



**NatWest**  
Group

# **NatWest Markets Plc**

## **Q1 2023 Pillar 3**

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## Forward-looking statements

This document contains 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 NWM Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWM Group in respect of, but not limited to: its economic and political risks (including due to high inflation, supply chain disruption and the Russian invasion of Ukraine), its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), implementation of NWM Group's strategy and NatWest Group's purpose-led strategy and NatWest Group's recent creation of its Commercial & Institutional franchise (of which NWM Group forms part), its ESG 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 other IBOR rates to replacement risk free rates and NWM Group's exposure to operational risk, conduct risk, financial crime risk, cyber, data and IT 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, 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, 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 NWM Group's actual results are discussed in NWM Plc's 2022 Annual Report and Accounts (ARA), NWM Group's Interim Management Statement for Q1 2023 and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NWM Group 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 interim consolidated Pillar 3 disclosures for NatWest Markets Plc (NWM Plc) as at 31 March 2023 which complement those in the NWM Group Q1 2023 Interim Management Statement (IMS), which is published in the same location at: [investors.natwestgroup.com/reports-archive/2023](https://investors.natwestgroup.com/reports-archive/2023).

NWM Plc is incorporated in the United Kingdom and is a subsidiary of NatWest Group plc. 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.

NWM Plc, as a large, listed subsidiary of NatWest Group, is subject to a reduced set of disclosures as set out in the PRA Rulebook.

The disclosures for NWM Plc are calculated in accordance with the UK CRR (split across primary legislation and the PRA Rulebook) and presented in accordance with the Disclosure (CRR) part of the PRA Rulebook.

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](https://natwestgroup.com).

## Capital, liquidity and funding

### NatWest Markets Plc - Key points

<p><b>CET1 ratio</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>CET1 ratio</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>18.2%</td> </tr> <tr> <td>Q4 2022</td> <td>17.2%</td> </tr> </tbody> </table>	Period	CET1 ratio	Q1 2023	18.2%	Q4 2022	17.2%	<p>CET1 ratio increased by 100 basis points to 18.2% at 31 March 2023, from 17.2% at 31 December 2022, driven by £1.2 billion decrease in RWAs.</p>
Period	CET1 ratio						
Q1 2023	18.2%						
Q4 2022	17.2%						
<p><b>MREL</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>MREL</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>£8.5bn</td> </tr> <tr> <td>Q4 2022</td> <td>£8.7bn</td> </tr> </tbody> </table>	Period	MREL	Q1 2023	£8.5bn	Q4 2022	£8.7bn	<p>NWM Plc's MREL at 31 March 2023 was £8.5 billion, or 42.4% of RWAs, compared to £8.7 billion or 40.4% of RWAs at 31 December 2022. The increase in the ratio is driven by £1.2 billion decrease in RWAs. During the period there was a new internal instrument of \$1 billion issued to NatWest Group plc and this was offset by the partial redemption of a \$1 billion internal instrument.</p>
Period	MREL						
Q1 2023	£8.5bn						
Q4 2022	£8.7bn						
<p><b>RWAs</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>RWAs</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>£20.2 bn</td> </tr> <tr> <td>Q4 2022</td> <td>£21.4 bn</td> </tr> </tbody> </table>	Period	RWAs	Q1 2023	£20.2 bn	Q4 2022	£21.4 bn	<p>Total RWAs decreased by £1.2 billion to £20.2 billion reflecting:</p> <ul style="list-style-type: none"> <li>– a decrease in market risk RWAs of £0.9 billion primarily due to lower volatility than in Q4 2022, combined with the prospective adjustment of the VaR model that makes it more sensitive to recent market conditions and is capitalised as RNIV RWAs.</li> <li>– a reduction in counterparty credit risk RWAs of £0.2 billion, mainly driven by strengthening of the pound as well as a reduction in exposures.</li> <li>– a decrease in operational risk RWAs of £0.2 billion following the annual recalculation.</li> </ul>
Period	RWAs						
Q1 2023	£20.2 bn						
Q4 2022	£21.4 bn						
<p><b>UK leverage</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>UK leverage</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>5.6%</td> </tr> <tr> <td>Q4 2022</td> <td>5.4%</td> </tr> </tbody> </table>	Period	UK leverage	Q1 2023	5.6%	Q4 2022	5.4%	<p>The leverage ratio increased by 20 basis points to 5.6% at 31 March 2023, from 5.4% at 31 December 2022. This was driven by a £3.8 billion decrease in the leverage exposure. The decrease in leverage exposure is driven by a decrease in settlement balances post regulatory netting and the counterparty credit risk exposure for SFTs.</p>
Period	UK leverage						
Q1 2023	5.6%						
Q4 2022	5.4%						
<p><b>LCR average</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>LCR average</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>247%</td> </tr> <tr> <td>Q4 2022</td> <td>226%</td> </tr> </tbody> </table>	Period	LCR average	Q1 2023	247%	Q4 2022	226%	<p>The average liquidity coverage ratio (LCR) increased 21% compared to Q4 2022. The increase in the LCR is driven by our debt issuance programme with some offset in incremental new business lending.</p>
Period	LCR average						
Q1 2023	247%						
Q4 2022	226%						
<p><b>NSFR average</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>NSFR average</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>137%</td> </tr> <tr> <td>Q4 2022</td> <td>133%</td> </tr> </tbody> </table>	Period	NSFR average	Q1 2023	137%	Q4 2022	133%	<p>The net stable funding ratio (NSFR) was 137% compared to 133% in prior year.</p>
Period	NSFR average						
Q1 2023	137%						
Q4 2022	133%						

