Q3 2021
Pillar 3 Supplement
NatWest Group plc

natwestgroup.com

Pillar 3 Supplement Q3 2021

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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 and the refocusing of its NatWest Markets franchise, 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 and IT risk, key person risk and credit rating risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the impact of the COVID-19 pandemic, future acquisitions, 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 low-carbon 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 2020 Annual Report and Accounts (ARA), NatWest Group plc's Interim Results for H1 2021 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 main risks of NatWest Group plc and its subsidiaries (NatWest Group) are described in the Risk and Capital Management and the Risk Factors sections of the NatWest Group plc 2020 Annual Report and Accounts (ARA) and in the 2020 Pillar 3 Report. For definitions of terms, refer to the glossary available on natwestgroup.com.
- The Pillar 3 disclosures in this supplement complement those in NatWest Group's Q3 Interim Management Statement (IMS): Risk and Capital Management section.
- For the basis of preparation and disclosure framework, refer to NatWest Group plc's 2020 Pillar 3 Report.
- The Brexit transition period ran until 31 December 2020; therefore, as of that date, UK entities ceased to be subject to EU rules. As of the date of this report, NatWest Group is regulated under the UK Capital Requirements Regulation (CRR) and associated onshored binding technical standards which were created by the European Union (Withdrawal) Act 2018 and a number of amending statutory instruments.
- NatWest Group's consolidated disclosures and those for large subsidiaries that are UK entities are calculated and presented in accordance with the UK CRR. Disclosures for large subsidiaries that are non-UK entities are calculated and presented in accordance with the regulatory requirements applicable in the countries in which they are incorporated.
- Based on the criteria set out in the CRR, NatWest Group primarily defines its large subsidiaries as those designated as an Other Systemically Important Institution (O-SII) by the national competent authority or with a value of total assets equal to or greater than €30 billion. At 30 September 2021, its large subsidiaries were:
    - NatWest Holdings Limited (NWH Ltd)
    - 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 Q3 2021 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 EBA templates. Any tables, rows or columns that are not applicable or do not have a value are not shown.

Capital, liquidity and funding
NatWest Group - Key points

CET1 ratio (CRR end-point)

Q3 2021	18.7%
Q4 2020	18.5%

The CET1 ratio increased 20 basis points over the period, due to a £1.6 billion decrease in CET1 capital offset by a £10.6 billion decrease in RWAs. The CET1 capital decrease was mainly driven by an attributable profit in the period, offset by the following items:
- the impact of the directed buyback and associated pension contribution of £1.2 billion (72 bps);
- foreseeable charges and pension contributions of £0.8 billion (48 bps); and
- a decrease in the IFRS 9 transition adjustment of £0.8 billion (45 bps) and other reserve movements.

RWAs

Q3 2021	£159.8bn
Q4 2020	£170.3bn

Total RWAs decreased £10.6 billion or 6.2% to £159.8 billion mainly reflecting:
- a decrease in credit risk RWAs of £7.6 billion, mainly driven by reductions in Commercial Banking and Ulster Bank RoI;
- a decrease in market risk RWAs of £1.4 billion, mostly due to the transition from LIBOR to alternative risk-free rates; and
- a decrease in operational risk RWAs of £0.9 billion following the annual recalculation in Q1 2021.

In addition, counterparty credit risk RWAs decreased by £0.6 billion as a result of reduced exposures in NatWest Markets.

UK leverage

Q3 2021	5.9%
Q4 2020	6.4%

The UK leverage ratio decreased by 50 basis points driven primarily by a £2.7 billion decrease in Tier 1 capital.

CRR leverage

Q3 2021	4.6%
Q4 2020	5.2%

The CRR leverage ratio decreased by 60 basis points. This mainly reflected the £2.7 billion decrease in Tier 1 capital and a £36.3 billion increase in leverage exposure, primarily driven by cash and balances at central banks.

NSFR

Q3 2021	155%
Q4 2020	151%

The net stable funding ratio (NSFR) for Q3 2021 was 155% compared to 151% at Q4 2020. The increase is mainly due to deposit growth.

