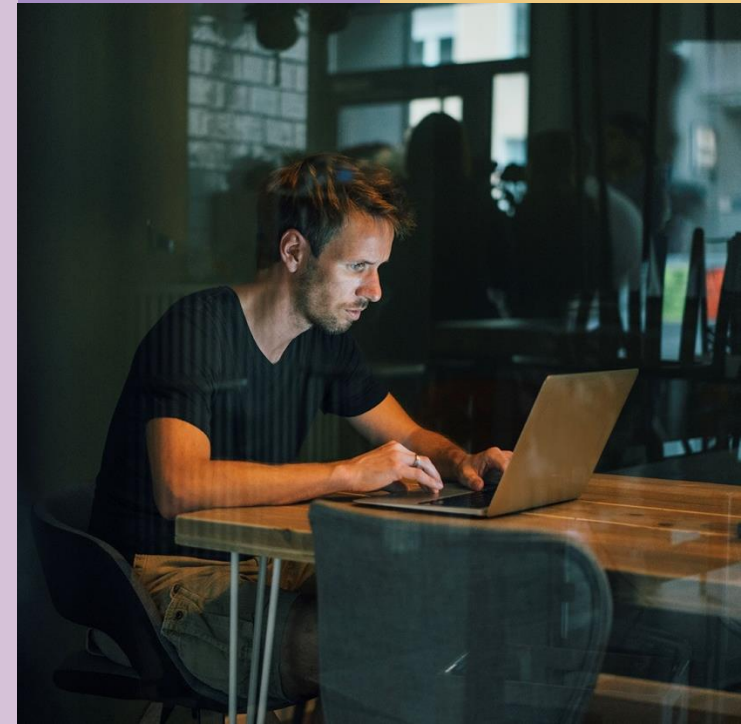




NatWest  
Group

# Q1 2020 Results Fixed Income Investors

1<sup>st</sup> May 2020







**Katie Murray,**  
**Chief Financial Officer**

# Key messages

## Our purpose:

**“We champion potential, helping people, families and businesses to thrive”**

### Our purpose in action

Responding to the Covid-19 crisis

### Balanced and consistent approach to risk

Careful deployment of the balance sheet

### Starting from a position of strength

Strong capital and liquidity levels

### Maintaining focus on our priorities

A purpose-led strategy that is built to endure

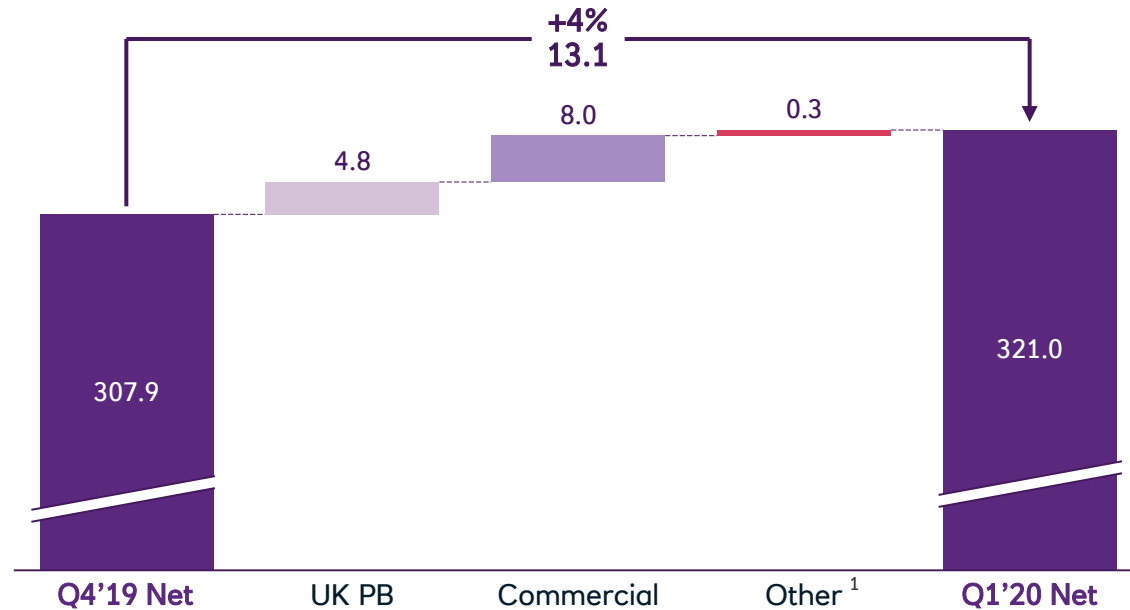
# Q1 2020 Income Statement

£m	Q1'20	Q1'19
Total income	3,162	3,037
Operating expenses	(1,841)	(1,938)
o/w Litigation and conduct costs	4	(5)
o/w Strategic costs	(131)	(195)
o/w Other expenses	(1,714)	(1,738)
Operating profit before impairment losses	1,321	1,099
Impairment losses	(802)	(86)
Operating profit	519	1,013
Tax	(188)	(216)
Attributable profit to ordinary shareholders	288	707
Cost:income ratio	57.7%	63.4%
RoTE	3.6%	8.3%

The results in this presentation relate to The Royal Bank of Scotland Group plc which is intended to be renamed NatWest Group plc later this year

