**NatWest Markets Plc – India branch**
**(Incorporated in Scotland with Limited Liability)**

**BASEL III – PILLAR III DISCLOSURES AS AT 30 June 2023**

NatWest Markets Plc – India Branch ("the Bank") is subject to the Basel III framework with effect from 27 February 2017 as stipulated by the Reserve Bank of India (RBI). The Basel III framework consists of three-mutually reinforcing pillars:

(I) Pillar 1: Minimum capital requirements for credit risk, Market risk and operational risk

(II) Pillar 2: Supervisory review of capital adequacy

(III) Pillar 3: Market discipline

Market discipline (Pillar 3) comprises disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in the following sections.

The Basel III capital regulations were effective 1 April, 2013 as per RBI guidelines in India.

**1. Scope of Application**

The Pillar 3 disclosures, being published in accordance with the requirements of RBI for a branch of foreign bank, do not require the disclosures pertaining to the consolidation of entities.

NatWest Markets Plc Group Pillar 3 disclosures are published in accordance with the requirements of the Capital Requirements Directive on the Group Investor relations website www.investors.nwm.com and should be read together with the Group Annual Report and Accounts.

To align with the global strategy of its parent, during the financial year 2019-20, the India branch re-named itself from The Royal Bank of Scotland plc to NatWest Markets Plc. This was duly approved by Reserve Bank of India vide its letter DBR.IBD.No. 10746/23.03.031/2018-19 dated June 24, 2019.

The Bank has filed an application with RBI to close its business and operations with effect from close of business on 31 December 2019 vide letter dated 11 September 2019.

Further the Bank has filed an application with RBI to surrender its Banking licence issued under section 22 of the Banking Regulation Act ,1949 vide letter dated 14 May 2020.

**2. Capital Structure**

Summary information on main terms and conditions/features of capital instruments

The Bank's regulatory capital is classified for disclosure according to the RBI capital adequacy requirements. Common Equity Tier-I capital includes Interest free funds received from Head Office.

Tier-II Capital includes country risk provision & Investment reserve account.

**3. Capital Adequacy**

**a. Capital Management**

The Bank actively manages its capital position to ensure compliance with regulatory norms.

**Organisational set-up**

The capital management framework of the Bank is administered by the India Asset Liability Committee (ALCO) and the India Governance and Control Committee (GCC) under the supervision of the Management Team Committee (MTCo).

**Regulatory capital**

The Bank is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel III. The RBI guidelines on Basel III require the Bank to maintain a minimum ratio of total capital to risk weighted assets of 12.5% (including the CCB & GSIB charge), with a minimum Tier-I capital adequacy ratio of 7% and Common equity capital adequacy ratio of 5.5%. The total capital adequacy ratio of the Bank at 30 June 2023 as per the RBI guidelines on Basel III is 392.04% with a Tier-I capital adequacy ratio of 391.66% and Common equity capital adequacy ratio including capital conservation buffer and GSIB (capital charge for globally systemic important banks) 391.66%. Banks are required to maintain a capital conservation buffer of 2.50% for the year 2023 comprised of Common Equity Tier I capital above the regulatory minimum capital requirement of 9%. Under Pillar 1 of the RBI guidelines on Basel III, the Bank follows the Standardised Approach for Credit Risk, Standardised Duration method for Market Risk and Basic Indicator Approach for Operational Risk.

**Internal assessment of capital**

Effective management of the Bank's capital is achieved by supervision of actual capital ratios. The Bank's capital management framework also includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually. The ICAAP encompasses capital planning for one year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The Bank's capital management framework is complemented by its risk management framework (detailed in the following sections), which includes a comprehensive assessment of material risks.

Stress testing which is a key aspect of the ICAAP and the risk management framework provides an insight on the impact of extreme but plausible scenarios on The Bank's risk profile and capital position. Based on the approved stress testing framework, The Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and the adequacy of capital buffers for current and future periods. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme Market moves that could arise as a result of Market conditions.

**Monitoring and reporting**

The Management maintains an active oversight over the Bank's capital adequacy levels. On a quarterly basis the capital adequacy position and the risk weighted assets as stipulated by RBI, are reported to the ALCO and MTCo.

**b. Capital requirements for various risk areas**

As required by RBI guidelines on Basel III, the Bank's capital requirements as at 30 June 2023 have been computed using the Standardised Approach for credit risk, Standardised Duration method for Market risk and Basic Indicator Approach for operational risk. The minimum total capital required to be held is 12.5% for credit, Market and operational risks. The actual position of various components of capital is given below:

**DF-3: Capital Adequacy** **(Rs. In crore)**

| | Particulars | 30 June 2023 |
|---|---|---|
| **A** | **Capital requirements for Credit Risk** | 17 |
| | Portfolios subject to standardised approach | 17 |
| | Securitisation exposures | |
| **B** | **Capital requirements for Market Risk** | 27 |
| | Standardised duration approach | |
| | Interest rate risk | – |
| | Foreign exchange risk | 27 |
| | Equity risk | – |
| **C** | **Capital requirements for Operational risk** | |
| | Basic indicator approach | 19 |
| **D** | **Capital Adequacy Ratio of the Bank (%)** | 392.04% |
| **E** | CET 1 capital ratio plus capital conservation buffer (%) | 391.66% |
| **F** | Tier II capital ratio (%) | 0.38% |

**Risk Management Framework:**

As a financial intermediary, a Bank is exposed to various types of risks including credit, Market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at the Bank is to identify measure, control and monitor as well as manage and report risks in a clear manner and that the policies and procedures established to address these risks are strictly adhered to.

The important aspects of the Bank's risk management are a robust risk approval mechanism, well defined processes and guidelines and an independent internal control mechanism. The risk approval mechanism covers all the key areas of risk such as credit, Market and operational risk and is involved in quantification of these risks wherever possible for effective and continuous monitoring.

**Measurement of risks for capital adequacy purposes**

Under Pillar 1 of the extant RBI guidelines on Basel III, the Bank currently follows the Standardised approach for Credit Risk and Standardised Duration approach for Market Risk and Basic Indicator approach for Operational Risk.

**Objectives and Policies**

The Bank's risk management processes are guided by well defined global as well as local policies appropriate for various risk categories. There is an independent risk team that oversees this function

The risk appetite for the Bank in India is determined by the global risk committees based on inputs from the country management.

In addition to the risk management and compliance departments of the Bank, in India, the India Asset and Liability Committee (ALCO) and Governance and Control Committee (GCC) are involved in managing these risks within the Bank's guidelines and regulatory requirements.

The Group has global policies for Stress Testing to measure impact of adverse stress scenarios on the adequacy of capital .

**Structure and Organisation**

The Bank, has well established processes for management of all material risks faced by and has a robust risk governance framework comprising of risk committees at the global & India level.

The key components within the Bank's risk management framework include:

- Identification of all material risks that are relevant to the Bank covering all the current activities of the Bank
- Definition of relevant policies defined by the Head Office customised as required to suit local RBI regulations
- Measurement of its key material risks and performs stress testing to assess its position and response strategy in a stress scenario
- Having a robust control environment to monitor whether the various policies and limits are being adequately implemented
- Monitoring & reporting to the senior management on various material risks

The Bank's risk management framework is embedded in the business through the three lines of defence model supported by an appropriate level of investment in information technology and its people. The three lines of defence include the Business, Risk management department and Group Internal Audit. The Three Lines of Defence Policy Standard defines responsibilities and accountabilities of each unit. The three lines of defence are completely independent of each other. Business is independent of Risk which is independent from Group Internal Audit. The country Governance and Control Committee (GCC) and the ALCO are an important aspect of the risk management framework for the Bank.

The Cross Divisional GCC is the apex In-Country Risk Governance body established by the Country Executive to manage and oversee the country's aggregate risk exposure and to facilitate consolidated risk management for the NWM group franchise in India. The GCC meets monthly and the senior management of the Bank including heads of all the businesses, operations, support functions and risk functions, participate in the meeting. Cross divisional risk issues are tabled and taken to a resolution under the ambit of the country GCC.

