



NatWest
Group

NatWest Markets Group

Q1 2023

Interim Management Statement

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NatWest Markets Group (NWM Group)

Results for Q1 2023

Q1 Overview

Our business performance has been strong over the quarter, delivering improved income relative to the prior period and we have continued to contribute to the NatWest Group Commercial & Institutional (C&I) segment. Through a period of significant market disruption we have maintained a proactive approach to risk management and continued to support our customers as they have navigated macroeconomic uncertainty, including the impacts of rising interest rates through the quarter.

We continue to make progress against our strategic priorities, supporting growth with our customers. As at 31 March 2023, we had provided £19.4 billion in total towards the NatWest Group climate and sustainable funding and financing target of £100 billion between 1 July 2021 and the end of 2025, of which £3.9 billion was provided in Q1 2023.

Financial review

NWM Group reported a loss of £10 million for Q1 2023, compared with a loss of £45 million in Q4 2022 and a loss of £40 million in Q1 2022. Total income increased to £265 million in Q1 2023, largely driven by a stronger performance in Fixed Income. Operating expenses decreased to £285 million, principally driven by a reduction in litigation and conduct costs, partially offset by an increase in other operating expenses.

Financial performance

- Total income of £265 million in Q1 2023 was up by £158 million compared with £107 million in Q4 2022 and up by £46 million compared with £219 million in Q1 2022, largely reflecting stronger relative performance in Fixed Income including the impact of challenging market conditions on the comparative periods. Currencies income levels were comparable with Q4 2022 but down compared with Q1 2022, a period in which the business benefitted from heightened FX volatility levels.
- Operating expenses were £285 million in Q1 2023, compared with £301 million in Q4 2022 and £291 million in Q1 2022. The decrease compared with the prior quarter was driven by lower litigation and conduct costs, largely reflecting progress made in the previous quarter in closing legacy matters, partially offset by an increase in other operating expenses, largely due to the timing of variable staff costs incurred and one-off items recognised in the prior quarter.
- NWM Group's total assets and liabilities decreased by £7.6 billion and £7.5 billion to £182.2 billion and £175.7 billion respectively at 31 March 2023, compared with 31 December 2022. The decreases mainly reflect lower derivative fair values, largely driven by market volatility including the weakening of USD and decreases in interest rates across major currencies since year end 2022.

Capital and leverage

- Total NWM Plc RWAs were £20.2 billion at 31 March 2023, compared with £21.4 billion at 31 December 2022 and £24.1 billion at 31 March 2022. The decrease in the quarter was largely due to lower market risk, mainly driven by reduction in risk exposures and Value-at-Risk (VaR) multiplier, in addition to lower counterparty credit risk and operational risk.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 18.2% at 31 March 2023, compared with 17.2% at 31 December 2022 and 16.6% at 31 March 2022. The increase in the quarter was mainly due to the decrease in RWAs.
- Total MREL for NWM Plc at 31 March 2023 was £8.5 billion, or 42.4% of RWAs, compared with £8.7 billion or 40.4% of RWAs at 31 December 2022.
- NWM Plc's leverage ratio at 31 March 2023 was 5.6% compared with 5.4% at 31 December 2022.

Liquidity and funding

- NWM Plc's liquidity portfolio at 31 March 2023 was £20.3 billion with an LCR of 255% (31 December 2022 - £18.6 billion with LCR 253%).
- NWM Plc issued public benchmark transactions under the EMTN programme totalling €1.5 billion of notes in the three months ended 31 March 2023. NWM Plc also raised funding in other formats throughout the quarter including but not limited to structured note issuance.

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. 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 for the quarter ended 31 March 2023. Commentary refers to the tables below as well as the consolidated income statement shown on page 6.

	Quarter ended		
	31 March 2023 £m	31 December 2022 £m	31 March 2022 £m
Income statement (1)			
Net interest income	35	29	14
Non-interest income	230	78	205
Total income	265	107	219
Litigation and conduct costs	(8)	(47)	(8)
Other operating expenses	(277)	(254)	(283)
Operating expenses	(285)	(301)	(291)
Operating loss before impairment releases/losses	(20)	(194)	(72)
Impairment releases/(losses)	2	2	(1)
Operating loss before tax	(18)	(192)	(73)
Tax credit	8	147	33
Loss for the period	(10)	(45)	(40)
Income (2)			
Fixed Income	70	5	(15)
Currencies	118	119	158
Capital Markets	111	93	121
Capital Management Unit & other (3)	8	(41)	(24)
Income including shared revenue before OCA	307	176	240
Revenue shared with or paid to fellow NatWest Group subsidiaries	(48)	(51)	(39)
Income excluding OCA	259	125	201
Own credit adjustments (OCA)	6	(18)	18
Total income	265	107	219

- (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 relates to asset disposal/strategic risk reduction costs that were separately disclosed prior to Q1 2023.

