



NatWest Markets Group

Q1 2022

Interim Management Statement

NatWest Markets Group (NWM Group) Results for Q1 2022

Building for growth

In Q1 2022 we made good progress on delivering growth through our One Bank initiatives, to meet the financial markets needs of NatWest Group customers, especially in Currencies and Capital Markets. We created a new Digital Capital Markets team to focus on the growing importance of distributed ledger technology as part of the wider development of digital assets across NatWest Group.

We continued to support NatWest Group's customers with risk management solutions and capital markets access in volatile and uncertain markets, driven by the Russian invasion of Ukraine and Central Banks' responses to inflationary pressures globally. In Fixed Income, the changes made to the business model in Q4 2021 had a positive impact in the quarter around risk management, although more recently the Rates business has been impacted by significant market volatility as we maintained our commitments to our customers. We continue to monitor the evolving economic outlook, including any indirect impacts on NWM Group and our customers from the Russian invasion of Ukraine, which is having consequences for geopolitical stability, energy supply and prices, and cross-border financial transactions, including as a result of economic sanctions. NWM Group has no material direct exposure to the region through our operations or material dependencies on suppliers.

Climate and sustainable funding and financing has continued to perform well, and as at the end of Q1 2022 we had delivered £3.8 billion towards the NatWest Group climate and sustainable funding and financing target of £100 billion between 1 July 2021 and the end of 2025. The creation of NatWest Group's new Commercial & Institutional franchise announced in January 2022 will further enhance our plans for sustainable growth and enable us to deepen our relationships with customers and support their growth ambitions.

Financial review

NWM Group reported a loss of £40 million for Q1 2022, compared with a loss of £208 million in Q4 2021 and a loss of £61 million in Q1 2021. Total income increased to £219 million in Q1 2022, largely driven by stronger performance in Currencies and Capital Markets. Operating expenses decreased to £291 million, partly due to higher technology investment spend and one-off costs (including the annual bank levy charge) recognised in the prior quarter, and lower litigation and conduct costs.

Financial performance

- Total income was £219 million in Q1 2022, compared with £13 million in Q4 2021 and £188 million in Q1 2021. Income excluding asset disposals/strategic risk reduction and own credit adjustments was £208 million in Q1 2022, up by £186 million from £22 million in Q4 2021 and up by £18 million from £190 million in Q1 2021, largely reflecting stronger performance in Currencies, as FX volatility heightened in the quarter, and in Capital Markets. Fixed Income was up from Q4 2021 but was impacted by market volatility and subdued customer activity amid the Russian invasion of Ukraine.
- Operating expenses of £291 million in Q1 2022 were down by £82 million from £373 million in Q4 2021, partly due to higher technology investment spend and one-off costs (including the annual bank levy charge) recognised in the prior quarter, and lower litigation and conduct costs; and up by £19 million from £272 million in Q1 2021, largely driven by increased technology investment spend in the current quarter.
- NWM Group's total assets and liabilities increased by £10.8 billion and £11.1 billion to £213.8 billion and £206.7 billion respectively at 31 March 2022, compared with 31 December 2021. The increases primarily reflect higher trading assets and liabilities, driven by customer trading activity and the management of balance sheet within limits, and higher settlement balances; partially offset by lower derivative fair values, largely driven by increases in interest rates across major currencies.

Capital and leverage

- Total NWM Plc RWAs were £24.1 billion at 31 March 2022, compared with £22.7 billion at 31 December 2021 and £24.7 billion at 31 March 2021. The increase in the quarter reflects higher levels of credit, counterparty credit and market risk, partially offset by a decrease in operational risk. The increase in market risk was largely driven by back-testing exceptions arising from the increased market volatility.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 16.6% at 31 March 2022, compared with 17.9% at 31 December 2021 and 21.1% at 31 March 2021. The decrease in the quarter was largely driven by the increase in RWAs.
- Total MREL for NWM Plc at 31 March 2022 was £8.6 billion, or 35.8% of RWAs, down from £9.6 billion or 42.1% of RWAs at 31 December 2021. The reduction in the quarter was largely due to the redemption of a €1.1 billion internal instrument issued to NatWest Group plc.
- NWM Plc's leverage ratio at 31 March 2022 of 4.7% has been 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 UK leverage ratio was 4.8%, which was calculated under the prior year's UK leverage methodology.