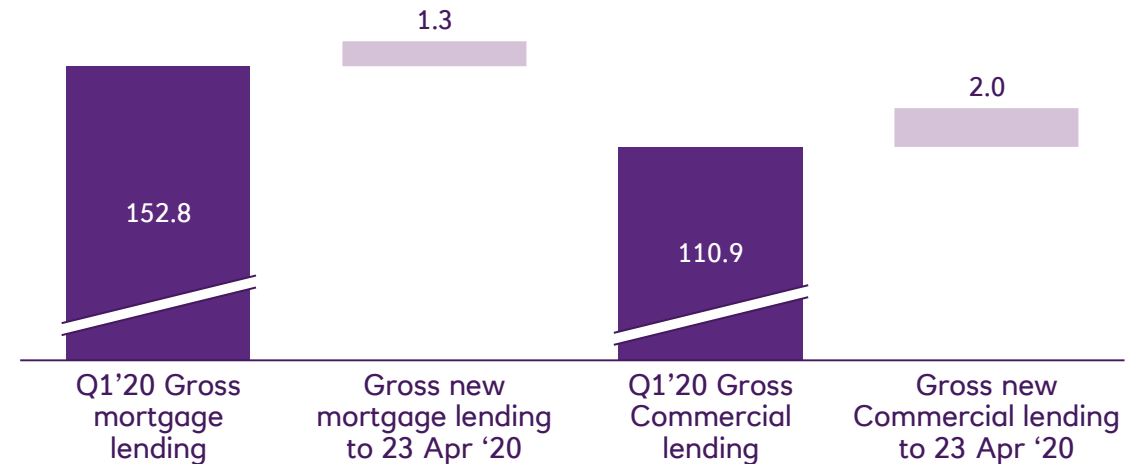
# Business update: Q1'20 and April'20 approved lending

## Q1'20 Retail & Commercial net lending, £bn



- £13.1 billion increase in net lending across retail and commercial businesses
- Driven by mortgage lending in UK PB, and increased utilisation of revolving credit facilities (RCFs) in response to Covid-19 uncertainty in Commercial Banking

## April '20 gross new lending, £bn



- Total commercial gross new lending of £2 billion
- £1.4 billion of CBILS approved lending
- £1.3 billion gross new mortgage lending largely reflecting re-mortgage business, as level of new business in the UK market reduces
- RCF utilisations in Commercial Banking have stabilised at c.40% of committed facilities

To note: loans pass our lending criteria language. Net lending is post deduction of impairment provisions.

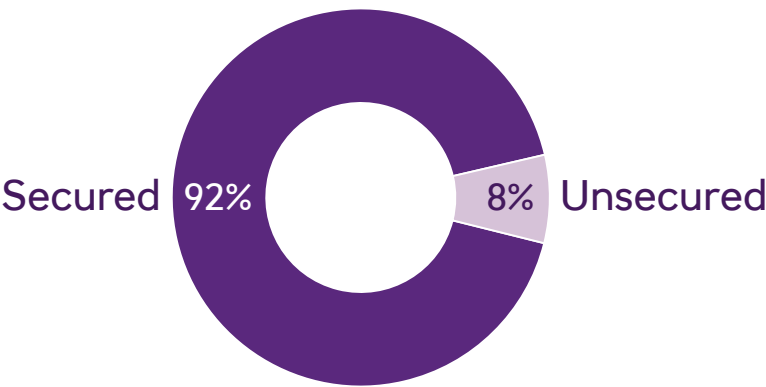
<sup>1</sup> Other includes lending across Ulster Bank RoI, RBSI and Private Banking



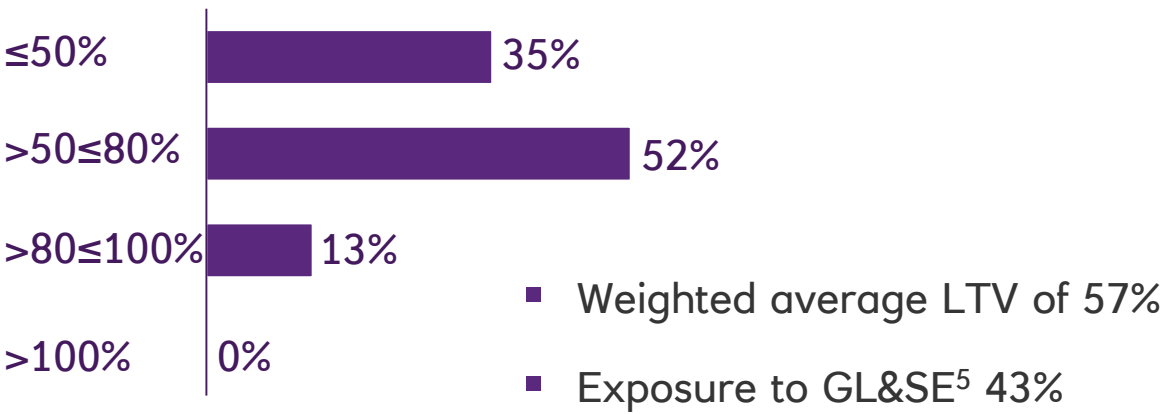
# Well diversified retail and commercial book

