NatWest Group plc
Q3 2022 Pillar 3 Supplement

Contents

Forward-looking statements

This document may include 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 NatWest Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NatWest Group plc in respect of, but not limited to: its economic and political risks, its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital, cost savings and operational targets), the implementation of its purpose-led strategy, its environmental, social, governance and climate related targets, its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, the impact of the COVID-19 pandemic, 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 IBOR rates to alternative risk free rates and NatWest Group's exposure to operational risk, conduct risk, cyber, data and IT risk, financial crime 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, future growth initiatives (including acquisitions, joint ventures and strategic partnerships), the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs (including with respect to goodwill), 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 and the impact of the COVID-19 pandemic. These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Group plc's actual results are discussed in NatWest Group plc's UK 2021 Annual Report and Accounts (ARA), NatWest Group plc's UK Interim Results for the six months ended 30 June 2022 (H1 report), and NatWest Group plc's filings with the US Securities and Exchange Commission, including, but not limited to, NatWest Group plc's most recent Annual Report on Form 20-F. The forward-looking statements contained in this document speak only as of the date of this document and NatWest Group plc 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 consolidated Pillar 3 disclosures for NatWest Group, which complement those in the NatWest Group Q3 2022 Interim Management Statement.

As at the date of this report, NatWest Group plc is regulated under the UK Capital Requirements Regulation (CRR) and the associated onshored binding technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by a number of statutory instruments and is split across primary legislation and the PRA rulebook.

NatWest Group's consolidated disclosures in this document are presented in accordance with the Disclosure (CRR) part of the PRA rulebook. The disclosures required under the PRA framework are substantially equivalent to those required by Part Eight of the EU CRR.

The Pillar 3 disclosures required for NatWest Group's ring-fenced body sub-group (NWH Group) and those required for NatWest Group's large subsidiaries (National Westminster Bank Plc, The Royal Bank of Scotland plc, Ulster Bank Ireland Designated Activity Company, NatWest Markets Plc, Coutts & Company and The Royal Bank of Scotland International Limited) will be published separately on 11 November 2022. They will be available on the NatWest Group website, located at investors.natwestgroup.com.

Within this document, row and column references are based on those prescribed in the PRA templates. Any rows or columns that are not applicable have not been shown.

Capital, liquidity and funding

NatWest Group - key points

CET1 ratio

Q3 2022	14.3%
Q4 2021	18.2%

The CET1 ratio decreased by 390 basis points to 14.3%. The decrease was primarily due to a £21.5 billion increase in RWAs and a £3.0 billion decrease in CET1 capital.

The CET1 decrease was mainly driven by:
- the directed buyback of £1.2 billion;
- a foreseeable dividend accrual of £0.4 billion and foreseeable charges of £0.3 billion;
- a £0.3 billion decrease in the IFRS 9 transitional adjustment;
- the removal of the adjustment for prudential amortisation on software development costs of £0.4 billion;
- a £0.3 billion decrease due to FX loss on retranslation on the redemption of a US dollar instrument; and
- other reserve movements.

Attributable profit, in the nine month period, of £2.1 billion was offset by an ordinary dividend of £0.4 billion and a special dividend of £1.7 billion paid to shareholders.

RWA

Q3 2022	£178.5bn
Q4 2021	£157.0bn

Total RWAs increased by £21.5 billion to £178.5 billion, mainly reflecting:
- An increase in credit risk RWAs of £21.4 billion, primarily due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022, in addition to increased exposure in Commercial & Institutional and Retail Banking. This was partially offset by a reduction in the Ulster ROI portfolio in addition to improved risk metrics in Retail Banking and Commercial & Institutional.
- An increase in market risk RWAs of £1.4 billion, primarily driven by an increase in the capital multiplier for NWM Plc affecting VaR and SVaR calculations. In addition, a prospective adjustment to make the VaR model more sensitive to recent market conditions is currently being capitalised as a new RNIV.
- An increase in counterparty credit risk RWAs of £0.6 billion, mainly driven by the implementation of SA-CCR affecting the RWA calculation for the non-internally modelled exposure, in addition to increased exposure following market volatility.
- A reduction in operational risk RWAs of £1.9 billion following the annual recalculation.