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KM1: BCBS 2 & IFRS 9-FL: Key metrics – NatWest Group

The table below reflects the key metrics template in the BCBS consolidated Pillar 3 framework and the EBA's IFRS 9 template. Capital and leverage ratios presented are based on end-point CRR rules. NatWest Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. 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 transition period has been further amended by the CRR COVID-19 Amendment Regulation. The effect of this is to fully mitigate the increases in Stage 1 and Stage 2 expected credit loss provisions arising in 2020 and 2021 due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

BCBS2 KM1	IFRS 9-FL	Capital	30 September 2021 £m	30 June 2021 £m	31 March 2021 £m	31 December 2020 £m	30 September 2020 £m
1	1	Common equity tier 1 (CET1)	**29,862**	29,660	30,046	31,447	31,592
1a	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	**28,889**	28,462	28,391	29,700	29,873
2	3	Tier 1 capital	**33,737**	35,576	35,426	36,430	35,582
2a	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**32,764**	34,378	33,771	34,683	33,863
3	5	Total capital	**39,259**	40,549	39,544	41,685	41,292
3a	6	Total capital as if IFRS 9 transitional arrangements had not been applied	**38,509**	39,602	38,192	40,199	39,878
		Risk-weighted assets (amounts)					
4	7	Total risk-weighted assets (RWAs)	**159,755**	162,970	164,703	170,310	173,886
4a	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	**159,681**	162,877	164,568	170,146	173,747
		Risk-based capital ratios as a percentage of RWAs	**%**	%	%	%	%
5	9	Common equity tier 1 ratio	**18.7**	18.2	18.2	18.5	18.2
5a	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**18.1**	17.5	17.2	17.5	17.2
6	11	Tier 1 ratio	**21.1**	21.8	21.5	21.4	20.5
6a	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	**20.5**	21.1	20.5	20.4	19.5
7	13	Total capital ratio	**24.6**	24.9	24.0	24.5	23.7
7a	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	**24.1**	24.3	23.2	23.6	23.0
		Additional CET1 buffer requirements as a percentage of RWAs					
8		Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9		Countercyclical capital buffer requirement (1)	**—**	—	—	—	—
10		Bank GSIB and/or DSIB additional requirements	**—**	—	—	—	—
11		Total of CET1 specific buffer requirements (8+9+10)	**2.5**	2.5	2.5	2.5	2.5
12		CET1 available after meeting the bank's minimum capital requirements (2)	**12.1**	11.7	11.8	12.1	11.8
		CRR leverage ratio	**£m**	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	**739,355**	732,519	714,253	703,093	688,287
14	16	CRR leverage ratio (%)	**4.6**	4.9	5.0	5.2	5.2
14a	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**4.4**	4.7	4.7	4.9	4.9
		UK leverage ratio	**£m**	£m	£m	£m	£m
		UK leverage ratio exposure measure	**569,822**	575,636	567,959	572,558	576,889
		UK leverage ratio (%) (3)	**5.9**	6.2	6.2	6.4	6.2
		Average exposure	**585,657**	572,040	572,471	576,906	580,657
		Average leverage ratio (%)	**5.7**	6.2	6.3	6.3	6.1
		Liquidity coverage ratio	**£m**	£m	£m	£m	£m
15		Total high-quality liquid assets (HQLA)	**183,713**	177,678	171,814	161,894	152,095
16		Total net cash outflows	**113,392**	110,241	106,619	101,500	97,090
17		LCR ratio (%) (4)	**162**	161	161	159	156
		Net stable funding ratio (NSFR)					
18		Total available stable funding	**426,899**	423,120	414,076	417,786	408,118
19		Total required stable funding	**275,970**	275,332	271,412	275,816	277,235
20		NSFR (%) (5)	**155**	154	153	151	147

(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 TSCR (Pillar 1 & 2A).
(3) The PRA minimum leverage ratio requirement is supplemented with a countercyclical leverage ratio buffer of 0.0% (31 December 2020 – 0.0%).
(4) The liquidity coverage ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table.
(5) NSFR reported in line with CRR2 regulations finalised in June 2019. Following the publication of CP5/21 on 12 February 2021, the PRA proposes to introduce a binding Net Stable Funding Ratio (NSFR) requirement from January 2022.

IFRS 9-FL: Key metrics – large subsidiaries

The table below shows key metrics relating to IFRS 9 for NatWest Group and its large subsidiaries. Capital measures are on a CRR transitional basis. NatWest Group has elected to take advantage of the transitional capital rules in respect of expected credit losses. 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 transition period has been further amended by the CRR COVID-19 Amendment Regulation. The effect of this is to fully mitigate the increases in Stage 1 and Stage 2 expected credit loss provisions arising in 2020 and 2021 due to the COVID-19 pandemic. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024. The transitional basis rules do not apply to RBSI and therefore only end-point basis values are disclosed for this subsidiary.