Country ALCO is responsible for managing balance sheet risks within its scope and ensuring all related local regulatory requirements are met on a continual basis. The ALCO is a forum for discussion and making decisions on key strategic, financial, risk, control, operational and governance matters relating to the country's balance sheet, capital, liquidity and funding, non-traded interest rate risk and intra-group limits, subject to policies, limits and targets prescribed by NWM NatWest Markets ALCO.

The Bank has constituted the following senior management level committees from the perspective of risk governance at the India and Group level:

## India Level

| | |
|---|---|
| Executive Committee (MTco) | The India Management Committee (MTCo) is the highest level, in-country decision-making forum that serves as the board Board for the Bank; to oversee and control execution of strategy of NWM in India. The MTCO MTCo meets monthly and is responsible for all policy matters and periodic review of the same.<br>It is chaired by the Country Executive (CEO) and its members include Head - Client Office, Head - Sales & Trading, Head - Retail Banking, Chief Administrative Officer (CAO), Chief Governance Officer (CGO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Head - Operations & Off Boarding, Head of Technology/ CIO, Head - Conduct & Regulatory Affairs (C&RA), Head - HR and Head - Legal. |
| Country GCC | The India Cross Divisional GCC is the apex in-country Governance & Controls body established by the Country Executive Committee (MTCo) to manage and oversee the country's aggregate risk exposure and to facilitate consolidated risk management for NWM locally. It is chaired by Country Executive with India Chief Risk Officer acting as the convener. Members of the GCC comprises of Divisional/Business Heads of Client Office, Trading, Retail, and support function (including risk). |
| Asset Liability Committee (ALCo) | India Asset Liability Committee (ALCo) is responsible for ensuring that all Balance Sheet related regulatory requirements outlined in ALCo Terms of reference as within its scope, are met on a continual basis. The ALCo is a forum for discussion and making decisions on key strategic, financial, risk, control, operational and governance matters relating to the country's balance sheet, capital, liquidity and funding, non-traded interest rate risk and intra-group limits, subject to policies, limits and targets prescribed by the NWM/NWM Group ALCo.<br>The members of the ALCO include the Country Executive (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Administrative Officer (CAO), Head - Client Office, Head - Sales & Trading, Head of Retail, and Country Treasury Manager.<br>Regional Treasurer has a permanent/standing invitation to attend the Country ALCo. A representative of Internal Audit has a right of attendance at the Country ALCo meetings. |
| Audit Committee (IAC) | The India Bank Audit Committee (IAC) is established to manage and oversee the audit approach for the India Bank (NWM plc India branches). The standing agenda items for the quarterly IAC meetings include IA providing status on the audit reports issued, audits in progress and audits in plan with an up to date status on remediation status of the issues raised and summary of concurrent audit reports issued by Concurrent Auditors. The IAC is chaired by the Country Executive (CEO) and meets quarterly. The members include Head-Sales and Trading, Head - Retail Banking, Chief Financial Officer (CFO), Chief Risk Officer (CRO), Head – Compliance, Head – Human Resources, Country Head of Operations, Head – Technology, Head-Legal and Chief Administrative Officer (CAO), Head - Client Office, Head of Audit. The Chief of Internal Vigilance (CIV) is invited to present the Frauds Identification, Classification & Reporting for the quarter. |
| Customer Service Committee (CSC) | The Customer Service Committee (CSC) reviews and comments on activities to bring about ongoing improvements in the quality of customer service provided by the Bank. This committee presently meets half-yearly and examines any issue having a bearing on the quality of customer service rendered. The agenda of the meeting includes update on agreed actionable of the last meeting, update on branch level customer service committee meeting, Complaint trends and Analysis, analysis of key categories of all client complaints to the committee members, update on implementation of all regulatory circulars related to customer service, update on service initiatives, if any.<br>It is chaired by the Country Executive (CEO) and its members include Head - Customer Service, Principal Nodal Officer, representatives from all other Business Units, as well as representation from Compliance. |
| Corporate Social Responsibility Committee (CSR) | CSR Committee is setup to review, assess and formulate the Corporate Social responsibility needs and mandates of the India Bank, in alignment with CSR Bill and NWM Group 'Supporting Our Community' strategy. This committee meets quarterly and is responsible for providing recommendations to the Bank MTCo, with respect to the CSR activities and expenditures.<br>The Committee is presently chaired by the Bank CAO and consists of at least 2 |

| | |
|---|---|
| | employees of NWM plc., of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act (resident in India authorized to accept on behalf of the NWM plc service of process and any notices or other documents required to be served on the company) and any another member, as nominated by the Bank. |
| Outsourcing Committee (OSC) | Outsourcing Committee (OSC) is the In-Country level forum to discuss and oversee any financial outsourcing by the Bank. This forum also serves as the Local Advisory on outsourcing. The OSC meets quarterly and prescribes the controls and processes required to meet NWM Group Policy Standard and RBI guidelines along with periodic review of the same. It is chaired by the Head – Retail Bank of the Bank and its members include the Chief Risk Officer (CRO), Head of Operations-India, Head of Ops Risk & Control, Head of Compliance, Chief Governance Officer (CGO), with permanent/standing invitations to representatives from HR, Finance, Technology & PMO. |
| India Information Security Steering Committee (ISSC) | The India ISSC is the apex in-country Governance & Controls body established by the Country Executive Committee (MTCo), to devise strategies and policies for protection of all assets of NWM plc –India branch (Including information, applications, infrastructure and people).<br>The ISSC convenes quarterly and is chaired by the Country Executive (CEO), with its members including, Head - Client Office, Head - Sales & Trading, Head - Retail Banking, Chief Information Security Officer (CISO), Chief Administrative Officer (CAO), Chief Governance Officer (CGO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Head - Operations & Off Boarding, Head of Technology/ CIO, Head - Conduct & Regulatory Affairs (C&RA), Head - HR and Head - Legal. |
| IT Steering Committee (ITSC) | The IT Steering Committee (ITSC) – India Bank is the governance forum operating at an executive level and focusing on priority setting, resource allocation and project tracking for all Technology related services for India Bank, viz. IT Project Management, Application Support, Application Development, Telecom and Networks, Data Centre Operations, Application Server Hosting & Infrastructure Services, End User Computing, Disaster Recovery and Business Continuity Planning, etc<br>The ITSC convenes quarterly and is chaired by the Head of Technology/ CIO, with its members including, Country Executive (CEO), Head - Client Office, Head - Sales & Trading, Head - Retail Banking, Chief Information Security Officer (CISO), Chief Administrative Officer (CAO), Chief Governance Officer (CGO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Head - Operations & Off Boarding, Head - Conduct & Regulatory Affairs (C&RA), Head - HR, Head – Legal, Head - Internal Audit, PMO and Head - IT (APAC). |
| Business Continuity Committee | The India Business Continuity Committee is setup to meet quarterly and its primary objective is to Steer Bank Business Continuity program. This committee review and drive Business Continuity plan maintenance and testing, promote awareness, review recovery strategies for critical business processes on a periodic basis in line with RBI Guidelines and Bank policy requirements. It is chaired by the Head – Business Resilience and its members include the Country Executive, CAO/COO, CIO, Chief Risk Officer, Head Operations, Head Markets, Head Human Resources, Head Legal and Head Compliance. |

