



NatWest Markets Group

Q3 2023

Interim Management Statement

ci.natwest.com

NatWest Markets Group (NWM Group)

Results for Q3 2023

Q3 Overview

We have continued to focus on our strengths in supporting our customers' evolving needs with financing and risk solutions in the third quarter of 2023. As part of the NatWest Group Commercial & Institutional segment, we are making progress in unlocking further opportunities for growth and building even deeper relationships with NatWest Group customers.

Our business performance has been in line with management's plan over the current period and we have maintained our robust capital and liquidity position. We continue to support our customers as they navigate macroeconomic uncertainty, including the impacts of high inflation and elevated interest rates.

Financial review

NWM Group reported a loss of £57 million for Q3 2023, compared with a loss of £138 million in Q2 2023 and a loss of £133 million in Q3 2022. Total income increased to £215 million in Q3 2023, driven by higher net interest income largely reflecting growth in lending activity and interest rate movements. Operating expenses increased to £294 million, driven by higher litigation and conduct costs.

Financial performance

- Total income of £215 million in Q3 2023 was up by £50 million compared with £165 million in Q2 2023 and up by £71 million compared with £144 million in Q3 2022. The increases were mainly driven by higher net interest income largely reflecting growth in lending activity and interest rate movements, and higher Currencies revenues, partially offset by lower own credit adjustments.
- Operating expenses of £294 million in Q3 2023 were up by £45 million compared with £249 million in Q2 2023 and up by £7 million compared with £287 million in Q3 2022. Litigation and conduct costs of £37 million were up by £53 million compared with £16 million credit in Q2 2023 and by £24 million compared with £13 million in Q3 2022, reflecting ongoing progress in closing legacy matters. Other operating expenses of £257 million were down by £8 million compared with £265 million in Q2 2023, largely driven by lower staff costs, and down by £17 million compared with £274 million in Q3 2022, largely due to one-off items recognised in the comparative period.
- NWM Group's total assets and liabilities increased by £11.2 billion and £11.5 billion to £201.0 billion and £194.7 billion respectively at 30 September 2023, compared with 31 December 2022. Increases in funded assets including settlement balances and cash and balances at central banks were offset by lower derivative fair values, largely driven by market volatility across major currencies and increases in interest rates.

Capital and leverage

- Total NWM Plc RWAs were £23.4 billion at 30 September 2023, compared with £20.2 billion at 30 June 2023 and £21.4 billion at 31 December 2022. The increase in the current quarter was primarily due to higher market risk, reflecting increased regulatory Value-at-Risk (VaR) and Stressed Value-at-Risk (SVaR) from risk positioning and the higher interest rate environment.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 15.1% at 30 September 2023, compared with 17.2% at 31 December 2022. The decrease in the nine months to 30 September 2023 was largely driven by the increase in RWAs, in addition to reserve movements.
- Total MREL for NWM Plc at 30 September 2023 was £7.5 billion, or 31.9% of RWAs, down from £8.7 billion or 40.4% of RWAs at 31 December 2022. The decrease in total MREL in the nine months to 30 September 2023 was largely due to the redemption of a \$0.6 billion internal Tier 2 instrument, decrease in senior unsecured debt driven by a \$0.6 billion instrument now classified as ineligible, and other reserve movements.
- NWM Plc's leverage ratio at 30 September 2023 was 4.9%, compared with 5.4% at 31 December 2022.

Liquidity and funding

- NWM Plc's liquidity portfolio at 30 September 2023 was £19.2 billion with an LCR of 229% (31 December 2022 - £18.6 billion with LCR 253%).
- NWM Plc issued public benchmark transactions amounting to £2.4 billion in the nine months ended 30 September 2023 versus guidance of £3 billion to £5 billion for FY 2023. Transactions comprised three issuances under the EMTN programme being £1.5 billion, CHF0.25 billion, and £0.5 billion of notes respectively, and an issuance under the AUD debt issuance programme of AUD0.6 billion of notes. NWM Plc also raised funding in other formats throughout the period including, but not limited to, structured note issuance.