		30 September 2021			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
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**
Risk-based capital ratios as a percentage of RWAs		%	%	%	%
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			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
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
Risk-based capital ratios as a percentage of RWAs		%	%	%	%
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: Key metrics - large subsidiaries continued

		31 March 2021			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
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
Risk-based capital ratios as a percentage of RWAs		%	%	%	%
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

		31 December 2020			
Available capital (amounts) - transitional		NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Common equity tier 1	31,447	23,743	5,547	1,353
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,700	22,043	5,540	1,353
3	Tier 1 capital	37,260	27,477	6,433	1,653
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	35,513	25,777	6,426	1,653
5	Total capital	43,733	32,750	7,753	1,681
6	Total capital as if IFRS 9 transitional arrangements had not been applied	42,247	31,247	7,746	1,681
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	170,310	135,331	25,564	7,292
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	170,146	135,192	25,557	7,292
Risk-based capital ratios as a percentage of RWAs		%	%	%	%
9	Common equity tier 1 ratio	18.5	17.5	21.7	18.6
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	16.3	21.7	18.6
11	Tier 1 ratio	21.9	20.3	25.2	22.7
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.9	19.1	25.1	22.7
13	Total capital ratio	25.7	24.2	30.3	23.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.8	23.1	30.3	23.1
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	703,093	521,600	123,927	37,881
16	CRR leverage ratio (%)	5.3	5.3	5.2	4.4
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.1	5.0	5.2	4.4

IFRS 9-FL: Key metrics - large subsidiaries continued

		30 September 2020			
		NatWest Group	NWH Group	NWM Plc	RBSI
Available capital (amounts) - transitional		£m	£m	£m	£m
1	Common equity tier 1	31,592	23,265	6,293	1,381
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,873	21,589	6,285	1,381
3	Tier 1 capital	36,422	26,999	7,189	1,681
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	34,703	25,323	7,181	1,681
5	Total capital	43,415	32,480	8,715	1,695
6	Total capital as if IFRS 9 transitional arrangements had not been applied	42,001	31,037	8,707	1,695
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	173,886	136,544	28,171	6,865
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	173,747	136,425	28,163	6,865
Risk-based capital ratios as a percentage of RWAs		%	%	%	%
9	Common equity tier 1 ratio	18.2	17.0	22.3	20.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.2	15.8	22.3	20.1
11	Tier 1 ratio	20.9	19.8	25.5	24.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.0	18.6	25.5	24.5
13	Total capital ratio	25.0	23.8	30.9	24.7
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.2	22.8	30.9	24.7
Leverage ratio					
15	CRR leverage ratio exposure measure (£m)	688,287	498,778	133,177	36,383
16	CRR leverage ratio (%)	5.3	5.4	5.4	4.6
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.1	5.1	5.4	4.6

Large subsidiary key points

Capital and leverage

NWH Group – 30 September 2021 compared with 31 December 2020

- The CET1 ratio decreased to 17.1% from 17.5% at 31 December 2020, due to a £2.4 billion decrease in CET1 capital and a £10.3 billion decrease in RWAs. The CET1 decrease reflects the attributable profit in the period of £2.6 billion, dividends paid of £3.5 billion and foreseeable charges of £0.4 billion. There was also a £0.7 billion decrease in the IFRS 9 transitional arrangements on expected credit losses.
- The £10.3 billion decrease in total RWAs reflects a decrease in credit risk RWAs of £9.2 billion and a £0.9 billion reduction in operational risk RWAs following the annual recalculation in Q1 2021. The credit risk decrease mainly reflects repayments and expired facilities in Commercial Banking in addition to improved risk metrics. There were further decreases driven by reduced exposures in the Ulster Bank RoI franchise due to the announced phased withdrawal. Additionally, credit risk RWAs benefitted from a £0.8 billion reduction as a result of the CRR COVID-19 amendment for the infrastructure supporting factor.
- The leverage ratio decreased to 4.5% from 5.3%, driven by a decrease in Tier 1 capital and an increase in balance sheet exposure.

NWM Plc - 30 September 2021 compared with 31 December 2020

- NWM Plc's CET1 ratio decreased to 19.4% at 30 September 2021, compared with 21.7% at 31 December 2020. The decrease reflected the impact of dividends paid to NatWest Group and other reserve movements, partially offset by the reduction in RWAs.
- Total RWAs reduced by £2.1 billion, mainly reflecting a £1.2 billion decrease in market risk RWAs. This was largely due to lower SVaR and VaR based RWAs, resulting from a regulator-approved update to the VaR model, aimed at addressing the impact of the transition from LIBOR to alternative risk-free rates. Counterparty credit risk RWAs decreased by £0.7 billion mainly reflecting a reduction in exposure as well as the favourable FX position over the period. Operational risk RWAs decreased by £0.4 billion following the annual recalculation.
- The leverage ratio decreased to 4.3% from 5.2%, driven by a decrease in Tier 1 capital.