- **Net interest income** was £35 million in Q1 2023, compared with £29 million in Q4 2022 and £14 million in Q1 2022. 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 increase compared with Q1 2022 largely reflects growth in lending activity.
- **Non-interest income** of £230 million in Q1 2023 increased by £152 million compared with £78 million in Q4 2022 and by £25 million compared with £205 million in Q1 2022, largely driven by stronger relative performance in Fixed Income, including the impact of challenging market conditions in the comparative periods. Currencies income levels were comparable with the previous quarter but were down compared with Q1 2022, a period in which the business benefitted from heightened levels of FX volatility. The increase in Capital Management Unit & other income levels largely reflects fair value movements with regard to legacy and funding positions. Own credit adjustments of £6 million in Q1 2023 reflected the widening of credit spreads, and were up by £24 million compared with £(18) million in Q4 2022.
- **Operating expenses** were £285 million in Q1 2023, compared with £301 million in Q4 2022 and £291 million in Q1 2022. Litigation and conduct costs of £8 million in Q1 2023 were down by £39 million compared with £47 million in Q4 2022, largely reflecting progress made in the previous quarter in closing legacy matters, and in line with £8 million in Q1 2022. Other operating expenses of £277 million in Q1 2023 increased by £23 million compared with £254 million in Q4 2022, largely due to the timing of variable staff costs incurred and one-off items recognised in the prior quarter, and decreased by £6 million compared with £283 million in Q1 2022.

Financial review

Balance sheet profile as at 31 March 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	
	31 March 2023 £bn	31 December 2022 £bn	31 March 2023 £bn	31 December 2022 £bn
Cash and balances at central banks	19.1	17.0		
Securities	13.9	9.9	9.6	9.5 Short positions
Reverse repos (1)	25.8	21.5	30.9	23.7 Repos (2)
Derivative cash collateral given (3)	9.8	12.7	15.3	17.7 Derivative cash collateral received (4)
Other trading assets	0.8	1.2	1.9	1.9 Other trading liabilities
Total trading assets	50.3	45.3	57.7	52.8 Total trading liabilities
Loans - amortised cost	11.4	11.3	7.9	6.7 Deposits - amortised cost
Settlement balances	6.6	2.6	6.5	2.0 Settlement balances
Amounts due from holding company and fellow subsidiaries	1.0	0.7	6.7	6.2 Amounts due to holding company and fellow subsidiaries
Other financial assets	13.0	11.9	22.7	21.1 Other financial liabilities
Other assets	0.8	0.8	0.7	0.8 Other liabilities
Funded assets	102.2	89.6	102.2	89.6 Liabilities excluding derivatives
Derivative assets	80.0	100.2	73.5	93.6 Derivative liabilities
Total assets	182.2	189.8	175.7	183.2 Total liabilities
				of which:
			25.1	23.5 wholesale funding (5)
			7.9	7.7 short-term wholesale funding (5)

(1) Comprises bank reverse repos of £5.3 billion (31 December 2022 – £4.6 billion) and customer reverse repos of £20.5 billion (31 December 2022 – £16.9 billion).

(2) Comprises bank repos of £1.4 billion (31 December 2022 – £1.6 billion) and customer repos of £29.5 billion (31 December 2022 – £22.1 billion).

(3) Comprises derivative cash collateral given relating to banks of £3.5 billion (31 December 2022 – £4.6 billion) and customers of £6.3 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 £8.7 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** decreased by £7.6 billion and £7.5 billion to £182.2 billion and £175.7 billion respectively at 31 March 2023, compared with £189.8 billion and £183.2 billion at 31 December 2022. The decreases primarily reflect lower derivative fair values, largely driven by market volatility including the weakening of USD and decreases in interest rates across major currencies since year end 2022. Funded assets, which exclude derivatives, increased by £12.6 billion to £102.2 billion.
- **Cash and balances at central banks** increased by £2.1 billion to £19.1 billion at 31 March 2023, largely driven by increased net funding across portfolios partially offset by banking book activity.
- **Trading assets** were up by £5.0 billion to £50.3 billion at 31 March 2023, driven by increases in securities and reverse repos partially offset by a decrease in derivative cash collateral posted. **Trading liabilities** were up by £4.9 billion to £57.7 billion, driven by an increase in repos partially offset by a decrease in derivative cash collateral received.
- **Derivative assets and derivative liabilities** were down by £20.2 billion to £80.0 billion and £20.1 billion to £73.5 billion respectively at 31 March 2023, largely driven by market volatility including the weakening of USD and decreases in interest rates across major currencies since year end 2022.
- **Settlement balance assets and liabilities** were up by £4.0 billion and £4.5 billion to £6.6 billion and £6.5 billion respectively at 31 March 2023, principally due to increased trading compared with the seasonally lower levels of customer activity leading up to 31 December 2022.
- **Other financial liabilities** increased by £1.6 billion to £22.7 billion (31 December 2022 – £21.1 billion), driven largely by new issuance in the period partially offset by maturities. The balance at 31 March 2023 includes £17.6 billion of medium-term notes issued.
- **Owners' equity** was down by £0.1 billion to £6.5 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