ESG highlights

Climate and sustainable funding and financing have continued to perform well, and as at the end of Q3 2023 we had delivered £25.7 billion towards the NatWest Group climate and sustainable funding and financing target⁽¹⁾ of £100 billion between 1 July 2021 and the end of 2025.

(1) This comprises funding and financing for climate and sustainable finance to support transition towards a net-zero and climate-resilient economy. NatWest Group uses its climate and sustainable funding and financing inclusion criteria (CSFFI criteria) to determine the assets, activities and companies that are eligible to be counted towards its climate and sustainable funding and financing targets.

Outlook ⁽¹⁾

We retain the Outlook guidance provided in the NatWest Markets Plc 2022 Annual Report and Accounts.

(1) 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 in the NatWest Markets Plc 2022 Annual Report and Accounts, and the 'Summary Risk Factors' in the NatWest Markets Plc 2023 Interim Results. These statements constitute forward-looking statements. Refer to 'Forward-looking statements' in this announcement.

Financial review

The table below presents an analysis of key lines of NWM Group's income statement. Commentary refers to the table below as well as the consolidated income statement shown on page 6.

	Nine months ended		Quarter ended		
	30 September 2023	30 September 2022	30 September 2023	30 June 2023	30 September 2022
	£m	£m	£m	£m	£m
Income statement (1)					
Net interest income	201	62	123	43	33
Non-interest income	444	520	92	122	111
Total income	645	582	215	165	144
Litigation and conduct costs	(29)	(33)	(37)	16	(13)
Other operating expenses	(799)	(794)	(257)	(265)	(274)
Operating expenses	(828)	(827)	(294)	(249)	(287)
Operating loss before impairment releases/losses	(183)	(245)	(79)	(84)	(143)
Impairment releases/(losses)	3	(10)	(2)	3	(5)
Operating loss before tax	(180)	(255)	(81)	(81)	(148)
Tax (charge)/credit	(25)	36	24	(57)	15
Loss for the period	(205)	(219)	(57)	(138)	(133)
Income (2)					
Fixed Income	137	35	32	35	12
Currencies	351	394	124	109	114
Capital Markets	332	305	114	107	88
Capital Management Unit & other (3)	(26)	(72)	3	(37)	(25)
Income including shared revenue before OCA	794	662	273	214	189
Revenue shared with or paid to fellow NatWest Group subsidiaries	(151)	(140)	(51)	(52)	(53)
Income excluding OCA	643	522	222	162	136
Own credit adjustments (OCA)	2	60	(7)	3	8
Total income	645	582	215	165	144

- (1) A presentational change was made in Q1 2023 whereby NWM Group no longer separately reports the performance of the NatWest Markets operating segment and Central items & other.
- (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 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 capital usage and optimisation across all parts of NatWest Markets, with the income materially relating to legacy positions. Other mainly related to asset disposal/strategic risk reduction costs that were separately disclosed prior to Q1 2023.

Nine months ended 30 September 2023 performance

- **Net interest income** was £201 million for the nine months ended 30 September 2023, compared with £62 million in the comparative period. 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 nine months ended 30 September 2022 largely reflects growth in lending activity, interest rate movements and other one-off items.
- **Non-interest income** of £444 million decreased by £76 million compared with £520 million in the nine months ended 30 September 2022, largely driven by one-off items, a weaker performance in Currencies as FX volatility levels reduced in the current period, and lower own credit adjustments reflecting the impact of widening credit spreads in the comparative period.
- **Operating expenses** were £828 million in the nine months ended 30 September 2023, up by £1 million from £827 million in the comparative period. Litigation and conduct costs of £29 million reflected ongoing progress on closing legacy matters and were down by £4 million from £33 million in the comparative period. Other operating expenses of £799 million were up by £5 million compared with £794 million in the nine months ended 30 September 2022.
- **Tax charge** of £25 million on the loss before tax of £180 million is higher than the expected UK corporation tax rate of 23.5%, primarily due to adjustments in respect of prior periods.

