

Ulster Bank Ireland Designated Activity Company

Q1 2023 Pillar 3 Report

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Presentation of information

This document presents the interim consolidated Pillar 3 disclosures for Ulster Bank Ireland Designated Activity Company (UBIDAC) as at 31 March 2023.

UBIDAC is incorporated in the Republic of Ireland and is a wholly owned subsidiary of NatWest Holdings Limited. The ultimate holding company is NatWest Group plc. Based on the criteria set out in the UK Capital Requirements Regulation, NatWest Group plc primarily defines its large subsidiaries in scope of its 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.

UBIDAC's asset size is currently below €30 billion. However, the entity continues to be designated as an O-SII firm by its EU supervisors. On that basis, UBIDAC, being a large subsidiary of NatWest Group plc (which is a UK parent institution), is subject to the disclosure requirements set out in Article 13 and Part Eight of the EU Capital Requirements Regulation.

The disclosures for UBIDAC are calculated in accordance with the EU Capital Requirements Regulation.

Row and column references are based on those prescribed in the EBA disclosure templates.

A subset of the Pillar 3 templates that is required to be disclosed was not applicable to UBIDAC at 31 March 2023 and has therefore not been included in this document. These excluded disclosures are listed below, together with a summary of the reason for their exclusion.

EBA template reference	Template name	Reasons for exclusion
IFRS 9-FL	Comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL	As of July 2022, UBIDAC no longer applies the transitional arrangements for IFRS 9 specified in Article 473a
EU CR8	RWA flow statements of credit risk exposures under the IRB approach	No reportable exposures
EU CCR7	RWA flow statements of CCR exposures under the IMM	No reportable exposures
EU MR2-B	RWA flow statements of market risk exposures under the IMA	No reportable exposures



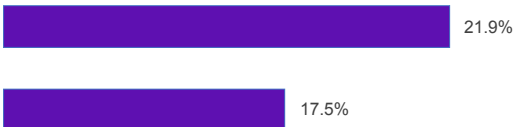
In this report, in line with the regulatory framework, the term credit risk excludes counterparty credit risk, unless specifically indicated otherwise.

The Pillar 3 disclosures are presented in euros and have not been subject to external audit.

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

Capital, liquidity and funding

UBIDAC - Key points

<p>CET1 ratio</p>  <table border="1"> <thead> <tr> <th>Period</th> <th>CET1 ratio</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>38.6%</td> </tr> <tr> <td>Q4 2022</td> <td>38.6%</td> </tr> </tbody> </table>	Period	CET1 ratio	Q1 2023	38.6%	Q4 2022	38.6%	<p>The CET1 ratio remained static at 38.6%. There was a €0.3 billion decrease in RWAs offset by the impact of a €0.1 billion decrease in CET1 capital.</p>
Period	CET1 ratio						
Q1 2023	38.6%						
Q4 2022	38.6%						
<p>RWAs</p>  <table border="1"> <thead> <tr> <th>Period</th> <th>RWAs (€bn)</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>€6.1bn</td> </tr> <tr> <td>Q4 2022</td> <td>€6.4bn</td> </tr> </tbody> </table>	Period	RWAs (€bn)	Q1 2023	€6.1bn	Q4 2022	€6.4bn	<p>Total RWAs decreased by €0.3 billion to €6.1 billion reflecting:</p> <ul style="list-style-type: none"> - A decrease in operational risk RWAs of €245 million following the annual recalculation. - A decrease in credit risk RWAs of €34 million primarily driven by reduced exposures because of the phased withdrawal from the Irish market. Included in this is €91 million in disposals of commercial loans to Allied Irish Banks p.l.c. and a €140 million sale of Micro SME loan book to Permanent TSB Group Holdings plc. This is largely offset by increased intragroup exposures.
Period	RWAs (€bn)						
Q1 2023	€6.1bn						
Q4 2022	€6.4bn						
<p>Leverage ratio</p>  <table border="1"> <thead> <tr> <th>Period</th> <th>Leverage ratio</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>21.9%</td> </tr> <tr> <td>Q4 2022</td> <td>17.5%</td> </tr> </tbody> </table>	Period	Leverage ratio	Q1 2023	21.9%	Q4 2022	17.5%	<p>The leverage ratio at 31 March 2023 has increased to 21.9% from 17.5%. The key driver of the increase is a €3.4 billion decrease in the leverage exposure. This is a result of reducing liquidity reserves as customer deposits exit the bank, and asset sales, which continue as part of the Phased Withdrawal programme.</p>
Period	Leverage ratio						
Q1 2023	21.9%						
Q4 2022	17.5%						

EU 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 for the extended CRR2 grandfathering provisions. As of July 2022, UBIDAC no longer takes advantage of the IFRS 9 transitional capital rules in respect of ECL provisions; therefore, own funds, capital and leverage ratios reflect the full impact of IFRS 9. Disclosures up to the 30 June 2022 included permissible adjustments for the IFRS 9 transitional relief.