RBSI - 30 September 2021 compared with 31 December 2020

- The RBSI CET1 ratio decreased to 17.1%. A dividend of £54 million was paid in Q2 2021 following full year 2020 profit verification, resulting in CET1 capital remaining at £1.35 billion.
- RWAs increased by £0.6 billion to £7.9 billion compared to 31 December 2020. This increase was driven by both growth in customer lending facilities and an increase in Nostro balances.
- The leverage ratio reduced to 3.8% from 4.4% at 31 December 2020. This was driven by increased balance sheet size as a result of customer deposit growth.
- RBSI leverage exposure is presented on the CRR basis. The primary driver of the ratio under CRR is short-term deposit balances, which RBSI typically holds in high-quality liquid assets. Excluding unencumbered central bank balances would result in a ratio of 6.1%.

CC1 (abridged): Composition of regulatory capital – NatWest Group and large subsidiaries

The table below shows an abridged view of the capital resources in the prescribed template on a CRR transitional basis as relevant for the jurisdiction. The adjustments to end-point CRR are presented for NatWest Group only.

		30 September 2021					
		NatWest Group					
	CET1 capital: instruments and reserves	PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	NWH Group £m	NWM Plc £m	RBSI £m
6	CET1 capital before regulatory adjustments	36,274	—	36,274	27,246	7,039	1,499
28	Total regulatory adjustments to CET1	(6,412)	(973)	(7,385)	(5,875)	(2,486)	(150)
29	CET1 capital	29,862	(973)	28,889	21,371	4,553	1,349
36	AT1 capital before regulatory adjustments	4,446	(571)	3,875	3,682	904	300
43	Total regulatory adjustments to AT1 capital	—	—	—	—	(226)	—
44	AT1 capital	4,446	(571)	3,875	3,682	678	300
45	Tier 1 capital (T1 = CET1 + AT1)	34,308	(1,544)	32,764	25,053	5,231	1,649
51	T2 capital before regulatory adjustments	5,884	(139)	5,745	5,070	1,635	3
57	Total regulatory adjustments to T2 capital	—	—	—	—	(403)	—
58	T2 capital	5,884	(139)	5,745	5,070	1,232	3
59	Total capital (TC = T1 + T2)	40,192	(1,683)	38,509	30,123	6,463	1,652
60	Total risk-weighted assets	159,755	(74)	159,681	125,036	23,445	7,878
	Capital ratios and buffers						
61	CET1 (as a percentage of risk exposure amount)	18.7%		18.1%	17.1%	19.4%	17.1%
62	T1 (as a percentage of risk exposure amount)	21.5%		20.5%	20.0%	22.3%	20.9%
63	Total capital (as a percentage of risk exposure amount)	25.2%		24.1%	24.1%	27.6%	21.0%

CC1 (abridged): Composition of regulatory capital – NatWest Group and large subsidiaries continued

		31 December 2020					
		NatWest Group					
CET1 capital: instruments and reserves		PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m	NWH Group £m	NWM Plc £m	RBSI £m
6	CET1 capital before regulatory adjustments	38,490	—	38,490	29,314	8,028	1,518
28	Total regulatory adjustments to CET1	(7,043)	(1,747)	(8,790)	(5,571)	(2,481)	(165)
29	CET1 capital	31,447	(1,747)	29,700	23,743	5,547	1,353
36	AT1 capital before regulatory adjustments	5,813	(830)	4,983	3,734	1,123	300
43	Total regulatory adjustments to AT1 capital	—	—	—	—	(237)	—
44	AT1 capital	5,813	(830)	4,983	3,734	886	300
45	Tier 1 capital (T1 = CET1 + AT1)	37,260	(2,577)	34,683	27,477	6,433	1,653
51	T2 capital before regulatory adjustments	6,473	(957)	5,516	5,273	1,726	27
57	Total regulatory adjustments to T2 capital	—	—	—	—	(406)	—
58	T2 capital	6,473	(957)	5,516	5,273	1,320	27
59	Total capital (TC = T1 + T2)	43,733	(3,534)	40,199	32,750	7,753	1,681
60	Total risk-weighted assets	170,310	(164)	170,146	135,331	25,564	7,291
Capital ratios and buffers							
61	CET1 (as a percentage of risk exposure amount)	18.5%		17.5%	17.5%	21.7%	18.6%
62	T1 (as a percentage of risk exposure amount)	21.9%		20.4%	20.3%	25.2%	22.7%
63	Total capital (as a percentage of risk exposure amount)	25.7%		23.6%	24.2%	30.3%	23.1%

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LRSum: Summary comparison of accounting assets vs leverage ratio exposure measure

The table below sets out the leverage exposures in the prescribed template on a CRR transitional basis as relevant for the jurisdiction.