Liquidity and funding

- NWM Plc's liquidity portfolio at 31 March 2022 was £16.3 billion with an LCR of 216% (31 December 2021 - £16.1 billion with LCR 205%).
- NWM Plc issued £2.2 billion of public benchmark transactions in the three months ended 31 March 2022, being a benchmark transaction under the US MTN programme of \$1.5 billion of notes and two benchmark transactions under the EMTN programme of €1.0 billion and CHF0.3 billion of notes respectively, against the full year 2022 guidance of £4-5 billion of public benchmark issuance. NWM Plc also raised funding in other formats throughout the quarter such as private placements and secured note transactions.

Outlook ⁽¹⁾

We retain the outlook guidance provided in NatWest Markets Plc 2021 Annual Report and Accounts.

(1) The targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in the Risk Factors section on pages 179 to 200 of NatWest Markets Plc 2021 Annual Report and Accounts. These statements constitute forward-looking statements. Refer to Forward-looking statements in this announcement.

Financial review

The table below presents a segmental analysis of key lines of NWM Group's income statement for the quarter ended 31 March 2022. Commentary refers to the table below as well as the consolidated income statement shown on page 6.

	Q1 2022			Q4 2021			Q1 2021		
	NatWest Markets £m	Central items & other £m	Total £m	NatWest Markets £m	Central items & other £m	Total £m	NatWest Markets £m	Central items & other £m	Total £m
Income statement									
Net interest income	14	-	14	13	-	13	(7)	-	(7)
Non-interest income	208	(3)	205	11	(11)	-	195	-	195
Total income	222	(3)	219	24	(11)	13	188	-	188
Litigation and conduct costs	(2)	(6)	(8)	-	(24)	(24)	-	(13)	(13)
Other operating expenses ⁽⁵⁾	(275)	(8)	(283)	(347)	(2)	(349)	(259)	-	(259)
Operating expenses	(277)	(14)	(291)	(347)	(26)	(373)	(259)	(13)	(272)
Operating loss before impairments	(55)	(17)	(72)	(323)	(37)	(360)	(71)	(13)	(84)
Impairment (losses)/releases	(1)	-	(1)	16	-	16	6	-	6
Operating loss before tax	(56)	(17)	(73)	(307)	(37)	(344)	(65)	(13)	(78)
Tax credit			33			136			17
Loss for the period			(40)			(208)			(61)
Income ⁽⁴⁾									
Fixed Income ⁽¹⁾	(15)	-	(15)	(69)	-	(69)	38	-	38
Currencies	158	-	158	121	-	121	118	-	118
Capital Markets	121	-	121	80	-	80	74	-	74
Capital Management Unit & other ^(1,2)	(14)	(3)	(17)	(55)	(11)	(66)	8	-	8
Income including shared revenue, before asset disposals and OCA	250	(3)	247	77	(11)	66	238	-	238
Revenue shared with or paid to fellow NatWest Group subsidiaries	(39)	-	(39)	(44)	-	(44)	(48)	-	(48)
Income excluding asset disposals and OCA	211	(3)	208	33	(11)	22	190	-	190
Asset disposals/Strategic risk reduction ⁽³⁾	(7)	-	(7)	(12)	-	(12)	(4)	-	(4)
Own credit adjustments (OCA)	18	-	18	3	-	3	2	-	2
Total income	222	(3)	219	24	(11)	13	188	-	188

(1) Fixed Income for Q1 2021 includes income of £(7) million relating to miscellaneous balances that from Q2 2021 have been included in Capital Management Unit & other.

(2) Capital Management Unit was set up in Q3 2020 to manage capital usage and optimisation across all parts of NatWest Markets. The income shown here relates to legacy assets and other miscellaneous balances. Other relates to income booked to the Central items & other operating segment.

(3) Asset disposals/Strategic risk reduction relates to the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into, in respect of the strategic announcements of 14 February 2020.

(4) Product performance includes gross income earned on a NatWest group-wide basis, including amounts contributed to other NatWest Group subsidiaries. Income including shared revenue, before asset disposals and OCA includes revenue share from other NatWest Group subsidiaries but before revenue share is paid to or contributed to those subsidiaries.