		UBIDAC				
		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	2,356	2,466	2,922	3,667	3,751
2	Tier 1 capital	2,356	2,466	2,922	3,667	3,751
3	Total capital	2,441	2,551	3,007	3,829	3,939
Risk-weighted exposure amounts						
4	Total risk exposure amount	6,101	6,390	9,363	13,180	13,748
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity Tier 1 ratio (%)	38.6	38.6	31.2	27.8	27.3
6	Tier 1 ratio (%)	38.6	38.6	31.2	27.8	27.3
7	Total capital ratio (%)	40.0	39.9	32.1	29.1	28.7
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.6	3.6	3.6	3.6	3.6
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.0	2.0	2.0	2.0	2.0
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.7	2.7	2.7	2.7	2.7
EU 7d	Total SREP own funds requirements (%)	11.6	11.6	11.6	11.6	11.6
Combined buffer and overall capital 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)	0.0	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer (%)	0.5	0.5	0.5	0.5	0.5
11	Combined buffer requirement (%)	3.0	3.0	3.0	3.0	3.0
EU 11a	Overall capital requirements (%)	14.6	14.6	14.6	14.6	14.6
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	32.1	32.1	24.7	21.3	20.8
Leverage ratio						
13	Total exposure measure	10,742	14,103	20,804	26,638	22,681
14	Leverage ratio	21.9	17.5	14.0	13.8	16.5
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	—	—	—	—	—
EU 14b	of which: to be made up of CET1 capital (percentage points)	—	—	—	—	—
EU 14c	Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.5
Leverage ratio buffer and overall leverage ratio requirements (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0.0	0.0	0.0	0.0	0.0
EU 14e	Overall leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.5
Liquidity coverage ratio (3)						
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	4,550	6,035	7,182	8,050	8,525
EU 16a	Cash outflows - Total weighted value	3,715	4,545	4,718	4,595	4,452
EU 16b	Cash inflows - Total weighted value (4)	1,455	1,352	1,044	699	625
16	Total net cash outflows (adjusted value)	2,260	3,193	3,674	3,896	3,827
17	Liquidity coverage ratio (%)	213	203	206	213	228
Net stable funding ratio (5)						
18	Total available stable funding	7,447	8,807	12,429	17,517	19,440
19	Total required stable funding	5,070	5,790	9,188	10,490	11,865
20	NSFR ratio (%)	147	152	135	167	164

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

(4) Cash inflows - Total weighted value includes adjustments for instances when cash inflows were capped at 75% of cash outflows.

(5) The NSFR ratio is presented on a spot basis.

(6) The following rows are not presented in the table above because they are not applicable: EU8a and EU9a.

EU LIQ1: Quantitative information on LCR

		UBIDAC							
		Total unweighted value (average)				Total weighted value (average)			
EU 1a		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2023	31 December 2022	30 September 2022	30 June 2022
EU 1b	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)					4,550	6,035	7,182	8,050
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	6,151	9,000	11,392	12,749	637	793	934	1,018
3	Stable deposits	2,864	4,480	5,900	6,743	144	224	295	337
4	Less stable deposits	3,286	4,406	5,278	5,643	493	534	639	681
5	Unsecured wholesale funding	5,524	6,952	7,422	7,368	2,722	3,367	3,388	3,207
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,328	1,678	1,814	1,844	332	419	454	461
7	Non-operational deposits (all counterparties)	4,196	5,274	5,608	5,524	2,390	2,948	2,934	2,746
8	Unsecured debt	—	—	—	—	—	—	—	—
9	Secured wholesale funding	—	—	—	—	4	—	—	—
10	Additional requirements	1,375	1,851	2,327	2,686	125	169	216	254
11	Outflows related to derivative exposures and other collateral requirements	2	2	2	2	2	2	2	2
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	1,373	1,849	2,325	2,684	123	167	214	252
14	Other contractual funding obligations	282	274	230	160	215	201	164	99
15	Other contingent funding obligations	264	301	332	352	12	15	16	17
16	Total cash outflows					3,715	4,545	4,718	4,595
Cash - inflows									
17	Secured lending (e.g. reverse repos)	4	—	—	—	4	—	—	—
18	Inflows from fully performing exposures	708	423	499	605	624	350	425	532
19	Other cash inflows	1,241	1,274	830	266	1,160	1,184	735	167
EU-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)	—	—	—	—	—	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)	—	—	—	—	—	—	—	—
20	Total cash inflows	1,953	1,697	1,329	871	1,788	1,534	1,160	699
EU-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
EU-20c	Inflows subject to 75% cap (2)	1,953	1,697	1,329	871	1,455	1,352	1,044	699
Total adjusted value									
EU-21	Liquidity buffer					4,550	6,035	7,182	8,050
22	Total net cash outflows					2,260	3,193	3,674	3,896
23	Liquidity coverage ratio (%)					213%	203%	206%	213%

(1) The LIQ1 disclosure reflects the 12 month average of all the quoted LCR data points.