## 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, and therefore include permissible adjustments for the remaining IFRS 9 relief. NWM 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.

		NWM Plc				
		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
		£m	£m	£m	£m	£m
<b>Available own funds (amounts)</b>						
1	Common equity Tier 1 (CET1) capital	3,676	3,682	3,714	3,837	4,005
2	Tier 1 capital	4,355	4,361	4,393	4,514	4,686
3	Total capital	5,475	5,502	5,538	5,597	5,764
<b>Risk-weighted exposure amounts</b>						
4	Total risk-weighted exposure amount	20,173	21,422	24,873	23,456	24,063
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common equity Tier 1 ratio (%)	18.2	17.2	14.9	16.4	16.6
6	Tier 1 ratio (%)	21.6	20.4	17.7	19.2	19.5
7	Total capital ratio (%)	27.1	25.7	22.3	23.9	24.0
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>						
UK 7a	Additional CET1 SREP requirements (%)	2.6	2.6	3.1	3.3	3.2
UK 7b	Additional AT1 SREP requirements (%)	0.9	0.9	1.0	1.1	1.1
UK 7c	Additional Tier 2 SREP requirements (%)	1.2	1.2	1.4	1.4	1.4
UK 7d	Total SREP own funds requirements (%)	12.7	12.7	13.5	13.8	13.7
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%) (1)	0.6	0.5	0.0	0.0	0.0
11	Combined buffer requirement (%)	3.1	3.0	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	15.8	15.7	16.0	16.3	16.2
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	11.1	10.1	7.3	8.6	8.9
<b>Leverage ratio</b>						
13	Total exposure measure excluding claims on central banks	77,259	81,083	99,515	102,238	100,712
14	Leverage ratio excluding claims on central banks (%)	5.6	5.4	4.4	4.4	4.7
<b>Additional leverage ratio disclosure requirements (3)</b>						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.6				
UK 14b	Leverage ratio including claims on central banks (%)	4.7				
UK 14c	Average leverage ratio excluding claims on central banks (%)	5.5				
UK 14d	Average leverage ratio including claims on central banks (%)	4.6				
UK 14e	Countercyclical leverage ratio buffer (%)	0.2				
<b>Liquidity coverage ratio</b>						
15	Total high-quality liquid assets (HQLA) (weighted value-average)	19,112	17,896	17,422	16,815	16,705
UK 16a	Cash outflows - Total weighted value	12,165	12,699	12,655	11,908	11,743
UK 16b	Cash inflows - Total weighted value	4,268	4,682	4,557	4,125	4,029
16	Total net cash outflows (adjusted value)	7,897	8,017	8,098	7,783	7,714
17	Liquidity coverage ratio (%) (4)	247	226	216	218	219
<b>Net stable funding ratio (5)</b>						
18	Total available stable funding	31,479	30,428			
19	Total required stable funding	22,911	22,814			
20	NSFR ratio (%)	137	133			

(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, NWM Plc is subject to additional disclosure requirements for LREQ firms therefore comparatives were not presented.

