



# **NatWest Markets Group**

## **Q3 2022**

### **Interim Management Statement**

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# NatWest Markets Group (NWM Group)

## Results for Q3 2022

### Q3 Overview

In Q3 2022, we have improved connectivity across the newly formed NatWest Group Commercial and Institutional franchise (C&I), as we look forward in 2023 to unlocking further opportunities and increased penetration with NatWest Group customers.

In volatile market conditions we have continued to support our customers by providing financing and risk management solutions. We continue to monitor the evolving economic outlook, particularly any impacts on NWM Group and any changes to customers' behaviour due to inflation and recent pressure on sterling, gilts and pension fund liquidity. Against this challenging backdrop, we have delivered on a solid third quarter compared to the same period in 2021 and maintained our robust capital and liquidity position.

Our business's focus on climate and sustainable funding and financing means that as at the end of Q3 2022 we had delivered £13.8 billion towards the NatWest Group climate and sustainable funding and financing target of £100 billion between 1 July 2021 and the end of 2025.

### Financial review

NWM Group reported a loss of £133 million for Q3 2022, compared with a loss of £46 million in Q2 2022 and a loss of £164 million in Q3 2021. Total income decreased to £144 million in Q3 2022, largely reflecting weaker performance in Fixed Income, which was impacted by challenging market conditions, and lower customer activity levels. Operating expenses increased to £287 million, largely due to lower technology investment costs recognised in the prior period.

### Financial performance

- Total income was £144 million in Q3 2022, compared with £219 million in Q2 2022 and £92 million in Q3 2021. Income excluding asset disposals/strategic risk reduction and own credit adjustments of £138 million was down by £72 million from £210 million in Q2 2022, largely reflecting weaker performance in Fixed Income, which was impacted by challenging market conditions, and lower customer activity levels in Currencies and Capital Markets, but was up by £36 million compared with £102 million in Q3 2021, largely reflecting a relatively weaker performance in Fixed Income in the comparative period.
- Operating expenses were £287 million in Q3 2022, compared with £249 million in Q2 2022 and £297 million in Q3 2021. The increase compared with the prior quarter was largely driven by lower technology investment costs recognised in the prior period.
- NWM Group's total assets and liabilities increased by £45.0 billion and £45.7 billion to £248.0 billion and £241.3 billion respectively at 30 September 2022, compared with 31 December 2021. The increases primarily reflect higher derivative fair values, largely driven by market volatility including the strengthening of USD and movements in interest rates across major currencies since year end 2021.

### Capital and leverage

- Total NWM Plc RWAs were £24.9 billion at 30 September 2022, compared with £23.5 billion at 30 June 2022 and £22.7 billion at 31 December 2021. The increase since year end 2021 reflects higher levels of credit, counterparty credit and market risk, largely driven by market volatility in the period, partially offset by a decrease in operational risk.
- NWM Plc's Common Equity Tier 1 (CET1) ratio was 14.9% at 30 September 2022, compared with 16.4% at 30 June 2022 and 17.9% at 31 December 2021. The decrease in the nine months to 30 September 2022 was largely driven by the increase in RWAs, dividends paid to NatWest Group plc and other reserve movements.
- Total MREL for NWM Plc at 30 September 2022 was £8.8 billion, or 35.3% of RWAs, down from £9.6 billion or 42.1% of RWAs at 31 December 2021. The reduction in the period was largely due to the redemption of a €1.1 billion internal instrument issued to NatWest Group plc.
- NWM Plc's leverage ratio at 30 September 2022 of 4.4% 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 30 September 2022 was £18.0 billion with an LCR of 199% (31 December 2021 - £16.1 billion with LCR 205%).
- NWM Plc retains full year 2022 guidance of £4-5 billion of public benchmark issuance. NWM Plc issued £3.6 billion of public benchmark transactions in the nine months ended 30 September 2022, including a benchmark transaction under the US MTN programme of \$1.5 billion of notes, three benchmark transactions under the EMTN programme of €1.0 billion, CHF0.3 billion, and €1.25 billion of notes respectively, and an inaugural transaction under the AUD debt issuance programme of AUD0.6 billion of notes. NWM Plc also raised funding in other formats throughout the period such as private placements and secured note transactions.

### Outlook <sup>(1)</sup>

We affirm the medium term outlook guidance provided in NatWest Markets Plc 2021 Annual Report and Accounts. Having reported a CET1 ratio of 14.9% as at 30 September 2022, we expect a ratio of c.15% at 31 December 2022.