		30 September 2021				31 December 2020			
		NatWest Group £m	**NWH Group £m**	**NWM Plc £m**	**RBSI £m**	NatWest Group £m	NWH Group £m	NWM Plc £m	RBSI £m
1	Total assets as per published financial statements	**778,278**	**528,675**	**194,083**	**40,410**	799,491	496,583	256,082	34,401
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	**(109)**	**(164)**	**—**	**—**	(356)	(274)	—	—
4	Adjustment for derivative financial instruments	**(70,778)**	**(1,899)**	**(70,089)**	**35**	(134,487)	(2,997)	(133,498)	63
5	Adjustments for securities financing transactions (SFTs)	**1,903**	**545**	**1,301**	**—**	1,179	191	999	—
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**44,292**	**33,029**	**5,198**	**3,067**	45,853	33,670	5,037	3,580
6a	Adjustment for Intra-Group exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation No 575/2013	**—**	**—**	**(1,515)**	**—**	—	—	(1,716)	—
7	Other adjustments	**(14,231)**	**(5,875)**	**(6,854)**	**(160)**	(8,587)	(5,573)	(2,977)	(164)
8	Total leverage ratio exposure	**739,355**	**554,311**	**122,124**	**43,352**	703,093	521,600	123,927	37,880

LRCom (abridged): Leverage ratio common disclosure

The table below shows an abridged view of the leverage ratio common disclosure in the prescribed template on a CRR transitional basis as relevant for the jurisdiction.

3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**615,248**	**499,357**	**71,030**	**40,030**	579,457	464,354	74,471	34,197
11	Total derivative exposures	**32,993**	**370**	**30,571**	**255**	32,036	119	30,606	104
16	Total securities financing transaction exposures	**46,822**	**21,555**	**16,840**	**—**	45,747	23,457	15,529	—
19	Other off-balance sheet exposures	**44,292**	**33,029**	**5,198**	**3,067**	45,853	33,670	5,037	3,580
19a	Exemption of Intra-Group exposures (solo basis) in accordance with Article 429(7) of Regulation No 575/2013 (on and off-balance sheet)	**—**	**—**	**(1,515)**	**—**	—	—	(1,716)	—
19b	Exposures exempted in accordance with Article 429 (14) of Regulation No 575/2013 (on and off balance sheet)	**—**	**—**	**—**	**—**	—	—	—	—
Capital and total exposures									
20	Tier 1 capital	**34,308**	**25,053**	**5,231**	**1,649**	37,260	27,477	6,433	1,653
21	Total leverage ratio exposure	**739,355**	**554,311**	**122,124**	**43,352**	703,093	521,600	123,927	37,880
22	Leverage ratio	**4.6%**	**4.5%**	**4.3%**	**3.8%**	5.3%	5.3%	5.2%	4.4%
22a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)	**4.6%**	**4.5%**	**4.3%**	**3.8%**	5.3%	5.3%	5.2%	4.4%

LIQ1: Liquidity coverage ratio

The table below shows 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. 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.