(4) The liquidity coverage ratio (LCR) is calculated as the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.

(5) The net stable funding ratio (NSFR) is calculated as the average of the preceding four quarters reflecting PRA's guidance which came in to effect last year. The prior period's ratios have not been restated.

(6) 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. NWM Plc 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.

		NWM Plc				
		31 March 2023 £m	31 December 2022 £m	30 September 2022 £m	30 June 2022 £m	31 March 2022 £m
<b>Available capital (amounts) - transitional</b>						
1	Common equity Tier 1	3,676	3,682	3,714	3,837	4,005
2	Common equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	3,674	3,681	3,714	3,837	4,005
3	Tier 1 capital	4,355	4,361	4,393	4,514	4,686
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	4,353	4,360	4,393	4,514	4,686
5	Total capital	5,475	5,502	5,538	5,597	5,764
6	Total capital as if IFRS 9 transitional arrangements had not been applied	5,473	5,501	5,538	5,597	5,764
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	20,173	21,422	24,873	23,456	24,063
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	20,171	21,421	24,873	23,456	24,063
<b>Capital ratios</b>		%	%	%	%	%
9	Common equity Tier 1 ratio	18.2	17.2	14.9	16.4	16.6
10	Common equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.2	17.2	14.9	16.4	16.6
11	Tier 1 ratio	21.6	20.4	17.7	19.2	19.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	21.6	20.4	17.7	19.2	19.5
13	Total capital ratio	27.1	25.7	22.3	23.9	24.0
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	27.1	25.7	22.3	23.9	24.0
<b>Leverage ratio</b>						
15	Leverage ratio exposure measure (£m)	77,259	81,083	99,515	102,238	100,712
16	Leverage ratio (%)	5.6	5.4	4.4	4.4	4.7
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.6	5.4	4.4	4.4	4.7

## UK LR2 – LRCom: Leverage ratio common disclosure

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

		<b>NWM Plc</b>	
		<b>31 March 2023</b>	31 December 2022
		<b>£m</b>	£m
<b>Capital and total exposure measure</b>			
UK-24b	Total exposure measure excluding claims on central banks	<b>77,259</b>	81,083
<b>Leverage ratio</b>			
25	Leverage ratio excluding claims on central banks (%)	<b>5.6</b>	5.4
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	<b>5.6</b>	5.4
UK-25c	Leverage ratio including claims on central banks (%)	<b>4.7</b>	4.6
<b>Additional leverage ratio disclosure requirements - leverage ratio buffers (1)</b>			
27	Leverage ratio buffer (%)	<b>0.2</b>	
UK-27b	Of which: countercyclical leverage ratio buffer (%)	<b>0.2</b>	
<b>Additional leverage ratio disclosure requirements - disclosure of mean values (1)</b>			
UK-31	Average total exposure measure excluding claims on central banks	<b>79,247</b>	
UK-32	Average total exposure measure including claims on central banks	<b>95,260</b>	
UK-33	Average leverage ratio excluding claims on central banks (%)	<b>5.5</b>	
UK-34	Average leverage ratio including claims on central banks (%)	<b>4.6</b>	

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

### Q1 2023

The NWM Plc average leverage ratio was 5.5%. As of 1 January 2023, NWM Plc became subject to the additional disclosure requirements for LREQ firms for averaging therefore comparatives have not been stated.



## UK LIQ1: Quantitative information on LCR

The table below shows 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 NWM Plc. 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.