### Group Level

| Committee | Responsibilities |
|---|---|
| Group Board | The Group Board is the Board of Directors of NatWest Markets group plc. It meets periodically with ad hoc meetings convened when necessary. The Group Board is collectively responsible for the long-term success of the Group and the delivery of sustainable value to shareholders. Its role is to provide leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. It sets the strategic aims of the Group, ensures that the necessary resources are in place for the Group to meet its obligations, is responsible for the allocation and raising of capital and reviews business and financial performance. The Group Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met. The Group Board reviews and approves the risk appetite framework and risk appetite targets for the Group's strategic risk objectives. It reviews, and as an appropriate, approves the results of, and actions arising from, Prudential Regulatory Authority and other enterprise-wide regulatory stress tests or other regulatory tests or investigations. The Group Board also considers longer-term strategic threats to the Group's business operations. |
| Group Audit Committee | The GAC's primary responsibilities, as set out in its terms of reference, are to assist the Group and Bank Boards in discharging their responsibilities in respect of: financial reporting, accounting policy of internal controls; processes for Internal and External Audit and oversight of the Group's relationship with its regulators. GAC meets at least six times a year, and as required, and operates under delegated authority from the Group and Bank Boards. |
| Board Risk Committee | The BRC is responsible for providing oversight and advice to the Group and Bank Boards in relation to current and potential future risk exposures of the Group and future risk strategy, including risk appetite and tolerance. BRC will review the performance of the Group relative to risk appetite, provide oversight of the effectiveness of key Group-wide policies and provide risk input to remuneration decisions. BRC has responsibility for promoting a risk awareness within the Group. The Committee meets at least eight times per annum and on an ad hoc basis as required. BRC operates under delegated authority from the Group and Bank Boards and the Committee will report and make recommendations to the Group and Bank Boards as required. |
| Group Performance and Remuneration Committee | The RemCo has oversight of the Group's policy on remuneration. It reviews performance and makes recommendations to the Group Board on remuneration of executive directors. RemCo is also responsible for approving remuneration and severance arrangements for the Group's Executive Committee and High Earners, oversees arrangements for employees identified as material risk takers falling within the scope of the UK remuneration regulations. RemCo consults and receives advice from management and other Board Committees as appropriate in the implementation of the Remuneration Policy. RemCo meets at least six times a year, and as required, and operates under delegated authority from the Group and Bank Boards. |
| Group Nominations and Governance Committee | The N&GC assists the Group and Bank Boards in the selection and appointment of directors to the Group and Bank Boards and the consideration and approval of appointments to the boards of directors of the Group's principal and material regulated subsidiaries. It reviews the structure, size and composition of the Group and Bank Boards, and membership and chairmanship of Board committees and oversees the induction, training and continuous professional development of directors. N&GC also has responsibility for monitoring the Group's governance arrangements in order to ensure best corporate governance standards and practices are upheld. In addition, N&GC will consider developments relating to banking reform and analogous issues affecting the Group in the Markets where it operates, and will make recommendations to the Group Board on any consequential changes to the Group's governance model. N&GC meets at least four times a year, and as required, and operates under delegated authority from the Group and Bank Boards. |
| Sustainable Banking Committee | The SBC supports the Board in overseeing, supporting and challenging actions being taken by management to run the bank as a sustainable business, capable of generating long term value for its stakeholders. The Committee will have specific focus on culture, people, customer, brand, communications and ESE (environmental, social and ethical) issues. SBC meets at least six times a year in addition to regular stakeholder engagement sessions, and operates under delegated authority from the Group and Bank Boards |
| Executive Committee | The ExCo is responsible for managing strategic, financial, capital, risk and operational issues affecting the Group. It reviews and debates relevant items before they are submitted to the Group Board and relevant board committees. ExCo has authority to consider and approve the opening of overseas branches and any related requirements. ExCo also has authority to assess and approve acquisitions and disposals in accordance with the delegated authority and expenditure limits set out. Material customer issues and executive succession planning are also considered by ExCo. ExCo meets atleast eleven times a year and as required. The ExCo operates under delegated authority from the Group Board and, as appropriate, the Bank Boards. |

In addition to the above, there is Technology and Innovation Committee at the Group level.

## 4. Credit Risk

The Bank is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank principally the failure to make required payments as per the terms and conditions of the contracts.

### Credit Risk Management Policy

Credit risk considers the ability of a borrower or counter-party to honor commitments under an agreement as any such failure has an adverse impact on the Bank financial performance. The Bank's credit risk management process is independent of the business so as to protect integrity of the risk assessment process and decision making. The global as well as local policies guide the credit risk team to make informed decisions.

Credit rating tools are an integral part of risk-assessment

The credit rating tools use a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the rating of counterparty. Each internal rating grade corresponds to a distinct probability of default. Model validation is carried out periodically at a global level by objectively assessing the accuracy and stability of ratings.

All credit exposures, once approved, are monitored and reviewed periodically against the approved limits.

The exposures to individual clients or counterparty group are based on the internal rating of the borrower as well as group-wide borrowing limits and capped by the regulatory ceiling.

In line with the exit strategy of the bank, there are no funded exposures outstanding as of 30 June 2023. The existing credit portfolio is being wound down with very limited residual non funded exposures as on 30 June 2023, which has been provided for.

### Definition and classification of non-performing assets (NPAs)

RBI guidelines are adhered to while classifying advances into performing and non-performing advances (NPAs) as per RBI guidelines. NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

Additionally, RBI guidelines on Resolution of Stressed Assets – Revised Framework is also adhered to for classification, reporting and implementation of resolution for stressed assets.

### Restructured assets

The Bank ensures that prudential guidelines in respect of income recognition, asset classification & provisioning (including restructuring of advances) as specified by the RBI from time to time are adhered to at all times.

## DF – 4: Credit Risk Exposures

### Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

**(Rs. In crore)**

| | 30 June 2023 | | |
|---|---|---|---|
| | Domestic | Overseas | Total |
| Fund Based | 1,984 | – | 1,984 |
| Non Fund Based | – | – | – |
| **Total** | **1,984** | **–** | **1,984** |

### Industry distribution of exposures

**( Rs. In crore)**

| | 30 June 2023 | |
|---|---|---|
| Industry Classification | Funded | Non funded |
| All Engineering | – | – |
| Basic Metal and Metal Products | – | – |
| Chemicals and Chemical Products (Dyes, Paints, etc.) | – | – |
| Food Processing | – | – |
| Gems and Jewellery | – | – |
| Glass & Glassware | – | – |
| Infrastructure | – | – |
| Other Industries | – | – |
| Paper and Paper Products | – | – |
| Residuary Other Advances | – | – |
| Rubber, Plastic and their Products | – | – |
| Other residuary advances | 1,984 | – |
| **Total** | **1,984** | – |

**NatWest Markets Plc – India branch**
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**Movement of NPAs and Provision for NPAs** **(Rs. In crore)**

| | Particulars | 30 June 2023 |
|---|---|---|
| **A** | **Amount of NPAs (Gross)** | – |
| | Substandard | – |
| | Doubtful | – |
| | Loss | – |
| **B** | **Net NPAs** | – |
| **C** | **NPA Ratios** | |
| | Gross NPAs to gross advances (%) | – |
| | Net NPAs to net advances (%) | – |
| **D** | **Movement of NPAs (Gross)** | |
| | Opening balance | – |
| | Additions during the year/on amalgamation | – |
| | Reductions during the year/on amalgamation | – |
| | Closing balance | – |
| **E** | **Movement of Provision for NPAs** | – |
| | Opening balance | – |
| | Provision made during the year/on amalgamation | – |
| | (Write – Offs)/Write – Back of excess provision | – |
| | Closing balance | – |

Non Performing Investments (NPIs) and Provision for depreciation on NPIs – NIL

**NatWest Markets Plc – India branch**
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**Movement of Specific and General Provisions as on 30 June 2023** **(Rs. In crore)**

| Movement of Provisions | Specific Provision | General provision |
|---|---|---|
| (a) Opening Balance | – | – |
| (b) Provisions made during the year | – | – |
| (c) Write-off/write-back of excess provisions | – | – |
| (d) Adjustments/Transfers between provisions* | – | – |
| (e) Closing balance | – | – |