Q3 2023 performance

- **Net interest income** of £123 million in Q3 2023 increased by £80 million compared with £43 million in Q2 2023 and by £90 million compared with £33 million in Q3 2022, largely reflecting growth in lending activity, interest rate movements and other one-off items.
- **Non-interest income** of £92 million in Q3 2023 decreased by £30 million compared with £122 million in Q2 2023 and by £19 million compared with £111 million in Q3 2022, largely driven by one-off items and lower own credit adjustments, partially offset by higher Currencies revenues.
- **Operating expenses** were £294 million in Q3 2023, compared with £249 million in Q2 2023 and £287 million in Q3 2022. Litigation and conduct costs of £37 million in Q3 2023 reflected ongoing progress on closing legacy matters and were up by £53 million compared with £16 million credit in Q2 2023 and up by £24 million compared with £13 million in Q3 2022. Other operating expenses of £257 million in Q3 2023 were down by £8 million compared with £265 million in Q2 2023, largely driven by lower staff costs, and by £17 million compared with £274 million in Q3 2022, largely due to one-off items recognised in the comparative period.

Financial review

Balance sheet profile as at 30 September 2023

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

	Assets		Liabilities	
	30 September 2023 £bn	31 December 2022 £bn	30 September 2023 £bn	31 December 2022 £bn
Cash and balances at central banks	23.1	17.0		
Securities	18.7	9.9	11.4	9.5 Short positions
Reverse repos (1)	20.0	21.5	29.0	23.7 Repos (2)
Derivative cash collateral given (3)	10.0	12.7	16.1	17.7 Derivative cash collateral received (4)
Other trading assets	0.8	1.2	1.8	1.9 Other trading liabilities
Total trading assets	49.5	45.3	58.3	52.8 Total trading liabilities
Loans - amortised cost	12.2	11.3	13.1	6.7 Deposits - amortised cost
Settlement balances	11.1	2.6	11.3	2.0 Settlement balances
Amounts due from holding company and fellow subsidiaries	1.7	0.7	6.3	6.2 Amounts due to holding company and fellow subsidiaries
Other financial assets	14.5	11.9	24.1	21.1 Other financial liabilities
Other assets	0.7	0.8	0.5	0.8 Other liabilities
Funded assets	112.8	89.6	113.6	89.6 Liabilities excluding derivatives
Derivative assets	88.2	100.2	81.1	93.6 Derivative liabilities
Total assets	201.0	189.8	194.7	183.2 Total liabilities
				of which:
			26.1	23.5 wholesale funding (5)
			10.4	7.7 short-term wholesale funding (5)

(1) Comprises bank reverse repos of £5.4 billion (31 December 2022 – £4.6 billion) and customer reverse repos of £14.6 billion (31 December 2022 – £16.9 billion).

(2) Comprises bank repos of £4.0 billion (31 December 2022 – £1.6 billion) and customer repos of £25.0 billion (31 December 2022 – £22.1 billion).

(3) Comprises derivative cash collateral given relating to banks of £4.3 billion (31 December 2022 – £4.6 billion) and customers of £5.7 billion (31 December 2022 – £8.1 billion).

(4) Comprises derivative cash collateral received relating to banks of £6.6 billion (31 December 2022 – £7.5 billion) and customers of £9.5 billion (31 December 2022 – £10.2 billion).

(5) Wholesale funding predominantly comprises bank deposits (excluding repos), debt securities in issue and third party subordinated liabilities, of which short-term wholesale funding is the amount with contractual maturity of one year or less.