## Spotlight on UK PB loans

- Q1'20 £165bn in UK PB Loans of which:

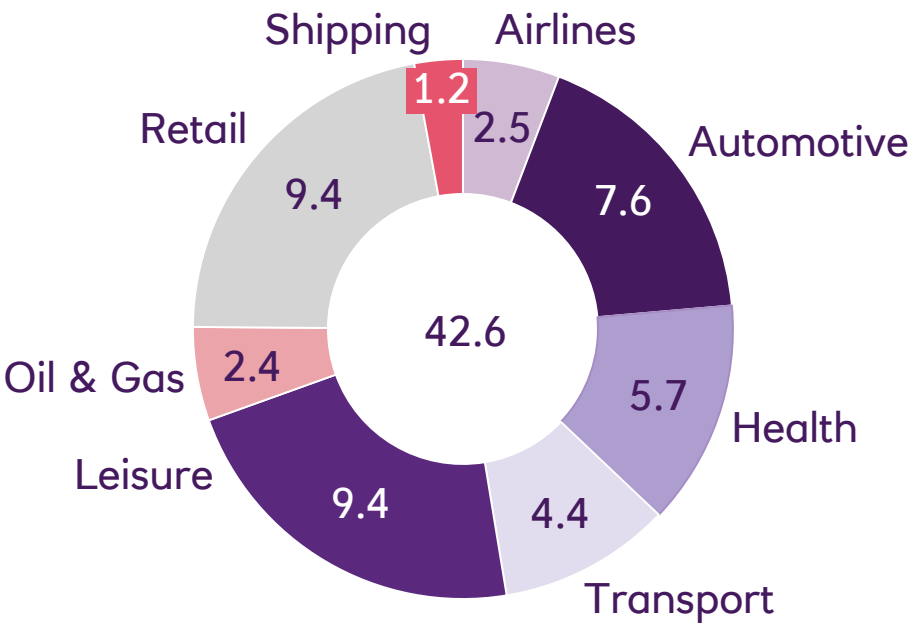


## Exposure spotlight on UK PB Mortgages by LTV band (FY'19<sup>1</sup>)



## Spotlight on Corporate loans<sup>2,3</sup>

- Q1'20 £79bn in Corporate Loans of which, £bn:

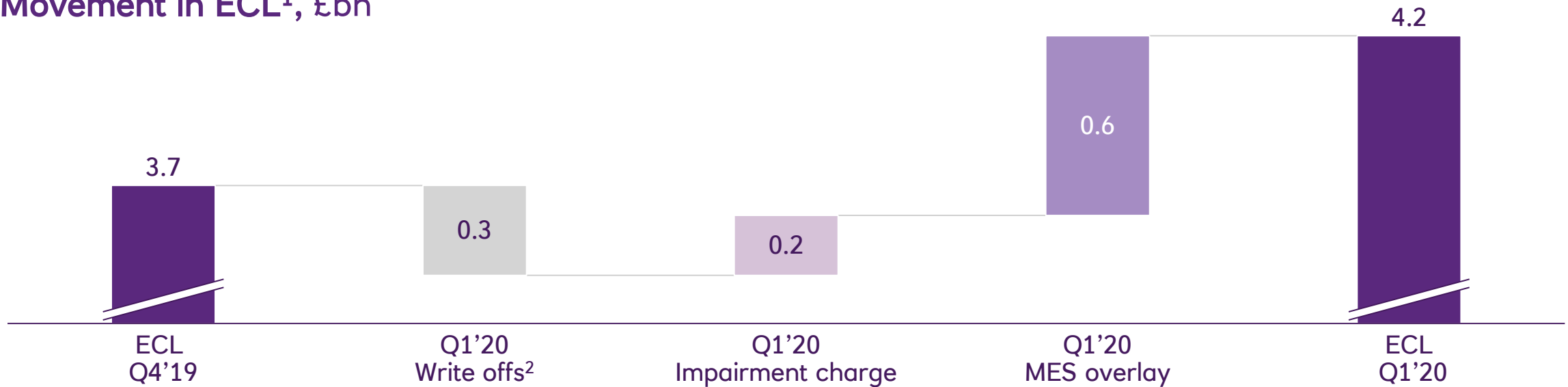


- c.1.5% of corporate loan book expected credit loss (ECL) stages 2 and 3
- At FY'19<sup>4</sup> c.60% of corporate loan book AAA to BB based on indicative S&P rating

To note: loans pass our lending criteria language  
1 Annual Report & Accounts 2019 as per pages 153, 154 and 155; 2 Gross loans at amortised cost to customers and banks; 3 As per page 15 of Q1 2020 IMS; 4 As per page 147 and 150 of Annual Report & Accounts 2019; 5 Greater London and South East

# ECL and Impairment

Movement in ECL<sup>1</sup>, £bn



## Multiple Economic Scenario Overlay charge by business £m

	UK PB	Ulster	Commercial Banking	Private Banking	RBSI	NatWest Markets	Central & other	Total
Q4'19 Overlay	75	14	75	-	1	4	1	170
Q1'20 Overlay	185	34	366	25	8	6	4	628
Total Overlay	260	48	441	25	9	10	5	798

<sup>1</sup> Relates to Total loans to customers at amortised cost <sup>2</sup> Impaired loans are written off and therefore derecognised from the balance sheet when RBSG concludes that there is no longer any realistic prospect of recovery of part, or all, of the loan. For loans that are individually assessed for impairment, the timing of the write off is determined on a case by case basis. Such loans are reviewed regularly and write off will be prompted by bankruptcy, insolvency, renegotiation and similar events.