Depending on market conditions in Q4 2022, NWM Group intends to continue its plans to issue £4-5 billion in public benchmark issuance in 2022.

(1) The targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, noting recent heightened volatility, including as a result of the factors described in the Risk Factors section in the NatWest Markets Plc 2021 Annual Report and Accounts and 2022 Registration Document, and the Summary Risk Factors in the NatWest Markets Plc 2022 Interim Results. 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 nine months ended 30 September 2022. Commentary refers to the table below as well as the consolidated income statement shown on page 7.

	Nine months ended					
	30 September 2022			30 September 2021		
	NatWest Markets £m	Central items & other £m	Total £m	NatWest Markets £m	Central items & other £m	Total £m
<b>Income statement</b>						
Net interest income	62	-	62	(5)	-	(5)
Non-interest income	527	(7)	520	390	3	393
<b>Total income</b>	<b>589</b>	<b>(7)</b>	<b>582</b>	<b>385</b>	<b>3</b>	<b>388</b>
Litigation and conduct costs	(12)	(21)	(33)	-	41	41
Other operating expenses (1)	(762)	(32)	(794)	(810)	(8)	(818)
<b>Operating expenses</b>	<b>(774)</b>	<b>(53)</b>	<b>(827)</b>	<b>(810)</b>	<b>33</b>	<b>(777)</b>
<b>Operating (loss)/profit before impairments</b>	<b>(185)</b>	<b>(60)</b>	<b>(245)</b>	<b>(425)</b>	<b>36</b>	<b>(389)</b>
Impairment (losses)/releases	(10)	-	(10)	19	-	19
<b>Operating (loss)/profit before tax</b>	<b>(195)</b>	<b>(60)</b>	<b>(255)</b>	<b>(406)</b>	<b>36</b>	<b>(370)</b>
Tax credit			36			87
<b>Loss for the period</b>			<b>(219)</b>			<b>(283)</b>
<b>Income (2)</b>						
Fixed Income (3)	35	-	35	5	-	5
Currencies	394	-	394	306	-	306
Capital Markets	305	-	305	256	-	256
Capital Management Unit & other (3,4)	(31)	(7)	(38)	20	3	23
<b>Income including shared revenue, before asset disposals and OCA</b>	<b>703</b>	<b>(7)</b>	<b>696</b>	<b>587</b>	<b>3</b>	<b>590</b>
Revenue shared with or paid to fellow NatWest Group subsidiaries	(140)	-	(140)	(153)	-	(153)
<b>Income excluding asset disposals and OCA</b>	<b>563</b>	<b>(7)</b>	<b>556</b>	<b>434</b>	<b>3</b>	<b>437</b>
Asset disposals/Strategic risk reduction (5)	(34)	-	(34)	(52)	-	(52)
Own credit adjustments (OCA)	60	-	60	3	-	3
<b>Total income</b>	<b>589</b>	<b>(7)</b>	<b>582</b>	<b>385</b>	<b>3</b>	<b>388</b>

- (1) A presentational change was made in Q1 2022 whereby strategic costs are included within Other operating expenses and not reported separately.
- (2) 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.
- (3) Fixed Income for the nine months ended 30 September 2022 includes income of £(6) million relating to business that was transferred to Capital Management Unit during Q3. Comparatives have not been restated. The equivalent amount for the nine months ended 30 September 2021 was £(4) million.
- (4) 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 materially relates to legacy positions. Other relates to income booked to the Central items & other operating segment.
- (5) 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.