- **Total assets and liabilities** increased by £11.2 billion and £11.5 billion to £201.0 billion and £194.7 billion respectively at 30 September 2023, compared with £189.8 billion and £183.2 billion at 31 December 2022. Funded assets, which exclude derivatives, increased by £23.2 billion to £112.8 billion, largely driven by higher cash and balances at central banks and higher settlement balances. Derivative fair values decreased in the period, largely driven by market volatility across major currencies and increases in interest rates.
- **Cash and balances at central banks** increased by £6.1 billion to £23.1 billion at 30 September 2023, largely driven by an increase in funding and customer deposits.
- **Trading assets** were up by £4.2 billion to £49.5 billion at 30 September 2023, driven by an increase in securities, partially offset by decreases in derivative cash collateral posted and reverse repos. **Trading liabilities** increased by £5.5 billion to £58.3 billion at 30 September 2023, driven by increases in repos and short positions, partially offset by a decrease in derivative cash collateral received.
- **Derivative assets and derivative liabilities** were down by £12.0 billion to £88.2 billion and £12.5 billion to £81.1 billion respectively at 30 September 2023, largely driven by market volatility across major currencies and increases in interest rates.
- **Settlement balance assets and liabilities** were up by £8.5 billion and £9.3 billion to £11.1 billion and £11.3 billion respectively, largely due to increased trading compared with the seasonally lower levels of customer activity leading up to 31 December 2022.
- **Other financial assets** increased by £2.6 billion to £14.5 billion at 30 September 2023, mainly driven by an increase in held-to-collect securities purchased to support customer primary issuance.
- **Customer deposits** increased by £6.9 billion to £10.5 billion in the nine months ended 30 September 2023, in line with our strategy to increase customer deposits to match planned banking book activity.
- **Other financial liabilities** increased by £3.0 billion to £24.1 billion (31 December 2022 – £21.1 billion), driven by new issuance in the period, partially offset by maturities. The balance at 30 September 2023 includes £17.3 billion of medium-term notes issued.
- **Owners' equity** was down by £0.4 billion to £6.2 billion (31 December 2022 – £6.6 billion), largely driven by reserve movements in the period.

Non-IFRS measures

This document contains a number of non-IFRS measures. For details of the basis of preparation and reconciliations, where applicable, refer to the non-IFRS measures section on page 12.

Capital, liquidity and funding risk

Introduction

NWM Group takes a comprehensive approach to the management of capital, liquidity and funding, underpinned by frameworks, risk appetite and policies, to manage and mitigate capital, liquidity and funding risks. The framework ensures the tools and capability are in place to facilitate the management and mitigation of risk ensuring that NWM Group operates within its regulatory requirements and risk appetite.

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 NWM Plc.

	30 September 2023	30 June 2023	31 December 2022
Capital adequacy ratios (1,2)	%	%	%
CET1	15.1	17.6	17.2
Tier 1	18.0	20.9	20.4
Total	20.6	24.0	25.7
Total MREL	31.9	38.8	40.4
Capital (1,2)	£m	£m	£m
CET1	3,523	3,542	3,682
Tier 1	4,202	4,221	4,361
Total	4,828	4,841	5,502
Total MREL (3)	7,456	7,822	8,652
Risk-weighted assets			
Credit risk	7,444	6,864	7,110
Counterparty credit risk	6,528	6,287	5,682
Market risk	8,098	5,686	7,152
Operational risk	1,322	1,322	1,478
Total RWAs	23,392	20,159	21,422

- (1) NWM Plc's total capital ratio requirement is 11.6%, comprising the minimum capital requirement of 8%, supplemented with the capital conservation buffer of 2.5% and the institution specific countercyclical buffer (CCyB) of 1.1%. The minimum CET1 ratio is 8.1%, including the minimum capital requirement of 4.5%. The CCyB is based on the weighted average of NWM Plc's geographical exposures.
- (2) In addition, NWM Plc is subject to Pillar 2A requirements for CET1, AT1 and Tier 2. Refer to the NWM Plc Pillar 3 report for further details on these additional capital requirements.
- (3) Includes senior internal debt instruments issued to NatWest Group plc with a regulatory value of £2.6 billion (30 June 2023 - £3.0 billion; 31 December 2022 - £3.2 billion).

