

**Q1 2022
Pillar 3 Supplement
NatWest Group plc**

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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 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: the impact of the COVID-19 pandemic, 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 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 IBOR rates to alternative risk free rates and NatWest Group's exposure to economic and political risks (including with respect to terms surrounding Brexit and climate change), 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, the impact of the COVID-19 pandemic, 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 and 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 NatWest Group plc's actual results are discussed in NatWest Group plc's UK 2021 Annual Report and Accounts (ARA), NatWest Group plc's Interim Results for Q1 2022 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 and Reports on Form 6-K. 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

The Pillar 3 disclosures in this supplement complement those in NatWest Group's Q1 Interim Management Statement (IMS).

As of 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 and those for its large subsidiaries that are UK entities 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.

Disclosures for large subsidiaries that are non-UK entities are calculated in accordance with the regulatory requirements applicable in the countries in which they are incorporated. However, they are presented using the prescribed disclosure templates in the PRA rulebook.

Based on the criteria set out in the CRR, NatWest Group plc primarily defines its large subsidiaries as those designated as an Other Systemically Important Institution (O-SII) by the national competent authority or those with total assets equal to or greater than €30 billion.

At 31 March 2022, NatWest Group had the following large subsidiaries:

- National Westminster Bank Plc (NWB Plc)
- The Royal Bank of Scotland plc (RBS plc)
- Ulster Bank Ireland Designated Activity Company (UBIDAC)
- NatWest Markets Plc (NWM Plc)
- Coutts & Company (Coutts & Co)
- The Royal Bank of Scotland International Limited (RBSI)

This supplement presents large subsidiary disclosures for NWM Plc, RBSI and – for completeness – the consolidated NatWest Holdings Group (NWH Group). Refer to the NWH Group Q1 2022 Pillar 3 Supplement for disclosures related to the remaining large subsidiaries; NWB Plc, RBS plc, UBIDAC and Coutts & Co.

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

Regulatory developments

The UK rules on disclosures were finalised as part of the PRA's policy statement PS22/21 in October 2021 and are now incorporated in the PRA rulebook.

PS22/21 also formally introduced the new standardised approach for counterparty credit risk (SA-CCR) as well as rule changes for the calculation of the net stable funding ratio (NSFR) and the liquidity coverage ratio (LCR). NatWest Group implemented these changes from 1 January 2022. Affected disclosures in this document are presented in accordance with the new calculation requirements where applicable.

NatWest Group has implemented changes reflecting the new definition of default. Additionally, new regulation applicable to internal ratings based (IRB) models from 1 January 2022 has resulted in NatWest Group applying temporary model adjustments, with the most material adjustment for mortgages. Affected disclosures in this document are presented in accordance with the new requirements.

Finally, the Financial Policy Committee and the PRA published policy statement PS21/21 in October 2021 introduced changes to the UK leverage ratio framework. As a result of these changes, all firms not in scope of the minimum leverage capital requirements are expected to manage their leverage ratio at the same levels as firms in scope (LREQ firms), with the minimum being 3.25% from 1 January 2022. NatWest Group and NWH Group are currently in scope for the minimum leverage ratio capital requirements (LREQ firms) and are therefore also subject to additional disclosure requirements from 1 January 2022. Entities that are new to the minimum leverage ratio capital requirements will be subject to the minimum requirements and additional disclosures from 1 January 2023.

NatWest Group - key points

CET1 ratio

Q1 2022 15.2%

Q4 2021 18.2%

The CET1 ratio decreased by 300 basis points to 15.2%. The decrease is primarily due to a £19.8 billion increase in RWAs and a £1.7 billion decrease in CET1 capital.

The CET1 decrease is mainly driven by:

- the directed buyback of £1.2 billion;
- foreseeable dividend accrual of £0.3 billion;
- a £0.2 billion decrease in the IFRS 9 transitional adjustment;
- the removal of 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 USD instrument; and
- other reserve movements.
- These reductions were partially offset by the £0.8 billion attributable profit in the period.

RWA

Q1 2022 £176.8bn

Q4 2021 £157.0bn

Total RWAs increased by £19.8 billion to £176.8 billion during the period reflecting:

- An increase in credit risk RWAs of £20.3 billion due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022 and increased exposures within Commercial & Institutional and Retail Banking. This was partially offset by improved risk metrics in both Retail Banking and Commercial & Institutional.
- Operational risk RWAs reduced by £1.9 billion following the annual recalculation conducted in Q1 2022.
- Counterparty credit risk RWAs increased by £0.9 billion mainly driven by the implementation of SA-CCR impacting the RWA calculation for the non-internal modelled exposure in addition to an increase in the CVA multiplier.
- Market risk RWAs increased by £0.6 billion driven by an increase in the capital multiplier for NWM Plc impacting VaR and SVaR calculations.

UK leverage ratio

Q1 2022 5.5%

Q4 2021 5.9%

The leverage ratio at 31 March 2022 is 5.5% and has been calculated in accordance with changes to the UK's leverage ratio framework which were introduced by the PRA and came into effect from 1 January 2022. As at 31 December 2021, the UK leverage ratio was 5.9%, which was calculated under the prior year's UK leverage methodology. The key driver of the decrease in the quarter is a £2.3 billion decrease in Tier 1 capital.

LCR

Q1 2022 167%

Q4 2021 165%

The average LCR ratio has increased 2% over the previous quarter. The main drivers include a significant increase in customer deposits and drawings from TFSME offset by increased customer lending, redemption/maturing issuance, share buybacks and repayment of TLTRO.

NSFR

Q1 2022 152%

Q4 2021 157%

The net stable funding ratio (NSFR) for Q1 2022 was 152% compared to 157% at Q4 2021. The decrease is mainly due to an increase in loans and share buyback.

UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. Capital ratios and measures are presented on a transitional basis, therefore include permissible adjustments for the 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.

	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m	31 March 2021 £m
Available own funds (amounts)					
1 Common equity tier 1 (CET1) capital	26,889	28,596	29,862	29,660	30,046
2 Tier 1 capital	30,764	33,042	34,308	36,145	36,136
3 Total capital	36,044	38,748	40,192	41,658	40,927
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	176,818	156,971	159,755	162,970	164,703
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common equity tier 1 ratio (%)	15.2	18.2	18.7	18.2	18.2
6 Tier 1 ratio (%)	17.4	21.0	21.5	22.2	21.9
7 Total capital ratio (%)	20.4	24.7	25.2	25.6	24.8
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a Additional CET1 SREP requirements (%)	1.8	2.0	2.0	2.0	2.0
UK 7b Additional AT1 SREP requirements (%)	0.6	0.7	0.7	0.7	0.6
UK 7c Additional Tier 2 SREP requirements (%)	0.8	0.9	0.9	0.9	0.9
UK 7d Total SREP own funds requirements (%)	11.2	11.6	11.6	11.6	11.5
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)	—	—	—	—	—
11 Combined buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
UK 11a Overall capital requirements (%)	13.7	14.1	14.1	14.1	14.0
12 CET1 available after meeting the total SREP own funds requirements (%) (2)	8.9	11.7	12.2	11.7	11.7
Leverage ratio					
13 Total exposure measure excluding claims on central banks	564,418	561,858	569,822	575,636	567,959
14 Leverage ratio excluding claims on central banks (%)	5.5	5.9	6.0	6.3	6.4
Additional leverage ratio disclosure requirements (4)					
UK 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.4				
UK 14b Leverage ratio including claims on central banks (%)	4.2				
UK 14c Average leverage ratio excluding claims on central banks (%)	5.6				
UK 14d Average leverage ratio including claims on central banks (%)	4.3				
UK 14e Countercyclical leverage ratio buffer (%)	—				
Liquidity coverage ratio					
15 Total high-quality liquid assets (HQLA) (weighted value-average)	200,588	193,404	183,713	177,678	171,814
UK 16a Cash outflows - Total weighted value	133,761	129,857	125,788	122,446	119,760
UK 16b Cash inflows - Total weighted value	13,864	12,640	12,396	12,205	13,141
16 Total net cash outflows (adjusted value)	119,897	117,217	113,392	110,241	106,619
17 Liquidity coverage ratio (%) (3)	167	165	162	161	161
Net stable funding ratio					
18 Total available stable funding	433,284	438,143	426,899	423,120	414,076
19 Total required stable funding	284,366	278,714	275,970	275,332	271,412
20 NSFR ratio (%)	152	157	155	154	153

(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) Additional disclosure requirements for LREQ firms from 1 January 2022 therefore comparatives were not presented.

(5) The following rows are not presented in the table above because they have zero values: UK8a, UK9a, 10 and UK10a.

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. The transitional basis rules do not apply to RBSI and therefore only end-point basis values are disclosed for this subsidiary.

		31 March 2022			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
Available capital (amounts) - transitional					
1	Common equity tier 1	26,889	19,721	4,005	1,619
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	26,486	19,294	4,005	1,619
3	Tier 1 capital	30,764	23,403	4,686	1,919
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	30,361	22,976	4,686	1,919
5	Total capital	36,044	28,450	5,764	1,933
6	Total capital as if IFRS 9 transitional arrangements had not been applied	36,000	28,347	5,764	1,933
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	176,818	142,021	24,063	7,492
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	176,790	141,992	24,063	7,492
Capital ratios		%	%	%	%
9	Common equity tier 1 ratio	15.2	13.9	16.6	21.6
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.0	13.6	16.6	21.6
11	Tier 1 ratio	17.4	16.5	19.5	25.6
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.2	16.2	19.5	25.6
13	Total capital ratio	20.4	20.0	24.0	25.8
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	20.4	20.0	24.0	25.8
Leverage ratio (2)					
15	Leverage ratio exposure measure (£m)	564,418	420,304	100,712	42,188
16	Leverage ratio (%)	5.5	5.6	4.7	4.6
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.4	5.5	4.7	4.6

- (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 PRA.
- (2) From 1 January 2022, the leverage metrics for UK entities are calculated in accordance with the Leverage (CRR) part of the PRA Rulebook. The leverage metrics for RBSI are calculated in accordance with local regulatory rules.

		31 December 2021			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
Available capital (amounts) - transitional					
1	Common equity tier 1	28,596	19,715	4,072	1,541
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	27,975	19,066	4,071	1,541
3	Tier 1 capital	33,042	23,397	4,755	1,841
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	32,421	22,748	4,754	1,841
5	Total capital	38,748	28,541	5,870	1,842
6	Total capital as if IFRS 9 transitional arrangements had not been applied	38,280	27,996	5,869	1,842
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	156,971	124,076	22,686	7,356
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	156,935	124,038	22,685	7,356
Capital ratios		%	%	%	%
9	Common equity tier 1 ratio	18.2	15.9	17.9	20.9
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.8	15.4	17.9	20.9
11	Tier 1 ratio	21.0	18.9	21.0	25.0
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.7	18.3	21.0	25.0
13	Total capital ratio	24.7	23.0	25.9	25.0
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.4	22.6	25.9	25.0
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	743,480	566,064	110,603	44,336
16	CRR leverage ratio (%)	4.4	4.1	4.3	4.2
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.4	4.0	4.3	4.2