UK leverage ratio

Q3 2022	5.2%
Q4 2021	5.9%

The leverage ratio at 30 September 2022 was 5.2%, calculated in accordance with changes to the UK's Leverage ratio framework introduced by the PRA, which came into effect from 1 January 2022. As at 31 December 2021, the ratio was 5.9%, which was calculated under the prior year's UK Leverage methodology. The key driver of the decrease was a £3.6 billion decrease in Tier 1 capital.

LCR (average)

Q3 2022	164%
Q4 2021	165%

The average LCR ratio has reduced 1% compared to Q4 2021. The decrease is mainly due to shareholder distributions (share buyback and dividends), redemption of Senior debt and maturing commercial papers and certificates of deposit, coupled with a reduction in customers deposits and increased lending to our customers.

NSFR

Q3 2022	148%
Q4 2021	157%

The net stable funding ratio (NSFR) for Q3 2022 was 148% compared to 157% at Q4 2021. The decrease is mainly due to shareholder distributions (share buyback and dividends), redemption of Senior debt and maturing commercial papers and certificates of deposit, coupled with a reduction in customers deposits and increased lending to our customers.

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 extended CRR2 grandfathering provisions and remaining IFRS 9 relief. NatWest Group 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.

		NatWest Group				
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
	Available own funds (amounts)	**£m**	£m	£m	£m	£m
1	Common equity tier 1 (CET1) capital	**25,556**	25,693	26,889	28,596	29,862
2	Tier 1 capital	**29,431**	29,568	30,764	33,042	34,308
3	Total capital	**34,230**	34,751	36,044	38,748	40,192
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	**178,494**	179,795	176,818	156,971	159,755
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common equity tier 1 ratio (%)	**14.3**	14.3	15.2	18.2	18.7
6	Tier 1 ratio (%)	**16.5**	16.4	17.4	21.0	21.5
7	Total capital ratio (%)	**19.2**	19.3	20.4	24.7	25.2
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	**1.8**	1.7	1.8	2.0	2.0
UK 7b	Additional AT1 SREP requirements (%)	**0.5**	0.6	0.6	0.7	0.7
UK 7c	Additional Tier 2 SREP requirements (%)	**0.8**	0.8	0.8	0.9	0.9
UK 7d	Total SREP own funds requirements (%)	**11.1**	11.1	11.2	11.6	11.6
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	**2.5**	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%) (1)	**0.0**	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer (%)					
11	Combined buffer requirement (%)	**2.5**	2.5	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	**13.6**	13.6	13.7	14.1	14.1
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	**8.0**	8.1	8.9	11.7	12.2
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	**564,866**	570,752	564,418	561,858	569,822
14	Leverage ratio excluding claims on central banks (%)	**5.2**	5.2	5.5	5.9	6.0
	Additional leverage ratio disclosure requirements (3)					
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.2**	5.1	5.4		
UK 14b	Leverage ratio including claims on central banks (%)	**4.1**	4.0	4.2		
UK 14c	Average leverage ratio excluding claims on central banks (%)	**5.3**	5.3	5.6		
UK 14d	Average leverage ratio including claims on central banks (%)	**4.1**	4.1	4.3		
UK 14e	Countercyclical leverage ratio buffer (%)	**0.0**	0.0	0.0		
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (weighted value-average)	**204,269**	204,862	200,588	193,404	183,713
UK 16a	Cash outflows - Total weighted value	**139,646**	137,363	133,761	129,857	125,788
UK 16b	Cash inflows - Total weighted value	**14,989**	14,278	13,864	12,640	12,396
16	Total net cash outflows (adjusted value)	**124,657**	123,085	119,897	117,217	113,392
17	Liquidity coverage ratio (%) (4)	**164**	166	167	165	162
	Net stable funding ratio					
18	Total available stable funding	**428,007**	437,907	433,284	438,143	426,899
19	Total required stable funding	**289,214**	286,995	284,366	278,714	275,970
20	NSFR ratio (%) (5)	**148**	153	152	157	155

(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) Additional disclosure requirements for LREQ firms from 1 January 2022; therefore comparatives are not presented.
(4) 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.
(5) The NSFR is presented on a spot basis in line with historical disclosures in the NatWest Group document. From 2023, NSFR disclosures will be calculated as an average of the preceding four quarters reflecting PRA guidance which came in effect on 1 January 2022.

IFRS 9-FL[1]: 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. NatWest Group 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.