- **Net interest income** was £62 million for the nine months ended 30 September 2022, compared with net expense of £5 million in the comparative period. 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 the nine months ended 30 September 2021 largely reflects growth in lending activity and reduced funding costs for the business driven by the ongoing repayment of legacy debt.
- **Non-interest income** of £520 million increased by £127 million compared with £393 million in the nine months ended 30 September 2021, largely driven by stronger performance in Currencies, as FX volatility heightened in the current period, and in Capital Markets. Fixed Income performance was up from the comparative period but continued to be impacted by unfavourable market conditions. Capital Management Unit performance in the current period was largely driven by market movements on inflation positions. Own credit adjustments of £60 million reflected the widening of credit spreads in the period.
- **Operating expenses** were £827 million in the current period, compared with £777 million in the nine months ended 30 September 2021. Litigation and conduct costs of £33 million were up by £74 million from £41 million credit in the comparative period, which largely reflected progress in closing legacy matters. Other operating expenses of £794 million in the current period were down by £24 million compared with £818 million in the nine months ended 30 September 2021, largely reflecting higher technology investment costs recognised in the comparative period.
- **NatWest Markets operating loss before tax** was £195 million in the nine months ended 30 September 2022, compared with £406 million in the comparative period. Income excluding asset disposals and own credit adjustments of £563 million was up by £129 million compared with £434 million in the comparative period, largely driven by stronger performance in Currencies, as FX volatility heightened in the period, and in Capital Markets. Operating expenses of £774 million in the current period were £36 million lower than £810 million in the nine months ended 30 September 2021, largely reflecting higher technology investment costs recognised in the comparative period.
- **Central items & other operating loss before tax** was £60 million, compared with a profit of £36 million in the nine months ended 30 September 2021. Litigation and conduct costs of £41 million credit in the comparative period largely reflected progress in closing legacy matters. Other operating expenses of £32 million in the current period largely comprised one-off items.

## Financial review

The table below presents a segmental analysis of key lines of NWM Group's income statement for the quarter ended 30 September 2022. Commentary refers to the tables below as well as the consolidated income statement shown on page 7.

	Q3 2022			Q2 2022			Q3 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
<b>Income statement</b>									
Net interest income	33	-	33	15	-	15	(1)	-	(1)
Non-interest income	109	2	111	210	(6)	204	96	(3)	93
<b>Total income</b>	<b>142</b>	<b>2</b>	<b>144</b>	<b>225</b>	<b>(6)</b>	<b>219</b>	<b>95</b>	<b>(3)</b>	<b>92</b>
Litigation and conduct costs	(6)	(7)	(13)	(4)	(8)	(12)	(2)	(25)	(27)
Other operating expenses (1)	(257)	(17)	(274)	(230)	(7)	(237)	(266)	(4)	(270)
<b>Operating expenses</b>	<b>(263)</b>	<b>(24)</b>	<b>(287)</b>	<b>(234)</b>	<b>(15)</b>	<b>(249)</b>	<b>(268)</b>	<b>(29)</b>	<b>(297)</b>
<b>Operating loss before impairments</b>	<b>(121)</b>	<b>(22)</b>	<b>(143)</b>	<b>(9)</b>	<b>(21)</b>	<b>(30)</b>	<b>(173)</b>	<b>(32)</b>	<b>(205)</b>
Impairment (losses)/releases	(5)	-	(5)	(4)	-	(4)	3	-	3
<b>Operating loss before tax</b>	<b>(126)</b>	<b>(22)</b>	<b>(148)</b>	<b>(13)</b>	<b>(21)</b>	<b>(34)</b>	<b>(170)</b>	<b>(32)</b>	<b>(202)</b>
Tax credit/(charge)			15			(12)			38
<b>Loss for the period</b>			<b>(133)</b>			<b>(46)</b>			<b>(164)</b>
<b>Income (2)</b>									
Fixed Income (3)	12	-	12	38	-	38	(38)	-	(38)
Currencies	114	-	114	122	-	122	101	-	101
Capital Markets	88	-	88	96	-	96	90	-	90
Capital Management Unit & other (3,4)	(25)	2	(23)	8	(6)	2	7	(3)	4
<b>Income including shared revenue, before asset disposals and OCA</b>	<b>189</b>	<b>2</b>	<b>191</b>	<b>264</b>	<b>(6)</b>	<b>258</b>	<b>160</b>	<b>(3)</b>	<b>157</b>
Revenue shared with or paid to fellow NatWest Group subsidiaries	(53)	-	(53)	(48)	-	(48)	(55)	-	(55)
<b>Income excluding asset disposals and OCA</b>	<b>136</b>	<b>2</b>	<b>138</b>	<b>216</b>	<b>(6)</b>	<b>210</b>	<b>105</b>	<b>(3)</b>	<b>102</b>
Asset disposals/Strategic risk reduction (5)	(2)	-	(2)	(25)	-	(25)	(12)	-	(12)
Own credit adjustments (OCA)	8	-	8	34	-	34	2	-	2
<b>Total income</b>	<b>142</b>	<b>2</b>	<b>144</b>	<b>225</b>	<b>(6)</b>	<b>219</b>	<b>95</b>	<b>(3)</b>	<b>92</b>

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

(2) 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.

(3) Capital Management Unit for Q3 2022 includes income of £(33) million relating to business that was previously reported within Fixed Income. Comparatives have not been restated. The equivalent amounts were £(2) million in Q2 2022 and £(3) million in Q3 2021.