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 continued

		30 September 2021			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
Available capital (amounts) - transitional					
1	Common equity tier 1	29,862	21,371	4,553	1,349
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	28,889	20,404	4,549	1,349
3	Tier 1 capital	34,308	25,053	5,231	1,649
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	33,335	24,086	5,227	1,649
5	Total capital	40,192	30,123	6,463	1,652
6	Total capital as if IFRS 9 transitional arrangements had not been applied	39,442	29,347	6,459	1,652
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	159,755	125,036	23,445	7,878
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	159,681	124,980	23,441	7,878
Capital ratios		%	%	%	%
9	Common equity tier 1 ratio	18.7	17.1	19.4	17.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.1	16.3	19.4	17.1
11	Tier 1 ratio	21.5	20.0	22.3	20.9
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.9	19.3	22.3	20.9
13	Total capital ratio	25.2	24.1	27.6	21.0
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.7	23.5	27.6	21.0
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	739,355	554,311	122,124	43,352
16	CRR leverage ratio (%)	4.6	4.5	4.3	3.8
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.5	4.4	4.3	3.8

		30 June 2021			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
Available capital (amounts) - transitional					
1	Common equity tier 1	29,660	21,026	4,969	1,357
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	28,462	19,846	4,965	1,357
3	Tier 1 capital	36,145	24,702	5,864	1,657
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,947	23,522	5,860	1,657
5	Total capital	41,658	29,702	7,100	1,663
6	Total capital as if IFRS 9 transitional arrangements had not been applied	40,711	28,739	7,096	1,663
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	162,970	126,797	24,582	7,294
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	162,877	126,724	24,578	7,294
Capital ratios		%	%	%	%
9	Common equity tier 1 ratio	18.2	16.6	20.2	18.6
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	15.7	20.2	18.6
11	Tier 1 ratio	22.2	19.5	23.9	22.7
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	21.5	18.6	23.8	22.7
13	Total capital ratio	25.6	23.4	28.9	22.8
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	25.0	22.7	28.9	22.8
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	732,519	545,161	124,600	40,470
16	CRR leverage ratio (%)	4.9	4.5	4.7	4.1
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.8	4.3	4.7	4.1

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 continued

		31 March 2021			
		NatWest Group	NWH Group	NWM Plc	RBSI
		£m	£m	£m	£m
Available capital (amounts) - transitional					
1	Common equity tier 1	30,046	24,017	5,208	1,416
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	28,391	22,407	5,204	1,416
3	Tier 1 capital	36,136	27,721	6,105	1,716
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,481	26,111	6,101	1,716
5	Total capital	40,927	32,736	7,356	1,738
6	Total capital as if IFRS 9 transitional arrangements had not been applied	39,575	31,380	7,352	1,738
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	164,703	129,717	24,690	7,476
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	164,568	129,604	24,686	7,476
Capital ratios					
		%	%	%	%
9	Common equity tier 1 ratio	18.2	18.5	21.1	18.9
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.2	17.3	21.1	18.9
11	Tier 1 ratio	21.9	21.4	24.7	23.0
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	21.0	20.1	24.7	23.0
13	Total capital ratio	24.8	25.2	29.8	23.2
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.0	24.2	29.8	23.2
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	714,253	534,610	123,431	40,340
16	CRR leverage ratio (%)	5.1	5.2	4.9	4.3
17	CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	4.8	4.9	4.9	4.3

Large subsidiary key points

Capital and leverage

NWH Group – 31 March 2022 compared with 31 December 2021

- The CET1 ratio decreased to 13.9% from 15.9%, driven by an increase in RWAs of £17.9 billion.
- CET1 capital increased by £6 million primarily due a £0.2 billion decrease in the IFRS 9 transitional adjustment, the removal of adjustment for prudential amortisation on software development costs of £0.4 billion and other reserve movements, offset by an attributable profit in the period of £0.9 billion.
- Total RWAs increased by £17.9 billion mainly reflecting an increase in credit risk RWAs of £18.9 billion due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022. Operational risk RWAs reduced by £0.7 billion following the annual recalculation. Counterparty credit risk reduced £0.2 billion reflecting a reduction in exposures.
- The leverage ratio at 31 March 2022 is 5.6% and has been calculated in accordance with changes to the UK's leverage ratio framework which were introduced by the PRA and came into effect from 1 January 2022. As at 31 December 2021, the UK leverage ratio was 5.6%, which was calculated under the prior year's UK leverage methodology.

NWM Plc - 31 March 2022 compared with 31 December 2021

- The CET1 ratio decreased to 16.6% from 17.9%, driven by an increase in RWAs of £1.4 billion.
- CET1 capital decreased £0.1 billion and reflected a decrease in other reserves offset by impact of a decrease in regulatory capital deductions.
- Total RWAs increased by £1.4 billion, mainly reflecting a £0.8 billion increase in counterparty credit risk mainly driven by the implementation of SA-CCR impacting the RWA calculation for the non-internal modelled exposure and an increase in the CVA multiplier. Credit risk RWAs increased by £0.8 billion driven by new facilities & drawdowns within Commercial & Institutional. Market risk RWAs increased by £0.4 billion driven by an increase in the capital multiplier for NWM Plc impacting VaR and SVaR calculations partially offset by a reduction in eurozone government bond positions. Operational risk RWAs reduced by £0.5 billion following the annual recalculation in Q1 2022.
- The leverage ratio at 31 March 2022 is 4.7% and has been calculated in accordance with changes to the UK's leverage ratio framework which were introduced by the PRA and came into effect from 1 January 2022. As at 31 December 2021, the UK leverage ratio was 4.8%, which was calculated under the prior year's UK leverage methodology.

RBSI - 31 March 2022 compared with 31 December 2021

- The RBSI CET1 ratio increased to 21.6%, with final prior year retained earning of £0.1 billion added to the capital base.
- RWAs increased to £7.5 billion reflecting an increase in credit risk RWAs, due to model adjustments applied as a result of new regulation applicable to IRB models from 1 January 2022.
- The leverage ratio increased to 4.6% from 4.2% at 31 December 2021. This was driven by decreased balance sheet size as a result of customer deposit decreases.