**Details of write off's and recoveries that have been booked directly to the income statement as on 30 June 2023** **(Rs. In crore)**

| Particulars | 30 June 2023 |
|---|---|
| Write offs that have been booked directly to the income statement | – |
| Recoveries that have been booked directly to the income statement | – |

**Major Industries break up of Provision as on 30 June2023** **(Rs. In crore)**

| Industry | Specific Provision | General provision |
|---|---|---|
| Paper and paper products | – | – |
| Other Industries | – | – |
| **Total** | **–** | **–** |

**Major Industries break up of NPA as on 30 June 2023** **(Rs. In crore)**

| Industry | Gross NPA |
|---|---|
| Paper and paper products | – |
| **Total** | **–** |

**Major Industries breakup of specific provision and write-off's for the financial year 30 June 2023** **(Rs. In crore)**

| Industry | Provision | Write-offs |
|---|---|---|
| Paper and paper products | – | – |

**Geography wise distribution of NPA and Provision as on 30 June 2023** **(Rs. In crore)**

| Geography | Gross NPA | Specific Provision | General Provision |
|---|---|---|---|
| Domestic | – | – | – |
| Overseas | – | – | – |
| **Total** | **–** | **–** | **–** |

### 5. Credit Risk: Use of rating Agency under the Standardised approach

The Bank has not applied external ratings to its funded or non-funded instruments or bank facilities' and has treated them as unrated exposure.

The Bank has filed an application with RBI to close its business and operations with effect from close of business on 31 December 2019.

**DF – 5: Details of Gross credit risk exposure (Fund based and Non-fund based) based on Risk Weight**

**(Rs. In crore)**

| Particulars | 30 June 2023 |
|---|---|
| Below 100% risk weight | 325 |
| 100% risk weight | 127 |
| More than 100% risk weight | – |
| Deductions | |
| Investments in subsidiaries | – |

### 6. Credit Risk Mitigation

The Bank uses various collaterals both financial and guarantees as credit risk mitigants. The main financial collaterals include bank deposits. The guarantees include those given by Corporate & Bank.The Bank reduces its credit exposure to counterparty with the value of eligible financial collateral to take account of the risk mitigating effect of the collateral. To account for the volatility in the value of collateral, haircut is applied based on the type, issuer, maturity, rating and re-margining/revaluation frequency of the collateral.

In line with the exit strategy of the bank, there are no funded exposures outstanding as of 30 June 2023. The existing credit portfolio is being wound down with very limited residual non funded exposures as on 30 June 2023, which has been provided for.

**DF – 6: Detail of total credit exposure position as on 30 June 2023**

**(Rs. In crore)**

| Particulars | 30 June 2023 |
|---|---|
| Covered by | |
| Financial collaterals | – |
| Guarantees | – |

### 7. Securitisation

**DF – 7: Securitisation**

There were no securitisation transactions entered during the year (Previous year – Nil).

## 8. Market Risk in Trading Book

Following the business restructuring in previous years there is no more trading desks in NWM Plc India Branch and hence there is no Market risk incurred from trading positions incurred in the branch.

Market risk is the risk to the Bank earnings and capital arising from changes in the Market level of interest rates or prices of securities and foreign exchange rates. There is a residual Market risk position incurred in the branch from the head office capital fund and the investment of the fund. The Bank adopts a comprehensive approach to Market risk management for these residual activities and Market risk is governed by the risk policies of the Branch and NWM Group.

Market risk of the branch is managed by the Markets function and with the Market Risk Management function as the second line of defence. Market risk exposures are reported, monitored against limits and analysed daily.

The main Market risk measures of the Branch are:

- Value at Risk ("VaR")
- Sensitivities to Market risk factors (PV01, XCCY Basis etc.)
- Open FX positions

A full description of the Group's approach to Market risk can be found in the Group's latest Annual Report and Accounts for Market risk disclosure

Market Risk capital charge is calculated using the non-modelled approach, whereby RBI prescribed rules are applied.

**DF – 8: Capital Requirement for Market Risk**

**(Rs. In crore)**

| Particulars | Amount of Capital required 30 June 2023 |
|---|---|
| Interest rate risk | – |
| Foreign exchange risk (including gold) | 27 |
| Equity position risk | – |

## 9. Operational Risk – Three lines of defence model

### 1st Line of Defence – Management & Supervision

NWM the Bank operates three lines of defence model which outlines the principles for the roles, responsibilities and accountabilities for operational risk management.

The 1LOD encompasses most roles in the bank. Including those that directly serve our customers or which directly support those that do.

They originate and own most of the risks in the bank and are responsible for the management of these within risk appetite.

**First line responsibilities:**

- Development of business and function strategy aligned to, and informed by, financial objectives, customer outcomes and within risk appetite
- Proposing their risk appetite, aligned to group-wide risk appetite where cascaded
- The management of risks in business delivery within risk appetite
- Exercising informed judgement in considering risk in decision making
- Designing, implementing and maintaining effective processes, procedures, controls to identify, measure, report and mitigate risks within risk appetite
- Demonstrating the adequacy and effectiveness of controls and remediate where residual risk is outside of appetite

- Compliance with the letter and spirit of all legal and regulatory requirements and maintenance of records to evidence compliance

**2nd Line of Defence – Oversight & Control**

The 2LOD primarily comprises roles in the Risk Function. They

- Set the standards for the effective management of risk across the bank and undertake independent oversight and challenge to ensure these are being managed within risk appetite
- Provide expert guidance and direction to the 1LOD in the application of effective risk and control frameworks and consideration of risk in decision making

**Second line responsibilities:**

Roles in the Risk Function

These set the standards for, and the independent oversight of, the effective management of risk. Activities can include;

- Defining, managing and maintaining risk management frameworks and policies, to inform the effective management of risk in the 1LOD
- Facilitate, aggregate and propose group-wide strategic and material risk appetite statements to be approved by the Group Board and Executive
- Where delegated approve the group wide, legal entity, franchises and functions' risk appetite and restricted access throughout the Group, providing independent oversight and challenge of the implementation of risk management frameworks, policies and controls within the 1LOD (including legal entities) to manage risks within appetite and within the letter and spirit of all legal and regulatory requirements. This includes
  - Providing guidance, insights and direction to support consideration of risk in decision-making
  - Challenging a proposed decision and provide direction where risks have the potential to exceed risk appetite, breach policy or where risk appetite and controls are inadequately expressed or embedded
  - Imposing controls to support the management of risk within risk appetite
  - Exercising its right and obligation to veto

**3rd Line of Defence – Internal Audit**

The 3LOD is Internal Audit.

They provide the Board and senior management with independent assurance on the appropriateness of the design and operational effectiveness of governance, risk management and internal controls to monitor, manage and mitigate the bank's material risks.

**Third line responsibilities:**

Internal Audit remit is unrestricted and provides independent assurance on the appropriateness of the design and operational effectiveness of governance, risk management and internal controls to monitor, manage and mitigate the bank's material risks.

**Standard accountabilities for all roles across the Three Lines of Defence:**

- To provide management with relevant information on risk, including escalating concerns where appropriate
- For the management and oversight of risk relating to day-to-day activities, including compliance with Our Code, all NWM policies, 'How we manage NWM', and if applicable 'How we manage our Business'
- To display, and evidence where appropriate, those risk practices and behaviours are consistent with a risk culture where "risk is simply part of the way we work and think"
- To work collaboratively across the 3LOD

With regards to the above framework, it must also be noted that all the three lines of defence are completely independent of each other.

The Operational Risk Handbook provides the direction for delivering an effective operational risk management. The objectives is to protect the Group from financial loss or damage to its reputation, its customers or staff and to ensure that it meets all necessary regulatory and legal requirements.

The operational risk management is supported by several key operational risk management techniques such as:

1. Risk assessments: business units identify and assess operational risks to ensure that they are effectively managed, prioritised, documented and aligned to risk appetite;

2. Risk Event and Loss data management: each business unit's internal loss data management process captures all operational risk loss events above certain minimum thresholds. The data is used to enhance the adequacy and effectiveness of controls, identify emerging themes, enable formal loss event reporting and inform risk and control assessments and scenario analysis.