		NatWest Group				
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Available capital (amounts) - transitional		£m	£m	£m	£m	£m
1	Common equity tier 1	**25,556**	25,693	26,889	28,596	29,862
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**25,198**	25,409	26,486	27,975	28,889
3	Tier 1 capital	**29,431**	29,568	30,764	33,042	34,308
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**29,073**	29,284	30,361	32,421	33,335
5	Total capital	**34,230**	34,751	36,044	38,748	40,192
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**34,253**	34,813	36,000	38,280	39,442
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	**178,494**	179,795	176,818	156,971	159,755
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**178,414**	179,763	176,790	156,935	159,681
Capital ratios		%	%	%	%	%
9	Common equity tier 1 ratio	**14.3**	14.3	15.2	18.2	18.7
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**14.1**	14.1	15.0	17.8	18.1
11	Tier 1 ratio	**16.5**	16.4	17.4	21.0	21.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**16.3**	16.3	17.2	20.7	20.9
13	Total capital ratio	**19.2**	19.3	20.4	24.7	25.2
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**19.2**	19.4	20.4	24.4	24.7
Leverage ratio (2)						
15	Leverage ratio exposure measure (£m)	**564,866**	570,752	564,418	743,480	739,355
16	Leverage ratio (%)	**5.2**	5.2	5.5	4.4	4.6
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	**5.2**	5.1	5.4	4.4	4.5

(1) The requirement to complete this table until the end of transitional period is based on EBA guidelines (EBA/GL/2018/01) and has been onshored in the UK disclosure framework via a joint Statement of Policy by the Bank of England and the PRA.
(2) From 1 January 2022, the leverage metrics for NatWest Group are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook.

UK LR2 - LRCom: Leverage ratio common disclosure

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

		NatWest Group	
		30 September 2022	30 June 2022
Capital and total exposure measure		£m	£m
UK-24b	Total exposure measure excluding claims on central banks	**564,866**	570,752
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.2**	5.2
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.2**	5.1
UK-25c	Leverage ratio including claims on central banks (%)	**4.1**	4.0
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**0.0**	0.0
UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.0**	0.0
Additional leverage ratio disclosure requirements - disclosure of mean values			
UK-31	Average total exposure measure excluding claims on central banks	**553,463**	568,761
UK-32	Average total exposure measure including claims on central banks	**714,983**	735,045
UK-33	Average leverage ratio excluding claims on central banks (%)	**5.3**	5.3
UK-34	Average leverage ratio including claims on central banks (%)	**4.1**	4.1

(1) NatWest Group is a LREQ firm and is therefore subject to the additional quarterly disclosures for averaging and the countercyclical leverage ratio buffer.

Q3 2022

– The NatWest Group average leverage ratio remained static at 5.3% in the quarter. There was a decrease in average leverage exposure driven by a reduction in balance sheet assets. This was offset by a decrease in 3-month average Tier 1 capital.

UK LIQ1: Quantitative information of LCR

The tables below show 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 NatWest Group. 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.