UK CC1⁽¹⁾: Composition of regulatory own funds

The table below shows a summary of capital resources for NatWest Group and its large subsidiaries using an abridged version of the disclosure template UK CC1. The capital ratios and measures presented in this table are shown on a transitional basis, therefore include permissible adjustments for the extended CRR2 grandfathering provisions and IFRS 9 transitional relief. The transitional basis rules do not apply to RBSI and therefore only end-point basis values are disclosed for this subsidiary.

31 March 2022				
	NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
CET1 capital: instruments and reserves				
6 CET1 capital before regulatory adjustments	33,722	25,978	6,104	1,725
28 Total regulatory adjustments to CET1	(6,833)	(6,257)	(2,099)	(106)
29 CET1 capital	26,889	19,721	4,005	1,619
36 AT1 capital before regulatory adjustments	3,875	3,682	904	300
43 Total regulatory adjustments to AT1 capital	—	—	(223)	—
44 AT1 capital	3,875	3,682	681	300
45 Tier 1 capital (T1 = CET1 + AT1)	30,764	23,403	4,686	1,919
51 T2 capital before regulatory adjustments	5,280	5,047	1,486	14
57 Total regulatory adjustments to T2 capital	—	—	(408)	—
58 T2 capital	5,280	5,047	1,078	14
59 Total capital (TC = T1 + T2)	36,044	28,450	5,764	1,933
60 Total risk-weighted assets	176,818	142,021	24,063	7,492
Capital ratios and buffers				
61 CET1 (as a percentage of risk exposure amount)	15.2%	13.9%	16.6%	21.6%
62 T1 (as a percentage of risk exposure amount)	17.4%	16.5%	19.5%	25.6%
63 Total capital (as a percentage of risk exposure amount)	20.4%	20.0%	24.0%	25.8%

(1) In accordance with the Disclosure (CRR) part of the PRA rulebook, full disclosure of UK CC1 is required on a semi-annual basis.

31 December 2021				
	NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
CET1 capital: instruments and reserves				
6 CET1 capital before regulatory adjustments	35,376	25,819	7,285	1,731
28 Total regulatory adjustments to CET1	(6,780)	(6,104)	(3,213)	(190)
29 CET1 capital	28,596	19,715	4,072	1,541
36 AT1 capital before regulatory adjustments	4,446	3,682	904	300
43 Total regulatory adjustments to AT1 capital	—	—	(221)	—
44 AT1 capital	4,446	3,682	683	300
45 Tier 1 capital (T1 = CET1 + AT1)	33,042	23,397	4,755	1,841
51 T2 capital before regulatory adjustments	5,706	5,144	1,516	1
57 Total regulatory adjustments to T2 capital	—	—	(401)	—
58 T2 capital	5,706	5,144	1,115	1
59 Total capital (TC = T1 + T2)	38,748	28,541	5,870	1,842
60 Total risk-weighted assets	156,971	124,076	22,686	7,356
Capital ratios and buffers				
61 CET1 (as a percentage of risk exposure amount)	18.2%	15.9%	17.9%	20.9%
62 T1 (as a percentage of risk exposure amount)	21.0%	18.9%	21.0%	25.0%
63 Total capital (as a percentage of risk exposure amount)	24.7%	23.0%	25.9%	25.0%

UK LR1 - LRSum⁽¹⁾: Summary reconciliation of accounting assets and leverage ratio exposures

The table below shows a reconciliation between the total assets under IFRS standards and the leverage exposure measure for NatWest Group and its large subsidiaries. The leverage metrics for NatWest Group, NWH Group and NWM Plc are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook. The leverage metrics for RBSI are calculated in accordance with Jersey regulatory rules which do not permit the exclusion of claims on central banks.

		31 March 2022			
		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Total assets as per published financial statements	785,398	537,459	192,254	38,376
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(131)	(189)	—	—
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—	—	—	—
4	(Adjustment for exemption of exposures to central banks)	(165,408)	(135,482)	(12,469)	—
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	—	—	—	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(9,602)	(61)	(5,297)	—
7	Adjustment for eligible cash pooling transactions	—	—	—	—
8	Adjustment for derivative financial instruments	(78,973)	(1,303)	(77,655)	370
9	Adjustment for securities financing transactions (SFTs)	2,838	1,212	2,047	—
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	44,259	32,080	5,142	3,442
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(342)	(63)	(259)	—
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	—	—	(969)	—
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	—	—	—	—
12	Other adjustments	(13,621)	(13,349)	(2,082)	—
13	Total exposure measure	564,418	420,304	100,712	42,188

(1) In accordance with the Disclosure (CRR) part of the PRA rulebook, the standard disclosure frequency of UK LR1 - LRSum is semi-annual.

UK LR2 - LRCom: Leverage ratio common disclosure

The table below shows an abridged version of the disclosure template UK LR2 - LRCom for NatWest Group and its large subsidiaries. The leverage metrics for NatWest Group, NWH Group and NWM Plc are calculated in accordance with the Leverage Ratio (CRR) part of the PRA Rulebook. The leverage metrics for RBSI are calculated in accordance with local regulatory rules.

		31 March 2022			
		NatWest Group (1) £m	NWH Group (1) £m	NWM Plc £m	RBSI (2) £m
Capital and total exposure measure					
UK-24b	Total exposure measure excluding claims on central banks	564,418	420,304	100,712	
Leverage ratio					
25	Leverage ratio excluding claims on central banks (%)	5.5	5.6	4.7	
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.4	5.5	4.7	
UK-25c	Leverage ratio including claims on central banks (%)	4.2	4.2	4.1	4.6
Additional leverage ratio disclosure requirements - leverage ratio buffers					
27	Leverage ratio buffer (%)	0.0	0.5		
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	563,223	418,418		
UK-32	Average total exposure measure including claims on central banks	729,847	553,522		
UK-33	Average leverage ratio excluding claims on central banks (%)	5.6	5.5		
UK-34	Average leverage ratio including claims on central banks (%)	4.3	4.1		

(1) NatWest Group & NWH Group are LREQ firms therefore subject to the additional quarterly disclosures for averaging and countercyclical leverage ratio buffer.