Recent banking sector events (including those resulting from the rapid rise in global interest rates) have caused macroeconomic and market uncertainty. The future impacts remain uncertain. 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.

	31 March 2023	31 December 2022	31 March 2022
	%	%	%
Capital adequacy ratios (1)			
CET1	18.2	17.2	16.6
Tier 1	21.6	20.4	19.5
Total	27.1	25.7	24.0
Total MREL	42.4	40.4	35.8
	£m	£m	£m
Capital			
CET1	3,676	3,682	4,005
Tier 1	4,355	4,361	4,686
Total	5,475	5,502	5,764
Total MREL (2)	8,546	8,652	8,612

Risk-weighted assets

	31 March 2023	31 December 2022	31 March 2022
Credit risk	7,131	7,110	7,635
Counterparty credit risk	5,442	5,682	7,652
Market risk	6,278	7,152	7,298
Operational risk	1,322	1,478	1,478
Total RWAs	20,173	21,422	24,063

(1) NWM Plc's total capital ratio requirement is 11.1%, comprising the minimum capital requirement of 8%, supplemented with the capital conservation buffer of 2.5% and the institution specific countercyclical buffer ('CCyB') of 0.6%. The minimum CET1 ratio is 7.5%, including the minimum capital requirement of 4.5%. The CCyB is based on the weighted average of NWM Plc's geographical exposures.

(2) Includes senior debt instruments issued to NatWest Group plc with a regulatory value of £3.1 billion (31 December 2022 - £3.2 billion, 31 March 2022 - £2.9 billion).

Leverage

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

	31 March 2023	31 December 2022	31 March 2022
Leverage exposure (£m) (1)	77,259	81,083	100,712
Tier 1 capital (£m)	4,355	4,361	4,686
Leverage ratio (%)	5.6	5.4	4.7

(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

	31 March 2023	31 December 2022	31 March 2022
Liquidity coverage ratio (LCR) (%)	255	253	216
Liquidity portfolio (£bn)	20.3	18.6	16.3
Total wholesale funding (£bn) (1)	25.1	23.5	22.0
Total funding including repo (£bn)	84.6	77.0	76.6

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

Condensed consolidated income statement for the period ended 31 March 2023 (unaudited)

	Quarter ended		
	31 March 2023 £m	31 December 2022 £m	31 March 2022 £m
Interest receivable	413	270	101
Interest payable	(378)	(241)	(87)
Net interest income	35	29	14
Fees and commissions receivable	100	89	96
Fees and commissions payable	(37)	(32)	(41)
Income from trading activities	168	37	141
Other operating income	(1)	(16)	9
Non-interest income	230	78	205
Total income	265	107	219
Staff costs	(113)	(92)	(133)
Premises and equipment	(15)	(19)	(24)
Other administrative expenses	(154)	(187)	(130)
Depreciation and amortisation	(3)	(3)	(4)
Operating expenses	(285)	(301)	(291)
Loss before impairment releases/losses	(20)	(194)	(72)
Impairment releases/(losses)	2	2	(1)
Operating loss before tax	(18)	(192)	(73)
Tax credit	8	147	33
Loss for the period	(10)	(45)	(40)
Attributable to:			
Ordinary shareholders	(28)	(64)	(56)
Paid-in equity holders	18	18	16
Non-controlling interests	—	1	—
	(10)	(45)	(40)

Condensed consolidated statement of comprehensive income
for the period ended 31 March 2023 (unaudited)