		NatWest Group							
		Total unweighted value (average)				Total weighted value (average)			
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	**30 September 2022**	30 June 2022	31 March 2022	31 December 2021
	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)					**204,269**	204,862	200,588	193,404
	Cash - outflows								
2	Retail deposits and deposits from small business customers, of which:	**269,534**	266,758	263,130	258,155	**21,392**	21,163	20,835	20,380
3	*Stable deposits*	***161,205***	*161,824*	*161,757*	*160,966*	***8,060***	*8,091*	*8,088*	*8,048*
4	*Less stable deposits*	***103,144***	*101,727*	*99,820*	*97,008*	***13,022***	*12,818*	*12,552*	*12,151*
5	Unsecured wholesale funding	**189,696**	190,112	186,819	181,415	**87,807**	87,449	85,113	82,146
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	***73,203***	*73,988*	*73,599*	*71,792*	***17,981***	*18,178*	*18,080*	*17,628*
7	*Non-operational deposits (all counterparties)*	***114,495***	*114,097*	*111,410*	*108,145*	***67,828***	*67,244*	*65,223*	*63,040*
8	*Unsecured debt*	***1,998***	*2,027*	*1,810*	*1,478*	***1,998***	*2,027*	*1,810*	*1,478*
9	Secured wholesale funding					**926**	849	707	617
10	Additional requirements	**78,715**	77,597	77,143	77,768	**21,429**	20,537	20,185	20,182
11	*Outflows related to derivative exposures and other collateral requirements*	***6,892***	*6,723*	*7,075*	*7,448*	***6,293***	*6,084*	*6,376*	*6,714*
12	*Outflows related to loss of funding on debt products*	—	—	—	—	—	—	—	—
13	*Credit and liquidity facilities*	***71,823***	*70,874*	*70,068*	*70,320*	***15,136***	*14,453*	*13,809*	*13,468*
14	Other contractual funding obligations	**23,072**	25,161	25,303	26,444	**2,962**	2,701	2,599	2,378
15	Other contingent funding obligations	**49,286**	47,945	47,133	47,028	**5,130**	4,664	4,322	4,154
16	Total cash outflows					**139,646**	137,363	133,761	129,857
	Cash - inflows								
17	Secured lending (e.g. reverse repos)	**53,142**	56,651	57,280	58,893	**449**	364	326	269
18	Inflows from fully performing exposures	**10,655**	10,409	9,990	8,962	**9,044**	8,781	8,391	7,386
19	Other cash inflows	**13,646**	13,309	13,333	13,157	**5,496**	5,133	5,147	4,985
UK-19a	(Difference between total weighted inflows and total weighted outflows 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	**77,443**	80,369	80,603	81,012	**14,989**	14,278	13,864	12,640
UK-20a	*Fully exempt inflows*	—	—	—	—	—	—	—	—
UK-20b	*Inflows subject to 90% cap*	—	—	—	—	—	—	—	—
UK-20c	*Inflows subject to 75% cap*	***73,550***	*75,812*	*75,509*	*76,294*	***14,989***	*14,278*	*13,864*	*12,640*
	Total adjusted value								
UK-21	Liquidity buffer					**204,269**	204,862	200,588	193,404
22	Total net cash outflows					**124,657**	123,085	119,897	117,217
23	Liquidity coverage ratio (%)					**164**	166	167	165

UK LIQB: Qualitative information on LCR, which complements template UK LIQ1

Qualitative information	30 September 2022
Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	The LCR aims to ensure that banks and banking groups hold a sufficient reserve of High-Quality Liquid Assets (HQLA) to survive a period of liquidity stress lasting 30 calendar days. The LCR is prepared in accordance with the Liquidity Coverage Ratio (CRR) part of the PRA Rulebook, subject to modification of Article 10(1)(c)(i), (ii) and (iv), Article 10(1)(d)(i) and Article 11(1)(b) effective from 1 January 2022, as per Directive given by PRA under section 138A of FSMA. Following the UK exit from the European Union the relevant BCBS liquidity standards have been incorporated into the UK regulatory framework by inclusion in the Prudential Regulatory Authority (PRA) Rulebook. The UK liquidity rules came into effect on 1 January 2022, prior to this NatWest Group plc was subject to similar rules due to the onshoring of the Capital Requirements Regulation (575/2013) (CRR). All figures included in the table represent a 12 month rolling average for the period October 2021 - September 2022.
Explanations on the changes in the LCR over time	As at 30 September 2022 the LCR ratio for NatWest Group plc was 156% or £68 billion of excess over the regulatory minimum of 100%. This compares to 173% as at 31 October 2021 or £90 billion of excess over the regulatory minimum of 100%. The reduction in the quarter 3 LCR is driven by £2 billion of shareholder distributions (share buyback and dividends), £3 billion redemption of Senior debt and maturing commercial papers and certificates of deposit, coupled with a reduction of £15 billion in customers deposits and £10 billion increased lending to our customers. The average LCR ratio for the 12 months to 30 September 2022 has decreased 2% over the previous quarter, from 166% to 164%.
Explanations on the actual concentration of funding sources	NatWest Group plc maintains a diversified set of funding sources of which retail, SME and corporate deposits are the biggest contributors. Other sources include wholesale unsecured funding, capital (including equity and MREL-eligible bonds), central banks (TFSME), repos, covered bonds and derivative cash collateral. Wholesale unsecured funding includes a range of products including deposits, commercial paper, certificates of deposit and medium term notes, and is accepted from various corporate counterparties and financial institutions.
High-level description of the composition of the institution`s liquidity buffer	HQLA is primarily held in Level 1 cash and central bank reserves (81%) and Level 1 high quality securities (19%).
Derivative exposures and potential collateral calls	NatWest Group 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 credit ratings of the entities within NatWest Group plc are also captured.
Currency mismatch in the LCR	The LCR is calculated for EUR, USD and GBP which have been identified as significant currencies (having liabilities > 5 % of total group liabilities excluding regulatory capital and off balance sheet liabilities) in accordance with the Liquidity Coverage Ratio (CRR) part of the PRA Rulebook (subject to modification). NatWest Group plc manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	We do not consider anything else of material relevance for disclosure.