Leverage

The leverage ratio has been calculated in accordance with the Leverage Ratio (CRR) part of the PRA rulebook.

	30 September 2023	30 June 2023	31 December 2022
Leverage exposure (£m) (1)	85,706	78,064	81,083
Tier 1 capital (£m)	4,202	4,221	4,361
Leverage ratio (%)	4.9	5.4	5.4

- (1) 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.

Liquidity and funding

	30 September 2023	30 June 2023	31 December 2022
Liquidity coverage ratio (LCR) (%)	229	249	253
Liquidity portfolio (£bn)	19.2	19.5	18.6
Total wholesale funding (£bn) (1)	26.1	24.3	23.5
Total funding including repo (£bn)	89.8	84.9	77.0

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

Condensed consolidated income statement for the period ended 30 September 2023 (unaudited)

	Nine months ended		Quarter ended		
	30 September 2023 £m	30 September 2022 £m	30 September 2023 £m	30 June 2023 £m	30 September 2022 £m
Interest receivable	1,509	475	614	482	232
Interest payable	(1,308)	(413)	(491)	(439)	(199)
Net interest income	201	62	123	43	33
Fees and commissions receivable	279	260	93	86	80
Fees and commissions payable	(119)	(126)	(45)	(37)	(49)
Income from trading activities	329	352	78	83	56
Other operating income	(45)	34	(34)	(10)	24
Non-interest income	444	520	92	122	111
Total income	645	582	215	165	144
Staff costs	(316)	(308)	(94)	(109)	(95)
Premises and equipment	(47)	(41)	(16)	(16)	(16)
Other administrative expenses	(455)	(465)	(181)	(120)	(174)
Depreciation and amortisation	(10)	(13)	(3)	(4)	(2)
Operating expenses	(828)	(827)	(294)	(249)	(287)
Loss before impairment releases/losses	(183)	(245)	(79)	(84)	(143)
Impairment releases/(losses)	3	(10)	(2)	3	(5)
Operating loss before tax	(180)	(255)	(81)	(81)	(148)
Tax (charge)/credit	(25)	36	24	(57)	15
Loss for the period	(205)	(219)	(57)	(138)	(133)
Attributable to:					
Ordinary shareholders	(257)	(271)	(74)	(155)	(151)
Paid-in-equity holders	52	52	17	17	19
Non-controlling interests	—	—	—	—	(1)
	(205)	(219)	(57)	(138)	(133)

Condensed consolidated statement of comprehensive income
for the period ended 30 September 2023 (unaudited)

	Nine months ended		Quarter ended		
	30 September 2023 £m	30 September 2022 £m	30 September 2023 £m	30 June 2023 £m	30 September 2022 £m
Loss for the period	(205)	(219)	(57)	(138)	(133)
Items that do not qualify for reclassification					
Remeasurement of retirement benefit schemes	(2)	(1)	(2)	—	—
Changes in fair value of credit in financial liabilities designated at fair value through profit or loss (FVTPL)	(26)	102	(22)	2	11
Fair value through other comprehensive income (FVOCI) financial assets	9	(3)	6	1	(4)
Tax	2	(10)	3	(1)	(1)
	(17)	88	(15)	2	6
Items that do qualify for reclassification					
FVOCI financial assets	6	(35)	2	2	(18)
Cash flow hedges	(48)	(575)	56	(158)	(321)
Currency translation	(76)	336	68	(91)	166
Tax	(33)	174	(17)	(2)	96
	(151)	(100)	109	(249)	(77)
Other comprehensive (loss)/income after tax	(168)	(12)	94	(247)	(71)
Total comprehensive (loss)/income for the period	(373)	(231)	37	(385)	(204)
Attributable to:					
Ordinary shareholders	(425)	(283)	20	(402)	(223)
Paid-in equity holders	52	52	17	17	19
Non-controlling interests	—	—	—	—	—
	(373)	(231)	37	(385)	(204)

