



Coutts & Company Q1 2023 Pillar 3

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Presentation of information

This document presents the interim Pillar 3 disclosures for Coutts & Company (Coutts & Co) as at 31 March 2023. It should be read in conjunction with the Q1 2023 NatWest Holdings Group Pillar 3 report, which is published in the same location at: investors.natwestgroup.com/reports-archive/2023

Coutts & Co is incorporated in the United Kingdom and is a subsidiary of NatWest Holdings Limited ('NWH Ltd'). NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

Based on the criteria set out in the UK CRR, NatWest Group primarily defines its large subsidiaries in scope of PRA Pillar 3 disclosures as those designated as an Other Systemically Important Institution (O-SII) by the PRA or those with total assets equal to or greater than €30 billion.

Coutts & Co, as a large, non-listed subsidiary of NatWest Group, is subject to a reduced number of disclosures as set out in the PRA Rulebook.

The disclosures for Coutts & Co are calculated in accordance with the UK CRR (split across primary legislation and the PRA Rulebook) and completed in accordance with the Disclosure (CRR) part of the PRA Rulebook.

The liquidity disclosures completed at UK Domestic Liquidity Subgroup (UK DoLSub) level are published in the NatWest Holdings Group Pillar 3 report. The UK DoLSub waiver allows NWB Plc, RBS plc and Coutts & Co to manage liquidity as a single sub-group rather than at an entity level.

Row and column references are based on those prescribed in the PRA templates. The IFRS 9-FL disclosures have been prepared using the uniform format published by the EBA.

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

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

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

Coutts & Company - Key points

CET1 ratio



The CET1 ratio decreased by 30 basis points to 11.5% driven by a £0.2 billion increase in RWAs.

CET1 had a minor decrease reflecting the annual recalculation of the IFRS 9 transitional adjustment partially offset by recognition of the prior year's profits.

RWAs



Total RWAs increased by £0.2 billion to £10.9 billion reflecting:

- an increase in credit risk RWAs of £0.1 billion due to lending growth.
- an increase in operational risk RWAs of £0.1 billion following the annual recalculation.

UK leverage



The leverage ratio decreased by 10 basis points to 7.6% due to a reduction in Tier 1 capital and an increase in the leverage exposure.

The leverage exposure increase was primarily due to an increase in intragroup exposures offset by a reduction in off balance sheet exposures.

UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. Capital ratios and measures are presented on a transitional basis, therefore include permissible adjustments for the remaining IFRS 9 relief. Coutts & Co has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

		Coutts & Co				
		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
		£m	£m	£m	£m	£m
Available own funds (amounts)						
1	Common equity tier 1 (CET1) capital	1,253	1,260	1,267	1,193	1,269
2	Tier 1 capital	1,528	1,535	1,542	1,395	1,471
3	Total capital	1,873	1,790	1,808	1,661	1,737
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	10,926	10,722	10,745	10,518	10,559
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	11.5	11.8	11.8	11.3	12.0
6	Tier 1 ratio (%)	14.0	14.3	14.4	13.3	13.9
7	Total capital ratio (%)	17.1	16.7	16.8	15.8	16.4
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	1.4	1.4	1.4	1.5	1.5
UK 7b	Additional AT1 SREP requirements (%)	0.5	0.5	0.5	0.5	0.5
UK 7c	Additional Tier 2 SREP requirements (%)	0.6	0.6	0.6	0.6	0.6
UK 7d	Total SREP own funds requirements (%)	10.5	10.5	10.5	10.6	10.6
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)	1.0	1.0	0.0	0.0	0.0
11	Combined buffer requirement (%)	3.5	3.5	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	14.0	14.0	13.0	13.1	13.1
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	5.6	5.9	5.9	5.3	6.1
Leverage ratio						
13	Total exposure measure excluding claims on central banks	20,068	20,022	20,138	19,432	19,174
14	Leverage ratio excluding claims on central banks (%)	7.6	7.7	7.7	7.2	7.7
Additional leverage ratio disclosure requirements (3)						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
UK 14b	Leverage ratio including claims on central banks (%)					
UK 14c	Average leverage ratio excluding claims on central banks (%)					
UK 14d	Average leverage ratio including claims on central banks (%)					
UK 14e	Countercyclical leverage ratio buffer (%)					
Liquidity coverage ratio (4)						
15	Total high-quality liquid assets (HQLA) (weighted value-average)					
UK 16a	Cash outflows - Total weighted value					
UK 16b	Cash inflows - Total weighted value					
16	Total net cash outflows (adjusted value)					
17	Liquidity coverage ratio (%)					
Net stable funding ratio (4)						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					

(1) The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures.

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

(3) Coutts & Co is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.

(4) Under the UK DoLS waiver Coutts & Co liquidity and funding are managed and disclosed at the sub-group level rather than entity level.

(5) The following rows are not presented in the table above as not applicable: UK8a, UK9a, 10 and UK10a.

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. Coutts & Co 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.

		Coutts & Co				
		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
		£m	£m	£m	£m	£m
Available capital (amounts) - transitional						
1	Common equity Tier 1	1,253	1,260	1,267	1,193	1,269
2	Common equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	1,231	1,223	1,243	1,174	1,250
3	Tier 1 capital	1,528	1,535	1,542	1,395	1,471
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	1,506	1,498	1,518	1,376	1,452
5	Total capital	1,873	1,790	1,808	1,661	1,737
6	Total capital as if IFRS 9 transitional arrangements had not been applied	1,851	1,753	1,784	1,642	1,718
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	10,926	10,722	10,745	10,518	10,559
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	10,903	10,685	10,721	10,498	10,540
Capital ratios			%	%	%	%
9	Common equity Tier 1 ratio	11.5	11.8	11.8	11.3	12.0
10	Common equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	11.3	11.4	11.6	11.2	11.9
11	Tier 1 ratio	14.0	14.3	14.4	13.3	13.9
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	13.8	14.0	14.2	13.1	13.8
13	Total capital ratio	17.1	16.7	16.8	15.8	16.4
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	17.0	16.4	16.6	15.6	16.3
Leverage ratio						
15	Leverage ratio exposure measure (£m)	20,068	20,022	20,138	19,432	19,174
16	Leverage ratio (%)	7.6	7.7	7.7	7.2	7.7
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	7.5	7.5	7.5	7.1	7.6