Escalation of individual events to senior management is determined by the seriousness of the event.

3. Risk Issues Management: This process ensures that operational risk issues are captured and classified consistently, and that there is robust governance over their closure and acceptance.

Reporting forms an integral part of operational risk management. The Group's risk management processes are designed to ensure that issues are identified, escalated and managed on a timely basis. Exposures for each division are reported through monthly risk issue reports, which provide detail on the risk issues and action plans.

Events that have a material, actual or potential impact on The Bank's finances, reputation or customers, are escalated and reported to divisional and Group executive.

**Policies for mitigating risks**

The objective of operational risk management is not to remove operational risk altogether, but to manage the risk to an acceptable level, taking into account the cost of minimising the risk with the resultant reduction in exposure. Strategies to manage operational risk include avoidance, transfer, acceptance and mitigation by controls.

Each business unit must manage its operational risk exposure within an acceptable level, testing the adequacy and effectiveness of controls and other risk mitigants regularly and documenting the results. Where unacceptable control weaknesses are identified, action plans must be produced and tracked to completion.

**DF – 9: Approach for Operational Risk Capital Assessment**

As per the RBI guidelines on Basel III, The Bank has adopted Basic Indicator approach for computing capital charge for operational risk. The capital required for operational risk at 30 June 2023 was 19 crores.

**Interest Rate Risk in the Banking Book (IRRBB)**

Risk management framework for Interest Rate Risk in the Banking book (IRRBB) also referred as Non-Trading interest Rate Risk (NTIRR) covers the interest rate risk outside the interest rate trading business.

The branch holds interest rate sensitive assets and liabilities on its Balance sheet. IRRBB or NTIRR arises where there is potential for changes in benchmark interest rates to result in a movement in bank's future income.

**Governance framework**

India ALCO is responsible for evolving appropriate systems and procedures for identification and analysis of various balance sheet risks including IRRBB or NTIRR and laying down parameters for efficient management of these risks. India ALCO comprises of senior management of The Bank and meets periodically. The ALCO focuses on setting interest rate risk appetite by setting limits on relevant indicators, which positively contributes to optimising the balance sheet structure and Net Interest Income (NII) over time, while limiting the susceptibility to interest changes. ALCO periodically monitors risk positions of the branch, ensures compliance with regulatory requirements and internal limits and provides strategic guidance for management of the IRRBB or NTIRR.

**Measurement**

The branch uses the following tools for managing interest rate risk:

- **Gap analysis:** The interest rate gap or mismatch risk is measured by calculating gaps over different time intervals as at a given date. This static analysis measure mismatches between rate sensitive liabilities (RSL) and rate sensitive assets (RSA). The report is prepared monthly by grouping rate sensitive assets, liabilities and off-balance sheet positions into time buckets according to their residual/behavioural maturities or next re-pricing periods. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. The direction of the gap indicates whether net interest income is positively or negatively impacted by a change in interest rates and the magnitude of the gap helps in finding out the change in net interest income for any given interest rate shift

- **Earnings at risk (EaR):** The interest rate gap report mentioned above indicates whether the branch is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by having a negative gap (RSL>RSA). EaR measures the change in NII over a one year time horizon for various levels of parallel shift in interest rates
- **Economic value:** Change in the interest rates have a long-term impact on the capital position of the branch, as the economic value of the Branch's assets, liabilities and off-balance sheet positions get affected by these rate changes. The branch applies modified duration approach and monitors impact of various levels of parallel shift in interest rate curves on the capital position
- **PV01:** PV01 measures the impact on economic value of a 1 basis point (0.01%) change in interest rates. The branch also uses PV01 limits to manage IRRBB or NTIRR

Details of increase in earnings and economic value for upward and downward rate shocks, assuming parallel shift in the interest rate curves (basis points), based on the local currency positions are given below:

**Economic value perspective** **(Rs. In crore)**

| | 30 June 2023 | |
|---|---|---|
| | -200 | 200 |
| INR | (47) | 47 |
| USD | – | – |
| GBP | – | – |
| EUR | – | – |
| JPY | – | – |
| RES | – | – |
| **Total** | **(47)** | **47** |

**Earnings perspective** **(Rs. In crore)**

| | 30 June 2023 | |
|---|---|---|
| | -200 | 200 |
| INR | (45) | 45 |
| USD | – | – |
| GBP | – | – |
| EUR | – | – |
| JPY | – | – |
| RES | – | – |
| **Total** | (45) | 45 |

## General Disclosure for Exposures Related to Counterparty Credit Risk

### Methodology used to assign economic capital and credit limits for counterparty credit exposures

Counterparty credit risk is covered by the Group's credit risk framework and there are policies which apply to OTC derivatives and repo products addressing documentation requirements, product-specific requirements, counterparty specific requirements, issuer risk, Margin trading, collateral etc.

Counterparty exposure is calculated per each Counterparty based on The Bank approved exposure calculation methodology. The exposure takes into account of Mark-to-Market and potential future exposure of each trade, as well as Bank's netting/collateral opinion to the governing master agreement. Where there is a collateral agreement with clear collateral opinion in place, collateral held/posted is also used in the exposure calculation.

### Policies for securing collateral and establishing credit reserves

The group credit policy framework governs counterparty credit risk management requirements where legal and administrative capacity of counterparties to enter into collateral agreement is assessed. The policy framework establishes minimum documentation requirements under collateral agreements including thresholds, minimum transfer amounts, haircuts, collateral eligibility criteria and collateral call frequency. Where netting and/or collateral enforceability criteria are not fulfilled, exposure is assumed to be un-collateralised.

### Policies with respect to Wrong-way risk (WWR) exposures

Wrong-way risk exposures are also governed by the group policy framework. WWR arises when the risk factors driving the exposure to counterparty are adversely correlated with the creditworthiness of that counterparty, i.e. the size of the exposure increases at the same time as the riskiness of the counterparty increases. Bank recognises two different types of WWR – Specific WWR and General WWR.

Specific WWR arises when the exposure on transactions is by virtue of economic dependence or ownership i.e. 'self-referenced', to the counterparty. General WWR is further classified as (a) Currency Risk and (b) Correlation Risk. Currency risk arises when counterparty is correlated with a macroeconomic factor which also affects the exposure. Correlation Risk arises when the exposure on the transaction is correlated with the counterparty's creditworthiness for a reason that is specific to the counterparty. Bank monitors and manages the wrong-way risk in accordance with the group wide policy framework.

### Collateral required in the event of a credit rating downgrade

The Group calculates the additional collateral it would be required to post in the event of its credit ratings being downgraded by one or two notches. The Bank follows the group-wide policy framework on collateral requirement in the event of credit rating downgrade.

The Bank has not entered into any Derivative transaction during the year.