	Quarter ended		
	31 March 2023 £m	31 December 2022 £m	31 March 2022 £m
Loss for the period	(10)	(45)	(40)
Items that do not qualify for reclassification			
Remeasurement of retirement benefit schemes	—	(67)	(1)
Changes in fair value of credit in financial liabilities designated at fair value through profit or loss (FVTPL)	(6)	(52)	39
Fair value through other comprehensive income (FVOCI) financial assets	2	1	3
Tax	—	42	(5)
	(4)	(76)	36
Items that do qualify for reclassification			
FVOCI financial assets	2	4	(15)
Cash flow hedges	54	100	(153)
Currency translation	(53)	(91)	36
Tax	(14)	(32)	49
	(11)	(19)	(83)
Other comprehensive loss after tax	(15)	(95)	(47)
Total comprehensive loss for the period	(25)	(140)	(87)
Attributable to:			
Ordinary shareholders	(43)	(159)	(103)
Paid-in equity holders	18	18	16
Non-controlling interests	—	1	—
	(25)	(140)	(87)

Condensed consolidated balance sheet as at 31 March 2023 (unaudited)

	31 March 2023 £m	31 December 2022 £m
Assets		
Cash and balances at central banks	19,149	17,007
Trading assets	50,256	45,291
Derivatives	80,042	100,154
Settlement balances	6,589	2,558
Loans to banks - amortised cost	1,159	1,146
Loans to customers - amortised cost	10,266	10,171
Amounts due from holding company and fellow subsidiaries	1,007	740
Other financial assets	12,980	11,870
Other assets	744	832
Total assets	182,192	189,769
Liabilities		
Bank deposits	3,062	3,069
Customer deposits	4,801	3,614
Amounts due to holding company and fellow subsidiaries	6,653	6,217
Settlement balances	6,520	2,010
Trading liabilities	57,710	52,792
Derivatives	73,507	93,585
Other financial liabilities	22,670	21,103
Other liabilities	756	816
Total liabilities	175,679	183,206
Equity		
Owners' equity	6,515	6,565
Non-controlling interests	(2)	(2)
Total equity	6,513	6,563
Total liabilities and equity	182,192	189,769

Condensed consolidated statement of changes in equity
for the period ended 31 March 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			(10)		(10)	—	(10)
Other comprehensive income							
- Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk			(6)		(6)		(6)
- Unrealised gains: FVOCI				5	5		5
- Amounts recognised in equity: cash flow hedges				59	59		59
- Foreign exchange reserve movement				(53)	(53)	—	(53)
- Amounts transferred from equity to earnings				(6)	(6)		(6)
- Tax			—	(14)	(14)		(14)
Paid-in equity dividends paid			(18)		(18)		(18)
Share-based payments			(7)		(7)		(7)
At 31 March 2023	2,346	904	3,333	(68)	6,515	(2)	6,513

	At 31 March 2023 £m
Attributable to:	
Ordinary shareholders	5,611
Paid-in equity holders	904
Non-controlling interests	(2)
	6,513
*Other reserves consist of:	
FVOCI reserve	7
Cash flow hedging reserve	(254)
Foreign exchange reserve	179
	(68)

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.

	31 March 2023 £m	31 December 2022 £m
Assets		
Loans		
- Reverse repos	25,780	21,537
- Collateral given	9,766	12,719
- Other loans	783	1,113
Total loans	36,329	35,369
Securities		
Central and local government		
- UK	2,278	2,205
- US	4,767	2,345
- Other	3,302	2,799
Financial institutions and Corporate	3,580	2,573
Total securities	13,927	9,922
Total	50,256	45,291
Liabilities		
Deposits		
- Repos	30,922	23,740
- Collateral received	15,322	17,663
- Other deposits	1,122	1,068
Total deposits	47,366	42,471
Debt securities in issue	788	797
Short positions	9,556	9,524
Total	57,710	52,792

3. Other financial liabilities

	31 March 2023 £m	31 December 2022 £m
Customer deposits - designated as at fair value through profit or loss (FVTPL)	990	1,050
Debt securities in issue		
- Medium term notes	17,574	16,418
- Commercial paper and certificates of deposit	3,635	3,169
Subordinated liabilities		
- Designated as at FVTPL	350	345
- Amortised cost	121	121
Total	22,670	21,103

4. Amounts due to holding company and fellow subsidiaries

	31 March 2023 £m	31 December 2022 £m
Liabilities		
Bank deposits - amortised cost	241	108
Customer deposits - amortised cost	80	51
Settlement balances	549	26
Trading liabilities	997	1,129
Other financial liabilities - subordinated liabilities	1,478	1,519
MREL instruments issued to NatWest Group plc	3,118	3,173
Other liabilities	190	211
Total	6,653	6,217

Notes

5. Litigation and regulatory matters

NatWest Markets Plc's 2022 Annual Report and Accounts, issued on 17 February 2023, included disclosures about NWM Group's litigation and regulatory matters in Note 25. Set out below are the material developments in those matters (all of which have been previously disclosed) since publication of the 2022 Annual Report and Accounts.