(2) The leverage metrics for RBSI are calculated in accordance with Jersey regulatory rules which do not permit the exclusion of claims on central banks. Total exposure excluding claims on central banks would be £27,700 million and leverage ratio excluding claims on central banks would be 6.9%

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, NWH Group and 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. The RBSI liquidity measures are presented in accordance with local regulatory rules.

		NatWest Group							
		Total unweighted value (average)				Total weighted value (average)			
		31 March 2022	31 December 2021	30 September 2021	30 June 2021	31 March 2022	31 December 2021	30 September 2021	30 June 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)					200,588	193,404	183,713	177,678
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	263,130	258,155	252,598	246,516	20,835	20,380	19,833	19,287
3	Stable deposits	161,757	160,966	158,808	155,934	8,088	8,048	7,940	7,797
4	Less stable deposits	99,820	97,008	93,573	90,326	12,552	12,151	11,675	11,233
5	Unsecured wholesale funding	186,819	181,415	175,385	169,089	85,113	82,146	79,105	76,267
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	73,599	71,792	69,484	67,374	18,080	17,628	17,052	16,524
7	Non-operational deposits (all counterparties)	111,410	108,145	104,412	100,272	65,223	63,040	60,564	58,300
8	Unsecured debt	1,810	1,478	1,489	1,443	1,810	1,478	1,489	1,443
9	Secured wholesale funding					707	617	654	772
10	Additional requirements	77,143	77,768	78,445	78,926	20,185	20,182	20,039	20,273
11	Outflows related to derivative exposures and other collateral requirements	7,075	7,448	7,651	7,848	6,376	6,714	6,883	7,064
12	Outflows related to loss of funding on debt products	—	—	—	151	—	—	—	151
13	Credit and liquidity facilities	70,068	70,320	70,794	70,927	13,809	13,468	13,156	13,058
14	Other contractual funding obligations	25,303	26,444	26,886	26,219	2,599	2,378	2,113	2,068
15	Other contingent funding obligations	47,133	47,028	47,826	48,934	4,322	4,154	4,044	3,779
16	Total cash outflows					133,761	129,857	125,788	122,446
Cash - inflows									
17	Secured lending (e.g. reverse repos)	57,280	58,893	59,392	58,315	326	269	294	324
18	Inflows from fully performing exposures	9,990	8,962	8,622	8,195	8,391	7,386	7,066	6,698
19	Other cash inflows	13,333	13,157	13,285	13,486	5,147	4,985	5,036	5,183
20	Total cash inflows	80,603	81,012	81,299	79,996	13,864	12,640	12,396	12,205
UK-20c	Inflows subject to 75% cap	75,509	76,294	77,150	76,599	13,864	12,640	12,396	12,205
Total adjusted value									
UK-21	Liquidity buffer					200,588	193,404	183,713	177,678
22	Total net cash outflows					119,897	117,217	113,392	110,241
23	Liquidity coverage ratio (%)					167	165	162	161

(1) The following rows are not presented in the table because they had zero values for the period: rows 19a, 19b, 20a, 20b.

UK LIQ1: Quantitative information of LCR continued

		NWH Group							
		Total unweighted value (average)				Total weighted value (average)			
		31 March	31 December	30 September	30 June	31 March	31 December	30 September	30 June
Number of data points used in the calculation of averages		2022	2021	2021	2021	2022	2021	2021	2021
		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)					156,754	149,315	140,048	133,968
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	256,359	251,637	246,150	240,097	20,018	19,572	19,031	18,477
3	Stable deposits	160,979	160,187	158,033	155,166	8,049	8,009	7,902	7,758
4	Less stable deposits	94,051	91,304	87,934	84,719	11,807	11,416	10,947	10,507
5	Unsecured wholesale funding	162,996	158,912	154,924	149,708	70,707	68,830	67,153	64,942
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	66,178	64,655	63,173	61,565	16,232	15,852	15,480	15,079
7	Non-operational deposits (all counterparties)	96,247	93,739	91,232	87,627	53,904	52,460	51,154	49,347
8	Unsecured debt	571	518	519	516	571	518	519	516
10	Additional requirements	54,692	55,302	55,649	55,686	8,559	8,540	8,477	8,672
11	Outflows related to derivative exposures and other collateral requirements	2,302	2,368	2,427	2,558	1,859	1,856	1,906	2,028
12	Outflows related to loss of funding on debt products	—	—	—	151	—	—	—	151
13	Credit and liquidity facilities	52,390	52,934	53,222	52,977	6,700	6,684	6,571	6,493
14	Other contractual funding obligations	496	1,178	1,029	1,034	8	5	5	7
15	Other contingent funding obligations	44,480	44,387	45,137	46,181	4,237	4,064	3,953	3,693
16	Total cash outflows					103,529	101,011	98,619	95,791
Cash - inflows									
17	Secured lending (e.g. reverse repos)	11,376	12,121	12,446	13,385	—	—	—	—
18	Inflows from fully performing exposures	7,233	6,412	6,244	6,084	5,692	4,893	4,760	4,669
19	Other cash inflows	10,404	10,473	10,808	10,823	2,216	2,301	2,559	2,519
20	Total cash inflows	29,013	29,006	29,498	30,292	7,908	7,194	7,319	7,188
UK-20c	Inflows subject to 75% cap	29,013	29,006	29,498	30,292	7,908	7,194	7,319	7,188
Total adjusted value									
UK-21	Liquidity buffer					156,754	149,315	140,048	133,968
22	Total net cash outflows					95,621	93,817	91,300	88,603
23	Liquidity coverage ratio (%)					164	159	153	151

(1) The following rows are not presented in the table because they had zero values for the period: rows 9, 19a, 19b, 20a, 20b.