## Composition of Capital

| Sr. No. | Particular | Amount (Rs. In millions) | Ref No. |
|---|---|---|---|
| 1 | Directly issued qualifying common share capital plus related stock surplus (share premium)[1] | 28,028 | a |
| 2 | Retained earnings | (3,466) | b+c+d+i |
| 3 | Accumulated other comprehensive income (and other reserves) | – | |
| 4 | Directly issued capital subject to phase out from CET1 (only applicable to non–joint stock companies1) | – | |
| | Public sector capital injections grandfathered until 1 January 2019 | – | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | – | |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 24,562 | |
| | Common Equity Tier 1 capital: regulatory adjustments | | |

[1] From Head office account

**NatWest Markets Plc – India branch**
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| Sr. No. | Particular | Amount (Rs. In millions) | Ref No. |
|---|---|---|---|
| 7 | Prudential valuation adjustments | – | |
| 8 | Goodwill (net of related tax liability) | – | |
| 9 | Intangibles other than mortgage-servicing rights (net of related tax liability) | – | |
| 10 | Deferred tax assets | – | e |
| 11 | Cash-flow hedge reserve | – | |
| 12 | Shortfall of provisions to expected losses | – | |
| 13 | Securitisation gain on sale | – | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | – | |
| 15 | Defined-benefit pension fund net assets | – | |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | – | |
| 17 | Reciprocal cross-holdings in common equity | – | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where The Bank | – | |
| | Does not own more than 10% of the issued share capital(amount above 10% threshold) | – | |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold) | – | |
| 20 | Mortgage servicing rights (amount above 10% threshold) | – | |
| 21 | Deferred tax assets arising from temporary differences5(amount above 10% threshold, net of related tax liability) | – | |
| 22 | Amount exceeding the 15% threshold6 | – | |
| 23 | of which: significant investments in the common stock of financial entities | – | |
| 24 | of which: mortgage servicing rights | – | |
| 25 | of which: deferred tax assets arising from temporary differences | – | |
| 26 | National specific regulatory adjustments7 (26a+26b+26c+26d) | – | |
| 26a | of which: Investments in the equity capital of the unconsolidated insurance subsidiaries | – | |
| 26b | of which: Investments in the equity capital of unconsolidated on-financial subsidiaries8 | – | |
| 26c | of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank | – | |
| 26d | of which: Unamortised pension funds expenditures | – | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | – | |
| 28 | Total regulatory adjustments to Common equity Tier 1 | – | |
| 29 | Common Equity Tier 1 capital (CET1) | 24,562 | |
| | Additional Tier 1 capital: instruments | | |

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| Sr. No. | Particular | Amount (Rs. In millions) | Ref No. |
|---|---|---|---|
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32) | – | |
| 31 | Of which: Classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares) | – | |
| 32 | Of which: Classified as liabilities under applicable accounting standards (Perpetual debt Instruments) | – | |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | – | f |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | – | |
| 35 | of which: instruments issued by subsidiaries subject to phase out | – | |
| 36 | Additional Tier 1 capital before regulatory adjustments | – | |
| | Additional Tier 1 capital: regulatory adjustments | | |
| 37 | Investments in own Additional Tier 1 instruments | – | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | – | |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where The Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | – | |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10 | – | |
| 41 | National specific regulatory adjustments (41a+41b) | – | |
| 41a | Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries | – | |
| 41b | Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with The Bank | – | e |
| 42 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | – | |
| 43 | Total regulatory adjustments to Additional Tier 1 capital | – | |
| 44 | Additional Tier 1 capital (AT1) | – | |
| 44a | Additional Tier 1 capital reckoned for capital adequacy11 | – | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) (29 + 44a) | 24,562 | |
| | Tier 2 capital: instruments and provisions | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | – | |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | – | e |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | – | |
| 49 | Of which: Instruments issued by subsidiaries subject to phase out | – | |
| 50 | Provisions | 24 | g+h |
| 51 | Tier 2 capital before regulatory adjustments | 24 | |

| Sr. No. | Particular | Amount (Rs. In millions) | Ref No. |
|---|---|---|---|
| | Tier 2 capital: regulatory adjustments | | |
| 52 | Investments in own Tier 2 instruments | – | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | – | |
| 54 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where The Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) | – | |
| 55 | Significant investments13 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | – | |
| 56 | National specific regulatory adjustments (56a+56b) | – | |
| 56a | Of which: Investments in the Tier 2 capital of unconsolidated subsidiaries | – | |
| 56b | Of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with The Bank | – | |
| 57 | Total regulatory adjustments to Tier 2 capital | – | |
| 58 | Tier 2 capital (T2) | 24 | |
| 58a | Tier 2 capital reckoned for capital adequacy14 | 24 | |
| 58b | Excess Additional Tier 1 capital reckoned as Tier 2 capital | – | |
| 58c | Total Tier 2 capital admissible for capital adequacy (58a + 58b) | 24 | |
| 59 | Total capital (TC = T1 + T2) (45 + 58c) | 24,586 | |
| 60 | Total risk weighted assets (60a + 60b + 60c) | 6,271 | |
| 60a | Of which: total credit risk weighted assets | 1,387 | |
| 60b | Of which: total Market risk weighted assets | 3,375 | |
| 60c | Of which: total operational risk weighted assets | 1,510 | |
| | Capital ratios | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 391.66% | |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 391.66% | |
| 63 | Total capital (as a percentage of risk weighted assets) | 392.04% | |
| 64 | Institution specific buffer requirement (minimum CET1requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets) | – | |
| 65 | Of which: capital conservation buffer requirement | – | |
| 66 | Of which: bank specific countercyclical buffer requirement | – | |
| 67 | Of which: G-SIB buffer requirement | – | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | 382.66% | |
| | National minima (if different from Basel III) | | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | 5.50% | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | 7.00% | |
| 71 | National total capital minimum ratio (if different from Basel III | 12.50% | |

| Sr. No. | Particular | Amount (Rs. In millions) | Ref No. |
|---|---|---|---|
| | minimum) | | |
| | Amounts below the thresholds for deduction (before risk weighting) | | |
| 72 | Non-significant investments in the capital of other financial entities | – | |
| 73 | Significant investments in the common stock of financial entities | – | |
| 74 | Mortgage servicing rights (net of related tax liability) | – | |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | – | |
| | Applicable caps on the inclusion of provisions in Tier 2 | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 27 | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 17 | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | NA | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | NA | |
| | Capital instruments subject to phase-out arrangements (only applicable between June 30, 2017 and June 30, 2022) | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | NA | |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | NA | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | NA | |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | NA | |
| 84 | Current cap on T2 instruments subject to phase out arrangements | NA | |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | NA | |

NA – Not Applicable

| Notes to the Template | | |
|---|---|---|
| | **Particular** | **(Rs. In million)** |
| 10 | Deferred tax assets associated with accumulated losses | – |
| | Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability * | – |
| 19 | If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank | NA |
| | of which: Increase in Common Equity Tier 1 capital | NA |
| | of which: Increase in Additional Tier 1 capital | NA |
| | of which: Increase in Tier 2 capital | NA |
| 26b | If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then: | NA |
| | (i) Increase in Common Equity Tier 1 capital | NA |
| | (ii) Increase in risk weighted assets | NA |

| | | |
|---|---|---|
| 44a | Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a) | – |
| | of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b | – |
| 50 | Eligible Provisions included in Tier 2 capital | 24 |
| | Eligible Revaluation Reserves included in Tier 2 capital | – |
| 58a | Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a) | – |

**Composition of Capital – Reconciliation Requirements**

| | Particulars | Balance sheet as in financial statements As on 30 June 2023 (Rs. In Millions) | Reference No. |
|---|---|---|---|
| **A** | **Capital & Liabilities** | | |
| i | Paid-up Capital | 28,028 | a |
| | Reserves & Surplus | (3,459) | |
| | Of which: | | |
| | Statutory Reserves | 301 | b |
| | Capital Reserves | 14 | c |
| | Other Revenue reserves | (3,748) | d |
| | Investment fluctuation Reserve | 6 | g |
| | Balance in Profit/Loss account | (33) | i |
| | Minority Interest | – | |
| | Total Capital | **24,569** | |
| ii | Deposits | – | |
| | Of which: Deposits from banks | – | |
| | Of which: Customer deposits | – | |
| | Of which: Other deposits (pl. specify) | – | |
| iii | Borrowings | 18,511 | |
| | I. Borrowings in India | | |
| | Of which: From RBI | – | |
| | Of which: From banks | – | |
| | Of which: From other institutions & agencies | – | |
| | Of which: Others (pl. specify) | – | |
| | II. Borrowings outside India | 18,511 | |
| | Of which: Capital instruments | – | f |
| iv | Other liabilities & provisions | 5,315 | |
| | Of which: Provision for Standard Advances | 47 | h |
| | **Total** | **48,395** | |
| **B** | **Assets** | | |
| i | Cash and balances with Reserve Bank of India | 2,310 | |