# Multiple economic scenario overlay (MES)

## Approach to Multiple economic scenario overlay

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- Utilised established internal stress testing analysis on which to base an Multiple economic scenario overlay to ECL alongside significant RBS judgement.
- The stress scenario included a rise in unemployment to 7.6% as well as start-to-trough GDP and UK HPI declines of (4.3%) and (19.7%), respectively, with a recovery over 2021.
- We also considered the mitigating effects of government support actions, the potential recovery trajectory, differential impacts on portfolio and sector classes including the application of IFRS 9 in the context of Covid-19.
- During Q1'20 the ECL overlay has been increased by £628 million to £798 million.
- Compared to the Downside 2 scenario disclosed at FY'19, the additional ECL overlay in Q1 2020 represents a more significant uplift, approximately 57% ECL across Stage 1 and Stage 2 overall.
- We expect to have greater visibility of economic outlook using multiple economic scenarios, more experience of stage migration and understanding of trends in credit metrics. We will also continue to consider whether a further Multiple economic scenario overlay is required.



# IFRS 9 implications of customer support

## Customer payment holidays

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- Payment holidays do not automatically trigger a Significant Increase in Credit Risk (SICR) when granted – no automatic move to Stage 2 if customers were not subject to any other SICR triggers
- Accrual of arrears is being suspended during the payment holiday period and customer will not progress to Stage 3
- Commercial Customers seeking Covid-19 related support, including payment holidays, who were not subject to any wider SICR triggers, are assessed as having the ability in the medium term post-crisis to be viable and meet credit appetite metrics, are not considered forborne

## Coronavirus Business Interruption Loan Scheme

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- Similar to payment holidays, granting of CBIL does not automatically result in loans moving into Stage 2 or Stage 3 – loans are made to viable companies
- Government guarantee of 80% (or 100% on recently launched small business CSBILS) – significantly reduces the loss expectation on CBILS

## Covid Corporate Financing Facility

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No discrete or distinct IFRS9 treatment required as facilities provided by BoE

# Q1'20 update on targets and guidance<sup>1</sup>

## 2020 targets and guidance

Regulatory impact	Personal Banking: c.£200m negative impact on income
Costs	Cost take-out target: £250m <sup>2</sup> Strategic costs target: £0.8-1.0bn
Impairments	Below 30-40bps through-the-cycle impairment loss rate assumption
RWAs	c.£185-190bn RWAs by end of FY'20
NWM RWAs	Reducing by £6-8bn in the first year
Lending	Greater than 3% growth across our retail and commercial businesses

## Q1 Update

Reiterate guidance

Committed to cost take-out target  
2020 strategic costs to be at lower end of guidance

Q1'20 90 bps of Gross L&A. Expect 2020 impairment losses to be meaningfully higher than previous guidance

Given the current levels of uncertainty we are very likely to exceed the £185-190 billion range we previously guided to.

We aim to reduce RWAs to around £32bn by the end of 2020 and expect to achieve this with lower income disposal losses than the £0.4 billion previously guided to, subject to market conditions.

We expect to achieve lending growth of greater than 3% across our retail and commercial businesses given the significant increase in lending during 2020 to date

Reflecting the significant deterioration in economic outlook and unprecedented levels of uncertainty it would be inappropriate to provide an update on medium term outlook at this time

<sup>1</sup> The guidance, targets, expectations and trends in this section reflect management's current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 30 to 31 of the Q1 IMS and pages 281 to 295 of the 2019 Annual Report and Accounts. These statements constitute forward-looking statements, please see Forward Looking Statements on slide 20 of this presentation <sup>2</sup> Excludes operating lease depreciation, conduct, litigation and strategic costs



Donal Quaid,  
Treasurer

# Treasurer's View

COVID response supported by strong capital and liquidity resources, with significant headroom above minimum requirements

Increased capacity reflects reduction in CCyB and action on 2020 capital distributions

Stable, diversified funding mix to support customer lending

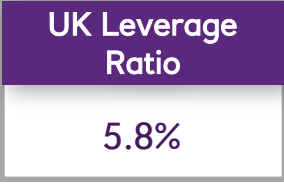
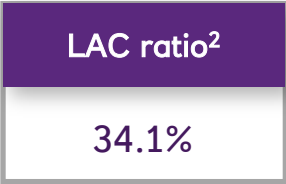
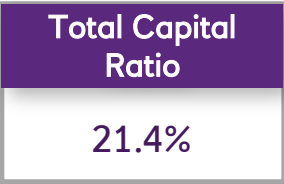
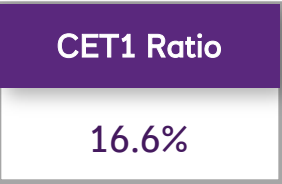
Issuance plans reflect flexibility to respond to market conditions and balance sheet changes