UK LIQ1: Quantitative information of LCR continued

		NWM Plc							
		Total unweighted value (average)				Total weighted value (average)			
		31 March	31 December	30 September	30 June	31 March	31 December	30 September	30 June
Number of data points used in the calculation of averages		2022	2021	2021	2021	2022	2021	2021	2021
		£m	£m	£m	£m	£m	£m	£m	£m
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					16,705	17,357	18,274	19,166
Cash - outflows									
of which:									
5	Unsecured wholesale funding	1,577	1,315	1,363	1,359	1,285	1,070	1,138	1,141
7	Non-operational deposits (all counterparties)	803	707	728	718	511	462	503	500
8	Unsecured debt	774	608	635	641	774	608	635	641
9	Secured wholesale funding					702	624	672	790
10	Additional requirements	10,000	10,157	10,241	10,333	7,336	7,534	7,555	7,573
11	Outflows related to derivative exposures and other collateral requirements	5,010	5,275	5,424	5,481	4,884	5,185	5,315	5,371
13	Credit and liquidity facilities	4,990	4,882	4,817	4,852	2,452	2,349	2,240	2,202
14	Other contractual funding obligations	25,388	25,810	26,094	25,292	2,409	2,196	1,948	1,887
15	Other contingent funding obligations	2,243	2,265	2,340	2,406	11	11	11	11
16	Total cash outflows					11,743	11,435	11,324	11,402
Cash - inflows									
17	Secured lending (e.g. reverse repos)	32,260	33,356	34,127	31,832	287	237	259	274
18	Inflows from fully performing exposures	898	769	766	750	888	763	759	737
19	Other cash inflows	2,853	2,614	2,539	2,615	2,854	2,614	2,538	2,615
20	Total cash inflows	36,011	36,739	37,432	35,197	4,029	3,614	3,556	3,626
UK-20c	Inflows subject to 75% cap	30,794	31,878	33,070	31,539	4,029	3,614	3,556	3,626
Total adjusted value									
UK-21	Liquidity buffer					16,705	17,357	18,274	19,166
22	Total net cash outflows					7,714	7,821	7,768	7,776
23	Liquidity coverage ratio (%)					219	224	238	249

(1) The following rows are not presented in the table because they had zero values for the period: rows 2, 3, 4, 6, 12, 19a, 19b, 20a, 20b.

UK LIQ1: Quantitative information of LCR continued

RBSI

	Total unweighted value (average)				Total weighted value (average)			
	31 March	31 December	30 September	30 June	31 March	31 December	30 September	30 June
	2022	2021	2021	2021	2022	2021	2021	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)					21,759	21,107	19,615	18,739
Cash - outflows								
2 Retail deposits and deposits from small business customers, of which:	6,584	6,517	6,447	6,406	1,151	1,136	1,121	1,121
3 <i>Stable deposits</i>	—	—	—	—	—	—	—	—
4 <i>Less stable deposits</i>	6,584	6,517	6,447	6,406	1,151	1,136	1,121	1,121
5 Unsecured wholesale funding	23,509	22,704	20,846	19,571	14,476	13,876	12,707	11,940
6 <i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	7,421	7,136	6,311	5,809	1,855	1,784	1,578	1,452
7 <i>Non-operational deposits (all counterparties)</i>	16,001	15,488	14,463	13,693	12,534	12,012	11,057	10,419
8 <i>Unsecured debt</i>	87	80	72	69	87	80	72	69
10 Additional requirements	10,560	10,610	10,770	11,000	4,521	4,648	4,817	5,064
11 <i>Outflows related to derivative exposures and other collateral requirements</i>	1,658	1,883	2,044	2,247	1,658	1,883	2,044	2,247
13 <i>Credit and liquidity facilities</i>	8,902	8,727	8,726	8,753	2,863	2,765	2,773	2,817
14 <i>Other contractual funding obligations</i>	—	—	—	—	—	—	—	—
15 <i>Other contingent funding obligations</i>	346	283	263	263	17	14	13	13
16 Total cash outflows					20,165	19,674	18,658	18,138
Cash - inflows								
17 Secured lending (e.g. reverse repos)	—	—	—	—	—	—	—	—
18 Inflows from fully performing exposures	2,367	2,314	2,140	1,863	2,323	2,268	2,084	1,804
19 Other cash inflows	1,659	1,881	2,041	2,238	1,659	1,881	2,041	2,238
20 Total cash inflows	4,026	4,195	4,181	4,101	3,982	4,149	4,125	4,042
UK-20c <i>Inflows subject to 75% cap</i>	4,026	4,195	4,181	4,101	3,982	4,149	4,125	4,042
Total adjusted value								
UK-21 Liquidity buffer					21,759	21,107	19,615	18,739
22 Total net cash outflows					16,183	15,525	14,533	14,096
23 Liquidity coverage ratio (%)					135%	136%	135%	133%

(1) The following rows are not presented in the table because they had zero values for the period: rows 8, 19a, 19b, 20a, 20b.