		Total unweighted value (average)				Total weighted value (average)			
		30 September 2021	30 June 2021	31 March 2021	31 December 2020	**30 September 2021**	30 June 2021	31 March 2021	31 December 2020
	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)					**183,713**	177,678	171,814	161,894
	Cash outflows								
2	Retail deposits and deposits from small business customers	**252,598**	246,516	238,789	229,034	**19,833**	19,287	18,701	18,063
3	of which: stable deposits	**158,808**	155,934	151,516	145,240	**7,940**	7,797	7,576	7,262
4	of which: less stable deposits	**93,573**	90,326	86,956	83,414	**11,675**	11,233	10,808	10,421
5	Unsecured wholesale funding	**175,385**	169,089	163,694	156,814	**79,105**	76,267	73,859	70,920
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**69,484**	67,374	66,148	64,318	**17,052**	16,524	16,217	15,760
7	Non-operational deposits (all counterparties)	**104,412**	100,272	96,193	91,029	**60,564**	58,300	56,289	53,693
8	Unsecured debt	**1,489**	1,443	1,353	1,467	**1,489**	1,443	1,353	1,467
9	Secured wholesale funding					**654**	772	1,108	1,542
10	Additional requirements	**78,445**	78,926	77,763	75,872	**20,039**	20,273	20,323	19,802
11	Outflows related to derivative exposures and other collateral requirements	**7,651**	7,848	7,993	7,815	**6,883**	7,064	7,189	7,006
12	Outflows related to loss of funding on debt products	**—**	151	256	256	**—**	151	256	256
13	Credit and liquidity facilities	**70,794**	70,927	69,514	67,801	**13,156**	13,058	12,878	12,540
14	Other contractual funding obligations	**26,886**	26,219	24,967	23,061	**2,113**	2,068	2,128	2,046
15	Other contingent funding obligations	**47,826**	48,934	50,351	50,345	**4,044**	3,779	3,641	3,604
16	Total cash outflows					**125,788**	122,446	119,760	115,977
17	Secured lending (e.g. reverse repos)	**59,392**	58,315	57,574	58,748	**294**	324	529	806
18	Inflows from fully performing exposures	**8,622**	8,195	8,981	10,290	**7,066**	6,698	7,183	8,126
19	Other cash inflows	**13,285**	13,486	13,820	13,942	**5,036**	5,183	5,429	5,545
19a	Difference between total weighted inflows and outflows	—	—	—	—	**—**	—	—	—
19b	Excess inflows from a related specialised credit institution	—	—	—	—	**—**	—	—	—
20	Total cash inflows	**81,299**	79,996	80,375	82,980	**12,396**	12,205	13,141	14,477
20a	Fully exempt inflows	**—**	—	—	—	**—**	—	—	—
20b	Inflows subject to 90% cap	**—**	—	—	—	**—**	—	—	—
20c	Inflows subject to 75% cap	**77,150**	76,599	77,497	78,849	**12,396**	12,205	13,141	14,477
21	Liquidity buffer					**183,713**	177,678	171,814	161,894
22	Total net cash outflows					**113,392**	110,241	106,619	101,500
23	Liquidity coverage ratio (%)					**162**	161	161	159

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OV1: CAP: RWAs and MCR summary – NatWest Group and large subsidiaries

The table below shows RWAs and minimum capital requirements (MCR) by risk type for NatWest Group and its large subsidiaries.
MCR is calculated as 8% of RWAs, with the exception of RBSI where the MCR in accordance with the local jurisdiction is 10% of RWAs.

		NatWest Group		NWH Group		NWM Plc		RBSI	
		RWAs	**MCR**	**RWAs**	**MCR**	**RWAs**	**MCR**	**RWAs**	**MCR**
	30 September 2021	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	Credit risk (excluding counterparty credit risk)	**118,014**	**9,441**	**103,702**	**8,296**	**4,711**	**377**	**6,891**	**689**
2	*Standardised (STD) approach*	***17,612***	***1,409***	***15,741***	***1,259***	***1,228***	***98***	***1,497***	***150***
4	*Advanced internal ratings based (IRB) approach (1)*	***99,024***	***7,922***	***87,961***	***7,037***	***3,483***	***279***	***5,394***	***539***
5	*Equity IRB under the simple risk-weight or the internal model approach (IMA)*	***1,378***	***110***	—	—	—	—	—	—
6	Counterparty credit risk	**8,136**	**651**	**787**	**62**	**7,063**	**565**	**30**	**3**
6a	*of which: securities financing transactions*	***669***	***53***	***189***	***15***	***329***	***26***	***23***	***2***
7	*of which: marked-to-market*	***1,512***	***121***	***265***	***21***	***1,447***	***116***	***7***	***1***
10	*of which: internal model method (IMM)*	***4,383***	***351***	—	—	***4,054***	***324***	—	—
11	*of which: risk exposure amount for contributions to the default fund of a central counterparty*	***152***	***12***	***129***	***10***	***22***	***2***	—	—
12	*of which: credit valuation adjustment (CVA)*	***1,420***	***114***	***204***	***16***	***1,211***	***97***	—	—
13	Settlement risk	—	—	—	—	—	—	—	—
14	Securitisation exposures in banking book	**2,577**	**206**	**1,386**	**111**	**1,173**	**94**	—	—
15	*IRB approach (SEC-IRBA)*	***1,053***	***85***	***1,053***	***85***	—	—	—	—
17	*STD approach*	***1,031***	***82***	***155***	***12***	***862***	***69***	—	—
18	*External ratings based approach (SEC-ERBA) (2)*	***402***	***32***	***178***	***14***	***223***	***18***	—	—
	1,250%	***91***	***7***	—	—	***88***	***7***	—	—
19	Market risk	**7,979**	**638**	**77**	**6**	**6,919**	**554**	**44**	**5**
20	*STD approach*	***848***	***68***	***77***	***6***	***259***	***21***	***44***	***5***
21	*IMA*	***7,131***	***570***	—	—	***6,660***	***533***	—	—
23	Operational risk - STD approach	**21,031**	**1,682**	**17,935**	**1,435**	**2,020**	**162**	**902**	**90**
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	**2,018**	**161**	**1,149**	**92**	**1,559**	**125**	**11**	**1**
29	Total	**159,755**	**12,779**	**125,036**	**10,002**	**23,445**	**1,877**	**7,878**	**788**