(4) 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 materially relates to legacy positions. Other relates to income booked to the Central items & other operating segment.

(5) 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.

- **Net interest income** was £33 million in Q3 2022, compared with £15 million in Q2 2022 and net expense of £1 million in Q3 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 Q2 2022 and Q3 2021 largely reflects growth in lending activity and reduced funding costs for the business driven by the ongoing repayment of legacy debt.
- **Non-interest income** of £111 million in Q3 2022 decreased by £93 million compared with £204 million in Q2 2022 and increased by £18 million compared with £93 million in Q3 2021. Fixed Income performance was down compared with the prior quarter, largely reflecting challenging market conditions, but was up compared with Q3 2021. Currencies and Capital Markets income levels were down from the prior quarter, largely reflecting lower levels of customer activity, but remained robust compared with the prior year. Capital Management Unit performance in the current quarter was largely driven by market movements on inflation positions.
- **Operating expenses** were £287 million in Q3 2022, compared with £249 million in Q2 2022 and £297 million in Q3 2021. Litigation and conduct costs were £13 million in Q3 2022, compared with £12 million in Q2 2022 and £27 million in Q3 2021. Other operating expenses of £274 million in Q3 2022 increased by £37 million compared with £237 million in Q2 2022, largely reflecting lower technology investment costs recognised in the prior quarter, and increased by £4 million compared with £270 million in Q3 2021.
- **NatWest Markets operating loss before tax** was £126 million in Q3 2022, compared with £13 million in Q2 2022 and £170 million in Q3 2021. Income excluding asset disposals and own credit adjustments of £136 million was down compared with £216 million in Q2 2022, largely reflecting challenging market conditions and lower levels of customer activity in the current quarter, and up compared with £105 million in Q3 2021, largely reflecting a relatively weaker performance in Fixed Income in the comparative period. Operating expenses of £263 million in Q3 2022 were higher than £234 million in Q2 2022, largely reflecting lower technology investment costs recognised in the prior quarter, and down from £268 million in Q3 2021.
- **Central items & other operating loss before tax** was £22 million, compared with £21 million in Q2 2022 and £32 million in Q3 2021. Other operating expenses of £17 million in the current quarter largely comprised one-off items.

## Financial review

### Balance sheet profile as at 30 September 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 9.

Assets			Liabilities		
	30 September 2022 £bn	31 December 2021 £bn	30 September 2022 £bn	31 December 2021 £bn	
Cash and balances at central banks	15.6	16.6			
Securities	14.9	25.0	14.2	25.0	Short positions
Reverse repos (1)	24.1	20.7	26.4	19.4	Repos (2)
Derivative cash collateral given (3)	17.7	12.0	21.7	17.6	Derivative cash collateral received (4)
Other trading assets	1.0	1.4	2.2	2.5	Other trading liabilities
Total trading assets	57.7	59.1	64.5	64.5	Total trading liabilities
Loans - amortised cost	12.1	8.4	8.1	4.1	Deposits - amortised cost
Settlement balances	7.4	2.1	6.9	2.1	Settlement balances
Amounts due from holding company and fellow subsidiaries	0.9	1.5	6.4	6.1	Amounts due to holding company and fellow subsidiaries
Other financial assets	11.8	8.8	19.7	19.3	Other financial liabilities
Other assets	0.9	0.9	0.7	1.0	Other liabilities
Funded assets	106.4	97.4	106.3	97.1	Liabilities excluding derivatives
Derivative assets	141.6	105.6	135.0	98.5	Derivative liabilities
Total assets	248.0	203.0	241.3	195.6	Total liabilities
					of which:
			22.9	21.1	wholesale funding (5)
			8.6	9.2	short-term wholesale funding (5)

(1) Comprises bank reverse repos of £7.3 billion (31 December 2021 – £3.9 billion) and customer reverse repos of £16.8 billion (31 December 2021 – £16.8 billion).

(2) Comprises bank repos of £1.8 billion (31 December 2021 – £0.8 billion) and customer repos of £24.6 billion (31 December 2021 – £18.6 billion).

(3) Comprises derivative cash collateral given relating to banks of £7.6 billion (31 December 2021 – £4.3 billion) and customers of £10.1 billion (31 December 2021 – £7.7 billion).