Condensed consolidated balance sheet as at 30 September 2023 (unaudited)

	30 September 2023 £m	31 December 2022 £m
Assets		
Cash and balances at central banks	23,086	17,007
Trading assets	49,542	45,291
Derivatives	88,232	100,154
Settlement balances	11,079	2,558
Loans to banks - amortised cost	1,306	1,146
Loans to customers - amortised cost	10,856	10,171
Amounts due from holding company and fellow subsidiaries	1,722	740
Other financial assets	14,508	11,870
Other assets	621	832
Total assets	200,952	189,769
Liabilities		
Bank deposits	2,591	3,069
Customer deposits	10,475	3,614
Amounts due to holding company and fellow subsidiaries	6,256	6,217
Settlement balances	11,322	2,010
Trading liabilities	58,290	52,792
Derivatives	81,084	93,585
Other financial liabilities	24,093	21,103
Other liabilities	607	816
Total liabilities	194,718	183,206
Owners' equity	6,236	6,565
Non-controlling interests	(2)	(2)
Total equity	6,234	6,563
Total liabilities and equity	200,952	189,769

Condensed consolidated statement of changes in equity
for the period ended 30 September 2023 (unaudited)

	Share capital and share premium £m	Paid-in equity £m	Retained earnings £m	Other reserves* £m	Total owners' equity £m	Non controlling interests £m	Total equity £m
At 1 January 2023	2,346	904	3,374	(59)	6,565	(2)	6,563
Loss attributable to ordinary shareholders and paid-in equity holders			(205)		(205)	—	(205)
Other comprehensive income							
- Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk			(26)		(26)		(26)
- Unrealised gains: FVOCI				15	15		15
- Remeasurement of retirement benefit schemes			(2)		(2)		(2)
- Amounts recognised in equity: cash flow hedges				(177)	(177)		(177)
- Foreign exchange reserve movement				(76)	(76)		(76)
- Amounts transferred from equity to earnings				129	129		129
- Tax			4	(35)	(31)		(31)
Capital contribution ⁽¹⁾			115		115		115
Paid-in equity dividends paid			(52)		(52)		(52)
Share-based payments			(19)		(19)		(19)
At 30 September 2023	2,346	904	3,189	(203)	6,236	(2)	6,234

	30 September 2023 £m
Attributable to:	
Ordinary shareholders	5,332
Paid-in equity holders	904
Non-controlling interests	(2)
	6,234
*Other reserves consist of:	
FVOCI reserve	16
Cash flow hedging reserve	(375)
Foreign exchange reserve	156
	(203)

(1) During H1 2023, NatWest Markets invoked a claim against the parent, NatWest Group plc, in respect of a legacy (non-trading) matter which was covered by an indemnity agreement. This resulted in a capital contribution.

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 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.

Amendments to IFRS effective from 1 January 2023 had no material effect on the condensed consolidated financial statements.

2. Trading assets and liabilities

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

	30 September 2023 £m	31 December 2022 £m
Assets		
Loans		
Reverse repos	19,968	21,537
Collateral given	10,058	12,719
Other loans	783	1,113
Total loans	30,809	35,369
Securities		
Central and local government		
- UK	3,186	2,205
- US	5,980	2,345
- Other	5,639	2,799
Financial institutions and Corporate	3,928	2,573
Total securities	18,733	9,922
Total	49,542	45,291
Liabilities		
Deposits		
Repos	29,028	23,740
Collateral received	16,067	17,663
Other deposits	1,109	1,068
Total deposits	46,204	42,471
Debt securities in issue	735	797
Short positions	11,351	9,524
Total	58,290	52,792