		NatWest Group		NWH Group		NWM Plc		RBSI	
		RWAs	MCR	RWAs	MCR	RWAs	MCR	RWAs	MCR
	31 December 2020	£m	£m	£m	£m	£m	£m	£m	£m
1	Credit risk (excluding counterparty credit risk)	125,711	10,058	112,872	9,030	4,193	335	6,317	630
2	*Standardised (STD) approach*	*17,682*	*1,415*	*15,959*	*1,277*	*1,317*	*105*	*1,399*	*139*
4	*Advanced internal ratings based (IRB) approach (1)*	*107,033*	*8,563*	*96,913*	*7,753*	*2,876*	*230*	*4,918*	*491*
5	*Equity IRB under the simple risk-weight or the internal model approach (IMA)*	*996*	*80*	—	—	—	—	—	—
6	Counterparty credit risk	8,682	695	961	77	7,708	617	28	3
6a	*of which: securities financing transactions*	*632*	*51*	*172*	*14*	*294*	*24*	*20*	*2*
7	*of which: marked-to-market*	*1,347*	*108*	*268*	*22*	*1,235*	*99*	*8*	*1*
10	*of which: internal model method (IMM)*	*5,099*	*408*	—	—	*4,836*	*387*	—	—
11	*of which: risk exposure amount for contributions to the default fund of a central counterparty*	*86*	*7*	*53*	*4*	*12*	*1*	—	—
12	*of which: credit valuation adjustment (CVA)*	*1,518*	*121*	*468*	*37*	*1,331*	*106*	—	—
13	Settlement risk	—	—	—	—	—	—	—	—
14	Securitisation exposures in banking book	2,586	206	1,372	110	1,215	97	—	—
15	*IRB approach (SEC-IRBA)*	*1,004*	*80*	*1,004*	*80*	—	—	—	—
17	*STD approach*	*821*	*66*	*169*	*14*	*653*	*52*	—	—
18	*External ratings based approach (SEC-ERBA) (2)*	*664*	*52*	*199*	*16*	*465*	*37*	—	—
	1,250%	*97*	*8*	—	—	*97*	*8*	—	—
19	Market risk	9,362	749	106	9	8,150	652	42	4
20	*STD approach*	*1,008*	*81*	*106*	*9*	*253*	*20*	*42*	*4*
21	*IMA*	*8,354*	*668*	—	—	*7,897*	*632*	—	—
23	Operational risk - STD approach	21,930	1,754	18,866	1,509	2,382	191	902	90
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	2,039	163	1,154	92	1,916	153	3	—
29	Total	170,310	13,625	135,331	10,827	25,564	2,045	7,292	727

(1) Of which £552 million RWAs (31 December 2020 – £535 million) relate to equity IRB under the probability of default/loss given default approach.
(2) Includes internal assessment approach (IAA).

RWA and MCR movement tables

CR8: IRB and STD: Credit risk RWAs and MCR flow statement

The table below shows the drivers of movements in credit risk RWAs and MCR. RWAs include securitisations, deferred tax assets and significant investments to align with the capital management approaches of NatWest Group and its segments. There were no methodology or policy changes during the period.

		a			b
		RWAs			
		IRB	STD	Total RWAs	MCR
		£m	£m	£m	£m
1	At 1 January 2021	110,193	19,721	129,914	10,393
2	Asset size (1)	(4,222)	187	(4,035)	(322)
3	Asset quality (2)	(1,223)	(200)	(1,423)	(114)
4	Model updates (3)	(446)	—	(446)	(36)
6	Acquisitions and disposals (4)	(159)	—	(159)	(13)
7	Foreign exchange movements (5)	(753)	(78)	(831)	(66)
8	Other	(750)	—	(750)	(60)
9	**At 30 September 2021**	**102,640**	**19,630**	**122,270**	**9,782**

(1) Organic changes in portfolio size and composition (including the origination of new business and maturing loans).
(2) Changes in the assessed quality of assets due to changes in borrower risk, such as rating grade migration or similar effects.
(3) Changes due to model implementation, changes in model scope, or any changes intended to address model weakness.
(4) Changes in portfolio sizes due to acquisitions and disposals.
(5) Changes arising from foreign currency translation movements.