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.

		NatWest Group		
		a	b	c
		Risk-weighted exposure amounts (RWAs)		Total own funds requirements
		30 September 2022 £m	30 June 2022 £m	30 September 2022 £m
1	Credit risk (excluding counterparty credit risk)	**139,969**	142,435	**11,198**
2	*Of which: standardised approach*	***25,700***	*19,164*	***2,056***
3	*Of which: the foundation IRB (FIRB) approach*	**—**	—	**—**
4	*Of which: slotting approach*	***11,971***	*12,264*	***958***
UK 4a	*Of which: equities under the simple risk-weighted approach*	***1,329***	*1,380*	***106***
5	*Of which: the advanced IRB (AIRB) approach (1)*	***100,969***	*109,627*	***8,078***
6	Counterparty credit risk	**8,394**	8,173	**672**
7	*Of which: standardised approach*	***1,367***	*1,246*	***109***
8	*Of which: internal model method (IMM)*	***4,886***	*4,149*	***391***
UK 8a	*Of which: exposures to a CCP*	***109***	*158*	***9***
UK 8b	*Of which: credit valuation adjustment (CVA)*	***1,326***	*1,630*	***106***
9	*Of which: other counterparty credit risk*	***706***	*990*	***57***
15	Settlement risk	**1**	2	**—**
16	Securitisation exposures in the non-trading book (after the cap)	**1,666**	1,507	**133**
17	*Of which: SEC-IRBA approach*	**—**	—	**—**
18	*Of which: SEC-ERBA (including IAA)*	***50***	*105*	***4***
19	*Of which: SEC-SA approach*	***1,562***	*1,341*	***125***
UK 19a	*Of which: 1,250%/deduction*	***54***	*61*	***4***
20	*Position, foreign exchange and commodities risk (market risk)*	**9,349**	8,563	**748**
21	*Of which: standardised approach*	***1,304***	*1,248*	***104***
22	*Of which: IMA*	***8,045***	*7,315*	***644***
UK 22a	Large exposures	**—**	—	**—**
23	Operational risk	**19,115**	19,115	**1,529**
UK 23a	*Of which: basic indicator approach*	**—**	—	**—**
UK 23b	*Of which: standardised approach*	***19,115***	*19,115*	***1,529***
UK 23c	*Of which: advanced measurement approach*	**—**	—	**—**
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	**2,642**	2,615	**211**
29	Total	**178,494**	179,795	**14,280**

(1) Of which £302 million RWAs (30 June 2022 – £500 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.

Q3 2022

- The reduction of credit risk under the advanced IRB approach reflects Ulster Bank RoI reverting to the standardised approach for calculating capital requirements as of July 2022, relating to the phased withdrawal from the Republic of Ireland. The standardised credit risk number is partially offset by reduced portfolio within Ulster Bank RoI and decreased bond positions within Group Treasury.

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.

		NatWest Group a RWAs £m
1	At 31 December 2021	**95,281**
2	Asset size	**1,762**
3	Asset quality	**(1,144)**
4	Model updates	**19,198**
5	Methodology and policy	**167**
7	Foreign exchange movements	**261**
9	**At 31 March 2022**	**115,525**
2	Asset size	**1,754**
3	Asset quality	**(1,596)**
4	Model updates	**185**
6	Acquisitions and disposals	**(106)**
7	Foreign exchange movements	**844**
8	Other	**2,726**
9	**At 30 June 2022**	**119,332**
2	Asset size	**131**
3	Asset quality	**(633)**
4	Model updates	**(9,137)**
7	Foreign exchange movements	**825**
9	**At 30 September 2022**	**110,518**

Q3 2022

- Overall, credit risk RWAs under the IRB approach decreased in the quarter.
- The decrease in model updates was primarily due to Ulster Bank RoI reverting to the standardised approach for calculating capital requirements from July 2022, relating to the phased withdrawal from the Republic of Ireland.
- The increase in foreign exchange movements was mainly a result of sterling weakening against the US dollar and euro during the period.
- The reduction in asset quality was primarily due to improved risk metrics in Commercial & Institutional and Retail Banking as well as customers moving into default.
- The uplift in asset size primarily related to increases in Commercial & Institutional as a result of drawdowns and new facilities. These movements were offset by a decrease within Group Treasury following maturity/disposal of bond positions.