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| | Particulars | Balance sheet as in financial statements As on 30 June 2023 (Rs. In Millions) | Reference No. |
|---|---|---|---|
| | Balance with banks and money at call and short notice | 378 | |
| ii | Investments: | 43,882 | |
| | Of which: Government securities | 43,882 | |
| | Of which: Other approved securities | – | |
| | Of which: Shares | – | |
| | Of which: Debentures & Bonds | – | |
| | Of which: Subsidiaries/Joint Ventures/Associates | | |
| | Of which: Others (Commercial Papers, Mutual Funds etc.) | – | |
| iii | Loans and advances | – | |
| | Of which: Loans and advances to banks | – | |
| | Of which: Loans and advances to customers | – | |
| iv | Fixed assets | – | |
| v | Other assets | 1,824 | |
| | Of which: Goodwill and intangible assets | – | |
| | Of which: Deferred tax assets | – | e |
| vi | Goodwill on consolidation | – | |
| vii | Debit balance in Profit & Loss account | – | |
| | **Total Assets** | **48,395** | |

**Main Features Template**

| | | |
|---|---|---|
| 1 | Issuer | NA |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | NA |
| 3 | Governing law(s) of the instrument | |
| | **Regulatory treatment** | |
| 4 | Transitional Basel III rules | NA |
| 5 | Post-transitional Basel III rules | NA |
| 6 | Eligible at solo/group/group & solo | NA |
| 7 | Instrument type | NA |
| 8 | Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date) | NA |
| 9 | Par value of instrument | NA |
| 10 | Accounting classification | NA |
| 11 | Original date of issuance | NA |
| 12 | Perpetual or dated | NA |
| 13 | Original maturity date | NA |
| 14 | Issuer call subject to prior supervisory approval | NA |
| 15 | Optional call date, contingent call dates and redemption amount | NA |
| 16 | Subsequent call dates, if applicable | NA |

| | | |
|---|---|---|
| | Coupons/dividends | NA |
| 17 | Fixed or floating dividend/coupon | NA |
| 18 | Coupon rate and any related index | NA |
| 19 | Existence of a dividend stopper | NA |
| 20 | Fully discretionary, partially discretionary or mandatory | NA |
| 21 | Existence of step up or other incentive to redeem | NA |
| 22 | Noncumulative or cumulative | NA |
| 23 | Convertible or non-convertible | NA |
| 24 | If convertible, conversion trigger(s) | NA |
| 25 | If convertible, fully or partially | NA |
| 26 | If convertible, conversion rate | NA |
| 27 | If convertible, mandatory or optional conversion | NA |
| 28 | If convertible, specify instrument type convertible into | NA |
| 29 | If convertible, specify issuer of instrument it converts into | NA |
| 30 | Write-down feature | NA |
| 31 | If write-down, write-down trigger(s) | NA |
| 32 | If write-down, full or partial | NA |
| 33 | If write-down, permanent or temporary | NA |
| 34 | If temporary write-down, description of write-up mechanism | NA |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | NA |
| 36 | Non-compliant transitioned features | NA |
| 37 | If yes, specify non-compliant features | NA |

| | | | |
|---|---|---|---|
| 1 | Issuer | NA | NA |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | NA | NA |
| 3 | Governing law(s) of the instrument | | |
| | **Regulatory treatment** | | |
| 4 | Transitional Basel III rules | NA | NA |
| 5 | Post-transitional Basel III rules | NA | NA |
| 6 | Eligible at solo/group/group & solo | NA | NA |
| 7 | Instrument type | NA | NA |
| 8 | Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date) | NA | NA |
| 9 | Par value of instrument | NA | NA |
| 10 | Accounting classification | NA | NA |
| 11 | Original date of issuance | NA | NA |
| 12 | Perpetual or dated | NA | NA |
| 13 | Original maturity date | NA | NA |

| | | | |
|---|---|---|---|
| 14 | Issuer call subject to prior supervisory approval | NA | NA |
| 15 | Optional call date, contingent call dates and redemption amount | NA | NA |
| 16 | Subsequent call dates, if applicable | NA | NA |
| | Coupons/dividends | NA | NA |
| 17 | Fixed or floating dividend/coupon | NA | NA |
| 18 | Coupon rate and any related index | NA | NA |
| 19 | Existence of a dividend stopper | NA | NA |
| 20 | Fully discretionary, partially discretionary or mandatory | NA | NA |
| 21 | Existence of step up or other incentive to redeem | NA | NA |
| 22 | Noncumulative or cumulative | NA | NA |
| 23 | Convertible or non-convertible | NA | NA |
| 24 | If convertible, conversion trigger(s) | NA | NA |
| 25 | If convertible, fully or partially | NA | NA |
| 26 | If convertible, conversion rate | NA | NA |
| 27 | If convertible, mandatory or optional conversion | NA | NA |
| 28 | If convertible, specify instrument type convertible into | NA | NA |
| 29 | If convertible, specify issuer of instrument it converts into | NA | NA |
| 30 | Write-down feature | NA | NA |
| 31 | If write-down, write-down trigger(s) | NA | NA |
| 32 | If write-down, full or partial | NA | NA |
| 33 | If write-down, permanent or temporary | NA | NA |
| 34 | If temporary write-down, description of write-up mechanism | NA | NA |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | NA | NA |
| 36 | Non-compliant transitioned features | NA | NA |
| 37 | If yes, specify non-compliant features | NA | NA |

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## Leverage Ratio

The Leverage ratio has been calculated using the definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines is as follows:

**Leverage Common Disclosure** **(Rs. In Million)**

| S. No. | Leverage ratio framework | As of 30 June 2023 |
|---|---|---|
| | **On Balance Sheet exposures** | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 48,395 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | 0 |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | **48,395** |
| | **Derivative Exposures** | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation Margin) | |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | |
| 7 | (Deductions of receivables assets for cash variation Margin provided in derivatives transactions) | |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | |
| 9 | Adjusted effective notional amount of written credit derivatives | |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | |
| 11 | Total derivative exposures (sum of lines 4 to 10) | |
| | **Securities financing transaction exposures** | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | |

| S. No. | Leverage ratio framework | As of 30 June 2023 |
|---|---|---|
| 14 | CCR exposure for SFT assets | |
| 15 | Agent transaction exposures | |
| 16 | Total securities financing transaction exposures (sum of lines 12 to 15) Other off-balance sheet exposures | |
| | **Other Off – balance sheet exposures** | |
| 17 | Off-balance sheet exposure at gross notional amount | – |
| 18 | (Adjustments for conversion to credit equivalent amounts) | – |
| 19 | Off-balance sheet items (sum of lines 17 and 18) | – |
| | **Capital and total exposures** | |
| 20 | Tier 1 capital | 24,562 |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19) | 48,395 |
| | **Leverage ratio** | 50.75% |
| 22 | Basel III leverage ratio | 50.75% |

**Comparison of accounting assets and Leverage ratio exposure** **(Rs. In Million)**

| S. No. | Particulars | As of 30 June 2023 |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 48,395 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | – |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | – |
| 4 | Adjustments for derivative financial instruments | – |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | – |
| 6 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | – |
| 7 | Other adjustments | – |
| 8 | Leverage ratio exposure | 48,395 |

**NatWest Markets Plc – India branch**
**(Incorporated in Scotland with Limited Liability)**

**Reconciliation of total published balance sheet size and on balance sheet exposure under common disclosure** **(Rs. In Million)**

| S. No. | Particulars | As of 30 June 2023 |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 48,395 |
| 2 | Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation Margin | – |
| 3 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | - |
| 4 | Adjustment for entitles outside the scope of regulatory consolidation | – |
| 5 | On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs) | 48,395 |

**Leverage Ratio**

| (Rs in millions) | As of 30 June 2023 |
|---|---|
| | |
| Tier 1 Capital | 24,562 |
| Exposure Measure | 48,395 |
| | |
| Leverage Ratio | 50.75% |

**Disclosure Requirements for Remuneration**

In accordance with the requirements of the RBI circular DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4 November 2019 the Bank has obtained a letter from its Head Office which states that the compensation policies in India including that for the CEO are in line with the Financial Stability Board (FSB) requirements.