Litigation

FX litigation

NWM Plc, NatWest Markets Securities Inc. (NWMSI) and/or NatWest Group plc are defendants in several cases relating to NWM Plc's foreign exchange (FX) business. In 2015, NWM Plc paid US\$255 million to settle the consolidated antitrust class action filed in the United States District Court for the Southern District of New York (SDNY) on behalf of persons who entered into over-the-counter FX transactions with defendants or who traded FX instruments on exchanges. In 2018, some members of the settlement class who opted out of that class action settlement filed their own non-class complaint in the SDNY asserting antitrust claims against NWM Plc, NWMSI and other banks.

In April 2019, some of the claimants in the opt-out case described above, as well as others, served proceedings in the High Court of Justice of England and Wales, asserting competition claims against NWM Plc and several other banks. The claim was transferred from the High Court of Justice of England and Wales in December 2021 and registered in the UK Competition Appeal Tribunal (CAT) in January 2022. In March 2023, NWM Plc entered into an agreement to resolve both the SDNY and CAT cases. The settlement amount paid by NWM Plc was covered by an existing provision.

In the FX-related class action in the SDNY on behalf of 'consumers and end-user businesses', the court granted the defendants' motion for summary judgment on 30 March 2023, dismissing the plaintiffs' claims. The court's decision granting summary judgment, as well as a prior decision denying class certification in the case, are subject to appeal by the plaintiffs.

In December 2021, a claim was issued in the Netherlands against NatWest Group plc, NWM Plc and NWM N.V. by Stichting FX Claims on behalf of a number of claimants, seeking a declaration from the court that anti-competitive FX market conduct described in decisions of the European Commission (EC) of 16 May 2019 is unlawful, along with unspecified damages. The claimants amended their claim to also refer to a December 2021 decision by the EC, which also described anti-competitive FX market conduct. The defendants contested the jurisdiction of the Dutch court. In March 2023, the district court in Amsterdam accepted that it has jurisdiction to hear claims against NWM N.V. but refused jurisdiction to hear any claims against the other defendant banks (including NatWest Group plc and NWM Plc) unless the claimants are domiciled in the Netherlands. Only certain of the claimants are so domiciled and are therefore permitted to continue with their claims against all defendants, including NatWest Group plc and NWM Plc. The claimants have until the end of June 2023 to appeal that decision.

Madoff

NWM N.V. was named as a defendant in two actions filed by the trustee for the bankrupt estates of Bernard L. Madoff and Bernard L. Madoff Investment Securities LLC, in bankruptcy court in New York, which together seek to clawback more than US\$298 million that NWM N.V. allegedly received from certain Madoff feeder funds and certain swap counterparties. The claims were previously dismissed, but as a result of an August 2021 decision by the United States Court of Appeals for the Second Circuit, they will now proceed in the bankruptcy court, where they have been consolidated into one action, subject to NWM N.V.'s legal and factual defences. In May 2022, NWM N.V. filed a motion to dismiss the amended complaint in the consolidated action and such motion was denied in March 2023. As a result, the claims will now enter the discovery phase.

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 was 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 sought 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.

On 20 April 2023, the claimant filed a notice of discontinuance of its claim against certain defendants including Coutts & Co Ltd. The claimant has subsequently indicated that it intends to issue further replacement proceedings. In that event, Coutts & Co Ltd will challenge the claimant's ability to take that step and the Malaysian Court has provisionally scheduled a hearing on 15 June 2023 to consider the validity of any new proceedings.

Coutts & Co Ltd 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

Other than as disclosed, there have been no other significant events between 31 March 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 financial 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.

Operating expenses – management view

	Quarter ended 31 March 2023		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Staff costs	1	112	113
Premises and equipment	—	15	15
Other administrative expenses	7	147	154
Depreciation and amortisation	—	3	3
Total	8	277	285

	Quarter ended 31 December 2022		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Staff costs	2	90	92
Premises and equipment	—	19	19
Other administrative expenses	45	142	187
Depreciation and amortisation	—	3	3
Total	47	254	301

	Quarter ended 31 March 2022		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Staff costs	—	133	133
Premises and equipment	—	24	24
Other administrative expenses	8	122	130
Depreciation and amortisation	—	4	4
Total	8	283	291

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' or 'we' refers to 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 ('GBP'), respectively, and references to 'pence' represent pence in the United Kingdom ('UK'). Reference 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, and references to 'cents' represent cents in the US. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively, and references to 'cents' represent cents in the European Union ('EU').

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 NatWest Markets 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 will be 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

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.

Legal Entity Identifier: RR3QWICWWIPCS8A4S074