(4) Comprises derivative cash collateral received relating to banks of £8.9 billion (31 December 2021 – £8.1 billion) and customers of £12.8 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 £45.0 billion and £45.7 billion to £248.0 billion and £241.3 billion respectively at 30 September 2022, compared with £203.0 billion and £195.6 billion at 31 December 2021. The increases primarily reflect higher derivative fair values, largely driven by market volatility including the strengthening of USD and movements in interest rates across major currencies since year end 2021. Funded assets, which exclude derivatives, increased by £9.0 billion to £106.4 billion.
- **Trading assets** were down by £1.4 billion to £57.7 billion at 30 September 2022, with a decrease in securities largely driven by risk management activity in the current period offset by increases in derivative cash collateral posted and reverse repos. **Trading liabilities** were £64.5 billion, consistent with 31 December 2021, with a decrease in short positions largely driven by risk management activity in the current period offset by increases in repos and derivative cash collateral received.
- **Derivative assets and derivative liabilities** were up by £36.0 billion to £141.6 billion and £36.5 billion to £135.0 billion respectively at 30 September 2022, largely driven by market volatility including the strengthening of USD and movements in interest rates since year end 2021.
- **Settlement balance assets and liabilities** were up by £5.3 billion and £4.8 billion to £7.4 billion and £6.9 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 £2.6 billion to £10.1 billion, largely reflecting new lending.
- **Other financial liabilities** increased by £0.4 billion to £19.7 billion (31 December 2021 – £19.3 billion), as new issuance in the period was largely offset by maturities. The balance at 30 September 2022 includes £15.0 billion of medium-term notes issued.
- **Owners' equity** was down by £0.8 billion to £6.7 billion (31 December 2021 – £7.5 billion), driven by interim dividend payments to NatWest Group plc totalling £0.4 billion, 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 14.

## 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.

	30 September 2022	30 June 2022	31 December 2021
	%	%	%
<b>Capital adequacy ratios</b>			
CET1	14.9	16.4	17.9
Tier 1	17.7	19.2	21.0
Total	22.3	23.9	25.9
Total MREL	35.3	36.8	42.1
<b>Capital (1)</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
CET1	3,714	3,837	4,072
Tier 1	4,393	4,514	4,755
Total	5,538	5,597	5,870
Total MREL (2)	8,787	8,638	9,555
<b>Risk-weighted assets</b>			
Credit risk	7,736	7,603	6,878
Counterparty credit risk	7,538	7,028	6,854
Market risk	8,121	7,347	6,934
Operational risk	1,478	1,478	2,020
<b>Total RWAs</b>	<b>24,873</b>	<b>23,456</b>	<b>22,686</b>

(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 debt instruments issued to NatWest Group plc with a regulatory value of £3.2 billion (30 June 2022 - £3.0 billion, 31 December 2021 - £3.7 billion).

### Leverage

The leverage ratio for September and June 2022 has been calculated in accordance with the Leverage Ratio (CRR) part of the PRA rulebook. The comparatives for December 2021 reflect the previous CRR framework which was applicable prior to 1 January 2022.

	30 September 2022	30 June 2022	31 December 2021
<b>Leverage exposure (£m) (3)</b>	<b>99,515</b>	<b>102,238</b>	<b>110,603</b>
<b>Tier 1 capital (£m)</b>	<b>4,393</b>	<b>4,514</b>	<b>4,755</b>
<b>Leverage ratio (%) (4)</b>	<b>4.4</b>	<b>4.4</b>	<b>4.3</b>

(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 ratios for 30 September 2022 and 30 June 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

	30 September 2022	30 June 2022	31 December 2021
<b>Liquidity coverage ratio (LCR) (%)</b>	<b>199</b>	<b>206</b>	<b>205</b>
<b>Liquidity portfolio (£bn)</b>	<b>18.0</b>	<b>18.2</b>	<b>16.1</b>
<b>Total wholesale funding (£bn) (1)</b>	<b>22.9</b>	<b>23.2</b>	<b>21.1</b>
<b>Total funding including repo (£bn)</b>	<b>84.2</b>	<b>82.5</b>	<b>68.8</b>