Changes to outlook on Ratings reflect COVID-19 related downside risks



# Strong capital & leverage positions

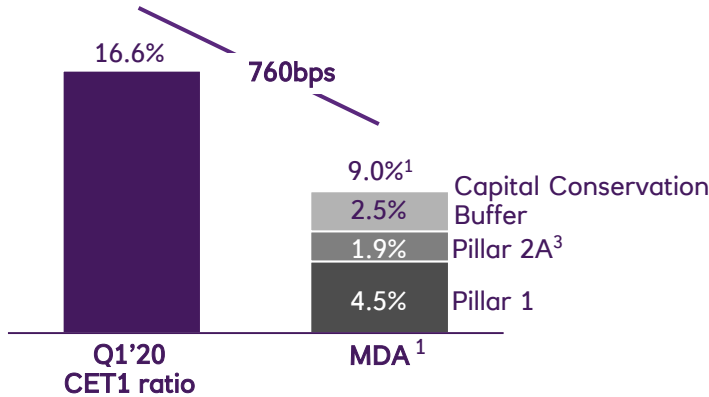
Capital Ratios (% RWA, leverage exposure)



Starting point capital ratios reflect a track record of underlying capital generation, active de-risking and RWA management

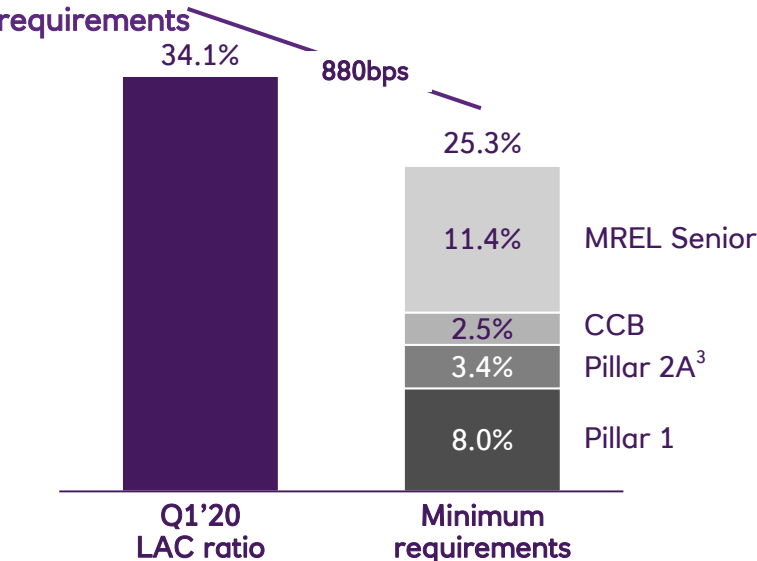
CET1 headroom above minimum requirements (MDA)<sup>1</sup>

760bps, £14bn of loss absorbing capacity



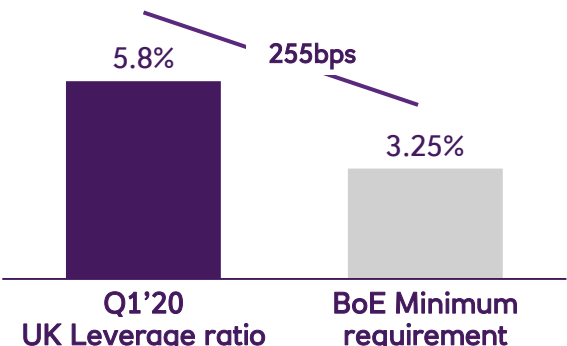
Total LAC ratio above end-state minimum requirements

880bps headroom above 1-Jan-2022 requirements



Total Tier 1 capacity above minimum UK leverage requirements

255 bps headroom above minimum requirements



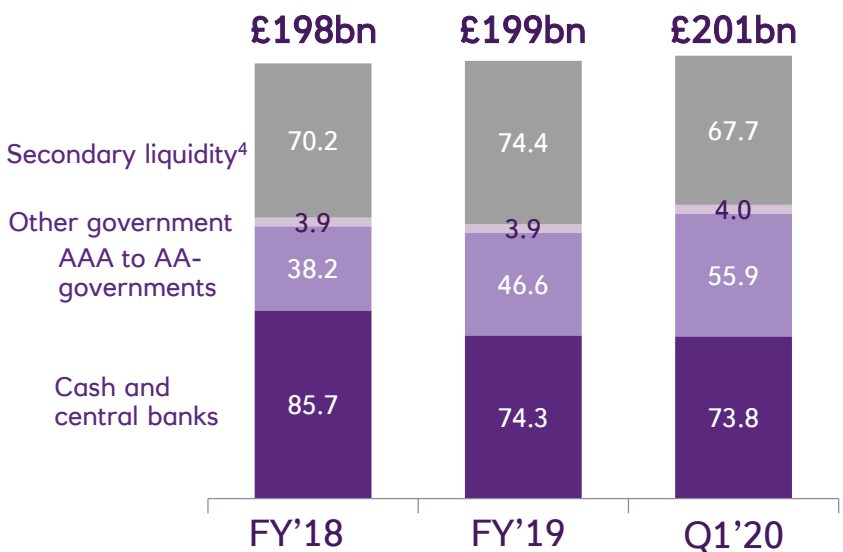
Our capital position provides significant headroom above minimum regulatory capital and leverage requirements

