



NatWest
Group

National Westminster Bank Plc

Q1 2023 Pillar 3

Contents	Page
Presentation of information	3
Capital, liquidity and funding	
NatWest Bank Plc - Key points	4
UK KM1: Key metrics	5
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	6
UK LR2 – LRCom: Leverage ratio common disclosure	7
UK OV1: Overview of risk-weighted exposure amounts	8
RWA movement table	
UK CR8: RWA flow statement of credit risk exposures under the IRB approach	9

Presentation of information

This document presents the interim Pillar 3 disclosures for National Westminster Bank Plc (NWB Plc) 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

NWB Plc is incorporated in the United Kingdom and is a wholly-owned 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 for 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.

The disclosures for NWB Plc 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.

NWB Plc, as a large, listed subsidiary of NatWest Group, is subject to a reduced number of disclosures as set out in 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 uniform format published by the EBA.

A subset of the quarterly Pillar 3 templates that are required to be disclosed were not applicable to NWB Plc at 31 March 2023 and have therefore not been included in this report. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

PRA template reference	Template name	Reasons for exclusion
UK CCR7	RWA flow statements of CCR exposures under the IMM	No reportable exposures
UK MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures
UK LIQ1	Quantitative information on LCR	Refer to the liquidity disclosures in the
UK LIQB	Qualitative information on LCR	NatWest Holdings Group Pillar 3 report

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.

Capital, liquidity and funding

NatWest Bank Plc - Key points

CET1 ratio



The CET1 ratio increased by 40 basis points to 11.7%. The increase was due to a £0.9 billion increase in CET1 capital, partially offset by a £3.7 billion increase in RWAs.

The CET1 increase was mainly driven by a £0.8 billion attributable profit in the period.

RWAs



Total RWAs increased by £3.7 billion to £116.1 billion mainly reflecting:

- an increase in credit risk RWAs of £2.2 billion, primarily due to drawdowns and new facilities within Commercial & Institutional. This is partially offset by improved risk metrics.
- an increase in operational risk RWAs of £1.3 billion following the annual recalculation.
- an increase in counterparty credit risk RWAs of £0.2 billion, due to an increase in exposures.

UK leverage



The leverage ratio increased by 10 basis points to 4.5%. This was driven by a £0.9 billion increase in Tier 1 capital, partially offset by a £8.4 billion increase in leverage exposure. The key driver in the leverage exposure was an increase in other financial assets.

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. NWB Plc 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.

NWB Plc					
	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m	30 June 2022 £m	31 March 2022 £m
Available own funds (amounts)					
1 Common equity Tier 1 (CET1) capital	13,640	12,713	12,437	12,335	13,802
2 Tier 1 capital	15,883	14,956	14,680	14,591	15,917
3 Total capital	19,343	17,877	17,719	17,503	18,709
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	116,122	112,428	107,157	106,211	103,987
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common equity Tier 1 ratio (%)	11.7	11.3	11.6	11.6	13.3
6 Tier 1 ratio (%)	13.7	13.3	13.7	13.7	15.3
7 Total capital ratio (%)	16.7	15.9	16.5	16.5	18.0
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	1.2	1.2	1.3
UK 7b Additional AT1 SREP requirements (%)	0.5	0.5	0.4	0.5	0.4
UK 7c Additional Tier 2 SREP requirements (%)	0.7	0.7	0.6	0.5	0.6
UK 7d Total SREP own funds requirements (%)	10.6	10.6	10.2	10.2	10.3
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)	0.9	0.9	0.0	0.0	0.0
11 Combined buffer requirement (%)	3.4	3.4	2.5	2.5	2.5
UK 11a Overall capital requirements (%)	14.0	14.0	12.7	12.7	12.8
12 CET1 available after meeting the total SREP own funds requirements (%) (2)	5.8	5.4	5.9	5.9	7.5
Leverage ratio					
13 Total exposure measure excluding claims on central banks	349,719	341,308	343,343	340,086	338,123
14 Leverage ratio excluding claims on central banks (%)	4.5	4.4	4.3	4.3	4.7
Additional leverage ratio disclosure requirements (3)					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.5				
UK 14b Leverage ratio including claims on central banks (%)	4.1				
UK 14c Average leverage ratio excluding claims on central banks (%)	4.5				
UK 14d Average leverage ratio including claims on central banks (%)	4.0				
UK 14e Countercyclical leverage ratio buffer (%)	0.3				
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) As of 1 January 2023, NWB Plc is subject to additional disclosure requirements for LREQ firms. Therefore, comparatives were not presented.

(4) Under the UK DoLS waiver NWB Plc liquidity & 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 UK 10a.

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. NWB Plc has elected to take advantage of 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.