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

## Condensed consolidated income statement for the period ended 30 September 2022 (unaudited)

	Nine months ended		Quarter ended		
	30 September 2022 £m	30 September 2021 £m	30 September 2022 £m	30 June 2022 £m	30 September 2021 £m
Interest receivable	475	258	232	142	79
Interest payable	(413)	(263)	(199)	(127)	(80)
<b>Net interest income</b>	<b>62</b>	<b>(5)</b>	<b>33</b>	<b>15</b>	<b>(1)</b>
Fees and commissions receivable	260	194	80	84	48
Fees and commissions payable	(126)	(81)	(49)	(36)	(19)
Income from trading activities	352	300	56	155	74
Other operating income	34	(20)	24	1	(10)
<b>Non-interest income</b>	<b>520</b>	<b>393</b>	<b>111</b>	<b>204</b>	<b>93</b>
<b>Total income</b>	<b>582</b>	<b>388</b>	<b>144</b>	<b>219</b>	<b>92</b>
Staff costs	(308)	(370)	(95)	(80)	(118)
Premises and equipment	(41)	(59)	(16)	(1)	(22)
Other administrative expenses	(465)	(333)	(174)	(161)	(152)
Depreciation and amortisation	(13)	(15)	(2)	(7)	(5)
<b>Operating expenses</b>	<b>(827)</b>	<b>(777)</b>	<b>(287)</b>	<b>(249)</b>	<b>(297)</b>
<b>Loss before impairment (losses)/releases</b>	<b>(245)</b>	<b>(389)</b>	<b>(143)</b>	<b>(30)</b>	<b>(205)</b>
Impairment (losses)/releases	(10)	19	(5)	(4)	3
<b>Operating loss before tax</b>	<b>(255)</b>	<b>(370)</b>	<b>(148)</b>	<b>(34)</b>	<b>(202)</b>
Tax credit/(charge)	36	87	15	(12)	38
<b>Loss for the period</b>	<b>(219)</b>	<b>(283)</b>	<b>(133)</b>	<b>(46)</b>	<b>(164)</b>
<b>Attributable to:</b>					
Ordinary shareholders	(271)	(369)	(151)	(64)	(180)
Paid-in equity holders	52	47	19	17	16
Non-controlling interests	-	39	(1)	1	-
	<b>(219)</b>	<b>(283)</b>	<b>(133)</b>	<b>(46)</b>	<b>(164)</b>



Condensed consolidated statement of comprehensive income for the period ended  
30 September 2022 (unaudited)

	Nine months ended		Quarter ended		
	30 September 2022 £m	30 September 2021 £m	30 September 2022 £m	30 June 2022 £m	30 September 2021 £m
<b>Loss for the period</b>	<b>(219)</b>	<b>(283)</b>	<b>(133)</b>	<b>(46)</b>	<b>(164)</b>
<b>Items that do not qualify for reclassification</b>					
Remeasurement of retirement benefit schemes	(1)	-	-	-	1
Changes in fair value of credit in financial liabilities designated at fair value through profit or loss (FVTPL) due to own credit risk	102	(29)	11	52	(4)
Fair value through other comprehensive income (FVOCI) financial assets	(3)	(2)	(4)	(2)	(1)
Tax	(10)	5	(1)	(4)	1
	88	(26)	6	46	(3)
<b>Items that do qualify for reclassification</b>					
FVOCI financial assets	(35)	(3)	(18)	(2)	5
Cash flow hedges	(575)	(157)	(321)	(101)	(54)
Currency translation	336	(93)	166	134	19
Tax	174	21	96	29	14
	(100)	(232)	(77)	60	(16)
<b>Other comprehensive (loss)/income after tax</b>	<b>(12)</b>	<b>(258)</b>	<b>(71)</b>	<b>106</b>	<b>(19)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(231)</b>	<b>(541)</b>	<b>(204)</b>	<b>60</b>	<b>(183)</b>
<b>Attributable to:</b>					
Ordinary shareholders	(283)	(631)	(223)	43	(199)
Paid-in equity holders	52	47	19	17	16
Non-controlling interests	-	43	-	-	-
	(231)	(541)	(204)	60	(183)



## Condensed consolidated balance sheet as at 30 September 2022 (unaudited)

	30 September 2022 £m	31 December 2021 £m
<b>Assets</b>		
Cash and balances at central banks	15,581	16,645
Trading assets	57,725	59,101
Derivatives	141,636	105,550
Settlement balances	7,429	2,139
Loans to banks - amortised cost	2,004	962
Loans to customers - amortised cost	10,082	7,471
Amounts due from holding company and fellow subsidiaries	863	1,479
Other financial assets	11,818	8,786
Other assets	887	878
<b>Total assets</b>	<b>248,025</b>	<b>203,011</b>
<b>Liabilities</b>		
Bank deposits	3,904	1,808
Customer deposits	4,146	2,268
Amounts due to holding company and fellow subsidiaries	6,422	6,126
Settlement balances	6,930	2,068
Trading liabilities	64,481	64,482
Derivatives	134,950	98,497
Other financial liabilities	19,686	19,255
Other liabilities	793	1,055
<b>Total liabilities</b>	<b>241,312</b>	<b>195,559</b>
<b>Equity</b>		
Owners' equity	6,716	7,455
Non-controlling interests	(3)	(3)
<b>Total equity</b>	<b>6,713</b>	<b>7,452</b>
<b>Total liabilities and equity</b>	<b>248,025</b>	<b>203,011</b>