**Liquidity Coverage Ratio**

The average LCR (all currency) for the Bank for the as of 30 June 2023 is 147,447.75% against the regulatory minimum of 100%.

.N**et Stable Funding Ratio**

The quarterly disclosures for the Net Stable Funding Ratio (NSFR) is as given below :

# NatWest Markets Plc – India branch
# (Incorporated in Scotland with Limited Liability)

**Table 1: Components of ASF Categories (liability categories)**

| Particulars | | Associated ASF factors | Unweighted Amount | Weighted Amount |
|---|---|---|---|---|
| | | X010 | X020 | X030 |
| 1. Total regulatory capital (excluding Tier 2 instruments with residual maturity of less than one year) | Y010 | 100.00% | 245,624.67 | 245,624.67 |
| 2. Other capital instruments with effective residual maturity of one year or more | Y020 | 100.00% | 0.00 | 0.00 |
| 3. Other liabilities with effective residual maturity of one year or more | Y030 | 100.00% | 0.00 | 0.00 |
| 4. Stable non-maturity (demand) deposits and term deposits with residual maturity of less than one year provided by retail and small business customers | Y040 | 95.00% | 0.00 | 0.00 |
| 5. Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and small business customers | Y050 | 90.00% | 0.00 | 0.00 |
| 6. Funding with residual maturity of less than one year provided by non-financial corporate customers | Y060 | 50.00% | 0.00 | 0.00 |
| 7. Operational deposits | Y070 | 50.00% | 0.00 | 0.00 |
| 8. Funding with residual maturity of less than one year from sovereigns, PSEs, and multilateral and national development banks | Y080 | 50.00% | 0.00 | 0.00 |
| 9. Other funding with residual maturity between six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions | Y090 | 50.00% | 0.00 | 0.00 |
| 10. All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests) | Y100 | 0.00% | 0.00 | 0.00 |
| 11. NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets | Y110 | 0.00% | 0.00 | 0.00 |
| 12. "Trade date" payables arising from purchases of financial instruments, foreign currencies | Y120 | 0.00% | 0.00 | 0.00 |
| Total Available Stable Funding | Y130 | | | 245,624.67 |

**Table 2: Components of RSF Category**

| Particulars | | Associated RSF Factor | Unweighted Amount | Weighted Amount |
|---|---|---|---|---|
| | | X040 | X050 | X060 |
| A. On Balance Sheet Items | | | | |
| 1. Coins and banknotes | Y140 | 0.00% | 0.00 | 0.00 |
| 2. Cash Reserve Ratio (CRR) including excess CRR | Y150 | 0.00% | 23,099.85 | 0.00 |
| 3. All claims on RBI with residual maturities of less than six months | Y160 | 0.00% | 3,783.96 | 0.00 |
| 4. "Trade date" receivables arising from sales of financial instruments, foreign currencies and commodities. | Y170 | 0.00% | 0.00 | 0.00 |
| 5. Unencumbered Level 1 assets, excluding coins, banknotes, CRR and SLR Securities | Y180 | 5.00% | 184,622.32 | 9,231.12 |
| 6. Unencumbered SLR Securities | Y190 | 5.00% | 254,202.58 | 12,710.13 |
| 7. Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets as defined in LCR circular dated June 9, 2014 and various amendments as indicated in the text of the circular, and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan | Y200 | 10.00% | 0.00 | 0.00 |
| 8. All other 'standard' unencumbered loans to financial institutions with residual maturities of less than six months not included in the above categories | Y210 | 15.00% | 0.00 | 0.00 |
| 9. Unencumbered Level 2A assets | Y220 | 15.00% | 0.00 | 0.00 |
| 10. Unencumbered Level 2B assets | Y230 | 50.00% | 0.00 | 0.00 |
| 11. HQLA encumbered for a period of six months or more and less than one year | Y240 | 50.00% | 0.00 | 0.00 |
| 12. 'Standard' Loans to financial institutions and central banks with residual maturities between six months and less than one year | Y250 | 50.00% | 0.00 | 0.00 |
| 13. Deposits held at other financial institutions for operational purposes | Y260 | 50.00% | 0.00 | 0.00 |
| 14. All other assets not included in the above categories with residual maturity of less than one year, including 'standard' loans to nonfinancial corporate clients, to retail and small business customers, and 'standard' loans to sovereigns and PSEs | Y270 | 50.00% | 0.00 | 0.00 |
| 15. Unencumbered 'standard' residential mortgages with a residual maturity of one year or more and assigned the minimum risk weight under the Standardised Approach | Y280 | 65.00% | 0.00 | 0.00 |
| 16. Other unencumbered 'standard' loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach | Y290 | 65.00% | 0.00 | 0.00 |
| 17. Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a CCP | Y300 | 85.00% | 347.72 | 295.56 |
| 18. Other unencumbered performing loans with risk weights greater than 35% under the Standardised Approach and residual maturities of one year or more, excluding loans to financial institutions | Y310 | 85.00% | 0.00 | 0.00 |
| 19. Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities | Y320 | 85.00% | 0.00 | 0.00 |
| 20. Physical traded commodities, including gold | Y330 | 85.00% | 0.00 | 0.00 |
| 21. All assets that are encumbered for a period of one year or more | Y340 | 100.00% | 0.00 | 0.00 |
| 22. NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities | Y350 | 100.00% | 0.00 | 0.00 |
| 23. 5% of derivative liabilities | Y360 | 100.00% | 0.00 | 0.00 |
| 24. All other assets not included in the above categories, including nonperforming loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities | Y370 | 100.00% | 17,894.72 | 17,894.72 |
| 25. All restructured 'standard' loans which attract higher risk weight and additional provision | Y380 | 100.00% | 0.00 | 0.00 |
| A. Required Stable Funding – On Balance Sheet Assets ( Sum of 1 to 25) | Y390 | | | 40,131.53 |
| B. Off Balance Sheet Items | | | | |
| 26. Currently Undrawn Position of Irrevocable and conditionally revocable credit and liquidity facilities to any client | Y400 | 5.00% | 0.00 | 0.00 |
| 27. Currently Undrawn Position of Other contingent funding obligations, including products and instruments (27.a) + (27.b) + (27.c) | Y410 | | | 0.00 |
| 27.a. Currently Undrawn Position of Unconditionally revocable credit and liquidity facilities | Y420 | 5.00% | 0.00 | 0.00 |
| 27.b. Trade finance-related obligations (including guarantees and letters of credit) | Y430 | 3.00% | 0.00 | 0.00 |
| 27.c. Guarantees and letters of credit unrelated to trade finance obligations | Y440 | 3.00% | 0.00 | 0.00 |
| 28. Non-contractual obligations 28. (a) + 28. (b) + 28. (c) | Y450 | | | 0.00 |
| 28.a. Potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities | Y460 | 5.00% | 0.00 | 0.00 |
| 28.b. Structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs) | Y470 | 5.00% | 0.00 | 0.00 |
| 28.c. Managed funds that are marketed with the objective of maintaining a stable value | Y480 | 5.00% | 0.00 | 0.00 |
| B. Required Stable Funding – Off Balance Sheet Assets (Sum of 26 to 28) | Y490 | | | 0.00 |
| Total Required Stable Funding (A+B) | Y500 | | | 40,131.53 |

**Table 3: Net Stable Funding Ratio**

| Particulars | | X080 |
|---|---|---|
| (Total Available Stable Funding)*100/Total Required Stable Funding | Y510 | 612.05% |