<sup>1</sup> Illustration, based on assumption of static regulatory capital requirements, Pillar 2B /PRA buffer requirements are not disclosed. Headroom presented on the basis of MDA and therefore exclusive of any potential PRA buffer requirements and does not reflect excess distributable capital. Headroom may vary over time and may be less in future. The UK countercyclical buffer reduced from 1% to 0% effective from 11th March 2020. The Republic of Ireland rate reduced from 1% to 0% effective from 1st April 2020 this reduces the Group's countercyclical capital buffer to nil and reduces the MDA threshold to 8.9% from 9.0%. <sup>2</sup> LAC: Loss Absorbing Capital, comprising minimum requirement for own funds and eligible liabilities and CRDIV buffers. Requirements are based on BoE 2019 actual and indicative MREL requirements updated for current RBSG Pillar 2A requirements and countercyclical buffer changes. CRD IV buffers exclude G-SIB buffer which no longer applies from 1 Jan 2020. The requirements are shown exclusive of management and PRA buffers. <sup>3</sup> RBS's Pillar 2A requirement was 3.4% of RWAs as at 31 December 2019. 56% of the total Pillar 2A requirement, must be met from CET1 capital. Pillar 2A requirement held constant over the period for illustration purposes. Requirement is expected to vary over time and is subject to at least annual review.



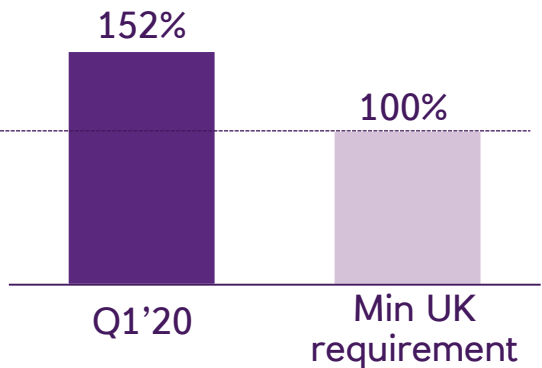
# Prudent liquidity management, diversified funding

Liquidity Portfolio (£bn)

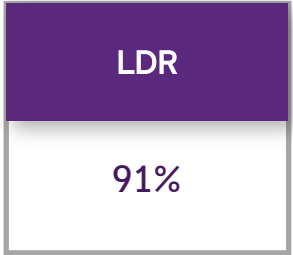


Liquidity coverage ratio

£49.5bn surplus liquidity over minimum requirement



Total funding mix (£bn)<sup>1,2</sup>



Our primary liquidity pool is £134bn and comprises a mix of cash and high quality sovereign bonds, with a further £68bn of secondary liquidity

Consistently managing surplus liquidity, providing significant headroom above our regulatory requirements

Our funding base reflects mix of stable retail and commercial deposits, medium term debt

Note: Figures may not cast due to rounding. 1 Funding excluding repos, derivative cash collateral. 2 Customer deposits includes amounts from NBFIs, excludes customer repos. 3. Wholesale funding with >12m remaining maturity 4. Comprises assets eligible for discounting at the BoE and other central banks

# 2020 issuance guidance maintained, subject to market conditions

Continued diversification of issuance across a range of formats, currencies and tenors

GBP equivalent		RBS Group plc	NatWest Markets Plc	NatWest Bank Plc
Senior	MREL	£2-£4bn, of which up to £1bn in GSS <sup>1</sup> format	n/a	n/a
	Non-MREL	n/a	£3-5bn	
Capital	Tier 2	up to £2.5bn	n/a	n/a
	AT1	up to £1.5bn	n/a	n/a
Senior Secured	Covered bond/ RMBS	n/a	n/a	Volume subject to funding and liquidity considerations

<sup>1</sup> Green, Social and Sustainability

# Credit ratings

	Moody's	S&P	Fitch
<b>RBS Group</b>	<b>Baa2/Pos</b>	<b>BBB/Neg</b>	<b>A/Neg</b>
<b>Inside the ring-fence</b>			
Natwest Bank Plc	A1*/A2/Pos	A/Neg	A+/Neg
Royal Bank of Scotland plc	A1*/A2/Pos	A/Neg	A+/Neg
Ulster Bank Ireland DAC	A3*/Baa1/Pos	A-/Neg	A-/Neg
Ulster Bank Ltd	A1*/A2/Pos	A/Neg	A+/Neg
<b>Outside the ring-fence</b>			
NatWest Markets Plc	Baa2/Pos	A-/Neg	A+/Neg
NatWest Markets N.V.	Baa2/Pos	A-/Neg	A+/Neg
NatWest Markets Securities Inc	NR	A-/Neg	A/Neg
RBSI	Baa1/Pos	A-/Neg	A/Neg

## Rating actions in Q1' 20

- Fitch affirmed the Long-Term senior debt ratings of The Royal Bank of Scotland Group Plc (RBSG) at 'A' and of The Royal Bank of Scotland plc, National Westminster Bank plc, and Ulster Bank limited, at 'A+'.
- At the same time Fitch upgraded the senior debt ratings of NWM Plc and NWM NV by 1 notch
- S&P affirmed the ratings of RBSG and related subsidiaries
- Both Fitch and S&P revised the outlook for all entities in the RBS Group to negative from stable, in line with most of the sector