(5) A presentational change was made in Q1 2022 whereby strategic costs are included within Other operating expenses and not reported separately.

- **Net interest income** was £14 million in Q1 2022, compared with net income of £13 million in Q4 2021 and net expense of £7 million in Q1 2021. Net interest income largely represents interest income from lending activity and capital hedges, offset by interest expense from the funding costs of the business. The movement compared with Q1 2021 primarily reflects reduced funding costs for the business driven by the ongoing repayment of legacy debt.
- **Non-interest income** of £205 million increased by £205 million compared with nil in Q4 2021 and by £10 million compared with £195 million in Q1 2021, largely reflecting stronger performance in Currencies, as FX volatility heightened in the quarter, and in Capital Markets. Fixed Income was up from Q4 2021 but was impacted by market volatility and subdued customer activity amid the Russian invasion of Ukraine.
- **Operating expenses** were £291 million in Q1 2022, compared with £373 million in Q4 2021 and £272 million in Q1 2021. Litigation and conduct costs of £8 million were down by £16 million from £24 million in Q4 2021 and down by £5 million from £13 million in Q1 2021. Other operating expenses of £283 million in Q1 2022 were down by £66 million compared with £349 million in Q4 2021, partly due to higher technology investment spend and one-off costs (including the annual bank levy charge) recognised in the prior quarter, and up by £24 million compared with £259 million in Q1 2021, largely driven by increased technology investment spend in the current quarter.
- **NatWest Markets operating loss before tax** was £56 million in Q1 2022, compared with £307 million in Q4 2021 and £65 million in Q1 2021. Income excluding asset disposals and own credit adjustments of £211 million was up compared with £33 million in Q4 2021 and £190 million in Q1 2021, largely reflecting stronger performance in Currencies, as FX volatility heightened in the quarter, and in Capital Markets. Operating expenses of £277 million in Q1 2022 were lower than £347 million in Q4 2021, partly due to higher technology investment spend and one-off costs (including the annual bank levy charge) recognised in the prior quarter, and up compared with £259 million in Q1 2021.
- **Central items & other operating loss before tax** was £17 million, compared with a loss of £37 million in Q4 2021 and a loss of £13 million in Q1 2021.

Financial review

Balance sheet profile as at 31 March 2022

NWM Group's balance sheet profile is summarised below. Commentary refers to the table below as well as the consolidated balance sheet on page 7.

Assets	31 March 2022	31 December 2021	Liabilities	31 March 2022	31 December 2021
	£bn	£bn		£bn	£bn
Cash and balances at central banks	15.4	16.6			
Securities	26.8	25.0		25.6	25.0
Reverse repos (1)	23.6	20.7		26.4	19.4
Derivative cash collateral given (3)	13.4	12.0		17.1	17.6
Other trading assets	1.0	1.4		2.4	2.5
Total trading assets	64.8	59.1		71.5	64.5
Loans - amortised cost	9.8	8.4		5.5	4.1
Settlement balances	10.1	2.1		9.5	2.1
Amounts due from holding company and fellow subsidiaries	3.0	1.5		5.4	6.1
Other financial assets	10.0	8.8		20.0	19.3
Other assets	0.9	0.9		1.0	1.0
Funded assets	114.0	97.4		112.9	97.1
Derivative assets	99.8	105.6		93.8	98.5
Total assets	213.8	203.0		206.7	195.6
				22.0	21.1
				8.0	9.2

- (1) Comprises bank reverse repos of £5.4 billion (31 December 2021 – £3.9 billion) and customer reverse repos of £18.2 billion (31 December 2021 – £16.8 billion).
(2) Comprises bank repos of £2.4 billion (31 December 2021 – £0.8 billion) and customer repos of £24.0 billion (31 December 2021 – £18.6 billion).
(3) Comprises derivative cash collateral given relating to banks of £5.1 billion (31 December 2021 – £4.3 billion) and customers of £8.3 billion (31 December 2021 – £7.7 billion).
(4) Comprises derivative cash collateral received relating to banks of £8.0 billion (31 December 2021 – £8.1 billion) and customers of £9.1 billion (31 December 2021 – £9.5 billion).
(5) Wholesale funding predominantly comprises bank deposits (excluding repos), debt securities in issue and third party subordinated liabilities, of which short-term wholesale funding is the amount with contractual maturity of one year or less.