		NWM Plc							
		Total unweighted value (average)				Total weighted value (average)			
		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2023	31 December 2022	30 September 2022	30 June 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)					19,112	17,896	17,422	16,815
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	46	26	13	—	2	1	1	—
3	Stable deposits	9	6	4	—	—	—	—	—
4	Less stable deposits	10	6	4	—	1	1	1	—
5	Unsecured wholesale funding	1,816	2,062	1,911	1,735	1,387	1,638	1,536	1,412
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—	—	—	—	—
7	Non-operational deposits (all counterparties)	1,074	1,073	940	879	645	649	565	555
8	Unsecured debt	742	989	971	856	742	989	971	857
9	Secured wholesale funding					851	930	875	832
10	Additional requirements	11,499	11,254	10,928	10,143	7,898	7,800	7,618	7,191
11	Outflows related to derivative exposures and other collateral requirements	5,157	5,114	4,976	4,745	4,826	4,787	4,698	4,565
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	6,342	6,140	5,952	5,398	3,072	3,013	2,920	2,626
14	Other contractual funding obligations	14,764	18,847	22,787	25,188	2,018	2,320	2,615	2,463
15	Other contingent funding obligations	1,892	2,008	2,081	2,187	9	10	10	10
16	Total cash outflows					12,165	12,699	12,655	11,908
Cash - inflows									
17	Secured lending (e.g. reverse repos)	20,745	24,028	27,105	31,069	627	561	409	332
18	Inflows from fully performing exposures	889	1,013	1,014	996	882	1,003	1,003	986
19	Other cash inflows	2,752	3,112	3,138	2,808	2,759	3,118	3,145	2,807
UK-19a	(Difference between total weighted inflows 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	24,386	28,153	31,257	34,873	4,268	4,682	4,557	4,125
UK-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	21,515	24,854	27,320	30,245	4,268	4,682	4,557	4,125
Total adjusted value									
UK-21	Liquidity buffer					19,112	17,896	17,422	16,815
22	Total net cash outflows					7,897	8,017	8,098	7,783
23	Liquidity coverage ratio (%)					247	226	216	218

## UK LIQB: Qualitative information on LCR

### LCR inputs & results over time

The LCR aims to ensure that banks 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 31 March 2023 has increased by 21% over the previous quarter, from 226% to 247%. The increase in the LCR is driven by our debt issuance programme with some offset in incremental new business lending.

### Concentration of funding sources

NWM Plc covers its funding requirements with secured and unsecured wholesale funding from a wide depositor and investor base. Repos, short positions, and derivative cash collateral provide approximately half of the balance sheet funding with the remainder funded by capital & MREL-eligible bonds (issued and down streamed by NatWest Group Plc), term unsecured, short-term unsecured and secured funding.

Wholesale unsecured funding includes a range of products including but not limited to bank deposits, commercial paper (CP), certificates of deposit (CDs) and medium-term notes (MTNs). Deposits, CP and CDs have tenors typically less than a year and are accepted from various corporate counterparties and financial institutions. MTN issuance is through both public benchmark transactions and smaller private placements, and typically has a tenor beyond a year.

The primary risk to funding stability is refinancing – the ability to replace maturing funding with new or rolled transactions. The risk is mitigated through diversification to prevent concentrations and mismatches in the funding profile. NWM Plc monitors and manages funding concentration risk across tenors, counterparties, currencies, products and markets.

### Liquidity buffer composition

HQLA is primarily held in Level 1 cash and central bank Reserves (73%) and Level 1 high quality securities (26%), Level 2 securities account for (1%).

### Derivative exposures and potential collateral calls

NWM 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 NWM Plc credit rating are also captured.

### Currency mismatch in the LCR

The LCR is calculated for the EUR, the USD and GBP, 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 (LCR) part of the PRA Rulebook. NWM Plc manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.