## Q&A





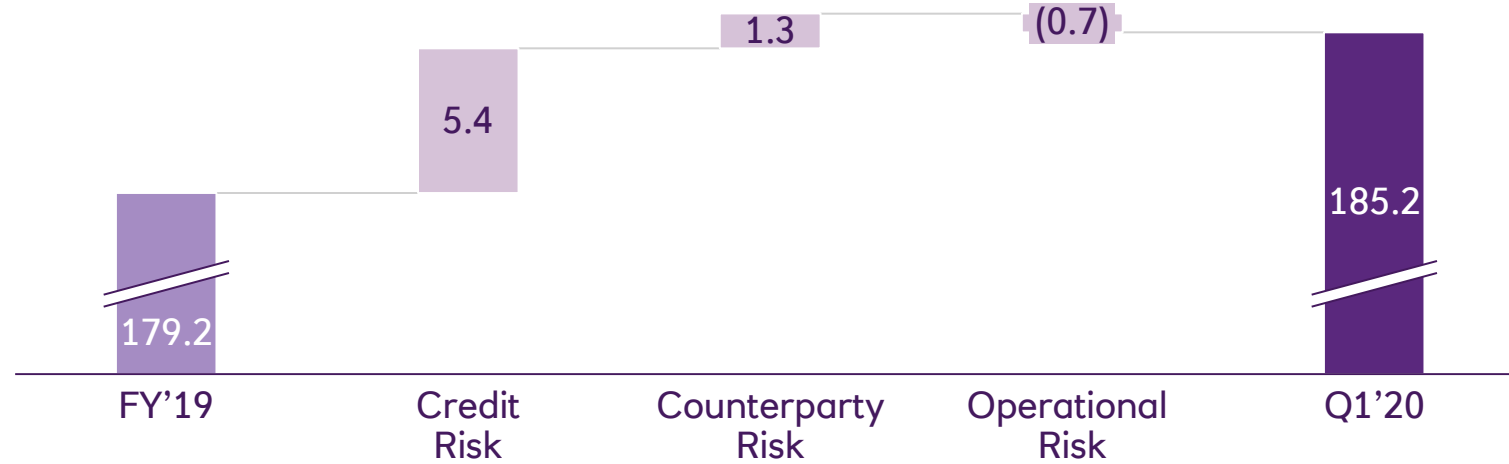
# Appendix



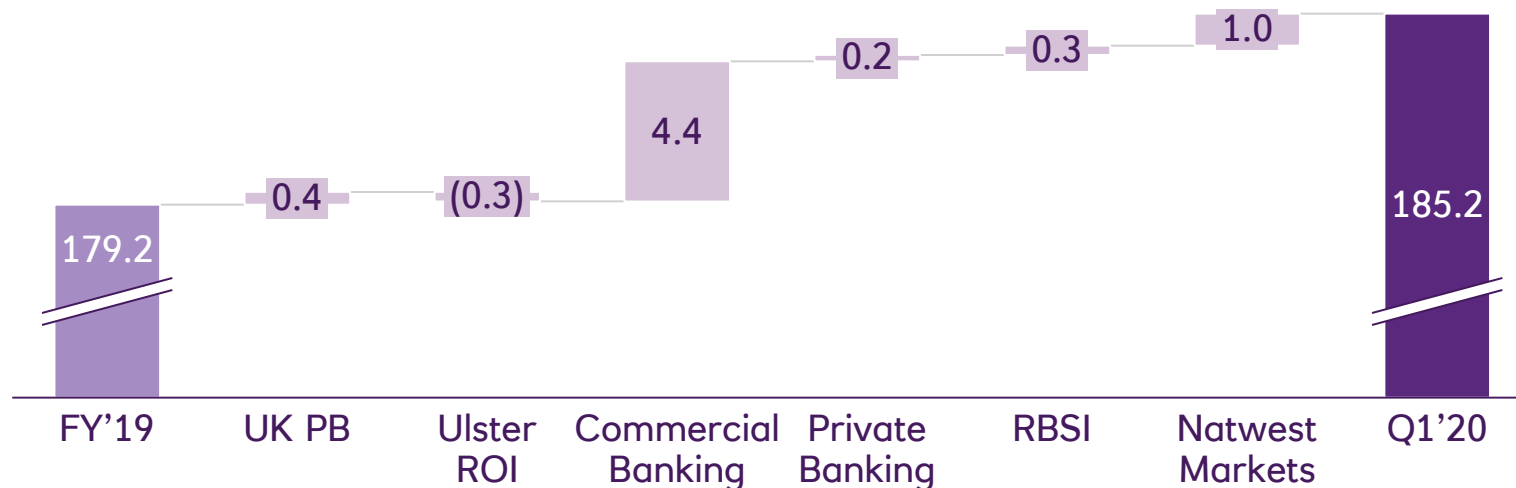


# Risk Weighted Asset (RWA) movement

## RWA (£bn) by category



## RWA (£bn) by business



- Mortgage floor increase delayed to 1 Jan 2022
- Future RWA movement considerations include:
  - RWA intensity
  - Volumes – CBILS
  - Mix

# Cautionary & forward looking statements

The targets, expectations and trends discussed in this presentation represent RBSG, and where applicable NWM management's, current expectations and are subject to change, including as a result of the factors described in the "Risk Factors" on pages 30-31 of the RBSG Q1 IMS and pages 281 to 295 of the RBSG 2019 Annual Report and Accounts, as well as the Risk Factors" pages 13-14 of the NWM Q1 IMS and on pages 143 to 156 of the NatWest Markets Plc 2019 Annual Report and Accounts, respectively.