- **Total assets and liabilities** increased by £10.8 billion and £11.1 billion to £213.8 billion and £206.7 billion respectively at 31 March 2022, compared with £203.0 billion and £195.6 billion at 31 December 2021. The increases primarily reflect higher funded assets, driven by higher trading assets and liabilities and higher settlement balances; partially offset by decreases in derivative fair values in the quarter.
- **Trading assets** were up by £5.7 billion to £64.8 billion at 31 March 2022, with increases in securities and reverse repos driven by customer flows and the management of balance sheet within limits, and an increase in derivative cash collateral posted. **Trading liabilities** increased by £7.0 billion to £71.5 billion, with increases in repos and short positions partially offset by a decrease in derivative cash collateral received.
- **Derivative assets and derivative liabilities** were down by £5.8 billion to £99.8 billion and £4.7 billion to £93.8 billion respectively at 31 March 2022, largely driven by increases in interest rates across major currencies, partially offset by the impact of USD strengthening, since year end 2021.
- **Settlement balance assets and liabilities** were up by £8.0 billion and £7.4 billion to £10.1 billion and £9.5 billion respectively, due to increased trading compared with the seasonally lower levels of customer activity leading up to 31 December 2021.
- **Loans to customers – amortised cost** were up by £1.1 billion to £8.6 billion, largely reflecting new lending in the quarter.
- **Other financial liabilities** increased by £0.7 billion to £20.0 billion (31 December 2021 – £19.3 billion), driven by new issuance in the quarter, partially offset by maturities. The balance at 31 March 2022 includes £13.4 billion of medium-term notes issued.
- **Owners' equity** was down by £0.4 billion to £7.1 billion (31 December 2021 – £7.5 billion), driven by the interim dividend payment to NatWest Group plc of £0.25 billion on 18 February 2022, and other reserve movements in the period.

Non-IFRS measures

This document contains a number of non-IFRS measures. For details of the basis of preparation and reconciliations, where applicable, refer to the non-IFRS measures section on page 12.

Capital, liquidity and funding risk

Capital, RWAs and leverage

Capital resources, RWAs and leverage based on the PRA transitional arrangements for NWM Plc are set out below. Regulatory capital is monitored and reported at legal entity level for large subsidiaries of NatWest Group.

	31 March 2022	31 December 2021	31 March 2021
Capital adequacy ratios	%	%	%
CET1	16.6	17.9	21.1
Tier 1	19.5	21.0	24.7
Total	24.0	25.9	29.8
Total MREL	35.8	42.1	44.8
Capital (1)	£m	£m	£m
CET1	4,005	4,072	5,208
Tier 1	4,686	4,755	6,105
Total	5,764	5,870	7,356
Total MREL (2)	8,612	9,555	11,067
Risk-weighted assets			
Credit risk	7,635	6,878	6,344
Counterparty credit risk	7,652	6,854	7,576
Market risk	7,298	6,934	8,750
Operational risk	1,478	2,020	2,020
Total RWAs	24,063	22,686	24,690

Leverage

The leverage ratio for March 2022 has been calculated in accordance with the Leverage Ratio (CRR) part of the PRA rulebook. The comparatives reflect the previous CRR framework which was applicable prior to 1 January 2022.

	31 March 2022	31 December 2021	31 March 2021
Leverage exposure (£m) (3)	100,712	110,603	123,431
Tier 1 capital (£m)	4,686	4,755	6,105
Leverage ratio (%) (4)	4.7	4.3	4.9

- (1) CRR end-point for UK banks set by the PRA is 10.5% minimum total capital ratio, with a minimum CET1 ratio of 7.0%, of which the minimum capital requirement is 4.5% and capital conservation buffer is 2.5%.
- (2) Includes senior internal debt instruments issued to NatWest Group plc with a regulatory value of £2.9 billion (31 December 2021 - £3.7 billion, 31 March 2021 - £3.7 billion).
- (3) Leverage exposure is broadly aligned to the accounting value of on and off-balance sheet exposures albeit subject to specific adjustments for derivatives, securities financing positions and off-balance sheet exposures.
- (4) Following the Financial Policy Committee's planned review of the UK's leverage ratio framework, the PRA has introduced changes to the framework from 1 January 2022. The leverage ratio for 31 March 2022 in the above table reflects the UK leverage ratio for NWM Plc, as per the new framework. As at 31 December 2021, the UK leverage ratio was 4.8%, which was calculated under the prior year's PRA UK leverage methodology.