(2) Includes adjustments for instances when cash inflows were capped at 75% of cash outflows.

EU LIQB: Qualitative information on LCR

LCR inputs and results over time

The LCR aims to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets ("HQLA") to meet its liquidity needs for a 30-calendar day liquidity stress scenario. The LCR remained above the regulatory minimum requirements of 100% and internal risk appetite limits throughout the year. The LCR is prepared in accordance with the Commission Delegated Regulation (EU) 2015/61. All figures included in the table represent a 12 month rolling average for each quarter.

In Q1 2021, UBIDAC announced its intention to commence a phased withdrawal from the Republic of Ireland. In Q2 2022, UBIDAC commenced communication with all depositors, requesting they find an alternate banking provider and to close their current and deposit accounts. As a result, UBIDAC experienced material deposit outflows in 2022 and 2023.

UBIDAC have drawn funding from an unsecured committed liquidity facility with NatWest Bank (NWB) to fund mismatches between inflows from loan sales and outflows from deposit migrations and so ensure continued compliance with regulatory and internal risk appetite requirements (€4.5bn as at Q1 23). Further funding is available from this facility to support the phased withdrawal by NatWest from the ROI market (€2.5bn unutilised). At year-end 2021, and prior to the commencement of the customer deposit exit communications, UBIDAC had total customer deposits of €21.9bn. As at Q1 2023, UBIDAC had residual customer deposits of €2.1bn. At year-end 2021 and prior to the commencement of loan sales, UBIDAC had total customer loans of €18.7billion. As of Q1 2023, UBIDAC had residual loan assets (including loan assets held for disposal) of €7.9bn.

Changes to net outflows driven by: Deposit outflows (due to the phased withdrawal) and an increase in inflows driven by loan asset sales and intragroup loans.

Concentration of funding sources

As at Q1 2023, UBIDAC is funded by €2.1 billion of deposits and €4.5 billion intragroup loan. The reduction in Retail/SME deposits reflects customer reaction as UBIDAC's withdrawal from the Republic of Ireland develops.

Liquidity buffer composition

All UBIDAC HQLA is categorised as level 1. As at Q1 2023, the balance of the bonds was €0.5 billion, notes & coins were €0.1 billion.

In February 2023, the CBI formally notified UBIDAC that it was categorised as a "winddown" entity with respect to Monetary Operations. In reaching this decision, the CBI advised that its determination of UBIDAC as a wind down entity was made in the context of UBIDAC's 'main purpose is the gradual divestment of its assets and the cessation of its business'. As a result of this UBIDAC no longer has access to Eurosystem monetary policy operations which are defined as open market operations and standing facilities. Most notably was the loss of access to the ECB Overnight Deposit facility where UBIDAC placed its surplus cash reserves.

UBIDAC now places its surplus cash overnight with NatWest Bank (NWB). The change in the management of UBIDAC surplus cash has impacted the calculation of the LCR. When the funds were placed with the ECB, they were considered HQLA, while now as a placement with NWB they are treated as a cash inflow. Noting cash inflows are restricted to 75% of cash outflows in LCR.

Derivative exposures and potential collateral calls

N/a, UBIDAC has a non-material number of swaps / collateral calls.

Currency mismatch in the LCR

The Bank's balance sheet is >95% euro denominated.

Other items relevant to liquidity profile

The unsecured committed liquidity facility with NatWest Bank (NWB) is contracted to expire in Dec 2024 which is after the planned completion of the phased withdrawal.

EU 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.

		UBIDAC		
		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)	5,285	5,319	422
2	of which: standardised approach	5,285	5,319	422
3	of which: the foundation IRB (FIRB) approach	—	—	—
4	of which: slotting approach	—	—	—
EU 4a	of which: equities under the simple risk-weighted approach	—	—	—
5	of which: the advanced IRB (AIRB) approach	—	—	—
6	Counterparty credit risk	70	78	6
7	of which: standardised approach	38	42	3
8	of which: internal model method (IMM)	—	—	—
EU 8a	of which: exposures to a CCP	—	—	—
EU 8b	of which: credit valuation adjustment (CVA)	32	36	3
9	of which: other counterparty credit risk	—	—	—
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	—	—	—
17	of which: SEC-IRBA approach	—	—	—
18	of which: SEC-ERBA (including IAA)	—	—	—
19	of which: SEC-SA approach	—	—	—
EU 19a	of which: 1,250%/deduction	—	—	—
20	Position, foreign exchange and commodities risk (market risk)	33	34	3
21	of which: standardised approach	33	34	3
22	of which: IMA	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	713	959	57
EU 23a	of which: basic indicator approach	—	—	—
EU 23b	of which: standardised approach	713	959	57
EU 23c	of which: advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (1)	—	—	—
29	Total	6,101	6,390	488

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