3. Other financial liabilities

	30 September 2023 £m	31 December 2022 £m
Customer deposits - designated as at fair value through profit or loss (FVTPL)	1,157	1,050
Debt securities in issue		
- Medium-term notes	17,309	16,418
- Commercial paper and certificates of deposit	5,375	3,169
Subordinated liabilities		
- Designated as at FVTPL	215	345
- Amortised cost	37	121
Total	24,093	21,103

4. Amounts due to holding company and fellow subsidiaries

	30 September 2023 £m	31 December 2022 £m
Bank deposits - amortised cost	39	108
Customer deposits - amortised cost	116	51
Settlement balances	490	26
Trading liabilities	1,426	1,129
Other financial liabilities - subordinated liabilities	1,003	1,519
MREL instruments issued to NatWest Group plc	3,098	3,173
Other liabilities	84	211
Total	6,256	6,217

Notes

5. Litigation and other matters

NatWest Markets Plc's Interim Results 2023, issued on 28 July 2023, included disclosures about NWM Group's litigation and regulatory matters in Note 11. Set out below are the material developments in those matters (all of which have been previously disclosed) since publication of the Interim Results 2023.

Litigation

London Interbank Offered Rate (LIBOR) and other rates litigation

In August 2020, a complaint was filed in the United States District Court for the Northern District of California by several United States retail borrowers against the USD ICE LIBOR panel banks and their affiliates (including NatWest Group plc, NWM Plc, NatWest Markets Securities Inc. (NWMSI) and NWB Plc), alleging (i) that the very process of setting USD ICE LIBOR amounts to illegal price-fixing; and (ii) that banks in the United States have illegally agreed to use LIBOR as a component of price in variable retail loans. In September 2022, the district court dismissed the complaint. The plaintiffs filed an amended complaint, but in October 2023, the district court dismissed that complaint as well, and indicated that further amendment would not be permitted. The district court's decision is subject to appeal by the plaintiffs.

FX litigation

In September 2023, second summonses were served by Stichting FX Claims on NWM N.V., NatWest Group plc and NWM Plc, for claims on behalf of a new group of parties. The summonses seek declarations from the Dutch court concerning liability for anti-competitive FX market conduct described in decisions of the European Commission (EC) of 16 May 2019 and 2 December 2021, along with unspecified damages.

Government securities antitrust litigation

Class action antitrust claims commenced in March 2019 are pending in the United States District Court for the Southern District of New York (SDNY) against NWM Plc, NWMSI and other banks in respect of Euro-denominated bonds issued by various European central banks (European government bonds or EGBs). The complaint alleges a conspiracy among dealers of EGBs to widen the bid-ask spreads they quoted to customers, thereby increasing the prices customers paid for the EGBs or decreasing the prices at which customers sold EGBs. The class consists of those who purchased or sold EGBs in the US between 2007 and 2012. Previously, in March 2022, the SDNY dismissed the claims against NWM Plc and NWMSI on the ground that the complaint's conspiracy allegations were insufficient. However, in September 2023, the SDNY ruled that new allegations which plaintiffs have included in an amended complaint are sufficient to bring those NatWest entities back into the case as defendants.

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.

In April 2023, the claimant filed a notice of discontinuance of its claim against certain defendants including Coutts & Co Ltd. The claimant subsequently indicated that it intended to issue further replacement proceedings. Coutts & Co Ltd challenged the claimant's ability to take that step and a hearing took place in the Malaysian High Court in June 2023. In August 2023, the court disallowed the discontinuance of the claim by the claimant and directed that the application by Coutts & Co Ltd challenging the validity of the proceedings should proceed to a hearing. In September 2023, the claimant filed a notice to appeal that decision.

Coutts & Co Ltd (a subsidiary of RBS Netherlands Holdings B.V., which in turn is a subsidiary of NatWest Markets Plc) is a company registered in Switzerland and is in wind-down following the announced sale of its business assets in 2015.