Liquidity and funding

	31 March 2022	31 December 2021	31 March 2021
Liquidity coverage ratio (LCR) (%)	216	205	233
Liquidity portfolio (£bn)	16.3	16.1	16.5
Total wholesale funding (£bn) (1)	22.0	21.1	18.8
Total funding including repo (£bn)	76.6	68.8	67.9

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

Condensed consolidated income statement for the period ended 31 March 2022 (unaudited)

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Interest receivable	101	85	98
Interest payable	(87)	(72)	(105)
Net interest income	14	13	(7)
Fees and commissions receivable	96	68	77
Fees and commissions payable	(41)	(23)	(36)
Income from trading activities	141	(37)	173
Other operating income	9	(8)	(19)
Non-interest income	205	-	195
Total income	219	13	188
Staff costs	(133)	(128)	(134)
Premises and equipment	(24)	(51)	(19)
Other administrative expenses	(130)	(189)	(114)
Depreciation and amortisation	(4)	(5)	(5)
Operating expenses	(291)	(373)	(272)
Loss before impairment (losses)/releases	(72)	(360)	(84)
Impairment (losses)/releases	(1)	16	6
Operating loss before tax	(73)	(344)	(78)
Tax credit	33	136	17
Loss for the period	(40)	(208)	(61)
Attributable to:			
Ordinary shareholders	(56)	(224)	(77)
Paid-in equity holders	16	16	16
	(40)	(208)	(61)

Condensed consolidated statement of comprehensive income for the period ended 31 March 2022 (unaudited)

	Quarter ended		
	31 March 2022 £m	31 December 2021 £m	31 March 2021 £m
Loss for the period	(40)	(208)	(61)
Items that do not qualify for reclassification			
Remeasurement of retirement benefit schemes	(1)	36	(1)
Changes in fair value of credit in financial liabilities designated at fair value through profit or loss (FVTPL) due to own credit risk	39	-	(7)
Fair value through other comprehensive income (FVOCI) financial assets	3	4	3
Tax	(5)	(15)	(1)
	36	25	(6)
Items that do qualify for reclassification			
FVOCI financial assets	(15)	1	-
Cash flow hedges	(153)	(49)	(90)
Currency translation	36	(31)	(138)
Tax	49	24	23
	(83)	(55)	(205)
Other comprehensive loss after tax	(47)	(30)	(211)
Total comprehensive loss for the period	(87)	(238)	(272)
Attributable to:			
Ordinary shareholders	(103)	(254)	(288)
Paid-in equity holders	16	16	16
	(87)	(238)	(272)

Condensed consolidated balance sheet as at 31 March 2022 (unaudited)

	31 March 2022 £m	31 December 2021 £m
Assets		
Cash and balances at central banks	15,389	16,645
Trading assets	64,797	59,101
Derivatives	99,780	105,550
Settlement balances	10,133	2,139
Loans to banks - amortised cost	1,153	962
Loans to customers - amortised cost	8,609	7,471
Amounts due from holding company and fellow subsidiaries	3,044	1,479
Other financial assets	9,973	8,786
Other assets	875	878
Total assets	213,753	203,011
Liabilities		
Bank deposits	2,005	1,808
Customer deposits	3,458	2,268
Amounts due to holding company and fellow subsidiaries	5,396	6,126
Settlement balances	9,541	2,068
Trading liabilities	71,466	64,482
Derivatives	93,826	98,497
Other financial liabilities	20,042	19,255
Other liabilities	936	1,055
Total liabilities	206,670	195,559
Equity		
Owners' equity	7,086	7,455
Non-controlling interests	(3)	(3)
Total equity	7,083	7,452
Total liabilities and equity	213,753	203,011

Condensed consolidated statement of changes in equity
for the period ended 31 March 2022 (unaudited)

