842	5,601
UK-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)					**—**	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)					**—**	—	—	—
20	Total cash inflows	**66,393**	66,929	69,855	74,414	**13,056**	14,168	14,592	15,421
UK-20a	*Fully exempt inflows*								
UK-20b	*Inflows subject to 90% cap*								
UK-20c	*Inflows subject to 75% cap*	***64,169***	*64,440*	*67,006*	*71,153*	***13,056***	*14,168*	*14,592*	*15,421*
	Total adjusted value								
UK-21	Liquidity buffer					**160,287**	**168,676**	**182,133**	193,872
22	Total net cash outflows					**113,044**	**116,398**	**120,717**	123,173
23	Liquidity coverage ratio (%)					**142**	**145**	**151**	157

Annex XIII: Liquidity continued

UK LIQB: Qualitative information on LCR, which complements template UK LIQ1

LCR inputs and results over time

The LCR aims to ensure that banks and banking groups 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 decreased 3% over the previous quarter, from 145% to 142%. The main drivers include a reduction in customer deposits (wholesale and retail) and an increase in customer lending offset by UBIDAC asset sale.

Concentration of funding sources

NatWest Group plc maintains a diversified set of funding sources, of which retail, SME and corporate deposits are the biggest contributors. Other sources include wholesale unsecured funding, capital (including equity and MREL-eligible bonds), central banks (TFSME), repos, covered bonds and derivative cash collateral. Wholesale unsecured funding includes a range of products including deposits, commercial paper, certificates of deposit and medium-term notes, and is accepted from various corporate counterparties and financial institutions.

Liquidity buffer composition

HQLA is primarily held in Level 1 cash and central bank Reserves (79%) and Level 1 high quality securities (19%), Level 2 securities account for (2%).

Derivative exposures and potential collateral calls

NatWest Group 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 credit ratings of the entities within NatWest Group plc 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 (CRR) part of the PRA Rulebook. NatWest Group plc manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.