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

Qualitative information	NatWest Group	NWM Plc	RBSI
Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	<p>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.</p> <p>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.</p> <p>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).</p> <p>All figures included in the table represent a 12 month rolling average for the period April 2021 - March 2022.</p>	<p>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.</p> <p>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.</p> <p>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 NWM Plc was subject to similar rules due to the onshoring of the Capital Requirements Regulation (575/2013) (CRR).</p> <p>All figures included in the table represent a 12 month rolling average for the period April 2021 - March 2022.</p>	<p>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 RBSI LCR presented in the LIQ1 is prepared in accordance local requirements under the Jersey Financial Services Commission's Deposit-taking Business Code of Practice and their interpretation of guidance issued by the Basel Committee on Banking Supervision.</p>
Explanations on the changes in the LCR over time	<p>As at 31 March 2022 the LCR ratio for NatWest Group plc was 167% or £83 billion of excess over the regulatory minimum of 100%. This compares to 161% as at 30 April 2021 or £69 billion of excess over the regulatory minimum of 100%.</p> <p>The average LCR ratio for the 12 months to 31 March 2022 has increased 2% over the previous quarter, from 165% to 167%. The main drivers include a significant increase in customer deposits and drawings from TFSME offset by increased customer lending, redemption/maturing issuance, share buybacks and repayment of TLTRO.</p>	<p>As at 31 March 2022 the LCR ratio for NWM Plc was 216% or £9 billion of excess over the regulatory minimum of 100%. This compares to 233% as at 30 April 2021 or £10 billion of excess over the regulatory minimum of 100%.</p> <p>The average LCR ratio for the 12 months to 31 March 2022 has decreased by 5% over the previous quarter, from 224% to 219%. The decrease in average LCR is primarily due to reduction in average HQLA balances over the period due to planned return of excess capital to (includes redemption of internal MREL instrument) NatWest Group plc and growth strategy in our Capital Markets business.</p>	<p>The average LCR for the 12 month period up to and including 31 March 2022 has decreased by 1% over the previous rolling period of January 2021 – December 2021 driven by an increase in customer lending offset by an increase in wholesale funding.</p>

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

Qualitative information	NatWest Group	NWM Plc	RBSI
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.	<p>NWM Plc covers its funding requirements with secured and unsecured wholesale funding from a wide depositor and investor base. Repo, 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 downstreamed by NatWest Group plc), term unsecured, short term unsecured and secured funding.</p> <p>Wholesale unsecured funding includes a range of products including but not limited to bank deposits, commercial paper (CP), certificates of deposit (CD) and medium term notes (MTN). Deposits, CP and CD 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.</p> <p>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.</p>	RBSI is deposit-led, with deposits from Funds and Financial Intermediaries comprising the largest share along with retail deposits in RBSI's local jurisdictions. Additionally, RBSI has a commercial paper issuance programme.
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%).	HQLA is primarily held in Level 1 cash and central bank reserves (76%) and Level 1 high quality securities (24%).	RBSI Liquid Asset Buffer is made up of Level 1 HQLA in line with its Risk appetite, the majority of HQLA is held in central bank placements with the Bank of England and Banque Centrale du Luxembourg averaging at 74% with the remaining 26% comprised of Level 1 Government backed securities.

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

Qualitative information	NatWest Group	NWM Plc	RBSI
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.	NWM Plc actively manages its derivative exposures and potential calls, including both due collateral and excess collateral, with derivative outflows under stress are captured within 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.	RBSI has limited derivatives exposures. These are predominantly linked to simple FX swaps with customers, and FX and interest rate swaps executed for hedging and treasury management purposes.
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.	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). NWM Plc manages currency mismatch for significant currencies according to its internal liquidity adequacy assessment framework.	The LCR is calculated for GBP, EUR and USD. RBSI 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.	We do not consider anything else of material relevance for disclosure.	We do not consider anything else of material relevance for disclosure.

(1) LIQB commentary for NWH Group is included separately in the NWH Group Pillar 3 supplement.

UK OV1: Overview of risk weighted exposure amounts

The table below shows RWAs and total own funds requirements by risk type for NatWest Group and its large subsidiaries. Total own funds requirements are calculated as 8% of RWAs, with the exception of RBSI where the total own funds requirements in accordance with the local is regulatory rules is 10% of RWAs.

		NatWest Group			NWH Group			NWM Plc			RBSI		
		Risk-weighted exposure amounts		Total own funds requirements	Risk-weighted exposure amounts		Total own funds requirements	Risk-weighted exposure amounts		Total own funds requirements	Risk-weighted exposure amounts		Total own funds requirements
		(RWAs)			(RWAs)			(RWAs)			(RWAs)		
		a	b	c	a	b	c	a	b	c	a	b	c
		31 March 2022	31 December 2021	31 March 2022	31 March 2022	31 December 2021	31 March 2022	31 March 2022	31 December 2021	31 March 2022	31 March 2022	31 December 2021	31 March 2022
31 March 2022													
1	Credit risk (excluding counterparty credit risk)	138,443	117,903	11,076	123,180	103,997	9,854	6,657	5,927	533	6,519	6,367	652
2	of which: standardised approach	18,915	18,533	1,514	16,332	16,127	1,307	2,622	2,576	210	1,560	1,519	156
3	of which: the foundation IRB (FIRB) approach	—	—	—	—	—	—	—	—	—	—	—	—
4	of which: slotting approach	11,229	10,878	898	9,494	9,299	760	247	240	20	1,450	1,350	145
UK 4a	of which: equities under the simple risk-weighted approach	1,331	1,385	106	—	—	—	—	—	—	—	—	—
5	of which: the advanced IRB (AIRB) approach (1)	106,968	87,107	8,558	97,354	78,571	7,787	3,788	3,111	303	3,509	3,498	351
6	Counterparty credit risk	8,592	7,647	687	468	705	38	7,468	6,602	597	30	33	3
7	of which: standardised approach	1,906	1,236	153	177	207	14	1,743	1,209	139	30	33	3
8	of which: internal model method (IMM)	4,165	4,100	333	—	—	—	3,722	3,735	297	—	—	—
UK 8a	of which: exposures to a CCP	179	322	14	62	174	5	96	137	8	—	—	—
UK 8b	of which: credit valuation adjustment (CVA)	1,638	1,367	131	120	165	10	1,395	1,173	112	—	—	—
9	of which: other counterparty credit risk	704	622	56	109	159	9	512	348	41	—	—	—
15	Settlement risk	3	3	—	—	—	—	3	1	—	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	2,115	2,470	169	927	1,236	74	1,159	1,202	93	—	—	—
17	of which: SEC-IRBA approach	817	911	65	817	911	65	—	—	—	—	—	—
18	of which: SEC-ERBA (including IAA)	102	327	8	—	173	—	102	154	8	—	—	—
19	of which: SEC-SA approach	1,123	1,146	90	110	152	9	984	965	79	—	—	—
UK 19a	of which: 1,250%/deduction	73	86	6	—	—	—	73	83	6	—	—	—
20	Position, foreign exchange and commodities risk (market risk)	8,550	7,917	684	224	203	18	7,298	6,934	584	18	28	2
21	of which: standardised approach	1,311	1,010	105	224	203	18	418	444	34	18	28	2
22	of which: IMA	7,239	6,907	579	—	—	—	6,880	6,490	550	—	—	—
UK 22a	Large exposures	—	—	—	—	—	—	—	—	—	—	—	—
23	Operational risk	19,115	21,031	1,529	17,222	17,935	1,378	1,478	2,020	118	925	925	93
UK 23a	of which: basic indicator approach	—	—	—	—	—	—	—	—	—	—	—	—
UK 23b	of which: standardised approach	19,115	21,031	1,529	17,222	17,935	1,378	1,478	2,020	118	925	925	93
UK 23c	of which: advanced measurement approach	—	—	—	—	—	—	—	—	—	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk-weight) (2)	2,502	1,911	200	1,486	1,076	119	1,431	1,439	114	24	3	2
29	Total	176,818	156,971	14,145	142,021	124,076	11,362	24,063	22,686	1,925	7,492	7,356	750