	Share capital and share premium £m	Paid-in equity £m	Retained earnings £m	Other reserves* £m	Total owners' equity £m	Non controlling interests £m	Total equity £m
At 1 January 2022	2,346	904	4,138	67	7,455	(3)	7,452
Loss attributable to ordinary shareholders and paid-in equity holders			(40)		(40)	-	(40)
Other comprehensive income							
- Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk			39		39		39
- Unrealised losses: FVOCI				(12)	(12)		(12)
- Remeasurement of retirement benefit schemes			(1)		(1)		(1)
- Amounts recognised in equity: cash flow hedges				(146)	(146)		(146)
- Foreign exchange reserve movement				36	36	-	36
- Amounts transferred from equity to earnings				(7)	(7)		(7)
- Tax			(3)	47	44		44
Ordinary share dividends paid			(250)		(250)	-	(250)
Paid-in equity dividends paid			(16)		(16)		(16)
Share-based payments			(16)		(16)		(16)
At 31 March 2022	2,346	904	3,851	(15)	7,086	(3)	7,083

	31 March 2022 £m
Attributable to:	
Ordinary shareholders	6,182
Paid-in equity holders	904
Non-controlling interests	(3)
	7,083
*Other reserves consist of:	
FVOCI reserve	22
Cash flow hedging reserve	(60)
Foreign exchange reserve	23
	(15)

Notes

1. Presentation of condensed consolidated financial statements

The condensed consolidated financial statements should be read in conjunction with NatWest Markets Plc's 2021 Annual Report and Accounts which has been prepared in accordance with UK adopted International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the European Union.

Going concern

Having reviewed NWM Group's principal risks, forecasts, projections and other relevant evidence, the directors have a reasonable expectation that NWM Group will continue in operational existence for a period of twelve months from the date the condensed consolidated financial statements are approved. Accordingly, the results for the period ended 31 March 2022 have been prepared on a going concern basis.

2. Accounting policies

NWM Group's principal accounting policies are as set out on pages 110 to 114 of NatWest Markets Plc's 2021 Annual Report and Accounts. Amendments to IFRS effective from 1 January 2022 had no material effect on the condensed consolidated financial statements.

Critical accounting policies and key sources of estimation uncertainty

The judgements and assumptions that are considered to be the most important to the portrayal of NWM Group's financial condition are those relating to deferred tax, fair value of financial instruments, loan impairment provisions and provisions for liabilities and charges. These critical accounting policies and judgements are noted on pages 113 and 114 of NatWest Markets Plc's 2021 Annual Report and Accounts.

Information used for significant estimates

Uncertainty with respect to the prolonged financial effect of the COVID-19 pandemic and the Russian invasion of Ukraine continues to cause significant economic and social disruption. Specifically, there continues to be uncertainty as to the indirect impacts on NWM Group due to the Russian invasion of Ukraine and related consequences for geopolitical stability, energy supply and prices, and cross-border financial transactions, including as a result of economic sanctions. Key financial estimates are based on management's latest five-year revenue and cost forecasts. Measurement of deferred tax and expected credit losses are highly sensitive to reasonably possible changes in those anticipated conditions. Other reasonably possible assumptions about the future include a prolonged financial effect of the COVID-19 pandemic on the economy of the UK and other countries or greater economic effect as countries and companies implement plans to counter climate risks. Changes in judgements and assumptions could result in a material adjustment to those estimates in future reporting periods. (Refer to the Risk factors in NatWest Markets Plc's 2021 Annual Report and Accounts).

Notes

3. Trading assets and liabilities

Trading assets and liabilities comprise assets and liabilities held at fair value in trading portfolios.

	31 March 2022 £m	31 December 2021 £m
Assets		
Loans		
- Reverse repos	23,636	20,742
- Collateral given	13,386	11,990
- Other loans	952	1,414
Total loans	37,974	34,146
Securities		
Central and local government		
- UK	9,073	6,919
- US	4,286	3,329
- Other	9,897	10,929
Financial institutions and Corporate	3,567	3,778
Total securities	26,823	24,955
Total	64,797	59,101
Liabilities		
Deposits		
- Repos	26,405	19,389
- Collateral received	17,143	17,619
- Other deposits	1,465	1,536
Total deposits	45,013	38,544
Debt securities in issue	883	974
Short positions	25,570	24,964
Total	71,466	64,482