Condensed consolidated statement of changes in equity for the period ended 30 September 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			(219)		(219)	-	(219)
Other comprehensive income							
- Realised gain in period on FVOCI equity shares			6	(6)	-		-
- Changes in fair value of credit in financial liabilities designated at FVTPL due to own credit risk			102		102		102
- Unrealised losses: FVOCI				(45)	(45)	-	(45)
- Remeasurement of retirement benefit schemes			(1)		(1)		(1)
- Amounts recognised in equity: cash flow hedges				(544)	(544)		(544)
- Foreign exchange reserve movement				336	336	-	336
- Amounts transferred from equity to earnings				(24)	(24)		(24)
- Tax			(12)	176	164		164
Ordinary share dividends paid			(430)		(430)	-	(430)
Paid-in equity dividends paid			(52)		(52)		(52)
Share-based payments			(26)		(26)		(26)
At 30 September 2022	2,346	904	3,506	(40)	6,716	(3)	6,713

	30 September 2022 £m
<b>Attributable to:</b>	
Ordinary shareholders	5,812
Paid-in equity holders	904
Non-controlling interests	(3)
	6,713
<b>*Other reserves consist of:</b>	
FVOCI reserve	-
Cash flow hedging reserve	(363)
Foreign exchange reserve	323
	(40)

## 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. The directors have prepared these on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date they are approved.

### 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**

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. Changes in judgements and assumptions could result in a material adjustment to those estimates in future reporting periods. (Refer to the Summary Risk Factors included in NatWest Markets Plc's Interim Results 2022 and the Risk Factors included in the 2021 Annual Report and Accounts).

On 17 October 2022, the Chancellor of the Exchequer confirmed that in line with the previously enacted legislation, the UK corporation tax rate will increase to 25% from 1 April 2023. HM Treasury are expected to confirm the future bank corporation tax surcharge rate at the Autumn Statement scheduled for 17 November 2022. Based on the current enacted legislation, the Bank Corporation Tax Surcharge rate will reduce from 8% to 3% from 1 April 2023. In line with the requirements of IAS 12, enacted tax rates have been used to determine the deferred tax balances.

## Notes

### 3. Trading assets and liabilities

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

	30 September 2022 £m	31 December 2021 £m
<b>Assets</b>		
Loans		
- Reverse repos	24,118	20,742
- Collateral given	17,672	11,990
- Other loans	1,049	1,414
<b>Total loans</b>	<b>42,839</b>	<b>34,146</b>
Securities		
Central and local government		
- UK	3,400	6,919
- US	3,766	3,329
- Other	4,332	10,929
Financial institutions and Corporate	3,388	3,778
<b>Total securities</b>	<b>14,886</b>	<b>24,955</b>
<b>Total</b>	<b>57,725</b>	<b>59,101</b>
<b>Liabilities</b>		
Deposits		
- Repos	26,412	19,389
- Collateral received	21,697	17,619
- Other deposits	1,320	1,536
<b>Total deposits</b>	<b>49,429</b>	<b>38,544</b>
Debt securities in issue	821	974
Short positions	14,231	24,964
<b>Total</b>	<b>64,481</b>	<b>64,482</b>

### 4. Other financial liabilities

	30 September 2022 £m	31 December 2021 £m
Customer deposits - designated as at FVTPL	1,103	568
Debt securities in issue		
- designated as at FVTPL	1,250	1,103
- amortised cost	16,880	16,621
Subordinated liabilities		
- designated as at FVTPL	323	703
- amortised cost	130	260
<b>Total</b>	<b>19,686</b>	<b>19,255</b>

### 5. Amounts due to holding company and fellow subsidiaries

	30 September 2022 £m	31 December 2021 £m
<b>Liabilities</b>		
Bank deposits - amortised cost	77	120
Customer deposits - amortised cost	159	155
Settlement balances	55	-
Trading liabilities	1,167	348
Other financial liabilities - subordinated liabilities	1,555	1,464
MREL instruments issued to NatWest Group plc	3,221	3,858
Other liabilities	188	181
<b>Total</b>	<b>6,422</b>	<b>6,126</b>

## Notes

### 6. Litigation and regulatory matters

NatWest Markets Plc's Interim Results 2022, issued on 29 July 2022, included disclosures about NWM Group's litigation and regulatory matters in Note 12. Set out below are the material developments in those matters (all of which have been previously disclosed) since publication of the Interim Results 2022.