## 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.

		NWM 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)	5,588	5,682	447
2	Of which: standardised approach	2,367	2,448	189
3	Of which: the foundation IRB (FIRB) approach	—	—	—
4	Of which: slotting approach	227	299	18
UK 4a	Of which: equities under the simple risk-weighted approach	—	—	—
5	Of which: the advanced IRB (AIRB) approach (1)	2,994	2,935	240
6	Counterparty credit risk	5,339	5,587	428
7	Of which: standardised approach	823	870	66
8	Of which: internal model method (IMM)	3,032	3,104	243
UK 8a	Of which: exposures to a CCP	57	71	5
UK 8b	Of which: credit valuation adjustment (CVA)	974	1,076	78
9	Of which: other counterparty credit risk	453	466	36
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	1,646	1,523	132
17	Of which: SEC-IRBA approach	—	—	—
18	Of which: SEC-ERBA (including IAA)	135	51	11
19	Of which: SEC-SA approach	1,462	1,427	117
UK 19a	Of which: 1,250%/deduction	49	45	4
20	Position, foreign exchange and commodities risk (market risk)	6,278	7,152	501
21	Of which: standardised approach	404	387	32
22	Of which: IMA	5,874	6,765	469
UK 22a	Large exposures	—	—	—
23	Operational risk	1,322	1,478	106
UK 23a	Of which: basic indicator approach	—	—	—
UK 23b	Of which: standardised approach	1,322	1,478	106
UK 23c	Of which: advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	1,360	1,373	109
29	<b>Total</b>	<b>20,173</b>	<b>21,422</b>	<b>1,614</b>

(1) Of which £14 million RWAs (31 December 2022 - £14 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.

## RWA movement tables

### 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.

		NWM Plc
		a
		RWAs
		£m
1	At 31 December 2022	3,045
2	Asset size	132
3	Asset quality	2
4	Model updates	(8)
7	Foreign exchange movements	(40)
9	<b>At 31 March 2023</b>	<b>3,131</b>

(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 increase in asset size was mainly a result of new syndicate deals and new loan facilities.
- The decrease in foreign exchange movements was mainly a result of sterling strengthening against the US dollar and euro during the period.
- The decrease in model updates was mainly due to adjustments as a result of new regulations applicable to IRB models from 1 January 2022.

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

The table below shows movements in RWAs for derivatives under the internal model method (IMM). It excludes the CVA capital charge, exposures to central counterparties and securitisations.

		NWM Plc
		a
		RWAs
		£m
1	At 31 December 2022	3,105
2	Asset size	(37)
3	Credit quality of counterparties	19
7	Foreign exchange movements	(55)
9	<b>At 31 March 2023</b>	<b>3,032</b>

(1) The following rows are not presented in the table because they had zero values for the period: (4) model updates, (5) methodology and policy, (6) acquisitions and disposals, and (8) other.

#### Q1 2023

- The decrease in IMM RWAs mainly reflects a reduction in asset size and the strengthening of sterling against the euro and the US dollar over the period.

## 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).

NWM Plc						
	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	1,754	2,405	662	1,944	6,765	541
1a Regulatory adjustment (1)	(1,405)	(1,977)	—	—	(3,382)	(271)
1b RWAs at 31 December 2022 (end of day)	349	428	662	1,944	3,383	270
2 Movement in risk levels	(148)	50	159	(615)	(554)	(44)
3 Model updates/changes	—	5	—	28	33	3
8a RWAs at 31 March 2023 (end of day)	202	483	821	1,357	2,863	229
8b Regulatory adjustment (1)	1,290	1,721	—	—	3,011	241
8 At 31 March 2023	1,492	2,204	821	1,357	5,874	470

(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 in the table because they had zero values for the period 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.

### Q1 2023

- Overall, market risk RWAs under the IMA decreased in Q1 2023.
- The decreases in VaR and SVaR-based RWAs were mainly due to a decrease in interest rate risk. For VaR, a decrease in foreign exchange risk also contributed.
- A reduction in the capital multiplier for NWM Plc during the quarter, due to a fall in the VaR back-testing exception count, also had a downward RWA impact.
- The higher incremental risk charge mostly relates to increases in government bond positions.
- A prospective update to make the VaR model more sensitive to recent market conditions is currently under review by the PRA. This impact is currently being capitalised through an RNIV. This RNIV decreased during the quarter reflecting the reduced market volatility, hence the decrease in RNIV-based RWAs.