## Cautionary statement regarding forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions.

In particular, this document includes forward-looking statements relating, but not limited to: the COVID-19 pandemic and its impact on the RBS Group; future profitability and performance, including financial performance targets such as return on tangible equity; cost savings and targets; implementation of the RBS Group's strategy; litigation and government and regulatory investigations, including the timing and financial and other impacts thereof; the implementation of the Alternative Remedies Package; the continuation of the RBS Group's balance sheet reduction programme, including the reduction of risk-weighted assets (RWAs) and the timing thereof; capital and strategic plans and targets; capital, liquidity and leverage ratios and requirements, including CET1 Ratio, RWA equivalents (RWAE), Pillar 2 and other regulatory buffer requirements, minimum requirement for own funds and eligible liabilities, and other funding plans; funding and credit risk profile; capitalisation; portfolios; net interest margin; customer loan and income growth; the level and extent of future impairments and write-downs, including with respect to goodwill; restructuring and remediation costs and charges; the RBS Group's exposure to political risk, economic risk, climate change risk, operational risk, conduct risk, cyber and IT risk and credit rating risk and to various types of market risks, including interest rate risk, foreign exchange rate risk and commodity and equity price risk; customer experience including our Net Promoter Score (NPS); employee engagement and gender balance in leadership positions.

## Limitations inherent to forward-looking statements

These statements are based on current plans, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to the RBS Group's strategy or operations, which may result in the RBS Group being unable to achieve the current targets, predictions, expectations and other anticipated outcomes expressed or implied by such forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. Forward-looking statements speak only as of the date we make them and we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the RBS Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## Important factors that could affect the actual outcome of the forward-looking statements

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements we describe in this document, including in the risk factors and other uncertainties set out in the RBS Group's 2019 Annual Report on Form 20-F and other materials filed with, or furnished to, the US Securities and Exchange Commission, and other risk factors and uncertainties discussed in this document. These include the significant risks for the RBS Group presented by: the uncertainty surrounding the COVID-19 pandemic and the impact of the COVID-19 pandemic on RBS Group; strategic risk (including in respect of: the implementation and execution of the RBS Group's Purpose-led Strategy, including as it relates to the re-alignment of the NWM franchise and the RBS Group's climate ambition and the risk that the RBS Group may not achieve its targets); operational and IT resilience risk (including in respect of: the RBS Group being subject to cyberattacks; operational risks inherent in the RBS Group's business; exposure to third party risks including as a result of outsourcing and its use of new technologies and innovation, as well as related regulatory and market changes; the RBS Group's operations being highly dependent on its IT systems; the RBS Group relying on attracting, retaining and developing senior management and skilled personnel and maintaining good employee relations; the RBS Group's risk management framework; and reputational risk), economic and political risk (including in respect of: prevailing uncertainty regarding the terms of the UK's withdrawal from the European Union; increased political and economic risks and uncertainty in the UK and global markets; climate change and the transition to a low carbon economy; HM Treasury's ownership of RBSG and the possibility that it may exert a significant degree of influence over the RBS Group; changes in interest rates and changes in foreign currency exchange rates), financial resilience risk (including in respect of: the RBS Group's ability to meet targets and make discretionary capital distributions; the highly competitive markets in which the RBS Group operates; deterioration in borrower and counterparty credit quality; the ability of the RBS Group to meet prudential regulatory requirements for capital and MREL, or to manage its capital effectively; the ability of the RBS Group to access adequate sources of liquidity and funding; changes in the credit ratings of RBSG, any of its subsidiaries or any of its respective debt securities; the RBS Group's ability to meet requirements of regulatory stress tests; possible losses or the requirement to maintain higher levels of capital as a result of limitations or failure of various models; sensitivity of the RBS Group's financial statements to underlying accounting policies, judgments, assumptions and estimates; changes in applicable accounting policies; the value or effectiveness of any credit protection purchased by the RBS Group; the level and extent of future impairments and write-downs, including with respect to goodwill; and the application of UK statutory stabilisation or resolution powers) and legal, regulatory and conduct risk (including in respect of: the RBS Group's businesses being subject to substantial regulation and oversight; the RBS Group complying with regulatory requirements; legal, regulatory and governmental actions and investigations (including the final number of PPI claim and their amounts); the replacement of LIBOR, EURIBOR and other IBOR rates to alternative risk free rates; heightened regulatory and governmental scrutiny (including by competition authorities); implementation of the Alternative Remedies Package and the costs related thereto; and changes in tax legislation).

The forward-looking statements contained in this document speak only as at the date hereof, and the RBS Group does not assume or undertake any obligation or responsibility to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicit of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.