- The reduction in asset size was mainly due to repayments and expired facilities in Commercial Banking. There were additional decreases in commercial lending as well as in the mortgage portfolio within Ulster Bank RoI.
- The decrease in RWAs relating to asset quality primarily reflected improved risk metrics in Commercial Banking and Ulster Bank RoI.
- The RWA reduction in foreign exchange movements was mainly a result of sterling strengthening against the euro during the period.
- The movement in the other category reflected reductions in Commercial Banking as a result of the CRR COVID-19 amendment for the infrastructure supporting factor.
- The reduction in RWAs relating to model updates was largely a result of revisions to Wholesale loss given default models.
- The decrease in acquisitions and disposals reflected the sale of non-performing loans in Ulster Bank RoI during Q2 2021.

CCR7: CCR: IMM and Non-IMM: Counterparty credit risk RWAs and MCR flow statement

The table below shows the drivers of movements in counterparty credit risk RWAs and MCR (excluding CVA). There were no methodology or regulatory policy changes, model updates or acquisitions and disposals of subsidiaries during the period.

		a			b		
		RWAs			MCR		
		IMM £m	Non-IMM £m	Total £m	IMM £m	Non-IMM £m	Total £m
1	At 1 January 2021	5,300	2,285	7,585	424	183	607
2	Asset size (1)	(694)	344	(350)	(56)	28	(28)
3	Credit quality of counterparties (2)	27	(80)	(53)	2	(6)	(4)
7	Foreign exchange movements (3)	(104)	(23)	(127)	(8)	(2)	(10)
9	**At 30 September 2021**	**4,529**	**2,526**	**7,055**	**362**	**203**	**565**

(1) Organic changes in portfolio size and composition (including the origination of new business).
(2) Changes in the assessed quality of counterparties.
(3) Changes arising from foreign currency retranslation movements.

- The RWA decrease related to the IMM mainly reflected an overall reduction in exposure as well as the strengthening of sterling against the euro over the period.
- The increase in non-IMM RWAs notably reflected new derivatives transacted over the period, partially offset by a decrease due to trade novations.

MR2_B: MR IMA and STD: Market risk RWAs and MCR flow statement

The table below shows the drivers of movements in market risk RWAs and MCR. There were no methodology or regulatory policy changes during the period. Additionally, there were no acquisitions and disposals of subsidiaries. Changes in market risk arising from foreign currency retranslation are included within movement in risk levels as they are managed together with portfolio changes.

		IMA						STD		Total	
		RWAs (1)					MCR	RWAs	MCR	RWAs	MCR
		a	b	c	e	f	g				
		VaR	SVaR	IRC	Other (RNIV)	Total	Total				
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	At 1 January 2021	1,599	3,666	1,459	1,630	8,354	668	1,008	81	9,362	749
2	Movement in risk levels (2)	82	2,327	(151)	(231)	2,027	162	(160)	(13)	1,867	149
3	Model updates/changes (3)	(288)	(3,249)	(39)	326	(3,250)	(260)	—	—	(3,250)	(260)
8	**At 30 September 2021**	**1,393**	**2,744**	**1,269**	**1,725**	**7,131**	**570**	**848**	**68**	**7,979**	**638**

(1) NatWest Group does not use the comprehensive risk measure to calculate market risk RWAs.
(2) Movements due to position changes as well as time series updates.
(3) Updates to the model to reflect recent experience or changes to model scope.

- Overall, market risk RWAs for NatWest Group decreased. The comments below mainly relate to NWM Plc, NWM N.V. and NWM SI, which accounted for the majority of the exposure.
- The reductions in SVaR and VaR based RWAs mainly reflected a regulator-approved update to the VaR model, aimed at addressing the impact of the transition from LIBOR to alternative risk-free rates. This impact had resulted in a rise in tenor basis risk in sterling flow trading in the first two quarters of the year.
- The increase in RNIV-based RWAs was mainly due to a new RNIV aimed at capturing the residual risk of LIBOR cessation.
- The decrease in the incremental risk charge reflected a reduction in eurozone corporate bond positions.
- The RWA decrease under the standardised approach mainly reflected a decreased interest rate risk position, mostly in NWM Plc. An increase in the banking book foreign exchange charge in H1 2021 – due to the temporary retention of US dollar capital issuance proceeds – was largely reversed in Q3 2021.