6. Post balance sheet events

On 16 October 2023, the Trustee of the Group Pension Fund entered into a buy-in transaction for the AA Section with a third-party insurer. This is an insurance policy that gives the Fund protection against demographic and investment risks, so improves the security of member benefits. The transaction will not affect the income statement for 2023. It will cause a reduction in the disclosed surplus at 2023 year end.

Other than as disclosed in this document, there have been no other significant events between 30 September 2023 and the date of approval of these accounts that would require a change to or additional disclosure in the condensed consolidated financial statements.

Non-IFRS 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. 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 own credit adjustments. This measure is used to show underlying income generation in NatWest Markets excluding the impact of 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.
- 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.

Non-IFRS financial measures

Operating expenses – management view

	Nine months ended					
	30 September 2023			30 September 2022		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Staff costs	8	308	316	3	305	308
Premises and equipment	—	47	47	—	41	41
Depreciation and amortisation	—	10	10	—	13	13
Other administrative expenses	21	434	455	30	435	465
Total	29	799	828	33	794	827

	Quarter ended 30 September 2023		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
	£m	£m	£m
Staff costs	4	90	94
Premises and equipment	—	16	16
Depreciation and amortisation	—	3	3
Other administrative expenses	33	148	181
Total	37	257	294

	Quarter ended 30 June 2023		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
	£m	£m	£m
Staff costs	3	106	109
Premises and equipment	—	16	16
Depreciation and amortisation	—	4	4
Other administrative expenses	(19)	139	120
Total	(16)	265	249

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

Additional information

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' comprises 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, respectively, and references to 'pence' or 'p' represent pence in the United Kingdom ('UK'). References 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. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively.

NWM N.V. supervision

As of 30 September 2023, NWM N.V. surpassed a balance sheet total of €30 billion at the regulatory consolidated level for the second consecutive quarter. By exceeding this threshold, NWM N.V. will most likely qualify as a 'significant institution' in the foreseeable future, which may result in changes to supervision and regulations applicable to it. This could impact NWM Group's business strategy, operating model and prudential requirements.

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 NWM 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 have been 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

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 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; 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; changes in interest rates and foreign currency exchange rates; uncertainty regarding the effects of Brexit; 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 franchise (of which NWM Group forms part); financial resilience risk (including in respect of: NWM Group's ability to meet targets, generate returns or implement its strategy effectively; prudential regulatory requirements for capital and MREL; NWM Group's reliance on access to capital markets directly or indirectly through its parent (NatWest Group); capital, funding and liquidity risk; reductions in the credit ratings; the competitive environment; the requirements of regulatory stress tests; counterparty and borrower risk; model risk; sensitivity to accounting policies, judgments, estimates and assumptions (and the economic, climate, competitive and other forward looking information affecting those judgments, estimates and assumptions); changes in applicable accounting standards; the adequacy of NatWest Group's resolution plans; and the application of UK statutory stabilisation or resolution powers to NatWest Group); climate and sustainability risk (including in respect of: risks relating to climate change and sustainability-related risks; both the execution and reputational risk relating to NatWest Group's climate change-related strategy, ambitions, targets and transition plan; climate and sustainability-related data and model risk; the failure to implement climate change resilient governance, procedures, systems and controls; increasing levels of climate, environmental, human rights and other sustainability-related laws, regulation and oversight; climate, environmental, human rights and other sustainability-related litigation, enforcement proceedings, investigations and conduct risk; and reductions in ESG ratings); 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; attracting, retaining and developing senior management and skilled personnel; complex IT systems; NWM Group's risk management framework; and NWM Group's reputational risk); and legal, regulatory and conduct risk (including in respect of: the impact of substantial regulation and oversight; the outcome of legal, regulatory and governmental actions and investigations as well as remedial undertakings; the transition of LIBOR and other IBOR rates to replacement risk-free rates; and changes in tax legislation or failure to generate future taxable profits).

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. Non-IFRS measures and 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.

Legal Entity Identifier: RR3QWICWWIPCS8A4S074