4. Other financial liabilities

	31 March 2022 £m	31 December 2021 £m
Customer deposits - designated as at FVTPL	565	568
Debt securities in issue		
- designated as at FVTPL	1,051	1,103
- amortised cost	17,526	16,621
Subordinated liabilities		
- designated as at FVTPL	655	703
- amortised cost	245	260
Total	20,042	19,255

5. Amounts due to holding company and fellow subsidiaries

	31 March 2022 £m	31 December 2021 £m
Liabilities		
Bank deposits - amortised cost	367	120
Customer deposits - amortised cost	79	155
Trading liabilities	451	348
Other financial liabilities - subordinated liabilities	1,437	1,464
MREL instruments issued to NatWest Group plc	2,880	3,858
Other liabilities	182	181
Total	5,396	6,126

Notes

6. Litigation and regulatory matters

NatWest Markets Plc's 2021 Annual Report and Accounts, issued on 18 February 2022, included disclosures about NWM Group's litigation and regulatory matters in Note 25. Set out below are the material developments in those matters (which have all been previously disclosed) since publication of the 2021 Annual Report and Accounts.

Litigation

Residential mortgage-backed securities (RMBS) litigation in the US

NatWest Markets Securities Inc. (NWMSI) agreed to settle a purported RMBS class action entitled *New Jersey Carpenters Health Fund v. Novastar Mortgage Inc. et al.* for US\$55.3 million. This was paid into escrow pending court approval of the settlement, which was granted in March 2019, but which then became the subject of an appeal by a class member who wanted to exit the settlement. On 14 March 2022, the United States Court of Appeals for the Second Circuit rejected that class member's appeal.

London Interbank Offered Rate (LIBOR) and other rates litigation

NatWest Group plc is a defendant in a class action pending in the United States District Court for the Southern District of New York (SDNY) on behalf of lender plaintiffs who allege that NatWest Group plc and other defendants engaged in fraud by artificially suppressing USD LIBOR. On 25 February 2022, the United States Court of Appeals for the Second Circuit reversed the SDNY's prior dismissal of the case, holding that the plaintiffs have adequately alleged the court's jurisdiction over the defendants. The claim will now proceed in the SDNY.

NatWest Group companies are defendants in class actions pending in the SDNY relating to alleged manipulation of the Singapore Interbank Offered Rate and Singapore Swap Offer Rate ('SIBOR / SOR') and the Australian Bank Bill Swap Reference Rate. In March 2022, agreements in principle were reached to settle both cases. The amounts of the settlements, which remain subject to final documentation and court approval, are covered by existing provisions.

FX litigation

An FX-related class action, on behalf of 'consumers and end-user businesses', is pending in the SDNY against NWM Plc and others. On 18 March 2022, the SDNY denied the plaintiffs' motion for class certification. Plaintiffs are seeking to appeal the decision.

Two separate FX-related applications seeking opt-out collective proceedings orders were filed in the UK Competition Appeal Tribunal (CAT) against NatWest Group plc, NWM Plc and other banks. On 31 March 2022, the CAT declined to certify as collective proceedings either of the applications, ruling that the opt-out basis on which they were brought was inappropriate. The CAT granted each applicant three months to revise their application for certification on an opt-in basis, if they wish to proceed. The applicants have stated that they intend to appeal the judgment.

Government securities antitrust litigation

NWMSI and certain other US broker-dealers are defendants in a consolidated antitrust class action in the SDNY on behalf of persons who transacted in US Treasury securities or derivatives based on such instruments, including futures and options. The plaintiffs allege that defendants rigged the US Treasury securities auction bidding process to deflate the prices at which they bought such securities and colluded to increase the prices at which they sold such securities to plaintiffs. On 31 March 2022, the SDNY dismissed the operative complaint, without leave to re-plead. The dismissal is subject to appeal.

NWM Plc, NWMSI and other banks are defendants in a class action antitrust case in the SDNY in respect of Euro-denominated bonds issued by European central banks (EGBs). The complaint alleges a conspiracy among dealers of EGBs, between 2007 and 2012, to widen the bid-ask spreads they quoted to customers, thereby increasing the prices customers paid for the EGBs or decreasing the prices at which customers sold the bonds. On 14 March 2022, the SDNY dismissed the claims against NWM Plc and NWMSI in the operative complaint on the ground that the complaint's conspiracy allegations are insufficient. The plaintiffs have indicated that they intend to file an amended complaint.