		NWB Plc				
		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	13,640	12,713	12,437	12,335	13,802
2	Common equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	13,466	12,432	12,183	12,127	13,541
3	Tier 1 capital	15,883	14,956	14,680	14,591	15,917
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	15,709	14,675	14,426	14,383	15,656
5	Total capital	19,343	17,877	17,719	17,503	18,709
6	Total capital as if IFRS 9 transitional arrangements had not been applied	19,368	17,830	17,764	17,537	18,775
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	116,122	112,428	107,157	106,211	103,987
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	116,094	112,380	107,124	106,180	103,965
Capital ratios		%	%	%	%	%
9	Common equity Tier 1 ratio	11.7	11.3	11.6	11.6	13.3
10	Common equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	11.6	11.1	11.4	11.4	13.0
11	Tier 1 ratio	13.7	13.3	13.7	13.7	15.3
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	13.5	13.1	13.5	13.5	15.1
13	Total capital ratio	16.7	15.9	16.5	16.5	18.0
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	16.7	15.9	16.6	16.5	18.1
Leverage ratio						
15	Leverage ratio exposure measure (£m)	349,719	341,308	343,343	340,086	338,123
16	Leverage ratio (%)	4.5	4.4	4.3	4.3	4.7
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.5	4.3	4.2	4.2	4.6

UK LR2 – LRCom: Leverage ratio common disclosure

The table below shows an abridged version of the disclosure template UK LR2 – LRCom for NWB Plc⁽¹⁾. The leverage metrics are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

		NWB Plc	
		31 March 2023	31 December 2022
		£m	£m
Capital and total exposure measure			
UK-24b	Total exposure measure excluding claims on central banks	349,719	341,308
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	4.5	4.4
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.5	4.3
UK-25c	Leverage ratio including claims on central banks (%)	4.1	3.7
Additional leverage ratio disclosure requirements - leverage ratio buffers (1)			
27	Leverage ratio buffer (%)	0.3	
UK-27b	Of which: countercyclical leverage ratio buffer (%)	0.3	
Additional leverage ratio disclosure requirements - disclosure of mean values (1)			
UK-31	Average total exposure measure excluding claims on central banks	336,772	
UK-32	Average total exposure measure including claims on central banks	379,302	
UK-33	Average leverage ratio excluding claims on central banks (%)	4.5	
UK-34	Average leverage ratio including claims on central banks (%)	4.0	

(1) As of 1 January 2023, NWB Plc is subject to additional disclosure requirements for LREQ firms for averaging and the countercyclical leverage ratio buffer.

Q1 2023

The NWB Plc average leverage ratio was 4.5%. As of 1 January 2023, NWB Plc became subject to the additional disclosure requirements for LREQ firms for averaging therefore comparatives have not been stated.

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.

		NWB Plc		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		31 March 2023	31 December 2022	31 March 2023
		£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	100,951	98,731	8,076
2	Of which: standardised approach	13,174	12,865	1,054
3	Of which: the foundation IRB (FIRB) approach	—	—	—
4	Of which: slotting approach	8,711	8,354	697
UK 4a	Of which: equities under the simple risk-weighted approach	—	—	—
5	Of which: the advanced IRB (AIRB) approach	79,066	77,512	6,325
6	Counterparty credit risk	652	497	52
7	Of which: standardised approach	255	262	20
8	Of which: internal model method (IMM)	—	—	—
UK 8a	Of which: exposures to a CCP	14	41	1
UK 8b	Of which: credit valuation adjustment (CVA)	191	108	15
9	Of which: other counterparty credit risk	192	86	15
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	192	182	15
17	Of which: SEC-IRBA approach	—	—	—
18	Of which: SEC-ERBA (including IAA)	4	—	—
19	Of which: SEC-SA approach	188	182	15
UK 19a	Of which: 1,250%/deduction	—	—	—
20	Position, foreign exchange and commodities risk (market risk)	8	26	1
21	Of which: standardised approach	8	26	1
22	Of which: IMA	—	—	—
UK 22a	Large exposures	—	—	—
23	Operational risk	14,319	12,992	1,146
UK 23a	Of which: basic indicator approach	—	—	—
UK 23b	Of which: standardised approach	14,319	12,992	1,146
UK 23c	Of which: advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) ⁽¹⁾	4,762	4,561	381
29	Total	116,122	112,428	9,290

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

RWA movement table

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 and non-credit obligation assets.

		NWB Plc
		a
		RWAs £m
1	At 31 December 2022	83,005
2	Asset size	2,664
3	Asset quality	(303)
4	Model updates	(120)
7	Foreign exchange movements	(227)
9	At 31 March 2023	85,019

(1) The following rows are not presented in the table because they had zero values for the period: (5) methodology and policy, (6) acquisitions and disposals, and (8) other.

Q1 2023

- The uplift in asset size primarily related to increases in Commercial & Institutional as a result of drawdowns and new facilities. Further uplifts were mainly due to increased exposures in Retail Banking. These increases were partially offset by a fall in items held in the course of treasury related management activities.
- The reduction in RWAs for asset quality primarily related to improved risk metrics within Commercial & Institutional.
- The reduction due to foreign exchange movements was mainly a result of sterling strengthening against the US dollar and euro during the period.
- The decrease caused by model updates was mainly due to adjustments as a result of new regulations applicable to IRB models from 1 January 2022. There were further decreases as a result of loss given default model changes.