#### Litigation

##### London Interbank Offered Rate (LIBOR) and other rates litigation

In September 2020, the United States District Court for the Southern District of New York (SDNY) dismissed, on various grounds, all claims against NWM Plc and other NatWest Group companies in the class action alleging that manipulation of JPY LIBOR and Euroyen TIBOR impacted the price of Euroyen TIBOR futures contracts. In October 2022, that decision was affirmed by the United States Court of Appeals for the Second Circuit.

A complaint was filed in August 2020 in the United States District Court for the Northern District of California by several United States consumer borrowers against the USD ICE LIBOR panel banks and their affiliates (including NatWest Group plc, NWM Plc, NatWest Markets Securities Inc. and NWB Plc), alleging (i) that the normal process of setting USD ICE LIBOR amounts to illegal price-fixing; and (ii) that banks in the United States have illegally agreed to use LIBOR as a component of price in variable consumer loans. In September 2022, the district court dismissed the complaint, subject to re-pleading by the plaintiffs. Plaintiffs filed an amended complaint in October 2022, which defendants will again seek to have dismissed.

##### FX litigation

An FX-related class action, on behalf of 'consumers and end-user businesses', is proceeding in the SDNY against NWM Plc and others. In March 2022, the SDNY denied the plaintiffs' motion for class certification. Plaintiffs sought an immediate appeal of the decision but the appellate court declined to review the decision. As a result, the case is proceeding on an individual, non-class basis.

In July and December 2019, two separate 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. Both applications were brought on behalf of persons who, between 18 December 2007 and 31 January 2013, entered into a relevant FX spot or outright forward transaction in the EEA with a relevant financial institution or on an electronic communications network. In March 2022, the CAT declined to certify as collective proceedings either of the applications. In October 2022, the CAT granted permission for the applicants to appeal that decision to the Court of Appeal.

### 7. Post balance sheet events

Other than as disclosed, there have been no other significant events between 30 September 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 IFRS as issued by the IASB which constitutes a body of 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 operating expenses shows litigation and conduct costs on a separate line on page 3 and 4. These amounts are included within staff costs and other administrative expenses in the statutory analysis. Other operating expenses excludes litigation and conduct costs which are more volatile and may distort comparisons with prior periods.
- 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 – management view

	Nine months ended 30 September 2022			Nine months ended 30 September 2021		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses						
Staff costs	3	305	308	-	370	370
Premises and equipment	-	41	41	-	59	59
Other administrative expenses	30	435	465	(41)	374	333
Depreciation and amortisation	-	13	13	-	15	15
<b>Total</b>	<b>33</b>	<b>794</b>	<b>827</b>	<b>(41)</b>	<b>818</b>	<b>777</b>

	Quarter ended 30 September 2022		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Staff costs	-	95	95
Premises and equipment	-	16	16
Other administrative expenses	13	161	174
Depreciation and amortisation	-	2	2
<b>Total</b>	<b>13</b>	<b>274</b>	<b>287</b>

	Quarter ended 30 June 2022		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Staff costs	2	78	80
Premises and equipment	-	1	1
Other administrative expenses	10	151	161
Depreciation and amortisation	-	7	7
<b>Total</b>	<b>12</b>	<b>237</b>	<b>249</b>

	Quarter ended 30 September 2021		
	Litigation and conduct costs £m	Other operating expenses £m	Statutory operating expenses £m
Operating expenses			
Staff costs	-	118	118
Premises and equipment	-	22	22
Other administrative expenses	27	125	152
Depreciation and amortisation	-	5	5
<b>Total</b>	<b>27</b>	<b>270</b>	<b>297</b>



## 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 have been 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.

### Contact

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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: its economic and political risks (including due to high inflation, supply chain disruption and the Russian invasion of Ukraine), 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), NWM Group's strategic and structural change 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 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 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, 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 the six months ended 30 June 2022 (H1 Report), NWM Plc's Registration Document 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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