Regulatory matters

Systematic Anti-Money Laundering Programme assessment

In January 2022, NatWest Group received the Skilled Person's final report in connection with governance arrangements for two financial crime change programmes in respect of which the Skilled Person had been appointed under section 166 of the Financial Services and Markets Act 2000 to provide assurance. The FCA confirmed in March 2022 that the section 166 review has now concluded.

7. Post balance sheet events

Other than as disclosed in the accounts, there have been no other significant events between 31 March 2022 and the date of approval of these accounts that would require a change to or additional disclosure in the condensed consolidated financial statements.

Non-IFRS measures

NWM Group prepares its financial statements in accordance with generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP or non-IFRS performance measures. These measures are adjusted for certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. These non-IFRS measures are not measures within the scope of IFRS and are not a substitute for IFRS measures. These measures include:

- Management analysis of the operating expenses shows litigation and conduct costs on a separate line on page 3. These amounts are included in other administrative expenses in the statutory analysis. The use of the other expenses performance measure in non-statutory analysis aims to remove more volatile items within litigation and conduct costs.
- Funded assets are defined as total assets less derivative assets. This measure allows review of balance sheet trends exclusive of the volatility associated with derivative fair values.
- Management view of income by business including shared revenue and before asset disposals/strategic risk reduction and own credit adjustments. This measure is used to show underlying income generation in NatWest Markets excluding the impact of disposal losses and own credit adjustments.
- Revenue share refers to income generated by NatWest Markets products from customers that have their primary relationship with other NatWest Group subsidiaries, a proportion of which is shared between NatWest Markets and those subsidiaries.
- Asset disposals/strategic risk reduction includes the costs of exiting positions, which includes changes in carrying value to align to the expected exit valuation, and the impact of risk reduction transactions entered into as part of the optimisation of the entity's capital usage, following the strategic announcements of 14 February 2020.
- Own credit adjustments are applied to positions where it is believed that the counterparties would consider NWM Group's creditworthiness when pricing trades. The fair value of certain issued debt securities, including structured notes, is adjusted to reflect the changes in own credit spreads and the resulting gain or loss recognised in income.

Operating expenses analysis

Non-statutory analysis

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

	Quarter ended 31 December 2021		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Staff costs	-	128	128
Premises and equipment	-	51	51
Other administrative expenses	24	165	189
Depreciation and amortisation	-	5	5
Total	24	349	373

	Quarter ended 31 March 2021		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Staff costs	-	134	134
Premises and equipment	-	19	19
Other administrative expenses	13	101	114
Depreciation and amortisation	-	5	5
Total	13	259	272

Additional information

Presentation of information

NatWest Markets Plc ('NWM Plc') is a wholly-owned subsidiary of NatWest Group plc or 'the ultimate holding company'. The NatWest Markets Group ('NWM Group') comprises NWM Plc and its subsidiary and associated undertakings. The term 'NatWest Group' comprises NatWest Group plc and its subsidiary and associated undertakings. The term 'NWH Group' refers to NatWest Holdings Limited ('NWH') and its subsidiary and associated undertakings. The term 'NatWest Bank Plc' or 'NWB Plc' refers to National Westminster Bank Plc.

NWM Plc publishes its financial statements in pounds sterling ('£' or 'sterling'). The abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling, respectively, and references to 'pence' or 'p' represent pence in the United Kingdom ('UK'). References to 'dollars' or '\$' are to United States of America ('US') dollars. The abbreviations '\$m' and '\$bn' represent millions and thousands of millions of dollars, respectively. The abbreviation '€' represents the 'euro', and the abbreviations '€m' and '€bn' represent millions and thousands of millions of euros, respectively.

MAR – Inside Information

This announcement contains information that qualified or may have qualified as inside information for NatWest Markets Plc, for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 for NatWest Markets Plc. This announcement is made by Paul Pybus, Head of Investor Relations for NWM Plc.

Statutory results

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2021 will be filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

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Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NWM Group's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to NWM Group in respect of, but not limited to: 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 NWM Group refocusing and implementation of NatWest Group's 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 NWM 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, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions 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 NWM Group's actual results are discussed in NWM Plc's 2021 Annual Report and Accounts (ARA), NWM Plc's Interim Results for Q1 2022 and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and NWM Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

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