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.

		NatWest Group
		a
		RWAs £m
1	At 31 December 2021	**4,100**
2	Asset size	**(2)**
3	Credit quality of counterparties	**(5)**
7	Foreign exchange movements	**72**
9	**At 31 March 2022**	**4,165**
2	Asset size	**(140)**
3	Credit quality of counterparties	**(21)**
7	Foreign exchange movements	**145**
9	**At 30 June 2022**	**4,149**
2	Asset size	**577**
3	Credit quality of counterparties	**(62)**
7	Foreign exchange movements	**222**
9	**At 30 September 2022**	**4,886**

(1) RWAs for NatWest Group at 31 December 2021 presented in the table differ from those disclosed in the 2021 Pillar 3 Report due to the change in scope under the new UK regulatory framework.

(2) 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.

Q3 2022

- The increase in IMM RWAs mainly reflected the weakening of sterling over the period, notably against the US dollar, as well as the increase in market volatility at the end of the quarter.

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).

		NatWest Group					
		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 2021**	1,456	2,591	1,295	1,565	6,907	552
1a	*Regulatory adjustment (1)*	*(1,088)*	*(1,938)*	*(104)*	—	*(3,130)*	*(250)*
1b	*RWAs at 31 December 2021 (end of day)*	*368*	*653*	*1,191*	*1,565*	*3,777*	*302*
2	Movement in risk levels	(55)	78	(511)	(102)	(590)	(47)
3	Model updates/changes	1	—	36	(323)	(286)	(23)
8a	*RWAs at 31 March 2022 (end of day)*	*314*	*731*	*716*	*1,140*	*2,901*	*232*
8b	*Regulatory adjustment (1)*	*1,540*	*2,576*	*222*	—	*4,338*	*347*
8	**At 31 March 2022**	1,854	3,307	938	1,140	7,239	579
1a	*Regulatory adjustment (1)*	*(1,540)*	*(2,576)*	*(222)*	—	*(4,338)*	*(347)*
1b	*RWAs at 31 March 2022 (end of day)*	*314*	*731*	*716*	*1,140*	*2,901*	*232*
2	Movement in risk levels	90	(52)	378	(37)	379	30
3	Model updates/changes	—	—	—	—	—	—
8a	*RWAs at 30 June 2022 (end of day)*	*404*	*679*	*1,094*	*1,103*	*3,280*	*262*
8b	*Regulatory adjustment (1)*	*1,033*	*3,002*	—	—	*4,035*	*323*
8	**At 30 June 2022**	1,437	3,681	1,094	1,103	7,315	585
1a	*Regulatory adjustment (1)*	*(1,033)*	*(3,002)*	—	—	*(4,035)*	*(323)*
1b	*RWAs at 30 June 2022 (end of day)*	*404*	*679*	*1,094*	*1,103*	*3,280*	*262*
2	Movement in risk levels	*40*	*348*	*(431)*	*122*	*79*	*7*
3	Model updates/changes	—	—	*(25)*	*479*	*454*	*36*
8a	*RWAs at 30 September 2022 (end of day)*	*444*	*1,027*	*638*	*1,704*	*3,813*	*305*
8b	*Regulatory adjustment (1)*	*1,471*	*2,512*	*249*	—	*4,232*	*339*
8	**At 30 September 2022**	**1,915**	**3,539**	**887**	**1,704**	**8,045**	**644**

(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.

Q3 2022

- Overall, market risk RWAs under the internal model approach increased in the quarter.
- The increase in VaR-based RWAs mainly reflected increased interest rate and inflation risk.
- A prospective adjustment to make the VaR model more sensitive to recent market conditions is in development. The impact of this VaR model change is currently being capitalised as an RNIV, which accounts for the increase in RNIV-based RWAs.
- SVaR-based RWAs decreased moderately, mainly reflecting lower foreign exchange risk.
- The decrease in the incremental risk charge was driven by lower corporate and government bond positions.