(1) Of which £548 million RWAs (31 December 2021 – £543 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 for NatWest Group and its large subsidiaries. It excludes counterparty credit risk, securitisations and non-credit obligation assets.

	a			
	RWAs			
	NatWest Group	NWH Group	NWM Plc	RBSI
	£m	£m	£m	£m
¹ At 31 December 2021	95,281	83,846	3,258	4,848
² Asset size	1,762	769	737	(188)
³ Asset quality	(1,144)	(1,137)	(81)	141
⁴ Model updates	19,198	19,066	—	132
⁵ Methodology and policy	167	167	—	—
⁷ Foreign exchange movements	261	185	36	26
⁹ At 31 March 2022	115,525	102,896	3,950	4,959

(1) The following rows are not presented in the table because they had zero values for the period: row (6) Acquisitions and disposals, and row (8) Other.

- The increase in RWAs relating to model updates and methodology was due to adjustments as a result of new regulations applicable to IRB models from 1 January 2022.
- The increase in asset size for NatWest Group was mainly due to new syndicates and loans in Commercial & Institutional. There were additional increases within Retail Banking primarily in the mortgage portfolio.
- The reduction relating to asset quality for NatWest Group primarily reflected improved risk metrics within Retail Banking.
- The increase in foreign exchange movements for NatWest Group was mainly a result of sterling weakening against the US dollar during the period.

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) for NatWest Group and NWM Plc. It excludes the CVA capital charge and exposures to central counterparties and securitisations. NWM Plc is the only large subsidiary of NatWest Group with an IMM waiver for counterparty credit risk.

		a	
		RWAs	
		NatWest Group	NWM Plc
		£m	£m
1	At 31 December 2021	4,100	3,735
2	Asset size	(2)	(49)
3	Credit quality of counterparties	(5)	(5)
7	Foreign exchange movements	72	41
9	At 31 March 2022	4,165	3,722

(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: row (4) Model updates, row (5) Methodology and policy, row (6) Acquisitions and disposals, and row (8) Other.

- The increase in foreign exchange movements for NatWest Group was mainly a result of sterling weakening against the US dollar during the period.
- For NWM Plc, the sterling depreciation against the US dollar was offset by the decrease in asset size.

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) for NatWest Group and NWM Plc. NWM Plc is the only large subsidiary of NatWest Group with an IMA waiver for market risk.

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	1,540	2,576	222	—	4,338	347
8 At 31 March 2022	1,854	3,307	938	1,140	7,239	579
NWM Plc						
	£m	£m	£m	£m	£m	£m
1 At 31 December 2021	1,314	2,345	1,277	1,554	6,490	519
1a Regulatory adjustment	(976)	(1,748)	(104)	—	(2,828)	(226)
1b RWAs at 31 December 2021 (end of day)	338	597	1,173	1,554	3,662	293
2 Movement in risk levels	(52)	73	(491)	(102)	(572)	(46)
3 Model updates/changes	1	—	—	(322)	(321)	(26)
8a RWAs at 31 March 2022 (end of day)	287	670	682	1,130	2,769	221
8b Regulatory adjustment ⁽¹⁾	1,460	2,429	222	—	4,111	329
8 At 31 March 2022	1,747	3,099	904	1,130	6,880	550

- (1) Regulatory adjustments in row 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, row (6) Foreign exchange movements and row (7) Other.

- Overall, market risk RWAs for NWM Plc – which accounted for the majority of NatWest Group's exposure – increased.
- The higher VaR and SVaR-based RWAs reflected the effect of an increase in the capital multiplier for NWM Plc. Regulatory VaR back-testing exceptions increased in Q1 2022 given market movements amid global inflationary concerns and geopolitical tensions.
- The decrease in RNIV-based RWAs was mainly due to reduction in the RNIV aimed at capturing the residual risk of LIBOR cessation.
- The lower incremental risk charge reflected a reduction in eurozone government bond positions.